OFFICIAL STATEMENT

Dated July 18, 2017

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 CERTIFICATES IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW AND INTEREST ON THE CERTIFICATES 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 OPINION OF BOND COUNSEL.

$47,550,000
FORT BEND COUNTY, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION
SERIES 2017A

Dated Date: August 1, 2017 **Due: March 1, as shown on inside cover**

PAYMENT TERMS . . . Interest on the $47,550,000 Fort Bend County, Texas, Combination Tax and Revenue Certificates of Obligations, Series 2017A (the "Certificates") will accrue from August 16, 2017 (the "Delivery Date") and will be payable September 1 and March 1 of each year, commencing March 1, 2018, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates 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 Certificates may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates 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 Certificates. See "THE CERTIFICATES - BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is Wells Fargo Bank, N.A. (see "THE CERTIFICATES - PAYING AGENT/REGISTRAR"). In addition to the Certificates, the County is in the process of issuing the Fort Bend County Certificates of Obligation, Series 2017, which closed on July 18, 2017.

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly, Subchapter C of Chapter 271, Texas Local Government Code, and an order adopted by the Commissioners' Court of the County (the "Order") (see "THE CERTIFICATES - AUTHORITY FOR ISSUANCE OF THE CERTIFICATES").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for all or any part of the costs associated with (i) the design and construction of road facilities in the County; and (ii) paying certain costs incurred in connection with the issuance of the Certificates (see "PLAN OF FINANCING - PURPOSE").

SECURITY AND SOURCE OF PAYMENT. . . The Certificates constitute direct obligations of Fort Bend County (the "County") and are payable from a combination of (i) the proceeds of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the County, and (ii) a pledge of net revenues derived from prisoner housing contracts, as provided in the Order (see "THE CERTIFICATES - SECURITY AND SOURCE OF PAYMENT").

SEE MATURITY SCHEDULE ON THE INSIDE COVER PAGE

OPTIONAL REDEMPTION . . . The County reserves the right, at its option, to redeem Certificates 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 CERTIFICATES - OPTIONAL REDEMPTION").

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

LEGALITY . . . The Certificates 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 OPINION"). Certain legal matters will be passed upon for the County by Andrews Kurth Kenyon LLP, Houston, Texas, Issuer's Disclosure Counsel and for the Underwriters by Mahomes Bolden PC, Houston, Texas, Underwriters' Counsel.

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on August 16, 2017.

RBC CAPITAL MARKETS

LOOP CAPITAL MARKETS **RICE FINANCIAL PRODUCTS COMPANY**

MATURITY SCHEDULE

$47,550,000 COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2017A

Maturity March 1[1]	Principal	Rate	Yield[2]	CUSIP Numbers[3]
2018	$2,875,000	5.000 %	0.900 %	346766 UF3
2019	3,125,000	5.000	1.060	346766 UG1
2020	3,285,000	5.000	1.190	346766 UH9
2021	3,450,000	5.000	1.320	346766 UJ5
2022	3,630,000	5.000	1.450	346766 UK2
2023	3,815,000	5.000	1.580	346766 UL0
2024	4,010,000	5.000	1.740	346766 UM8
2025	4,215,000	5.000	1.890	346766 UN6
2026	4,435,000	5.000	2.070	346766 UP1
2027	4,660,000	5.000	2.260	346766 UQ9
.2028	4,900,000	5.000	2.370	346766 UR7
2029	5,150,000	5.000	2.470	346766 US5

(Interest to Accrue from Date of Delivery)

(1) The County reserves the right, at its option, to redeem Certificates 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 CERTIFICATES - OPTIONAL REDEMPTION").

(2) The initial reoffering prices or yields of the Certificates 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.

(3) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Global Services managed by Standard & Poor's Financial Services LLC on behalf of the American Banker's Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the County, the Financial Advisor, nor the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.

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 Certificates 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 Certificates have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been registered or qualified under the securities laws of any other jurisdiction. The County assumes no responsibility for registration or qualification of the Certificates under the securities laws of any other jurisdiction in which the Certificates may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Certificates 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 or the Underwriters. 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 Certificates may be changed from time to time by the Underwriters after such Certificates are released for sale, and the Certificates may be offered and sold at prices other than the initial offering prices, including to dealers who may sell the Certificates 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 CERTIFICATES 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 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 CERTIFICATES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

TABLE OF CONTENTS

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 Certificates 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 CERTIFICATES .... The Certificates are issued as $47,550,000 Fort Bend County, Combination Tax and Revenue Certificates of Obligation, Series 2017A (the "Certificates"). The Certificates are issued as serial certificates maturing March 1, 2018 through March 1, 2029, unless the Underwriters designate one or more maturities as a Term Certificate (see "THE CERTIFICATES - DESCRIPTION OF THE CERTIFICATES"). In addition to the Certificates, the County recently issued the Fort Bend County, Texas Certificates of Obligation, Series 2017, which closed on July 18, 2017.

PAYMENT OF INTEREST .... Interest on the Certificates accrues from the Delivery Date, and is payable March 1, 2018, and each March 1 and September 1 thereafter until maturity or prior redemption (see "THE CERTIFICATES - DESCRIPTION OF THE CERTIFICATES" and "THE CERTIFICATES - OPTIONAL REDEMPTION").

AUTHORITY FOR ISSUANCE.......... The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly, Subchapter C of Chapter 271, Texas Local Government Code, and an order adopted by the Commissioners' Court of the County (the "Order") (see "THE CERTIFICATES – AUTHORITY FOR ISSUANCE").

SECURITY FOR THE CERTIFICATES...................... The Certificates constitute direct obligations of Fort Bend County (the "County") and are payable from a combination of (i) the proceeds of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the County, and (ii) a pledge of net revenues derived from prisoner housing contracts, as provided in the Order (see "THE CERTIFICATES - SECURITY AND SOURCE OF PAYMENT").

REDEMPTION .... The County reserves the right, at its option, to redeem Certificates 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 CERTIFICATES — OPTIONAL REDEMPTION"). Additionally, in the event the Underwriters elect to aggregate one or more maturities of the Certificates as one or more Term Certificates, such Term Certificates will be subject to mandatory redemption (see "THE CERTIFICATES - MANDATORY SINKING FUND REDEMPTION").

TAX EXEMPTION........................... In the opinion of Bond Counsel, interest on the Certificates is excludable from gross income for federal income tax purposes under existing law and interest on the Certificates 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 Certificates will be used for all or any part of the costs associated with (i) the design and construction of road facilities in the County; and (ii) paying certain costs incurred in connection with the issuance of the Certificates (see "PLAN OF FINANCING - PURPOSE").

RATINGS .... The Certificates are rated "Aa1" by Moody's Investors Service, Inc. ("Moody's") and "AA+" by Fitch Ratings ("Fitch").

BOOK-ENTRY-ONLY SYSTEM .... The definitive Certificates 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 Certificates may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates 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 Certificates (see "THE CERTIFICATES - BOOK-ENTRY-ONLY SYSTEM") .

PAYMENT RECORD .... The County has never defaulted in payment of its general obligation tax debt.

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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
2013	643,408	$ 39,439,947,054	$ 61,299	$468,360,000	$ 728	1.19%	99.16%	2012
2014	652,365	41,977,668,270	64,347	448,570,000	688	1.07%	99.39%	2013
2015	677,700	45,720,920,515	67,465	457,525,000	675	1.00%	99.39%	2014
2016	685,345	53,536,178,737	78,116	414,368,978	605	0.77%	99.44%	2015
2017	718,458	58,361,110,947	81,231	457,498,978 [4]	637 [4]	0.78% [4]	97.82%	2016

(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) Includes the Certificates and the Fort Bend County Certificates of Obligation, Series 2017.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended September 30,				
	2016	2015	2014	2013	2012
Beginning Balance	$ 45,934,056	$ 37,524,500	$ 37,406,622	$ 36,026,567	$ 44,058,981
Total Revenue	281,635,016	253,986,347	234,570,506	218,452,384	203,341,194
Total Expenditures	267,358,834	232,815,990	220,395,859	207,558,979	203,350,055
Transfer In (Out)	(13,522,214)	(12,760,801)	(14,056,769)	(9,513,350)	(8,023,553)
Ending Balance	$ 46,688,024	$ 45,934,056	$ 37,524,500	$ 37,406,622	$ 36,026,567

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 or 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	14 Years	2018
Vincent Morales, Jr.	Commissioner - Precinct 1	1 Year	2020
Grady Prestage	Commissioner - Precinct 2	26 Years	2018
Andy Meyers	Commissioner - Precinct 3	20 Years	2020
James Patterson	Commissioner - Precinct 4	18 Years	2018

OTHER ELECTED AND APPOINTED OFFICIALS

Name	Position	Length of Service to County
Richard Stolleis	County Engineer	5 Years
Ed Sturdivant	County Auditor	16 Years
Jeff Council	County Treasurer	10 Years
Patsy Schultz	Tax Assessor/Collector	12 Years
Roy Cordes, Jr.	County Attorney	12 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 Kenyon LLP
Houston, Texas

OFFICIAL STATEMENT

RELATING TO

$47,550,000
FORT BEND COUNTY, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION
SERIES 2017A

INTRODUCTION

This Official Statement, which includes the appendices attached hereto, provides certain information regarding the issuance of $47,550,000 Fort Bend County, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2017A (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the order to be adopted on the date of sale of the Certificates which will authorize the issuance of the Certificates (the "Order"), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates 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 2017 population to be 736,825. 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

Proceeds from the sale of the Certificates will be used for all or any part of the costs associated with (i) the design and construction of road facilities in the County; and (ii) paying certain costs incurred in connection with the issuance of the Certificates (see "PLAN OF FINANCING - Sources and Uses of Proceeds").

SOURCES AND USES OF PROCEEDS

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

Sources of Funds:		
Principal Amount	$	47,550,000.00
Premium		7,965,901.10
Total Sources of Funds	$	55,515,901.10
Uses of Funds:		
Deposit to Project Fund	$	55,000,000.00
Underwriters' Discount		251,217.92
Costs of Issuance		264,683.18
Total Uses of Funds	$	55,515,901.10

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES

The Certificates are dated August 1, 2017 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 accrue from the Delivery Date and 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 March 1, 2018. The definitive Certificates 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 Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates 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 Certificates. See "BOOK-ENTRY-ONLY SYSTEM" herein. In addition to the Certificates, the County issued the Fort Bend County Certificates of Obligation, Series 2017, which closed on July 18, 2017.

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES

The Certificates are issued pursuant to the Constitution and general laws of the State, including particularly, Subchapter C of Chapter 271, Texas Local Government Code, and the Order.

SECURITY AND SOURCES OF PAYMENT

The Certificates constitute direct obligations of the County and are payable from a combination of (i) the proceeds of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the County, and (ii) a pledge of net revenues derived from prisoner housing contracts, as provided in the Order.

PRISONER HOUSING CONTRACTS

The gross revenues of the County's prisoner housing contracts for 2016, 2015 and 2014 were $2,449,288, $2,724,688, and $2,931,447, respectively. The County pays jail expenses from ad valorem tax revenues as well as from these revenues.

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 that 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 Certificates are a limited tax obligation.

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.

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 Certificates 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 Certificates are to be redeemed, the County may select the maturities of Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Mandatory Sinking Fund Redemption

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

Notice of Redemption

Not less than 30 days prior to a redemption date for the Certificates, 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 Certificates 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 CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

Defeasance

The Order provides that the County may discharge its obligations to the Registered Owners of any or all of the Certificates 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 Certificates to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Certificates 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 Certificates; 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 Certificates 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 Certificates have been made as described above, all rights of the County to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates 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 Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

Book-Entry-Only System

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and accredited by DTC while the Certificates 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 Certificates, 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 Certificates), 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 Certificates. The Certificates will be issued as fully-registered Certificates 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 Certificate will be issued for each maturity of the Certificates, 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 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 Certificates 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 Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates 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 Certificates 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 Certificates 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Certificates 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 Certificates 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 Certificates 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, 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, 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 Certificates 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 Certificates, 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 Order 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 Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "THE CERTIFICATES - TRANSFER, EXCHANGE AND REGISTRATION" below.

PAYING AGENT/REGISTRAR

The initial Paying Agent/Registrar is Wells Fargo Bank, N.A. In the Order, the County retains the right to replace the Paying Agent/Registrar. The County covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates 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 Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the County agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates 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 Certificates 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. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates 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 Certificates issued in an exchange or transfer of Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates. Neither the County nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate 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 Certificate.

RECORD DATE FOR INTEREST PAYMENT

The record date ("Record Date") for the interest payable on the Certificates 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 Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

BONDHOLDERS' REMEDIES

The Order does not specify events of default with respect to the Certificates. If the County defaults in the payment of principal, interest, or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, the registered owners may seek a writ of mandamus to compel County officials to carry out their legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the Certificates or the covenants included in the Order 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 Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does 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 Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3rd 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the County's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the County for a default on the Certificates or breach of the covenants of the Order. 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 Certificates. 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 Order and the Certificates 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 2016 to date is approximately $4,537,244 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.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2016/2017 Certified Appraised Value by Fort Bend Central Appraisal District (excluding totally exempt property)		$ 73,870,865,921
Less Exemptions/Reductions at 100% Market Value:		
Residential Homestead Exemptions	$ 8,147,886,353	
Over 65 Exemptions	2,825,558,734	
Disabled & Deceased Veteran's Exemptions	487,756,164	
Lease Vehicle Exemption	5,912,840	
Abatements	344,417,756	
Productivity Loss	2,544,472,235	
Pollution	222,054,340	
House Bill 366	209,300	
Historical	14,013,841	
Solar	203,250	
Prorated Exempt Property	5,148,323	
10% Homestead Cap Adjustment	912,121,838	15,509,754,974
2016/2017 Taxable Assessed Valuation		$ 58,361,110,947
County Funded Debt Payable from Ad Valorem Taxes (as of July 1, 2017)		
Limited Tax Bonds[(1)]		$ 261,278,978
Unlimited Tax Road Bonds		196,220,000
Unlimited Tax Toll Road Bonds[(2)]		108,735,000
Fort Bend Grand Parkway Toll Road Authority Limited Contract Tax Bonds[(3)]		155,085,000
County Funded Debt Payable from Ad Valorem Taxes		$ 721,318,978
Ratio of Tax Supported Gross Debt to Taxable Assessed Valuation		1.24%

2017 Population Estimate - 736,825 [(4)]
Per Capita Taxable Assessed Valuation - $79,206
Per Capita Tax Debt - $979

(1) Includes the Certificates and the Fort Bend County Certificates of Obligation, Series 2017, both of which closed or are scheduled to close after July 1, 2017. 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. See "DEBT INFORMATION – FORT BEND COUNTY TOLL ROAD BONDS" herein.

(3) 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.

(4) Source: The County.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Tax Year					
	2016		2015		2014	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 52,803,517,963	71.48%	$ 48,210,660,622	70.68%	$ 38,197,156,012	66.41%
Real, Residential, Multi-Family	1,905,243,783	2.58%	1,825,084,868	2.68%	1,492,817,879	2.60%
Real, Vacant Lots/Tracts	893,236,838	1.21%	846,058,635	1.24%	854,963,794	1.49%
Real, Acreage (Land Only)	2,807,243,913	3.80%	2,375,050,069	3.48%	2,455,020,886	4.27%
Real, Farm and Ranch Improvements	417,241,559	0.56%	403,688,459	0.59%	380,697,030	0.66%
Real, Commercial and Industrial	8,843,529,264	11.97%	8,082,106,852	11.85%	7,759,852,998	13.49%
Real, Oil, Gas & Other Mineral Reserves	41,228,090	0.06%	129,149,800	0.19%	256,495,180	0.45%
Real and Tangible Personal, Utilities	781,178,457	1.06%	808,967,279	1.19%	754,452,129	1.31%
Tangible Personal, Commercial and Industrial	3,934,401,978	5.33%	4,239,563,234	6.22%	4,181,424,859	7.27%
Tangible Personal, Other	66,519,420	0.09%	66,002,285	0.10%	62,049,925	0.11%
Real, Inventory	1,221,511,856	1.65%	1,082,771,520	1.59%	999,071,390	1.74%
Special Inventory	136,751,320	0.19%	127,126,210	0.19%	109,766,186	0.19%
Intangible Property and/or Uncertified Property	19,261,480	0.03%	16,435,550	0.02%	13,398,220	0.02%
Total Appraised Value Before Exemptions	$ 73,870,865,921	100.00%	$ 68,212,665,383	100.00%	$ 57,517,166,488	100.00%
Less: Total Exemptions/Reductions	15,509,754,974		14,676,486,646		11,796,245,973	
Taxable Assessed Value	$ 58,361,110,947		$ 53,536,178,737		$ 45,720,920,515	

	Tax Year			
	2013		2012	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 34,939,222,040	66.00%	$ 32,696,769,609	65.21%
Real, Residential, Multi-Family	1,223,124,193	2.31%	1,038,540,000	2.07%
Real, Vacant Lots/Tracts	910,690,568	1.72%	961,783,939	1.92%
Real, Acreage (Land Only)	2,405,933,092	4.54%	2,535,052,048	5.06%
Real, Farm and Ranch Improvements	368,553,330	0.70%	348,241,112	0.69%
Real, Commercial and Industrial	7,241,630,477	13.68%	7,134,533,264	14.23%
Real, Oil, Gas & Other Mineral Reserves	262,592,210	0.50%	333,441,300	0.66%
Real and Tangible Personal, Utilities	627,521,930	1.19%	615,750,037	1.23%
Tangible Personal, Commercial and Industrial	3,979,309,449	7.52%	3,599,878,815	7.18%
Tangible Personal, Other	60,883,115	0.12%	55,486,280	0.11%
Real, Inventory	793,911,390	1.50%	730,016,310	1.46%
Special Inventory	102,899,736	0.19%	84,571,490	0.17%
Intangible Property and/or Uncertified Property	25,039,550	0.05%	9,027,243	0.02%
Total Appraised Value Before Exemptions	$ 52,941,311,080	100.00%	$ 50,143,091,447	100.00%
Less: Total Exemptions/Reductions	10,963,642,810		10,703,144,393	
Taxable Assessed Value	$ 41,977,668,270		$ 39,439,947,054	

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

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended Sept 30	Estimated Population(1)	Taxable Assessed Valuation(2)	Taxable Assessed Valuation Per Capita	Tax Supported Debt Outstanding at End of Year(3)	Ratio of Tax Supported Debt to Taxable Assessed Valuation	Tax Supported Debt Per Capita	Tax Year
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	677,700	45,720,920,515	67,458	457,525,000	1.00%	675	2014
2016	685,345	53,536,178,737	78,116	414,368,978	0.77%	605	2015
2017	718,458	58,361,110,947	81,231	457,498,978 (4)	0.78% (4)	637 (4)	2016

(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) Includes the Certificates and the Fort Bend County Certificates of Obligation, Series 2017.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended	Tax Rate	Tax Levy	% Current Collections(1)	% Total Collections(2)
2013	$ 0.49976	$ 206,158,815	99.16%	99.85%
2014	0.49976	220,758,336	99.39%	99.83%
2015	0.49476	240,792,644	99.39%	99.78%
2016	0.48600	268,983,527	99.44%	99.59%
2017	0.47400	288,292,776	97.82% (3)	98.45% (3)

(1) Collected within the Fiscal Year of the levy.
(2) As of September 30th for each respective year's levy.
(3) Represents collections as of April 30, 2017.

TABLE 5 - TAX RATE DISTRIBUTION ANALYSIS

	Tax Year 2016	2015	2014	2013	2012
General Fund	$ 0.37000	$ 0.37300	$ 0.37826	$ 0.38076	$ 0.37776
Road & Bridge Fund	0.02200	0.03200	0.02850	0.03100	0.02800
Debt Service Fund(1)	0.07600	0.06000	0.06600	0.07300	0.07500
Drainage District	0.01600	0.02100	0.02200	0.01500	0.01900
Farm-to-Market & Lateral Road Fund	0.00000	0.00000	0.00000	0.00000	0.00000
County Total Tax Rate	$ 0.48400	$ 0.48600	$ 0.49476	$ 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 CERTIFICATES – TAX RATE LIMITATION."

TABLE 6 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2016/2017 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
NRG Texas Power LLC	Eletric Utility	$ 690,238,490	1.18%
Centerpoint Energy Electric	Eletric Utility	294,520,410	0.50%
Malls at Katy Mills LP(1)	Shopping Mall	123,078,450	0.21%
Tramontina USA Inc.	Commercial	96,475,390	0.17%
Fairfield Industries	Land & Improvements	95,618,640	0.16%
LCFRE Sugar Land Town Square LLC	Shopping Mall	88,627,390	0.15%
AmerisourceBergen Drug Corporation	Drug Corp	81,268,740	0.14%
First Colony Mall LLC	Shopping Mall	81,007,090	0.14%
Brazos Valley Energy LLC	Energy	80,960,490	0.14%
Schlumberger Tech Corp	Oil & Gas	79,235,660	0.14%
		$ 1,711,030,750	2.93% (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

Certificates of Obligation 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 Certificates are issued as limited tax obligations payable from this Constitutional tax.

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.

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.

2017 Principal and Interest Requirements..................................	$ 56,845,582	(1)
$0.09840 Tax Rate at 99% Collection Produces	$ 56,853,060	
Maximum Principal and Interest Requirements (2021)....................	$ 64,398,558	(1)
$0.11150 Tax Rate at 99% Collection Produces	$ 64,421,912	
Average Principal and Interest Requirements (2017-2046)...............	$ 37,556,896	(1)
$0.06510 Tax Rate at 99% Collection Produces	$ 37,613,152	

(1) Includes the Certificates and the Fort Bend County Certificates of Obligation, Series 2017.

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	**$ 721,318,978** (1)	**100.00%** (1)	**$ 721,318,978** (1)
Cities			
Arcola	$ 3,280,000	100.00%	$ 3,280,000
Meadows Place	$ 1,310,000	100.00%	$ 1,310,000
Needville	$ 1,550,000	100.00%	$ 1,550,000
Richmond	$ 30,580,000	100.00%	$ 30,580,000
Rosenberg	$ 71,328,000	100.00%	$ 71,328,000
Sugar Land	$ 285,595,763	100.00%	$ 285,595,763
County-Line Cities			
Houston	$ 2,731,150,000	0.48%	$ 13,109,520
Katy	$ 17,115,000	37.24%	$ 6,373,626
Missouri City	$ 139,825,000	95.50%	$ 133,532,875
Pearland	$ 302,680,000	4.20%	$ 12,712,560
Total Cities			$ 559,372,344
School Districts			
Fort Bend ISD	$ 900,138,767	100.00%	$ 900,138,767
Lamar Consolidated ISD	$ 791,650,000	100.00%	$ 791,650,000
Needville ISD	$ 57,930,000	100.00%	$ 57,930,000
County-Line School Districts			
Brazos ISD	$ 14,214,987	60.83%	$ 8,646,977
Katy ISD	$ 1,646,851,791	38.80%	$ 638,978,495
Stafford MSD	$ 57,295,000	99.60%	$ 57,065,820
Total School Districts			$ 2,454,410,059
Special Districts (2)			$ 3,273,207,785
Other			
Houston Community College District	$ 599,540,000	28.18%	$ 168,950,372
Total Other			$ 168,950,372
Summary of Estimated Overlapping Debt			
Cities			$ 559,372,344
School Districts			$ 2,454,410,059
Special Districts			$ 3,273,207,785
Other			$ 168,950,372
Total Estimated Overlapping Debt			$ 6,455,940,560
Fort Bend County - Direct Obligations			$ 721,318,978 (1)
Total Direct and Estimated Overlapping Debt			$ 7,177,259,538

Source: The Municipal Advisory Council of Texas.

(1) County Debt Outstanding as of 7/1/2017, adjusted to include the Certificates and the Fort Bend County Certificates of Obligation, Series 2017.

DEBT INFORMATION

TABLE 9 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

	County Debt Paid From Ad Valorem Taxes				Fort Bend Grand Parkway Toll Road Authority	
Year End September 30	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
2017	$ 19,564,869	$ 20,753,888	$ 40,318,757	$ 9,346,625	$ 7,180,200	$ 56,845,582
2018	26,061,706	20,659,644	46,721,349	9,921,875	7,180,200	63,823,424
2019	25,729,773	20,253,375	45,983,148	10,157,625	7,180,200	63,320,973
2020	25,668,898	20,165,050	45,833,948	10,321,875	7,180,200	63,336,023
2021	25,623,583	20,062,525	45,686,108	10,333,000	8,379,450	64,398,558
2022	24,741,603	18,224,925	42,966,528	10,339,125	9,517,200	62,822,853
2023	24,770,060	18,212,800	42,982,860	10,320,250	10,481,325	63,784,435
2024	24,794,604	18,222,100	43,016,704	10,354,875	10,473,200	63,844,779
2025	24,201,763	18,219,900	42,421,663	10,332,250	10,461,200	63,215,113
2026	24,218,673	18,220,675	42,439,348	10,342,125	10,454,825	63,236,298
2027	24,234,948	16,067,325	40,302,273	10,347,875	10,443,575	61,093,723
2028	24,253,345	14,309,975	38,563,320	10,339,000	10,432,075	59,334,395
2029	24,269,064	14,319,525	38,588,589	10,329,875	10,423,050	59,341,514
2030	19,007,380	10,999,650	30,007,030	10,357,188	10,410,150	50,774,368
2031	14,127,650	11,001,950	25,129,600	10,317,375	10,401,700	45,848,675
2032	5,034,799	10,998,050	16,032,849	10,311,500	10,388,625	36,732,974
2033	6,402,004	6,502,225	12,904,229		10,378,375	23,282,604
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
	$ 373,853,397	$ 293,947,056	$ 667,800,453	$ 163,772,438	$ 295,134,000	$ 1,126,706,891

(1) Interest and principal for the Certificates has been included. 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.

TABLE 10 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending September 30, 2017		$ 56,845,582
Interest and Sinking Fund Balance, September 30, 2016	$ 1,086,398	
Budgeted Interest and Sinking Fund Tax Levy	44,948,638	
Transfer from Toll Road Authority	9,346,625	
Transfer from FBGPTRA	7,180,200	
Projected Other Income	30,000	62,591,861
Estimated Interest and Sinking Fund Balance, September 30, 2017		$ 5,746,279

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Issued To Date	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
		$ 283,500,000	$ 114,300,000	$ 169,200,000

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. Additional Fort Bend County Toll Road Revenue Bonds are expected to be issued in the future 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 9/30	Project Revenues	Senior Lien Debt Service	Coverage Ratio on Senior Lien Debt Service	O&M Expenses(1)	Revenues Available for Subordinate Lien Debt Service	Subordinate Lien Debt Service	Coverage Ratio on Subordinate Lien Debt Service
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
2016	30,270,086	7,063,361	4.286 x	7,768,501	15,438,224	8,849,625	1.745 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 Certificates.

TXDOT FINANCIAL ASSISTANCE AGREEMENT

In 2011, Fort Bend County entered into a Financial Assistance Agreement with TxDOT for the purpose of receiving financial assistance in connection with the development and construction of an extension of the Westpark Tollway facility in the County, including frontage roads, from the Grand Parkway (SH 99) to FM 1463 (the "TxDOT Agreement"). Under the TxDOT Agreement, TxDOT will provide financial assistance to the County in an aggregate amount of $40 million, to be disbursed in the amount of $4 million per year for ten years, and to be used to pay for or reimburse the costs of development and construction of an extension of the Westpark Tollway. These TxDOT disbursements are not pledged for repayment of the Certificates, however, the debt service on the Certificates may be paid from available revenues of the County, including amounts received pursuant to the TXDot Agreement.

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT

In addition to the obligations discussed above under "FORT BEND COUNTY TOLL ROAD BONDS," the County expects to issue additional bonds in the next 12 months. Such bonds will be secured by ad valorem tax revenues.

OTHER OBLIGATIONS

As of September 30, 2016, the County has no other outstanding obligations.

PENSION FUND

The County provides pension, disability and death benefits for all of its full-time employees through a non-traditional, joint contributory, defined contribution plan in the state-wide Texas County and District Retirement System ("TCDRS"). Under the State law governing TCDRS (the "TCDRS Act"), the contribution rate of the County is a fixed percent equal to twice the contribution rate payable by the employee member. Currently, the employee member is required to contribute 7% and the County contributes 14%. This rate is not actuarially determined and is one of the rates that can be adopted by the County in accordance with the TCDRS Act. The matching rate is funded by direct allocation by the County along with plan savings from the prior year, therefore the actual allocation rate is less.

The 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 County's total payroll in fiscal year 2016 was $138.4 million and the County's contributions were based on a payroll of $137.2 million. Contributions made by employees totaled $9.6 million, and the County made contributions of $16.3 million during the fiscal year ended September 30, 2016. (For more detailed information concerning the retirement plan, see the County's Annual Financial Report for Fiscal Year Ending September 30, 2016 - Note 9.).

GASB Statement No. 68 establishes new accounting and financial reporting requirements for governments that provide their employees with pensions, including requiring that the County's funding obligation be calculated and reported as "Net Pension Liability." The "Net Pension Liability" is the difference between the County's "Total Pension Liability" and the "Fiduciary Net Position" of each respective pension plan. The Total Pension Liability is the present value of pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method.

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, 2016, there were 824 retirees receiving benefits and approximately 2,752 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 2016 are as follows:

For fiscal year 2016, the County's annual OPEB cost for the Plan (which includes the Fort Bend County Drainage District) was $42,570,952. 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, 2012-2016, were as follows:

	Fiscal Year Ended 9/30/16	Fiscal Year Ended 9/30/15	Fiscal Year Ended 9/30/14	Fiscal Year Ended 9/30/13	Fiscal Year Ended 9/30/12
Determination of Annual Required Contribution					
Normal Cost at Fiscal Year End	$ 23,303,760	$ 20,168,775	$ 20,168,775	$ 18,173,276	$ 18,173,276
Amortization of Unfunded Actuarial Accrued Liability	22,720,479	19,772,976	18,050,360	17,363,132	15,791,161
Annual Required Contribution (ARC)	46,024,239	39,941,751	38,219,135	35,536,408	33,964,437
Determination of Net OPEB Obligation					
Annual Required Contribution	46,024,239	39,941,751	38,219,135	35,536,408	33,964,437
Interest on prior-year Net OPEB Obligation	8,851,254	7,590,374	6,351,213	5,201,196	4,070,402
Adjustment to ARC	(12,304,541)	(10,551,733)	(8,829,118)	(7,230,426)	(5,658,455)
Annual OPEB Cost	42,570,952	36,980,392	35,741,230	33,507,178	32,376,384
Less Assumed Contributions Made	(6,954,340)	(5,458,390)	(4,762,204)	(4,756,756)	(4,106,516)
Estimated Increase in Net OPEB Obligation	35,616,612	31,522,002	30,979,026	28,750,422	28,269,868
Net OPEB Obligation - Beginning of Year	221,281,360	189,759,358	158,780,332	130,029,910	101,760,042
Net OPEB Obligation - End of Year	$ 256,897,972	$ 221,281,360	$ 189,759,358	$ 158,780,332	$ 130,029,910
Percentage of OPEB Cost Contributed	16.3%	14.8%	13.3%	14.2%	12.7%

The following table shows the annual OPEB cost and net OPEB obligation for fiscal years 2012-2016 assuming the plan is not prefunded (4% discount).

Fiscal Year Ended	Discount Rate	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2012	4%	$32,376,384	12.7%	$130,029,910
2013	4%	33,507,178	14.2%	158,780,332
2014	4%	35,741,230	13.3%	189,759,358
2015	4%	36,980,392	14.8%	221,281,360
2016	4%	42,570,952	16.3%	256,897,972

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

Actuarial valuation date	October 1, 2015
Actuarial value of plan assets (a)	$0
Actuarial accrued liability (AAL) (b)	$350,708,226
Unfunded/(Overfunded) actuarial accrued[1] liability (UAAL or OAAL) (b-a)	$350,708,226
Funded Ratio (a/b)	0.0%
Annual Covered Payroll[1] (c)	$127,676,972
UAAL or OAAL as % of covered payroll ((b-a)/c)	274.7%

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.

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FINANCIAL INFORMATION

TABLE 13 - CHANGES IN NET POSITION

	Fiscal Year Ended September 30,				
Revenues:	2016	2015	2014	2013	2012
Program Revenues:					
Charges for Services	$ 51,970,902	$ 47,638,105	$ 44,948,760	$ 44,068,025	$ 39,478,271
Operating Grants and Contributions	38,115,985	36,841,200	33,096,456	33,304,392	29,633,400
Capital Grants and Contributions	126,855,630	32,984,374	36,540,480	30,132,207	23,899,439
General Revenues:					
Property Taxes	270,349,769	264,741,926	222,838,642	207,458,672	199,213,697
Sales Taxes	6,958,956	5,789,362	4,214,553	2,956,560	1,099,103
Earnings on Investments	1,761,994	904,359	880,712	963,652	2,584,776
Other	7,520,474	7,138,231	4,373,699	5,537,404	6,745,855
Total Revenues	$ 503,533,710	$ 396,037,557	$ 346,893,302	$ 324,420,912	$ 302,654,541
Expenditures:					
General Administration	$ 61,923,654	$ 49,953,700	$ 47,178,578	$ 42,034,040 (3)	$ 39,614,537
Financial Administration	10,668,228	9,923,190	9,809,215	8,849,251 (3)	8,344,714
Administration of Justice	106,035,587	97,317,659	96,510,853	94,210,925 (3)	90,907,609
Construction & Maintenance	78,151,431	80,574,657	57,430,317	50,078,091 (3)	46,468,925
Health & Welfare	43,153,506	36,721,273	34,976,018	34,630,163 (3)	30,677,345
Cooperative Service	1,215,874	1,150,926	1,152,222	1,067,104	1,118,341
Public Safety	64,704,958	63,537,941	58,412,120	55,866,404 (3)	54,954,201
Parks & Recreation	4,545,562	4,133,419	3,379,366	2,069,935 (3)	2,578,555
Libraries & Education	18,446,773	17,638,589	17,170,818	16,156,200 (3)	15,708,114
Interest on Long-Term Debt	14,960,865	14,108,075	14,836,824	15,536,759 (3)	15,037,346
Total Expenditures	$ 403,806,438	$ 375,059,429	$ 340,856,331	$ 320,498,872	$ 305,409,687
Change in Net Position	$ 99,727,272	$ 20,978,128	$ 6,036,971	$ 3,922,040	$ (2,755,146)
Net Position, Beginning - as originally presented	632,734,387	611,756,259	715,885,065	711,963,025 (3)	718,350,724
Change in Accounting Principles(1)	-	-	(21,429,052)	-	-
Change in Capital Assets(2)	479,547,228	479,743,700	(88,736,725)	-	-
Ending Fund Balance	$ 1,212,008,887	$ 1,112,478,087	$ 611,756,259	$ 715,885,065	$ 715,595,578

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) During the fiscal year ended September 30, 2016, the County restated the carrying value of its capital assets. The restatement of prior year capital assets has increased the ending net position balance but the related activities have not been presented in this schedule.

(3) Restated.

TABLE 14 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
Revenues:	2016	2015	2014	2013	2012
Taxes	$ 208,164,429	$ 185,554,437	$ 169,990,645	$ 157,461,669	$ 152,964,339
Fees and Fines	38,492,838	36,432,382	34,136,127	31,895,803	28,304,371
Intergovernmental	27,416,195	25,926,210	23,252,647	24,270,370	15,999,897
Earnings on Investments	1,098,322	660,788	589,520	590,025	1,376,442
Miscellaneous	6,463,232	5,412,530	6,601,567	4,234,517	4,696,145
Total Revenues	$ 281,635,016	$ 253,986,347	$ 234,570,506	$ 218,452,384	$ 203,341,194
Expenditures:					
Current Operating:					
General Administration	$ 54,297,724	$ 43,520,792	$ 40,451,397	$ 34,712,120	$ 34,721,821
Financial Administration	9,056,117	8,367,301	7,883,935	7,169,404	7,216,068
Administration of Justice	67,198,866	60,223,750	57,156,400	56,060,130	56,676,737
Construction and Maintenance	2,737,885	2,613,642	2,497,848	2,699,036	2,804,010
Health & Welfare	35,534,009	30,504,559	27,026,085	24,940,619	22,806,164
Cooperative Service	1,050,282	973,026	944,039	883,324	960,392
Public Safety	53,789,913	52,633,249	46,011,792	43,775,844	44,403,985
Parks & Recreation	3,297,608	3,051,927	2,411,558	1,979,888	1,957,044
Libraries & Education	15,159,262	14,379,472	13,551,652	12,974,697	12,955,022
Capital Outlay	25,237,168	16,548,272	22,461,153	22,363,917	18,848,812
Total Expenditures	$ 267,358,834	$ 232,815,990	$ 220,395,859	$ 207,558,979	$ 203,350,055
Revenues Over (Under) Expenditures	$ 14,276,182	$ 21,170,357	$ 14,174,647	$ 10,893,405	$ (8,861)
Transfer In (Out)	$ (13,522,214)	$ (12,760,801)	$ (14,056,769)	$ (9,513,350)	$ (8,023,553)
Beginning Fund Balance, January 1	45,934,056	37,524,500	37,406,622	36,026,567	44,058,981
Ending Fund Balance	$ 46,688,024	$ 45,934,056	$ 37,524,500	$ 37,406,622	$ 36,026,567

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, 2016, the County's investable funds were invested in the following categories:

Description	Book Value	Market Value
Cash Deposits	$ 336,658,360	$ 336,658,360
Investment pools	137,401,990	137,401,990
Governmental Securities	53,253,502	53,253,502
	$ 527,313,852	$ 527,313,852

TAX MATTERS

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Order pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Certificates 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 Order or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Certificates could become taxable from the date of delivery of the Certificates, 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 Certificates, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Certificates 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 Certificates, is included in a corporation's "adjusted current earnings," ownership of the Certificates 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 Certificates.

Prospective purchasers of the Certificates 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 Certificates. 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 Certificates. 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 Certificates may not have a right to participate in such audit. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit regardless of the ultimate outcome of the audit.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT CERTIFICATES

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

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

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

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

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

OTHER INFORMATION

RATINGS

The Certificates are rated "Aa1" by Moody's Investor Services, Inc. ("Moody's") and "AA+" by Fitch Ratings ("Fitch"). An explanation of the significance of such ratings may be obtained from the company furnishing the rating. A securities rating is not a recommendation to buy, sell or hold securities. The ratings reflect only the respective views of such organizations and the County makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Certificates.

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.

2017 LEGISLATIVE SESSION

On January 10, 2017, the 85th Texas Legislature convened in general session, and the legislative session concluded on May 29, 2017. According to published reports, the Legislature adopted and transmitted to the Governor a State budget for 2018-2019; however, the County has not made a comprehensive review of how it may be affected by the 2018-2019 State budget or any other legislation adopted during the legislative session that pertains the County. Moreover, the Governor has expressed his intent to exercise his power under the Texas Constitution to call a 30-day special session of the Texas Legislature starting July 18, 2017 to address 20 specific agenda items identified by the Governor. The County cannot predict what legislation, if any, will be passed by the Texas Legislature during a special session or what impact such legislation would have on the County's finances. The County also cannot predict whether the Governor will exercise his power under the Texas Constitution to call additional special sessions for the purpose of considering legislation that impacts the County.

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 Certificates from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any proposed, pending or future legislation.

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

The sale of the Certificates has not been registered under the Securities Act of 1933 in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The County assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates 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 Certificates 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 Certificates, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Certificates and to the effect that the Certificates 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 Certificates will be excludable from gross income for federal income tax purposes under existing law and the interest on the Certificates 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 Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Certificates 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 Certificates and the Order in the Official Statement under the captions "PLAN OF FINANCING," "THE CERTIFICATES" (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 CERTIFICATES 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 Certificates is contingent on the sale and delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the Certificates 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 Kenyon LLP, Disclosure Counsel. The legal fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Certificates is contingent upon the sale and delivery of the Certificates. Certain legal matters will be passed upon for the Underwriters by Mahomes Bolden PC, Underwriters' Counsel. The legal fee of such firm is contingent upon the sale and delivery of the Certificates.

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

FINANCIAL ADVISOR

FirstSouthwest, a Division of Hilltop Securities Inc., is retained as Financial Advisor to the County in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. 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 Certificates, 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 RBC Capital Markets, have agreed, subject to certain conditions precedent, to purchase the Certificates from the County, at a price of $55,264,683.18 (representing the par amount of the Certificates of $47,550,000 plus a premium of $7,965,901.10, less an underwriters' discount of $251,217.92). The Underwriters will be obligated to purchase all of the Certificates if any of the Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, 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.

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.

Loop Capital Markets, one of the Underwriters of the Certificates, has entered into a distribution agreement with UBS Financial Services Inc. ("UBSFS") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the distribution agreement, UBSFS will purchase Certificates from Loop Capital Markets at the original issue prices less a negotiated portion of the selling concession applicable to any Certificates that the firm sells.

RBC Capital Markets, LLC ("RBCCM") has provided the following information for inclusion in this Official Statement. RBCCM is a full-service financial institution engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBCCM may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBCCM may engage in transactions for its own accounts involving the securities and instruments made the subject of this securities offering or other offerings of the County. RBCCM may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the County. RBCCM may make a market in credit default swaps with respect to municipal securities in the future.

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 Order, the County has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The County is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. 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 Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, 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 Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates. 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 Certificates in the primary offering of the Certificates. 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.

MISCELLANEOUS

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

The Order authorizing the issuance of the Certificates 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 Certificates by the Underwriters.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Certificates, 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 Certificates 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

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APPENDIX A

GENERAL INFORMATION REGARDING THE COUNTY

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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	888,595

(1) Source: U.S. Census Bureau.
(2) Projected. Source: Texas Demographic Center.

LABOR STATISTICS

Calendar Year	Labor Force	Total Employment	Unemployment	Unemployment Rate
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	319,114	300,119	18,995	6.0%
2013	333,665	315,450	18,215	5.5%
2014	346,526	330,874	15,652	4.5%
2015	354,744	339,619	15,125	4.3%
2016	359,594	341,519	18,075	5.0%

Source: Texas Employment Commission

MAJOR EMPLOYERS

Employer	Line of Business	Number of Employees
Fort Bend ISD	Public Education	10,579
Lamar CISD	Public Education	3,188
Fort Bend County	County Government	2,438
Fluor Corporation	Engineering, Construction, Maintenance & Technical Services	2,430
Methodist Sugar Land Hospital	Healthcare	2,200
Schlumberger Technology Corp.	Energy Exploration Technology/Research	1,750
Richmond State School	Special Education	1,300
United Parcel Service	Package Distribution	1,200
Oak Bend Medical Center	Healthcare	1,164
Nalco Company Energy Services Division	Chemical Production	1,100
Frito-Lay, Inc.	Snack Food Manufacturer	994
Texana Center	Healthcare	867
City of Sugar Land	Government	713
Memorial Hermann - Sugar Land Hospital	Healthcare	563
Fiserv Output Solutions	Provider of Financial Services Technology Solutions	531
St. Luke's Sugar Land Hospital	Healthcare	454
Pentair	Valve Manufacturer	450
Stafford Municipal School District	Public Education	440
Sunoco Logistics Partners	Pipeline	403
Tramontina	Manufacturer & Marketer of Cutlery & Stainless Steel Cookware	386
Texas Instruments	Technology	375
NRG	Energy Company	370
National Oilwell Varco, Inc.	Manufacturing & Service for Drilling & Oilfield Equipment	350
Hudson Products	Manufacturing	344
Minute Maid	Marketer of Premium Fruit Juices & Drinks	338
Ben E. Keith	Food Service Products	329
City of Missouri City	Government	320
Twinstar Bakery	Manufacture of Baked and Frozen Goods	299
Yokogawa Corp. of America	Manufacturer & Supplier of Instrumentation, Process Control & Information	278
EE Reed Construction	Construction	245
AccessHealth	Healthcare	231
Kelsey-Seybold Clinic	Healthcare	143
Classic Chevrolet	Automobile Dealers-New Cars	139
Niagara Bottling	Supplier & Distributor of Bottled Water	133
MD Anderson Cancer Center Sugar Land	Healthcare	125

Source: Audit financial statements and Fort Bend Economic Development Council.

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APPENDIX B

EXCERPTS FROM THE

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2016

The information contained in this Appendix consists of excerpts from the Fort Bend County, Texas Annual Financial Report for the Year Ended September 30, 2016, 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.

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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, 2016, 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16 and other required supplementary information, as listed in the table of contents, on pages 70 through 85 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2017 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.

Whitley Penn LLP

Houston, Texas
March 31, 2017

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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, 2016. 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 $1.2 billion ("net position"). Of this amount, there is a deficit of $147.8 million in unrestricted net position due to the continued increase in pension and other post-employment benefits ("OPEB") liabilities.
- The County's total net position increased by $99.7 million.
- As of the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of $188.9 million, an increase of $84.5 million from the prior year.
- At the end of the current fiscal year approximately $37.9 million is available for spending at the government's discretion in the General Fund (unassigned fund balance). This unassigned fund balance amounts to 14.2% of total General Fund expenditures.
- The County's total assets and deferred outflow of resources increased by $279.6 million and total liabilities and deferred inflows of resources increased by $179.9 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 19 through 21 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 68 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 major governmental funds. Data from the other 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 22 through 25 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 26 through 28 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 29 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 31 through 33 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 34 through 68 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 70 through 85 of this report.

Government-Wide Financial Analysis

The following table provides a summary of the County's net position at September 30, 2016 and 2015:

CONDENSED SCHEDULE OF NET POSITION
September 30, 2016 and 2015

	Primary Government Governmental Activities	
	2016	**2015***
Current and other assets	$ 281,703,650	$ 181,965,423
Capital assets, net	1,734,291,246	1,595,376,676
Total Assets	2,015,994,896	1,777,342,099
Deferred outflows of resources	64,146,670	23,194,398
Long-term liabilities	807,687,216	639,298,197
Other liabilities	56,211,771	48,692,455
Total Liabilities	863,898,987	687,990,652
Deferred inflows of resources	4,233,692	264,230
Net Position:		
Net investment in capital assets	1,359,840,462	1,236,758,942
Restricted		1,852,069
Unrestricted	(147,831,575)	(126,329,396)
Total Net Position	$ 1,212,008,887	$ 1,112,281,615

*Net Position as of October 1, 2015 was increased by $479.5 million due to the restatement of the carrying value of its capital assets. Restated prior year capital asset values have been presented in this schedule for comparative purposes. Refer to Note 17 for more detail about the restatement.

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 $1.2 billion 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 $1.4 billion. 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.

The deficit balance for unrestricted net position of $147.8 million was primarily due to the growing OPEB and net pension liabilities.

The County's net position increased $99.7 million from the prior year. This increase is primarily due to the following: increase in cash and investments of $89.7 million due to the issuance of bonds for road and facilities projects; increase in due from component units of $4.0 million due to an increase of accounts payable transactions at the end of September; increase in receivables of $6.2 million; increase in capital assets of $138.9 million due to construction of new facilities and construction and contribution of new roads; an increase in OPEB liability of $35.6 million, an increase of $4.3 million due to the ambulance service overpayment liability; an increase of $96.7 million in bonds payable and related premiums; and an increase in unearned revenue of $2.9 million primarily due to reimbursement agreements with other jurisdictions to fund current debt service related to a specific project.

The following table provides a summary of the County's operations for the years ended September 30, 2016 and 2015:

SCHEDULE OF CHANGES IN NET POSITION

For the years ended September 30, 2016 and 2015

	Primary Government Governmental Activities	
	2016	**2015****
Revenues		
Program revenues:		
Charges for services	$ 51,970,902	$ 47,638,105
Operating grants and contributions	38,115,985	36,841,200
Capital grants and contributions	126,855,630	32,984,374
General revenues:		
Property taxes	270,349,769	264,741,926
Sales taxes	6,958,956	5,789,362
Earnings on investments	1,761,994	904,359
Other	7,520,474	7,138,231
Total Revenues	503,533,710	396,037,557
Expenses		
General administration	61,923,654	49,953,700
Financial administration	10,668,228	9,923,190
Administration of justice	106,035,587	97,317,659
Construction and maintenance	78,151,431	80,574,657
Health and human services	43,153,506	36,721,273
Cooperative services	1,215,874	1,150,926
Public safety	64,704,958	63,537,941
Parks and recreation	4,545,562	4,133,419
Libraries and education	18,446,773	17,638,589
Interest on long-term debt	14,960,865	14,108,075
Total Expenses	403,806,438	375,059,429
Change in net position for the year	99,727,272	20,978,128
Net Position, Beginning - as originally presented	632,734,387	611,756,259
Change in capital assets **	479,547,228	479,547,228
Net Position, Ending	$1,212,008,887	$1,112,281,615

**During the fiscal year ended September 30, 2016, the County restated the carrying value of its capital assets. The restatement of prior year capital assets has increased the ending net position balance but the related activities have not been presented in this schedule. See Note 17 for more information on the restatement.

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.

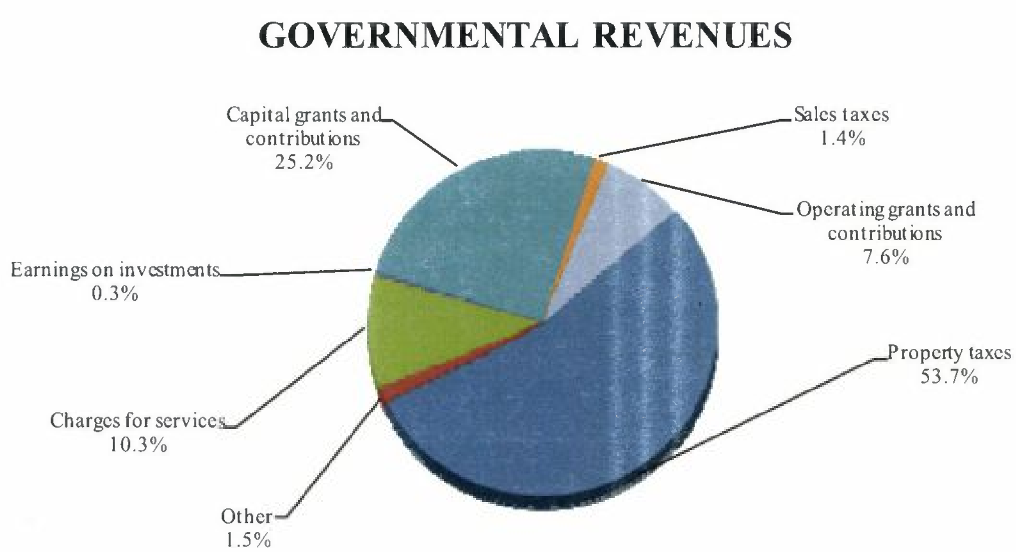
Governmental activities increased the County's net position by $99.7 million. This increase is up from last year's increase of $21.0 million. The key elements of this change in net position are as follows:

- Increase in charges for services of $4.3 million due to an increase in services from all the governmental functions.
- Increase in operating grants and contributions of $1.3 million due to an increase of $3.4 million in federal and state grant payments and reimbursements offset by a decrease of $1.9 million in local funding on projects and grants.
- Increase in capital grants and contributions of $93.9 million primarily due to an increase in infrastructure donated to the County.
- Increase in property taxes of $5.6 million due to an increase in property valuations.
- Increase in sales taxes of $1.2 million due to an increase in sales from current and new businesses located in the County Assistance Districts.
- Increase in earnings on investments of $0.9 million due to an increase in investable cash and more aggressive investing.
- Increase in other revenue of $0.4 million primarily due to facilities reimbursements received.
- General administration expenses increased by $12.0 million primarily due to the following:
    - Increase of $3.4 million in payroll and related costs.
    - Increase of $0.7 million due to TIRZ payments made in the current year.
    - Decrease of $0.8 million in allocation of the net operational activity of the Internal Service Funds.
    - Increase of $1.1 million in pension and retirement costs.
    - Increase of $3.4 million in operating expenses.
    - Increase of $4.5 million in County Attorney fees due to a reimbursement of EMS Ambulance Services overpayments received from Medicare and other federal providers caused by incorrect billing in prior years.
- Financial administration expenses increased by $0.7 million primarily due to the following:
    - Increase of $0.6 million in payroll and related costs.
    - Decrease of $0.3 million in allocation of the net operational activity of the Internal Service Funds.
    - Increase of $0.4 million in pension and retirement costs.
- Administration of justice expenses increased by $8.7 million primarily due to the following:
    - Increase of $6.1 million in payroll and related costs.
    - Decrease of $2.4 million in allocation of the net operational activity of the Internal Service Funds.
    - Increase of $3.4 million in pension and retirement costs.
    - Increase of $1.5 million in operating expenses.
- Construction and maintenance expenses decreased by $2.4 million primarily due to the following:
    - Increase of $1.1 million in payroll and related costs.
    - Increase of $0.6 million in pension and retirement costs.
    - Decrease of $0.5 million in allocation of the net operational activity of the Internal Service Funds.
    - Increase of $2.7 million in fees paid by the County Assistance Districts.
    - Decrease of $21.7 million in fees due to a decrease in payments made to other jurisdictions for contributions for infrastructure.
    - Decrease of $1.3 million in assets donated to component unit.
    - Increase of $15.3 million in depreciation due to the correction of infrastructure assets undervalued in prior years.
    - Increase of $1.3 million in operating expenses.
- Health and human services expenses increased by $6.4 million due to:
    - Increase of $3.3 million in payroll and related costs.
    - Decrease of $0.6 million in allocation of the net operational activity of the Internal Service Funds.
    - Increase of $1.1 million in pension and retirement costs.

- Increase of $2.6 million in operating expenses.

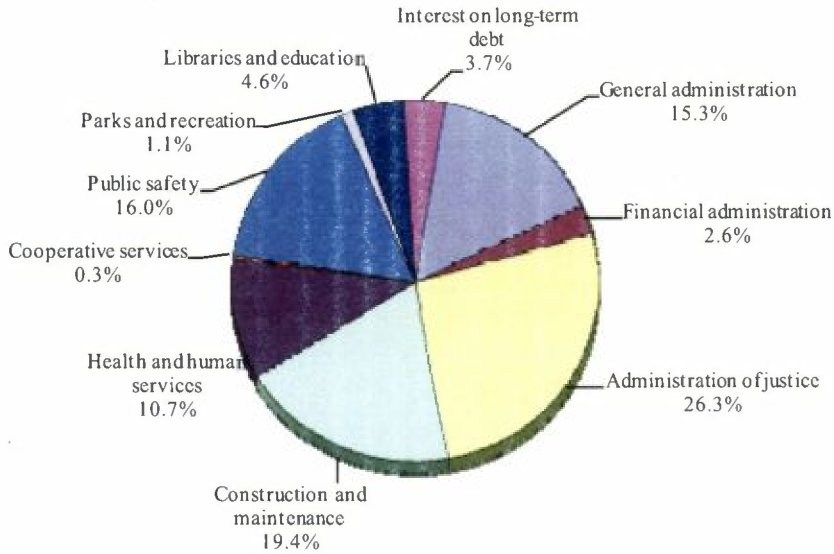
- Public safety expenses increased by $1.2 million primarily due to the following:
  - Increase of $3.3 million in payroll and related costs.
  - Decrease of $1.4 million in allocation of the net operational activity of the Internal Service Funds.
  - Increase of $1.9 million in pension and retirement.
  - Absence of $2.7 million in radio replacements for the Sheriff's Office from the prior year.
- Parks and recreation expenses increased by $0.4 million primarily due to the following:
  - Increase of $0.2 million in payroll and related costs.
  - Increase of $0.1 million in pension and retirement costs.
  - Increase of $0.1 million in depreciation.
- Libraries and education expenses increased by $0.8 million primarily due to the following:
  - Increase of $0.6 million in payroll and related costs.
  - Increase of $0.4 million in pension and retirement costs.
  - Decrease of $0.3 million in allocation of the net operational activity of the Internal Service Funds.
  - Increase of $0.1 million in operating expenses.
- Interest on long-term debt increased by $0.9 million due to an increase in total debt.

Governmental revenues for fiscal year 2016 are graphically displayed as follows:



Governmental functional expenses for fiscal year 2016 are graphically displayed as follows:

GOVERNMENTAL FUNCTIONAL EXPENSES



Financial Analysis of the County's Funds

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

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

The combined governmental fund balance reached $188.9 million. Of this, $37.9 million is unassigned fund balance and available for day-to-day operations within the General Fund. $8.3 million is committed fund balance for capital projects within the General Fund. $142.5 million is restricted fund balance for General ($0.3 million), Debt Service ($1.1 million), Capital Projects ($89.5 million), and the non-major special revenue funds ($51.6 million). $0.3 million is non-spendable fund balance for the General Fund ($0.3 million) and the non-major special revenue funds ($28.0 thousand).

There was an increase in the combined fund balance of $84.5 million from the prior year for the governmental funds. This overall increase was made up of an increase in the Capital Projects Funds of $77.4 million, a decrease in the Debt Service Fund of $1.7 million, an increase in Non-major Special Revenue Funds of $8.0 million, and an increase in General Fund balance of $0.8 million, which is down from the previous year's increase of $8.4 million. This net decrease in change in fund balance for General Fund of $7.6 million is primarily due to the following factors:

- Increase in General Fund property tax allocation of $22.6 million due to increased property valuations.
- Increase in fees of office collections of $2.1 million due to increase in services from all the governmental functions.
- Increase in intergovernmental revenues of $1.5 million primarily due to an increase in grant funding of $2.6 million, offset by a $1.0 million decrease in funding of projects from local jurisdictions.

- Increase in earnings on investments of $0.4 million due to an increase in investable cash and more aggressive investing.
- Increase in miscellaneous revenues of $1.1 million primarily due to a $1.3 million reimbursement from County Assistance District #2 and $1.4 million in facilities reimbursements received in the current year, offset by a decrease of $1.7 million in sales proceeds.
- General administration expenditures increased by $10.8 million primarily due to:
    - Increase in payroll and related costs of $2.3 million due to added positions, cost-of-living adjustments, and an increase in insurance funding.
    - Increase of $0.7 million in TIRZ payments.
    - Increase of $1.0 million due to costs related to flooding events.
    - Increase of $1.5 million in grant payments on the AirCheck Texas program.
    - Increase of $4.5 million due to a reimbursement of ambulance services payments.
- Financial administration expenditures increased by $0.7 million primarily due to an increase in payroll and related costs due to added positons, cost-of-living adjustments, and an increase in insurance funding.
- Administration of justice expenditures increase by $7.0 million primarily due:
    - Increase in payroll and related costs of $4.8 million due to added positions, cost-of-living adjustments, and an increase in insurance funding.
    - Increase of $1.1 million for additional courts added during the current year.
    - Increase of $0.8 million in costs of Public Defender grant.
- Health and welfare expenditures increased by $5.0 million primarily due to:
    - Increase in payroll and related costs of $3.2 million due to added positions, cost-of-living adjustments, and an increase in insurance funding.
    - Increase in 1115 Waiver project expenses of $0.8 million.
    - Increase in Indigent Healthcare costs of $0.5 million.
- Public safety expenditures increased by $1.2 million primarily due to:
    - Increase in payroll and related costs of $3.1 million due to added positions, cost-of-living adjustments, and an increase in insurance.
    - Decrease of $1.6 million in non-capital project costs.
- Parks and recreation expenditures increased by $0.2 million primarily due to an increase in payroll and related costs due to added positions, cost-of-living adjustments, and an increase in insurance funding.
- Libraries and education increased by $0.8 million primarily due to:
    - Increase in payroll and related costs of $0.5 million due to added positions, cost-of-living adjustments, and an increase in insurance funding.
    - Increase in maintenance costs of the Library facilities of $0.2 million.
- Capital outlay increased by $8.7 million primarily due to an increase in right of way acquisitions.
- Transfers out increased by $0.6 million primarily due to:
    - Increase in funding of the Juvenile Probation fund of $1.1 million.
    - Decrease in funding contribution to the Mobility Projects funds of $0.4 million.

The Debt Service Fund balance decreased by $1.7 million which is $1.7 million less than the previous year's increase of $25 thousand primarily due to a budgeted decrease in fund balance. The Debt Service Fund balance was budgeted for the current year to decrease by $1.2 million; however, there was an actual decrease in fund balance of $1.7 million. This variance was caused primarily by an increase of $251 thousand in tax revenues collected over budgeted amount, and an increase in other financing uses of $684 thousand attributable to debt refunding, which was unbudgeted.

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

The Employee Benefits Fund had a net position balance at fiscal year-end of $4.4 million, which is an improvement of $4.6 million over the prior year's deficit net position of $0.2 million. This increase was primarily caused by an increase in county allocations to the Employee Benefits Fund.

The Other Self-Funded Insurance Fund has a net position balance of $0.5 million at fiscal year-end, which is an improvement of $2.0 million over the prior year's deficit net position balance of $1.5 million. This increase was primarily to an increase in allocation for the Other Self-Funded Insurance Fund and a decrease in general administrative cost.

General Fund Budgetary Highlights

During the year there was a net decrease of $12.8 million in expenditure appropriations between the original and final amended budget. The main components of this decrease were based on the following: $8.2 million decrease for general administration; $1.8 million decrease for health and welfare; $0.4 million decrease in construction and maintenance; and $2.0 million decrease for public safety.

General Fund revenues exceeded the amended budget by $3.1 million for the year. The reasons for this surplus are detailed as follows:

- Property taxes resulted in a $1.9 million excess over budget due to increased collection rate.
- Fees and fines resulted in $1.2 million in excess revenues due to continued increased collections of fines, fees and court costs.

General Fund expenditures exceeded the amended budget by $3.7 million for the year. This was primarily due to a major budgetary shortfall of $4,487,147 for the County Attorney, caused by an unbudgeted reimbursement of ambulance service overpayments. There were also 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:

- In addition to the major budget shortfall for the County Attorney, general administration had one minor budget shortfall within individual budget categories for Facilities Management and Planning of $4,272. These combined shortfalls did cause an overall budget deficit within general administration. Procedures have been put in place to prevent this in the future.
- Administration of justice had one budget shortfall within individual budget categories for County Court-at-Law #3 of $235,258. 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 one budget shortfall within individual budget categories for Ambulance-EMS of $419. This shortfall did not cause an overall budget deficit within health and welfare, however, procedures have been put in place to prevent this in the future.
- Cooperative Services had one budget shortfall within budget categories for Extension Service of $4,579. This shortfall did not cause an overall budget deficit with cooperative services, however, procedures have been put in place to prevent this in the future.

Capital Assets and Debt Administration

Capital Assets - At the end of fiscal year 2016, the County's governmental activities had invested $1.7 billion in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents an increase of approximately $138.9 million over the previous fiscal year.

	Governmental Activities	
	2016	2015*
Non-Depreciable Capital Assets		
Land	$ 417,808,330	$ 383,866,412
Construction in progress	48,223,387	39,528,860
Depreciable Capital Assets, Net		
Vehicles	14,564,064	14,484,339
Office furniture and equipment	5,510,222	6,290,410
Machinery and equipment	11,054,002	10,443,148
Buildings, facilities and improvements	262,624,295	259,833,336
Infrastructure	974,506,946	880,930,171
Totals	$ 1,734,291,246	$ 1,595,376,676

*as restated. See Note 17 for more information.

Construction in progress at year-end represents: Road construction ($38.4 million); facility construction and improvements ($5.2 million); library construction ($0.3 million); parks and fairgrounds improvements ($1.9 million); software initiatives ($1.3 million); transportation facility ($0.8 million); and helicopter retrofit ($0.4 million).

Long-Term Debt - The County had total bonds outstanding of $410.6 million at fiscal year-end. This is an increase of $68.9 million from the prior year due to the issuance of the 2016 Unlimited Tax Road and Refunding Bonds and the 2016 Facilities Limited Tax Road and Refunding Bonds, offset by scheduled debt service payments made during fiscal year 2016. OPEB liability increased by $35.6 million based on the actuarial valuation dated September 30, 2016, to a total balance of $256.9 million. Net pension liability increased by $49.2 million based on the actuarial valuation dated December 31, 2015, to a total balance of $70.6 million

	Governmental Activities	
	2016	2015
General obligation bonds	$ 410,560,000	$ 341,640,000
Premiums on bonds	62,444,495	34,625,782
Accrued compensated absences	7,195,732	6,948,338
Other post-employment benefits ("OPEB") obligation	256,897,972	221,281,360
Net pension liability	70,589,017	21,429,052
Totals	$ 807,687,216	$ 625,924,532

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, 2016, approximately $8.8 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, 2016, approximately $129.6 million of total bonds were outstanding.

Additional information on capital assets and long-term debt is available in Notes 6 and 8, 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 716,087 in 2016 and is expected to grow to 807,660 by 2020.

The number of households has increased to 229,900 in 2016 and is expected to grow to 258,820 by 2020. Mean household income for 2016 is $187,460 and is estimated to rise to $205,547 by 2020. Income per capita is currently $59,793 and is expected to grow to $66,199 by 2020.

The Commissioners Court approved a $346.3 million total budget for the 2017 fiscal year. This is a 8.77% increase over the adopted 2016 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. There was also a scheduled increase in debt service of $1.9 million. These increases were offset by a decrease in capital outlay of $ 4.0 million. The overall tax rate decreased from $0.489 per $100 of assessed valuation for 2016 to $0.474 per $100 valuation for 2017.

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, 2016

	Primary Government Governmental Activities	Component Units
Assets		
Cash and cash equivalents	$ 190,603,783	$ 116,797,263
Investments	22,047,766	31,103,441
Receivables:		
Property taxes, net	6,158,766	
Sales taxes	1,179,353	
Grants	11,388,599	
Fines and fees	27,703,056	
Other	10,276,404	4,814,638
Prepaid items	298,067	
Due from component units	12,047,856	
Capital assets, not being depreciated	466,031,717	102,602,160
Capital assets, net of accumulated depreciation	1,268,259,529	282,213,600
Total Assets	2,015,994,896	537,531,102
Deferred Outflows of Resources		
Deferred charges-debt refunding	9,171,473	9,630,508
Deferred outflows related to pension activities	54,975,197	
Total Deferred Outflows of Resources	64,146,670	9,630,508
Liabilities		
Accounts payable and accrued expenses	46,207,991	3,900
Retainage payable	842,685	1,435,067
Accrued interest payable	1,605,345	1,579,856
Unearned revenues	6,928,612	
Due to primary government		12,047,856
Due to other governments	627,138	
Long-term Liabilities:		
Long-term liabilities due within one-year	23,218,933	5,390,000
Long-term liabilities due in more than one-year	713,879,266	447,507,481
Net pension liability	70,589,017	
Total Liabilities	863,898,987	467,964,160
Deferred Inflows of Resources		
Deferred inflows related to pension activities	4,233,692	
Total Deferred Inflows of Resources	4,233,692	
Net Position (Deficit)		
Net investment in capital assets	1,359,840,462	(868,707)
Restricted for:		
Debt service		19,944,002
Unrestricted	(147,831,575)	60,122,155
Total Net Position	$ 1,212,008,887	$ 79,197,450

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

FORT BEND COUNTY, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2016

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General administration	$ 61,923,654	$ 8,561,186	$ 4,380,173	$ 89,000
Financial administration	10,668,228	8,143,353		
Administration of justice	106,035,587	8,700,278	10,823,506	
Construction and maintenance	78,151,431	7,121,643	390,265	125,334,640
Health and human services	43,153,506	10,263,992	18,361,326	
Cooperative services	1,215,874		21,586	
Public safety	64,704,958	8,733,631	3,994,478	28,000
Parks and recreation	4,545,562	158,626	98,583	1,403,990
Libraries and education	18,446,773	288,193	46,068	
Interest on long-term debt	14,960,865			
Total Primary Government	$ 403,806,438	$ 51,970,902	$ 38,115,985	$ 126,855,630
Component Units:				
FBC Surface Water Supply Corporation	$	$	$	$
FBC Toll Road Authority	23,319,629	29,480,671		95,000
FB Grand Parkway Toll Road Authority	18,152,184	24,172,876		
FBC Housing Finance Corporation	23,516	151,953		
FBC Industrial Development Corporation	71,453			
Total Component Units	$ 41,566,782	$ 53,805,500	$	$ 95,000

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	
$ (48,893,295)	$
(2,524,875)	
(86,511,803)	
54,695,117	
(14,528,188)	
(1,194,288)	
(51,948,849)	
(2,884,363)	
(18,112,512)	
(14,960,865)	
(186,863,921)	
	6,256,042
	6,020,692
	128,437
	(71,453)
	12,333,718
270,349,769	
6,958,956	
1,761,994	825,349
7,520,474	103,081
286,591,193	928,430
99,727,272	13,262,148
632,734,387	65,935,302
479,547,228	
$1,212,008,887	$ 79,197,450

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

FORT BEND COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2016

	General Fund	Debt Service Fund	Capital Project Funds	Non-major Special Revenue Funds	Totals Governmental Funds
Assets					
Cash and cash equivalents	$ 47,937,531	$ 1,074,764	76,540,402	$ 53,974,947	$ 179,527,644
Investments			22,047,766		22,047,766
Taxes receivable, net	4,913,128	331,085		2,093,906	7,338,119
Grants receivable	10,567,490			821,109	11,388,599
Fines and fees receivable	27,703,056				27,703,056
Other receivables	3,844,944	3,775,612	56,285	2,297,864	9,974,705
Due from other funds	13,100,151			112,444	13,212,595
Due from component units	12,047,856				12,047,856
Prepaid items	270,023			28,044	298,067
Total Assets	$ 120,384,179	$ 5,181,461	$ 98,644,453	$ 59,328,314	$ 283,538,407
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 36,764,139	$	$	$ 32,780	$ 36,796,919
Accrued payroll	2,932,166				2,932,166
Retainage payable	61,832		626,833	154,020	842,685
Due to other funds			8,535,383	4,097,223	12,632,606
Due to other governments	627,138				627,138
Unearned revenues	694,246	3,763,978		2,470,388	6,928,612
Total Liabilities	41,079,521	3,763,978	9,162,216	6,754,411	60,760,126
Deferred Inflows of Resources					
Unavailable revenue-property taxes	4,913,128	331,085		914,553	6,158,766
Unavailable revenue-other	27,703,056				27,703,056
Total Deferred Inflows of Resources	32,616,184	331,085		914,553	33,861,822
Fund Balances					
Nonspendable	270,023			28,044	298,067
Restricted	257,923	1,086,398	89,482,237	51,643,816	142,470,374
Committed	8,278,285				8,278,285
Unassigned	37,882,243			(12,510)	37,869,733
Total Fund Balances	46,688,474	1,086,398	89,482,237	51,659,350	188,916,459
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 120,384,179	$ 5,181,461	$ 98,644,453	$ 59,328,314	$ 283,538,407

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, 2016

Total fund balances, governmental funds	$ 188,916,459
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.	1,733,644,115
Other long-term assets are not available to pay for current period expenditures and are therefore deferred in the funds.	33,861,822
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.	4,966,074
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	(410,560,000)
Deferred charges on debt refunding	9,171,473
Compensated absences	(7,195,732)
Other post-employment benefits ("OPEB") obligation	(256,897,972)
Premiums on issuance of debt	(62,444,495)
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.	(19,847,512)
Accrued interest is not due and payable in the current period and therefore not reported in the funds.	(1,605,345)
Net Position of Governmental Activities	$ 1,212,008,887

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, 2016

	General Fund	Debt Service Fund	Capital Project Funds	Non-major Special Revenue Funds	Totals Governmental Funds
Revenues					
Property taxes	$ 208,164,429	$ 33,485,251	$	$ 29,322,721	$ 270,972,401
Sales taxes				6,958,956	6,958,956
Fines and fees	38,492,838			11,739,125	50,231,963
Intergovernmental	27,416,195		1,633,247	10,623,655	39,673,097
Earnings on investments	1,098,322	56,403	225,910	369,996	1,750,631
Miscellaneous	6,463,232			1,450,450	7,913,682
Total Revenues	281,635,016	33,541,654	1,859,157	60,464,903	377,500,730
Expenditures					
Current:					
General administration	54,297,274		145,552	1,651,152	56,093,978
Financial administration	9,056,117			7,470	9,063,587
Administration of justice	67,198,866		1,000	22,516,051	89,715,917
Construction and maintenance	2,737,885		8,904,192	31,633,515	43,275,592
Health and human services	35,534,009			2,780,618	38,314,627
Cooperative services	1,050,282				1,050,282
Public safety	53,789,913			603,676	54,393,589
Parks and recreation	3,297,608		7,200	2,730	3,307,538
Libraries and education	15,159,262			56,615	15,215,877
Capital Outlay	25,237,168		29,681,709	6,692,486	61,611,363
Debt Service:					
Principal		18,480,000			18,480,000
Interest and fiscal charges		15,506,610			15,506,610
Bond issuance costs		563,745	752,493		1,316,238
Total Expenditures	267,358,384	34,550,355	39,492,146	65,944,313	407,345,198
Excess (Deficiency) of Revenues Over (Under) Expenditures	14,276,632	(1,008,701)	(37,632,989)	(5,479,410)	(29,844,468)
Other Financing Sources (Uses)					
Transfers in	17,200			13,763,470	13,780,670
Transfers (out)	(13,539,414)			(241,256)	(13,780,670)
General obligation bonds isssued			96,640,000		96,640,000
Premium on general obligation bonds issued			18,416,480		18,416,480
Refunding bonds issued		73,120,000			73,120,000
Payment to refunded bond escrow agent		(89,544,194)			(89,544,194)
Premium on refunding bonds issued		15,739,791			15,739,791
Total Other Financing Sources (Uses)	(13,522,214)	(684,403)	115,056,480	13,522,214	114,372,077
Net Change in Fund Balances	754,418	(1,693,104)	77,423,491	8,042,804	84,527,609
Fund Balances, Beginning of Year	45,934,056	2,779,502	12,058,746	43,616,546	104,388,850
Fund Balances, End of Year	$ 46,688,474	$ 1,086,398	$ 89,482,237	$ 51,659,350	$ 188,916,459

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

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, 2016

Net change in fund balances - total governmental funds	$ 84,527,609
Adjustments for the Statement of Activities:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which current year capital outlay ($61,611,363) exceeded depreciation ($47,302,167) in the current period.	14,309,196
Capital contributions of infrastructure are reported in the government-wide financial statements but not in the fund financial statements.	124,838,215
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.	(270,496)
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 of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental current financial resources 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	(169,760,000)
Premium on bonds issued	(34,156,271)
Repayments:	
Principal repayments	18,480,000
Payment to escrow agent for refunding	89,544,194
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.	16,282,151
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	(247,394)
Accrued interest	(269,297)
Pension expense for the pension plan measurement year	(18,063,557)
Other post-employment benefit ("OPEB") obligation	(35,616,612)
Amortization of bond premiums	2,795,782
Amortization of deferred charge on refunding	(664,502)
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.	1,377,194
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.	6,621,060
Change in net position of governmental activities	$ 99,727,272

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

FORT BEND COUNTY, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2016

		Governmental Activities
		Internal Service Funds
Assets		
Current Assets:		
Cash and cash equivalents	$	11,076,139
Due from other funds		36,090
Other receivables		301,698
Total Current Assets		11,413,927
Noncurrent Assets:		
Capital assets, net of accumulated depreciation		647,132
Total Noncurrent Assets		647,132
Total Assets		12,061,059
Liabilities		
Current Liabilities:		
Benefits payable		6,478,906
Due to other funds		616,079
Total Current Liabilities		7,094,985
Total Liabilities		7,094,985
Net Position		
Net investment in capital assets		647,132
Unrestricted		4,318,942
Total Net Position	$	4,966,074

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, 2016

	Governmental Activities Internal Service Funds
Operating Revenues	
Charges for services	$ 46,984,196
Total Operating Revenues	46,984,196
Operating Expenses	
Current operations - general administration	2,369,490
Benefits provided	38,005,007
Total Operating Expenses	40,374,497
Operating Income	6,609,699
Non-Operating Revenues	
Earnings on investments	11,361
Total Non-Operating Revenues	11,361
Change in Net Position (Deficit)	6,621,060
Total Net (Deficit), Beginning of Year	(1,654,986)
Total Net Position, End of Year	$ 4,966,074

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, 2016

	Governmental Activities
	Internal Service Funds
Cash Flows from Operating Activities	
Charges for services	$ 46,794,699
Payment of benefits	(37,972,464)
Payment of general administration expenses	(2,327,821)
Net Cash Provided by Operating Activities	6,494,414
Cash Flows from Investing Activities	
Interest earned on investments	11,361
Net Cash Provided by Investing Activities	11,361
Cash Flows from Capital and Related Financing Activities:	
Purchase of capital assets	(76,145)
Net Cash (Used) by Capital and Related Financing Activities	(76,145)
Net Increase in Cash and Cash Equivalents	6,429,630
Cash and Cash Equivalents, Beginning of Year	4,646,509
Cash and Cash Equivalents, End of Year	$ 11,076,139
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	$ 6,609,699
Adjustments to operations:	
Depreciation	38,491
Change in assets and liabilities:	
Decrease in prepaid expenses	3,178
Decrease in other receivables	40,851
Decrease in due from other funds	74,198
(Decrease) in due to other funds	(304,546)
Increase in benefits payable	32,543
Total Adjustments	(115,285)
Net Cash Provided by Operating Activities	$ 6,494,414

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

FORT BEND COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
September 30, 2016

		Agency Funds
Assets		
Cash and cash equivalents	$	40,588,013
Investments		1,002,295
Miscellaneous receivables		1,008,260
Total Assets	$	42,598,568
Liabilities		
Due to other governments	$	42,598,568
Total Liabilities	$	42,598,568

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

FORT BEND COUNTY, TEXAS

STATEMENT OF NET POSITION (DEFICIT)

COMPONENT UNITS

September 30, 2016

	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	$ 7,795	$ 94,093,647	$ 22,428,406	$ 107,519	$ 159,896	$ 116,797,263
Investments		30,203,441		900,000		31,103,441
Miscellaneous receivables		2,614,069	2,200,543	26		4,814,638
Capital assets, not being depreciated		90,209,977	12,392,183			102,602,160
Capital assets, net of accumulated depreciation		149,134,863	133,078,737			282,213,600
Total Assets	7,795	366,255,997	170,099,869	1,007,545	159,896	537,531,102
Deferred Outflows of Resources						
Deferred charges-debt refunding		9,630,508				9,630,508
Total Deferred Outflows of Resources		9,630,508				9,630,508
Liabilities						
Accounts payable and accrued expenses				3,900		3,900
Retainage payable		1,242,883	192,184			1,435,067
Due to primary government		7,239,603	4,803,922		4,331	12,047,856
Accrued interest payable		981,506	598,350			1,579,856
Long-term liabilities:						
Due within one year		5,390,000				5,390,000
Due in more than one year		275,879,148	171,628,333			447,507,481
Total Liabilities		290,733,140	177,222,789	3,900	4,331	467,964,160
Net Position (Deficit)						
Net investment in capital assets		19,805,959	(20,674,666)			(868,707)
Restricted for:						
Debt service		19,944,002				19,944,002
Unrestricted	7,795	45,403,404	13,551,746	1,003,645	155,565	60,122,155
Total Net Position (Deficit)	$ 7,795	$ 85,153,365	$ (7,122,920)	$ 1,003,645	$ 155,565	$ 79,197,450

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, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: 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	12,498,371	29,480,671	95,000
Interest on long-term debt	10,821,258		
Total Fort Bend County Toll Road Authority	23,319,629	29,480,671	95,000
Fort Bend Grand Parkway Toll Road Authority			
Toll road operations	11,519,465	24,172,876	
Interest on long-term debt	6,632,719		
Total Fort Bend Grand Parkway Toll Road Authority	18,152,184	24,172,876	
Fort Bend County Housing Finance Corporation			
General administration	23,516	151,953	
Total Fort Bend County Housing Finance Corporation	23,516	151,953	
Fort Bend County Industrial Development Corporation			
General administration	71,453		
Total Fort Bend County Industrial Development Corporation	71,453		
Totals Component Units	$ 41,566,782	$ 53,805,500	$ 95,000

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
$	$	$	$	$	$
	17,077,300				17,077,300
	(10,821,258)				(10,821,258)
	6,256,042				6,256,042
		12,653,411			12,653,411
		(6,632,719)			(6,632,719)
		6,020,692			6,020,692
			128,437		128,437
			128,437		128,437
				(71,453)	(71,453)
				(71,453)	(71,453)
	6,256,042	6,020,692	128,437	(71,453)	12,333,718
41	694,415	113,113	16,781	999	825,349
	3,759	99,322			103,081
41	698,174	212,435	16,781	999	928,430
41	6,954,216	6,233,127	145,218	(70,454)	13,262,148
7,754	78,199,149	(13,356,047)	858,427	226,019	65,935,302
$ 7,795	$ 85,153,365	$ (7,122,920)	$ 1,003,645	$ 155,565	$ 79,197,450

The accompanying notes are an integral part of these 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 and was shut down during the 2016 fiscal year. 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

During the current fiscal year, the County implemented the following new standards:

- *GASB Statement No. 72, Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

- *GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, clarifies the application of certain provisions of Statement No. 68 with regard to information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.

- *GASB Statement No. 79, Certain External Investment Pools and Pool Participants*, address accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investment at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures include information about any limitations or restrictions on participant withdrawals.

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, Facilities Refunding Bonds Series 2015 , Unlimited Tax Road and Refunding Bonds Series 2016, and Facilities and Justice Center Refunding Bonds Series 2016. 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.

Capital Projects Funds
These funds are used to account for bond sale proceeds and other revenues, which are being used to finance the construction and/or expansion of numerous roads in the County or the construction or improvement of County facilities. 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 13 on page 66 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, balances in privately managed local government investment pools and short-term investments with original maturities of three months or less from the date of acquisition. The County's local government investment pools are recorded at amortized cost, which approximates fair value, as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*. 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. The investments in U.S. Government Securities are generally held to maturity. The County reports investments at fair value.

The County categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

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 $10,000 on new assets) is met. Betterments to existing assets are capitalized if they meet the $10,000 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 has only 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. This can only be achieved by majority vote of approval of the County's Board to transfer an amount from fund balance for a specific purpose. This order requires the County Auditor to establish a special project account to manage the use of the committed fund balance over the period for which the purpose is achieved or served. These allocations are primarily made for capital purposes that extend beyond the fiscal year of the County. 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 balances are 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, 2017, 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, 2016.

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, 2016, 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:

Investments	Governmental Funds	Internal Service Funds	Totals Governmental Activities	Component Units	Totals
Cash deposits	$ 90,175,449	$ 11,076,139	$ 101,251,588	$ 93,224,705	$194,476,293
Investment pools:					
Texas CLASS	89,346,796		89,346,796	16,803,192	106,149,988
TexasTERM	2,358		2,358	1,012	3,370
LOGIC	3,041		3,041	1,020	4,061
Wells Fargo Government Money Market Fund				6,767,334	6,767,334
Totals cash and cash equivalents	179,527,644	11,076,139	190,603,783	116,797,263	307,401,046
Certificates of deposit				900,000	900,000
Governmental securities:					
FHLMC	22,047,766		22,047,766		22,047,766
FHLMC				19,287,844	19,287,844
FNMA				2,895,003	2,895,003
FFCB				8,020,594	8,020,594
Totals Cash and Investments	$ 201,575,410	$ 11,076,139	$ 212,651,549	$ 147,900,704	$360,552,253

Investment's fair value measurements are as follows as of September 30, 2016:

Investments	Fair Value/ Amortized Cost
Cash deposits	$ 194,476,293
Investment pools:	
Texas CLASS	106,149,988
TexasTERM	3,370
LOGIC	4,061
Wells Fargo Government Money Market Fund	6,767,334
Totals cash and cash equivalents	307,401,046
Certificates of deposit	900,000
Governmental securities:	
FHLMC	22,047,766
FHLMC	19,287,844
FNMA	2,895,003
FFCB	8,020,594
Totals Cash and Investments	$ 360,552,253

The fair values for all governmental securities are determined using Level 1 inputs.

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

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

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

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

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the local government investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

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:

	Fair Value	Weighted Average Maturity (days)	Percentage of Total Portfolio
Certificates of deposit	$ 900,000	211	0.5%
Investment pools:			
Texas CLASS	106,149,988	56	64.0%
TexasTERM	3,370	55	0.0%
LOGIC	4,061	39	0.0%
Wells Fargo Government Money Market Fund	6,767,334	42	4.1%
Governmental securities:			
FHLMC	22,047,766	532	13.3%
FHLMC	19,287,844	349	11.6%
FNMA	2,895,003	879	1.7%
FFCB	8,020,594	1,008	4.8%
Total Fair Value	$ 166,075,960		
Portfolio weighted average maturity		214	

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, 2016, the County's investments in Texas CLASS, TexasTERM, and LOGIC were rated "AAAm" by Standard and Poor's. The County's investments in the Wells Fargo Money Market Fund was rated "AAAm" and "Aaa-mf" by Standards and Poor's and Moody's Investments, respectively.

E. Concentration of Credit Risk

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

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, 2016, were as follows:

	Governmental Activities			
	General Fund	Debt Service Fund	Capital Projects Funds	Non-major Special Revenue Funds
Receivables:				
Property taxes	$ 5,459,031	$ 367,872	$	$ 1,016,170
Sales taxes				1,179,353
Grants	10,567,490			821,109
Fines and fees	85,102,510			
Other	3,844,944	3,775,612	56,285	2,297,864
Gross receivables	104,973,975	4,143,484	56,285	5,314,496
Less: allowance for uncollectibles	(57,945,357)	(36,787)		(101,617)
Totals	$ 47,028,618	$ 4,106,697	$ 56,285	$ 5,212,879

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 postpone revenue recognition in connection with resources that have been received, but not yet earned. As of September 30, 2016, the various components of unavailable revenue reported in the governmental funds are as follows:

	Unavailable	Unearned
Delinquent property taxes (General Fund)	$ 4,913,128	$
Delinquent property taxes (Road and Bridge Fund)	659,443	
Delinquent property taxes (Drainage District Fund)	255,110	
Delinquent property taxes (Debt Service Fund)	331,085	
Fines and fees (General Fund)	27,703,056	
Grant funds received prior to meeting all eligibility requirements		6,928,612
Total unavailable/unearned revenue for governmental funds	$ 33,861,822	$ 6,928,612

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. 2015 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 2016 fiscal year (2015 tax year), the County levied property taxes of $0.48600 per $100 of assessed valuation. The 2015 rates resulted in total adjusted tax levies of approximately $261.6 million based on a total adjusted valuation of approximately $53.4 billion. The total tax rate in the 2015 tax year was prorated as follows:

	2015 Rate	2015 Limit
General, certain Special Revenue and Debt Service Funds	$ 0.46500	$ 0.80000
Fort Bend County Drainage District	$ 0.02100	$ 0.25000
Total Tax Rate	$ 0.48600	$ 1.05000

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, 2016, the interfund receivables and payables were as follows:

	Interfund Receivable	Interfund Payable
General Fund	$ 13,100,151	$
Capital Project Funds		8,535,383
Non-major Special Revenue Funds	112,444	4,097,223
	13,212,595	12,632,606
Internal Service Funds	36,090	616,079
Total Governmental Activities	$ 13,248,685	$ 13,248,685

Transfers totaling approximately $13.8 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	$ 17,200	$ 13,539,414
Non-major Special Revenue Funds	13,763,470	241,256
Total Governmental Activities	$ 13,780,670	$ 13,780,670

NOTE 6 – CAPITAL ASSETS

A summary of changes in the primary government's capital assets for the year ended September 30, 2016, is as follows:

	Primary Government			
	Balances 10/1/15 *	Increases	Decreases	Balances 9/30/16
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 383,866,412	$ 33,941,918	$	$ 417,808,330
Construction in progress	39,528,860	35,356,976	(26,662,449)	48,223,387
Total capital assets not being depreciated	423,395,272	69,298,894	(26,662,449)	466,031,717
Depreciable capital assets:				
Vehicles	37,107,219	4,335,146	(3,216,957)	38,225,408
Office furniture and equipment	30,314,736	1,613,741	(410,783)	31,517,694
Machinery and equipment	27,425,635	2,285,997	(368,197)	29,343,435
Buildings, facilities and improvements	352,302,778	12,270,936		364,573,714
Infrastructure	1,105,191,461	123,434,790		1,228,626,251
Total other capital assets	1,552,341,829	143,940,610	(3,995,937)	1,692,286,502
Accumulated depreciation for:				
Vehicles	(22,622,880)	(3,979,743)	2,941,279	(23,661,344)
Office furniture and equipment	(24,024,326)	(2,392,578)	409,432	(26,007,472)
Machinery and equipment	(16,982,487)	(1,630,345)	323,399	(18,289,433)
Buildings, facilities and improvements	(92,469,442)	(9,479,977)		(101,949,419)
Infrastructure	(224,261,290)	(29,858,015)		(254,119,305)
Total accumulated depreciation	(380,360,425)	(47,340,658)	3,674,110	(424,026,973)
Depreciable capital assets, net	1,171,981,404	96,599,952	(321,827)	1,268,259,529
Total governmental activities capital assets, net	$1,595,376,676	$ 165,898,846	$ (26,984,276)	$1,734,291,246

*as restated. See Note 17 for more information.

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

Fiscal Year 2016 Depreciation Expense	
General administration	$ 2,092,147
Financial administration	311,301
Administration of justice	5,040,638
Construction and maintenance	32,046,503
Health and welfare	1,979,944
Cooperative services	74,637
Public safety	3,153,129
Parks and recreation	936,783
Library	1,667,085
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	38,491
Total Depreciation Expense	$ 47,340,658

Construction in progress and remaining commitments under related construction contracts for general government construction projects as of September 30, 2016, is as follows:

2016 CONSTRUCTION COSTS

Project	Balances 10/1/15 *	Increases- Retainage Included	Decreases Capitalizations	Balances 9/30/16	Remaining Commitments
Mobility Projects - Bonds	$ 29,705,353	$ 12,636,595	$ (12,884,399)	$ 29,457,549	$ 10,481,522
Wespark B Frontage Roads	4,964,807	419,897		5,384,704	1,750
Congestion Mitigation		1,568,583		1,568,583	
Utility Relocation - Greenbusch	1,496,929			1,496,929	
Justice Center Expansion		1,190,718		1,190,718	
Jail Energy Efficiency Project		1,049,540		1,049,540	
Justice Center Finish Out		973,377		973,377	
Crabb River Road Expansion	926,777	38,843		965,620	
2011 Public Transportation Grant	245,900	516,378		762,278	
Parks Infrastructure 2016		632,670		632,670	
Justice Center Structured Parking		587,920		587,920	
Lawson Upgrade		506,040		506,040	122,092
2015 County-wide Parks Projects		487,354		487,354	
Sheriff Txwarn Tower Software		434,145		434,145	
Sheriff Helicopter Project		424,911		424,911	58,857
Sheriff Vocational Building #2		312,708		312,708	
FM762 Landscaping	221,754			221,754	
Document Management Steer Team		211,950		211,950	686,525
LJ Parkway		208,702		208,702	
Four Corners Community Service Center	25,976	152,253		178,229	
Justice Center Security Upgrade	26,310	141,107		167,417	57,138
Justice Center Courtrooms Buildout	9,360	144,707		154,067	
Fairgrounds Livestock Building		152,606		152,606	
Missouri City Library Expansion		147,287		147,287	
Mission Bend Library		143,597		143,597	
CSI Redaction Software		124,798		124,798	
5th Street Community Center Expansion		82,794		82,794	
Enotices Software		45,000		45,000	4,228
Kitty Hollow Improvements		40,700		40,700	
West Bellfort Extention		31,706		31,706	
Courthouse Renovation Project		29,550		29,550	
Precinct 4 Renovations		26,972		26,972	
Mission Bend Community Center		14,657		14,657	
Sheriff Administratin Building		6,555		6,555	
Fort Bend Senior Meals on Wheels	1,084,565	527,530	(1,612,095)		40,072
Gordon Ranch	413,120	706	(413,826)		7,700
Juvenile Probation Gym Renovation	94,875	30,281	(125,156)		8,500
Odyssey Judges Sessions Software	62,447		(62,447)		9,342
Big Creek		190,486	(190,486)		367,155
Tiburon Upgrades		197,639	(197,639)		82,621
2015 Ebola Grant		67,056	(67,056)		14,580
Sienna Parkway Project					11,180
Facilities Tracking Software					6,950
Drainage Facility Carpet Replacement					3,976
IT Hardware Infrastructure					2,878
Stafford Run Project		179,215	(179,215)		1,080
Projects Completed in FY2016	250,687	10,679,443	(10,930,130)		
Totals	$ 39,528,860	$ 35,356,976	$ (26,662,449)	$ 48,223,387	$ 11,968,146

*as restated. See Note 17 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, 2016, is as follows:

	Discretely Presented Component Units			
	Balances 10/1/15	Increases	Decreases	Balances 9/30/16
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 26,505,127	$ 4,925,442	$	$ 31,430,569
Construction in progress	28,373,977	53,952,936	(11,155,322)	71,171,591
Total capital assets not being depreciated	54,879,104	58,878,378	(11,155,322)	102,602,160
Depreciable capital assets:				
Office furniture and equipment	29,902			29,902
Infrastructure	327,351,968	10,001,430		337,353,398
Total other capital assets	327,381,870	10,001,430		337,383,300
Accumulated depreciation for:				
Office furniture and equipment	(2,990)	(5,980)		(8,970)
Infrastructure	(46,949,414)	(8,211,316)		(55,160,730)
Total accumulated depreciation	(46,952,404)	(8,217,296)		(55,169,700)
Depreciable capital assets, net	280,429,466	1,784,134		282,213,600
Total Governmental Activities capital assets, net	$ 335,308,570	$ 60,662,512	$ (11,155,322)	$ 384,815,760

Depreciation expense for the Fort Bend County Toll Road Authority and the Fort Bend Grand Parkway Toll Road Authority totaled $8,217,296 for fiscal year 2016.

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, 2016, are as follows:

2016 CONSTRUCTION COSTS

Project	Balances 10/1/15	Increases-Retainage Included	Decreases Capitalizations	Balances 9/30/16	Remaining Commitments
Fort Bend County Toll Road Authority	$ 23,112,190	$ 46,057,092	$ (5,676,593)	$ 63,492,689	$ 48,704,098
Fort Bend Grand Parkway Toll Road Authority	5,261,787	7,895,844	(5,478,729)	7,678,902	3,890,602
Totals	$ 28,373,977	$ 53,952,936	$ (11,155,322)	$ 71,171,591	$ 52,594,700

NOTE 7 – AMBULANCE SERVICES OVERPAYMENT LIABILITY

Fort Bend County identified a technical compliance deficiency regarding billing of ambulance services to Center for Medicare and Medicaid Services ("CMS") and other federal payers. This was confirmed with a statistically valid random-sample audit performed in August of 2016. The variance rate was calculated at 26.6%. Based on this error rate, Fort Bend County was overpaid by CMS and other federal payers by approximately $3 million over a period of six years. With the additional penalty, the County will be required to reimburse approximately $4.5 million. The technical deficiency was corrected as of January 31, 2016 and controls have been implemented to ensure full compliance with regard to all requirements of all funding entities of ambulance services provided by Fort Bend County. This liability is included in accounts payable and accrued expenses in the financial statements.

NOTE 8 - 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, 2016, is as follows:

Primary Government

Original Issue	Description	Interest Rate %	Matures	Debt Outstanding
General Obligation Bonds				
$ 126,675,000	Facilities Limited Tax Bonds, Series 2007	4.00 - 5.00	2031	$ 4,845,000
48,940,000	Unlimited Tax Road Bonds, Series 2009	3.00 - 5.00	2029	4,245,000
73,430,000	Justice Center Limited Tax Bonds, Series 2009	3.00 - 5.25	2030	5,800,000
20,780,000	Unlimited Tax Road Refunding Bonds, Series 2009	3.00 - 5.00	2021	9,115,000
9,675,000	Fort Bend Flood Control Water Supply Refunding Bonds, Series 2010	2.50 - 4.00	2021	4,655,000
58,220,000	Unlimited Tax Road Bonds, Series 2012	2.00 - 5.00	2032	50,275,000
18,900,000	Unlimited Tax Road Refunding Bonds, Series 2014	1.00 - 5.00	2026	17,445,000
52,220,000	Unlimited Tax Road and Refunding Bonds, Series 2015A	2.00 - 5.00	2035	51,050,000
93,370,000	Facilities Limited Tax Refunding Bonds, Series 2015B	4.00 - 5.00	2031	93,370,000
75,340,000	Unlimited Tax Road and Refunding Bonds, Series 2016A	2.00 - 5.00	2036	75,340,000
94,420,000	Facilities Limited Tax and Refunding Bonds, Series 2016B	2.00 - 5.00	2036	94,420,000
	Total General Obligation Bonds			$ 410,560,000

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 June 6, 2016, Fort Bend County issued $75,340,000 of Unlimited Tax Road and Refunding Bonds, of which $28,070,000 was to refund and defease a material portion of the Unlimited Tax Road Bonds, Series 2009 of $32,045,000. This advance refunding was undertaken to reduce total debt service payments over the next 13 years by $5,763,175, and resulted in an economic gain of $5,332,325. The remaining $47,270,000 of this issue was new funding for County mobility projects. The deferred gain on this refunding was $1,687,277.

On June 6, 2016, Fort Bend County issued $94,420,000 of Limited Tax and Refunding Bonds, of which $45,050,000 was to refund and defease a material portion of the Justice Center Limited Tax Bonds, Series 2009 of $50,315,000. This advance refunding was undertaken to reduce total debt service payments over the next 14 years by $10,364,450, and resulted in an economic gain of $9,606,494. The remaining $49,370,000 of this issue was new funding for various County facilities projects. The deferred gain on this refunding was $1,955,142.

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, 2016, follows:

	Balance 10/1/15	**Additions**	**Retirements**	**Balance 9/30/16**	**Amounts Due Within One Year**
Bonds payable:					
General obligation bonds	$ 341,640,000	$ 169,760,000	$ (100,840,000)	$ 410,560,000	$ 21,420,000
Premiums on bonds	34,625,782	34,156,270	(6,337,557)	62,444,495	
Total bonds payable	376,265,782	203,916,270	(107,177,557)	473,004,495	21,420,000
Accrued compensated absences	6,948,338	8,125,216	(7,877,822)	7,195,732	1,798,933
Other post-employment benefits ("OPEB") obligation	221,281,360	42,570,952	(6,954,340)	256,897,972	
Total Long-Term Liabilities	$ 604,495,480	$ 254,612,438	$ (122,009,719)	$ 737,098,199	$ 23,218,933

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**
2017	$ 21,420,000	$ 18,828,362	$ 40,248,362
2018	21,840,000	17,908,919	39,748,919
2019	22,110,000	16,888,950	38,998,950
2020	23,045,000	15,794,125	38,839,125
2021	24,020,000	14,660,800	38,680,800
2022-2026	124,070,000	55,650,775	179,720,775
2027-2031	126,160,000	24,255,500	150,415,500
2032-2036	47,895,000	4,935,550	52,830,550
Totals	$ 410,560,000	$ 168,922,981	$ 579,482,981

Discretely presented component units long-term bonded debt as of September 30, 2016, is listed below:

Discretely Presented Component Units				
Original Issue	Description	Interest Rate %	Matures	Debt Outstanding
Fort Bend County Toll Road Authority:				
Revenue Bonds				
$ 30,775,000	Senior Lien Toll Road Revenue Bonds, Series 2012	2.00 - 4.125	2040	$ 30,280,000
116,940,000	Unlimited Tax and Subordinate Lien Toll Road Revenue Refunding Bonds Series 2012	3.125 - 5.00	2032	112,635,000
45,000,000	Senior Lien Toll Road Revenue Bonds, Series 2014	2.00 - 5.00	2042	44,100,000
64,440,000	Senior Lien Toll Road Revenue Bonds, Series 2016	2.00 - 5.00	2045	64,440,000
	Total Revenue Bonds			$ 251,455,000
Fort Bend Grand Parkway Toll Road Authority:				
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			$ 155,085,000

A summary of long-term liability transactions of the discretely presented component units for the year ended September 30, 2016, follows:

Fort Bend County Toll Road Authority:

	Balance 10/1/15	Additions	Retirements	Balance 9/30/16	Amounts Due Within One Year
Revenue bonds	$ 191,660,000	$ 64,440,000	$ (4,645,000)	$ 251,455,000	$ 5,390,000
Premiums on bonds	21,074,427	10,335,412	(1,319,824)	30,090,015	
Discounts on bonds	(287,523)		11,656	(275,867)	
Total Long-Term Liabilities	$ 212,446,904	$ 74,775,412	$ (5,953,168)	$ 281,269,148	$ 5,390,000

Fort Bend Grand Parkway Toll Road Authority:

	Balance 10/1/15	Additions	Retirements	Balance 9/30/16	Amounts Due Within One Year
Revenue bonds	$ 155,085,000	$	$	$ 155,085,000	$
Premiums on bonds	17,096,314		(552,981)	16,543,333	
Total Long-Term Liabilities	$ 172,181,314	$	$ (552,981)	$ 171,628,333	$

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

Fort Bend County Toll Road Authority:

	Principal	Interest	Totals
2017	$ 5,390,000	$ 11,685,175	$ 17,075,175
2018	6,260,000	11,453,288	17,713,288
2019	7,070,000	11,185,688	18,255,688
2020	7,845,000	10,881,575	18,726,575
2021	8,530,000	10,518,375	19,048,375
2022-2026	52,260,000	45,680,028	97,940,028
2027-2031	67,625,000	31,190,181	98,815,181
2032-2036	40,645,000	16,884,306	57,529,306
2037-2041	36,370,000	8,786,347	45,156,347
2042-2045	19,460,000	1,772,150	21,232,150
Totals	$ 251,455,000	$ 160,037,113	$ 411,492,113

Fort Bend Grand Parkway Toll Road Authority:

	Principal	Interest	Totals
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	14,945,000	34,367,375	49,312,375
2022-2026	22,585,000	29,578,675	52,163,675
2027-2031	27,785,000	24,101,075	51,886,075
2032-2036	35,270,000	16,312,500	51,582,500
2037-2041	44,490,000	6,768,375	51,258,375
2042-2046	10,010,000	200,200	10,210,200
Totals	$ 155,085,000	$ 140,049,000	$ 295,134,000

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, 2016, $8,829,000 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, 2016, $129,640,071 of total bonds are outstanding.

C. Defeasance of Debt

In fiscal year 2015, the County defeased 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, 2016, the outstanding balance of the Facilities Limited Tax Bonds, Series 2007 was $100,470,000.

In fiscal year 2016, the County defeased a large portion of the Unlimited Tax Road Bonds, Series 2009 and a large portion of the Justice Center Limited Tax Bonds, Series 2009 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, 2016, the outstanding balance of the Unlimited Tax Road Bonds, Series 2009 was $32,045,000, and the outstanding balance of the Justice Center Limited Tax Bonds, Series 2009 was $50,315,000.

NOTE 9 – 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, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	824
Inactive employees entitled to but not yet receiving benefits	1,734
Active employees	2,752
Total	5,310

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 was12.14% for calendar year 2015 and 11.79% for calendar year 2016. 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 2016 was $138.4 million and the County's contributions were based on a payroll of $137.2 million. Contributions made by employees totaled $9.6 million, and the County made contributions of $16.3 million during the fiscal year ended September 30, 2016.

Net Pension Liability

The County's net pension liability was measured as of December 31, 2015, 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, 2015 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
Actuarial Cost Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
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 projected to 2014 with a scale AA, and then projected with a 110% of the MP-2014 Ultimate scale after that.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table projected to 2014 with scale AA, and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two-year set-forward for females.

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 2016 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	14.50%	5.45%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (3)	14.00%	8.45%
Global Equities	MSCI World (net) Index	1.50%	5.75%
International Equities - Developed	MSCI World Ex USA (net)	10.00%	5.45%
International Equities - Emerging	MSCI World Ex USA (net)	8.00%	6.45%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	1.00%
High Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	5.10%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.09%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	5.00%	6.40%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	8.10%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	3.00%	4.00%
Master Limited Partnerships ("MLPs")	Alerian MLP Index	3.00%	6.80%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (4)	5.00%	6.90%
Hedge Funds	Hedge Fund Research, Inc. ("HFRI") Fund of Funds Composite Index	25.00%	5.25%

(1) Target asset allocation adopted at the April 2016 TCDRS Board meeting.

(2) Geometric real rates of return in addition to assumed inflation of 1.6%, per Cliffwater's 2016 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, 2014	$ 508,779,484	$ 473,976,767	$ 34,802,717
Changes for the year:			
Service cost	17,634,188		17,634,188
Interest on total pension liability	41,231,027		41,231,027
Effect of plan changes	(3,757,840)		(3,757,840)
Effect of economic/demographic gains or losses	(4,826,769)		(4,826,769)
Effect of assumptions changes or inputs	5,221,392		5,221,392
Refund of contributions	(1,116,367)	(1,116,367)	
Benefit payments	(17,480,536)	(17,480,536)	
Administrative expenses		(341,868)	341,868
Member contributions		8,950,888	(8,950,888)
Net investment income		(3,695,830)	3,695,830
Employer contributions		15,499,968	(15,499,968)
Other		(697,460)	697,460
Balances as of December 31, 2015	$ 545,684,579	$ 475,095,562	$ 70,589,017

E. 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	$ 621,773,657	$ 545,684,579	$ 482,713,228
Fiduciary net position	475,095,562	475,095,562	475,095,562
Net pension liability / (asset)	$ 146,678,095	$ 70,589,017	$ 7,617,666

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

For the year ended September 30, 2016, the County recognized pension expense of $18,063,556 as follows:

Pension Expense	January 1, 2015 to December 31, 2015
Service cost	$ 17,634,188
Interest on total pension liability	41,231,027
Effect of plan changes	(3,757,840)
Administrative expenses	341,868
Member contributions	(8,950,888)
Expected investment return net of investment expenses	(38,925,182)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(857,308)
Recognition of assumption changes or inputs	870,232
Recognition of investment gains or losses	9,779,999
Other	697,460
Pension expense	$ 18,063,556

Deferred Inflows / Outflows of Resources

As of the measurement date of December 31, 2015, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	$ 4,233,692
Changes of assumptions	4,351,160	
Net difference between projected and actual earnings	37,864,200	
Contributions made subsequent to measurement date	12,759,837	
	$ 54,975,197	$ 4,233,692

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the December 31 measurement date, will be recognized in pension expense as follows:

Year ended December 31:	
2016	$ 9,792,924
2017	9,792,924
2018	9,792,924
2019	8,537,127
2020	65,769
Total	$ 37,981,668

NOTE 10 – 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 11 – 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, 2016, there were 824 retirees receiving benefits and approximately 2,752 active members not yet receiving 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 2016 are as follows:

C. Annual OPEB Costs and Net OPEB Obligation

For fiscal year 2016, the County's annual OPEB cost for the Plan was $42,570,952. 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, 2016, were as follows:

	Fiscal Year Ending 9/30/16
Determination of Annual Required Contribution	
Normal Cost at Fiscal Year End	$ 23,303,760
Amortization of Unfunded Actuarial Accrued Liability	22,720,479
Annual Required Contribution ("ARC")	46,024,239
Determination of Net OPEB Obligation	
Annual Required Contribution	46,024,239
Interest on prior-year Net OPEB Obligation	8,851,254
Adjustment to ARC	(12,304,541)
Annual OPEB Cost	42,570,952
Less Assumed Contributions Made	(6,954,340)
Estimated Increase in Net OPEB Obligation	35,616,612
Net OPEB Obligation - Beginning of Year	221,281,360
Net OPEB Obligation - End of Year	$ 256,897,972
Percentage of OPEB Cost Contributed	16.3%

D. Trend Information

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

Fiscal Year Ended	Discount Rate	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2014	4%	$ 35,741,230	13.3%	$ 189,759,358
2015	4%	$ 36,980,392	14.8%	$ 221,281,360
2016	4%	$ 42,570,952	16.3%	$ 256,897,972

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, 2015
Actuarial value of plan assets (a)	$ 0
Actuarial accrued liability ("AAL") (b)	$ 350,708,226
Unfunded/(Overfunded) actuarial accrued liability ("UAAL" or "OAAL") (b-a)	$ 350,708,226
Funded Ratio (a/b)	0.0%
Annual Covered Payroll (c)	$ 127,676,972
UAAL or OAAL as % of covered payroll ((b-a)/c)	274.7%

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 12 – 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 13 – 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, 2016, were distributed as follows:

	General Fund	Debt Service Fund	Capital Project Funds	Non-major Special Revenue Funds	Totals
Nonspendable:					
Prepaid items	$ 270,023	$	$	$ 28,044	$ 298,067
Subtotal	270,023			28,044	298,067
Restricted for:					
General administration	1,889			3,390,451	3,392,340
Financial administration				973	973
Administration of justice	245,276			3,452,656	3,697,932
Construction and maintenance			89,482,237	42,680,860	132,163,097
Health and welfare	10,758			136,997	147,755
Public safety				1,355,862	1,355,862
Library				626,017	626,017
Debt service		1,086,398			1,086,398
Subtotal	257,923	1,086,398	89,482,237	51,643,816	142,470,374
Committed to:					
Facility construction/renovation	625,957				625,957
Mobility road projects	1,906,590				1,906,590
Contract Management	165,200				165,200
Parks and Fairgrounds renovations	91,369				91,369
Highway 36 Rail Corridor	50,000				50,000
IT Infrastructure	176,459				176,459
Wetlands Mitigation	436,500				436,500
Willow Fork Drainage Project	34,381				34,381
Special Projects-Commissioners Court	603,032				603,032
Software projects	2,632,561				2,632,561
Right-of-way acquisitions	1,556,236				1,556,236
Subtotal	8,278,285				8,278,285
Unassigned	37,882,243			(12,510)	37,869,733
Total Fund Balances	$ 46,688,474	$ 1,086,398	$ 89,482,237	$ 51,659,350	$ 188,916,459

NOTE 14 – CONTINGENCIES AND COMMITMENTS

A. Construction Contract Commitments

The County had several capital improvement commitments as of September 30, 2016. 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, 2016.

NOTE 15 - 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, 2016 and 2015 is as follows:

Employee Benefits:

	Year ended 9/30/16	Year ended 9/30/15
Unpaid claims, beginning of year	$ 2,970,451	$ 3,653,931
Incurred claims (including IBNRs)	29,534,115	34,888,587
Claim payments	(29,577,387)	(35,572,067)
Unpaid claims, end of year	$ 2,927,179	$ 2,970,451

Other Insurance:

	Year ended 9/30/16	Year ended 9/30/15
Unpaid claims, beginning of year	$ 3,475,912	$ 3,449,991
Incurred claims (including IBNRs)	436,046	2,884,017
Claim payments	(360,231)	(2,858,096)
Unpaid claims, end of year	$ 3,551,727	$ 3,475,912

NOTE 16 – DEFICIT NET POSITION

As of September 30, 2016, the Fort Bend Grand Parkway Toll Road Authority has a deficit net position of $7,122,920. 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 17 – RESTATEMENT OF BEGINNING NET POSITION

Restatement of Capital Assets

During the 2016 fiscal year, it was discovered that in prior years, the County had understated the capitalized value of infrastructure donated to the County by other municipalities within the County, and understated the value of the construction in progress and capitalized value of roads built by the County. Therefore, during the 2016 fiscal year, the County made adjustments to its capital asset records to correct for these understatements, 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, increasing beginning net position by $479,547,228. The detail of this restatement is as follows:

Capital Assets:	
Construction in progress	$ 12,945,789
Vehicles	18,000
Machinery and equipment	14,584
Infrastructure	522,749,930
	535,728,303
Accumulated Depreciation:	
Vehicles	18,000
Machinery and equipment	731
Infrastructure	56,162,344
	56,181,075
Net restatement due to capital assets	$ 479,547,228

NOTE 18 – SUBSEQUENT EVENTS

Fort Bend County issued approximately $3.8 million in tax notes in January 2017 to fund the construction of West Bellfort Road from Binion Lane to Harlem Road. The debt service on these notes will be paid from a Joint Participation agreement with the Municipal Utility District and a sales tax allocation from the Management District which the new road is located within.

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, 2016

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance from Final Positive (Negative)
Revenues				
Property taxes	$ 206,218,766	$ 206,218,766	$ 208,164,429	$ 1,945,663
Fines and fees	28,548,350	28,548,350	29,733,212	1,184,862
Intergovernmental	6,321,616	6,321,616	5,627,816	(693,800)
Earnings on investments	552,000	552,000	861,601	309,601
Miscellaneous	2,898,350	2,898,350	3,272,137	373,787
Total Revenues	244,539,082	244,539,082	247,659,195	3,120,113
Expenditures				
General Administration				
County Judge:				
Salaries and personnel costs	663,806	658,806	658,613	193
Operating costs	16,648	14,197	14,108	89
Information technology costs	250	401	371	30
Commissioner Precinct 1:				
Salaries and personnel costs	451,960	452,109	452,109	
Operating costs	12,660	8,670	8,661	9
Commissioner Precinct 2:				
Salaries and personnel costs	587,193	589,008	587,367	1,641
Operating costs	33,218	33,166	31,816	1,350
Information technology costs		52	52	
Commissioner Precinct 3:				
Salaries and personnel costs	589,098	526,645	526,597	48
Operating costs	34,169	25,149	23,928	1,221
Information technology costs		750	592	158
Commissioner Precinct 4:				
Salaries and personnel costs	427,057	421,857	421,837	20
Operating costs	11,857	8,511	8,299	212
Information technology costs		546	473	73
County Clerk:				
Salaries and personnel costs	3,872,577	3,820,579	3,820,306	273
Operating costs	97,744	95,144	94,851	293
Information technology costs	27,138	27,138	26,330	808
Non-Departmental:				
Salaries and personnel costs	4,748,401	5,098,565	5,098,401	164
Operating costs	9,853,042	8,217,564	8,070,732	146,832
Information technology costs		1,230		1,230
Capital acquisitions		2,071,361	2,070,361	1,000
Risk Management/Insurance:				
Salaries and personnel costs	809,121	779,785	779,761	24
Operating costs	176,516	164,116	139,983	24,133
Information technology costs	601	601	551	50
Capital acquisitions	10,000	7,200	7,185	15

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance from Final Positive (Negative)
Elections Administrator:				
Salaries and personnel costs	693,105	680,199	680,159	40
Operating costs	205,465	205,465	203,850	1,615
Elections Services:				
Salaries and personnel costs	292,556	321,336	321,295	41
Operating costs	272,800	278,500	263,675	14,825
Information technology costs	9,400	9,400	9,357	43
Human Resources:				
Salaries and personnel costs	829,590	822,636	822,614	22
Operating costs	193,550	157,780	157,567	213
Information technology costs		1,450	1,402	48
Capital acquisitions		5,320	5,320	
Vehicle Maintenance:				
Salaries and personnel costs	850,329	755,589	755,506	83
Operating costs	(1,111,708)	(933,587)	(948,673)	15,086
Information technology costs		45	30	15
Capital acquisitions	276,746	203,631	203,563	68
Records Management:				
Salaries and personnel costs	384,233	368,753	368,707	46
Operating costs	18,482	19,519	19,031	488
Information technology costs	14,186	7,579	7,579	
Capital acquisitions		5,570	5,431	139
Central Mailroom:				
Salaries and personnel costs	217,566	217,566	215,730	1,836
Operating costs	555,313	600,313	599,196	1,117
Capital acquisitions	24,650	24,650	24,650	
Facilities Management and Planning:				
Salaries and personnel costs	608,609	601,098	605,370	(4,272)
Operating costs	38,600	33,969	32,605	1,364
Information technology costs		2,030	1,664	366
Capital acquisitions	16,550	24,151	24,150	1
Facilities Maintenance:				
Salaries and personnel costs	902,461	881,587	881,587	
Operating costs	954,207	887,257	886,768	489
Information technology costs	11,500	13,700	13,669	31
Capital acquisitions	24,070	32,720	32,720	
Facilities Operations:				
Salaries and personnel costs	216,201	196,772	196,697	75
Operating costs	4,423,282	4,119,982	4,111,227	8,755
Janitorial:				
Salaries and personnel costs	579,701	565,980	565,976	4
Operating costs	622,215	612,515	611,751	764
Jail Maintenance:				
Salaries and personnel costs	725,481	654,527	654,480	47
Operating costs	750,828	479,028	478,992	36
Information technology costs	21,000	10,300	10,269	31

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, 2016

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance from Final Positive (Negative)
Interdepartmental Construction:				
Salaries and personnel costs	1,136,204	1,140,133	1,140,133	
Operating costs	62,456	38,434	37,666	768
Capital acquisitions	67,440	55,440	55,325	115
County Attorney:				
Salaries and personnel costs	2,457,856	2,432,583	2,431,196	1,387
Operating costs	138,714	131,529	4,606,643	(4,475,114)
Information technology costs	6,999	8,567	7,165	1,402
Capital acquisitions		12,617	24,650	(12,033)
Information Technology:				
Salaries and personnel costs	4,857,886	4,776,959	4,776,696	263
Operating costs	2,882,188	2,635,600	2,598,176	37,424
Information technology costs	292,500	358,871	358,664	207
Capital acquisitions		82,185	81,986	199
Purchasing:				
Salaries and personnel costs	893,865	877,007	876,979	28
Operating costs	28,866	28,620	26,290	2,330
Information technology costs		2,862	2,742	120
Capital Outlay-General Fund:				
Capital acquisitions	7,768,118			
Total General Administration	56,637,116	48,471,887	52,691,509	(4,219,622)
Financial Administration				
County Auditor:				
Salaries and personnel costs	2,122,741	2,083,431	2,083,343	88
Operating costs	23,735	56,935	56,597	338
Information technology costs	500	500	186	314
County Treasurer:				
Salaries and personnel costs	770,899	764,467	764,437	30
Operating costs	182,716	179,661	174,946	4,715
Information technology costs	4,000	400	207	193
Court Collections:				
Salaries and personnel costs	122,277	122,277	121,870	407
Operating costs	15,255	15,255	14,575	680
Information technology costs	375	375	163	212
EMS Collections:				
Salaries and personnel costs	439,124	415,424	415,413	11
Operating costs	152,629	178,142	143,126	35,016
Information technology costs	100	100	37	63
Tax Assessor/Collector:				
Salaries and personnel costs	4,420,658	4,399,641	4,399,545	96
Operating costs	287,487	271,975	271,917	58
Information technology costs	1,000	27,672	27,080	592
Capital acquisitions	9,160			

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance from Final Positive (Negative)
Budget Office:				
Salaries and personnel costs	572,486	562,038	562,010	28
Operating costs	13,547	7,847	6,910	937
Information technology costs		300	267	33
Total Financial Administration	9,138,689	9,086,440	9,042,629	43,811
Administration of Justice				
County Court-at-Law #1:				
Salaries and personnel costs	578,981	573,781	573,772	9
Operating costs	241,784	460,156	460,123	33
Information technology costs	910	920	918	2
County Court-at-Law #2:				
Salaries and personnel costs	571,999	566,999	566,397	602
Operating costs	239,680	397,322	397,286	36
Information technology costs	910	119	119	
County Court-at-Law #3:				
Salaries and personnel costs	577,010	550,519	550,512	7
Operating costs	239,402	321,604	556,862	(235,258)
Information technology costs	910	910		910
County Court-at-Law #4:				
Salaries and personnel costs	574,490	543,394	543,375	19
Operating costs	237,450	1,108,258	1,107,888	370
Information technology costs	910	885		885
Associate County Court-at-Law:				
Salaries and personnel costs	246,366	244,266	244,251	15
Operating costs	16,130	16,130	13,831	2,299
County Court-at-Law #5:				
Salaries and personnel costs	440,510	412,763	412,694	69
Operating costs	185,338	373,334	372,718	616
Information technology costs	906	15,702	14,995	707
Capital acquisitions		5,846	5,846	
240th District Court:				
Salaries and personnel costs	268,324	243,690	243,641	49
Operating costs	232,401	695,675	695,675	
Information technology costs		3,616	3,494	122
268th District Court:				
Salaries and personnel costs	267,597	270,838	270,838	
Operating costs	252,076	586,032	585,989	43
Information technology costs	5,320			
328th District Court:				
Salaries and personnel costs	439,490	441,971	441,970	1
Operating costs	230,704	447,752	447,335	417
Information technology costs	5,320	120	118	2
Capital acquisitions		5,320	5,320	
387th District Court:				
Salaries and personnel costs	436,705	439,667	439,666	1
Operating costs	159,265	193,810	192,670	1,140

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, 2016

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance from Final Positive (Negative)
400th District Court:				
Salaries and personnel costs	268,588	269,494	269,493	1
Operating costs	212,550	930,915	929,834	1,081
Information technology costs		2,760	2,757	3
434th District Court:				
Salaries and personnel costs	273,315	274,449	274,448	1
Operating costs	239,050	1,163,413	1,138,919	24,494
Information technology costs		2,760	2,760	
Capital acquisitions		520		520
505th District Court:				
Salaries and personnel costs	261,434	268,168	268,168	
Operating costs	242,370	59,370	58,400	970
Information technology costs	800	3,560	2,987	573
Child Support:				
Salaries and personnel costs	465,232	446,492	446,417	75
Operating costs	17,544	17,544	16,377	1,167
District Clerk:				
Salaries and personnel costs	4,211,365	4,062,157	4,062,141	16
Operating costs	232,977	163,508	163,468	40
Information technology costs	24,957	15,626	15,619	7
District Clerk Jury Payments:				
Operating costs	300,000	203,500	203,277	223
Justice of the Peace Precinct #1, Place 1:				
Salaries and personnel costs	506,365	501,965	501,874	91
Operating costs	13,800	13,800	13,423	377
Justice of the Peace Precinct #1, Place 2:				
Salaries and personnel costs	656,999	642,216	642,174	42
Operating costs	19,125	19,125	17,814	1,311
Information technology costs	7,869	2,549	2,549	
Capital acquisitions		5,320	5,320	
Justice of the Peace Precinct #2:				
Salaries and personnel costs	520,328	512,648	512,632	16
Operating costs	30,950	30,950	29,284	1,666
Justice of the Peace Precinct #3:				
Salaries and personnel costs	616,055	616,055	615,811	244
Operating costs	13,700	13,700	11,317	2,383
Justice of the Peace Precinct #4:				
Salaries and personnel costs	529,384	528,106	526,352	1,754
Operating costs	12,136	12,136	11,258	878
Bail Bond Board:				
Salaries and personnel costs	90,651	90,676	90,676	
Operating costs	2,781	2,781	1,887	894
Information technology costs	25	25		25

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance from Final Positive (Negative)
District Attorney:				
Salaries and personnel costs	9,880,263	9,678,653	9,678,639	14
Operating costs	604,815	335,338	325,718	9,620
Information technology costs	22,450	34,650	34,210	440
Capital acquisitions	87,700	66,225	66,200	25
Public Defender - Mental Health:				
Salaries and personnel costs	822,619	724,671	724,600	71
Operating costs	227,782	33,598	33,584	14
Information technology costs	4,120	4,720	3,904	816
Capital acquisitions	16,550	17,076	16,550	526
District Judges Fees/Services:				
Operating costs	3,000,000			
Sheriff Detention Operating:				
Salaries and personnel costs	23,698,585	23,593,484	23,593,432	52
Operating costs	5,809,269	6,362,708	6,207,537	155,171
Information technology costs	23,075	23,075	19,672	3,403
Capital acquisitions	207,755	207,492	203,030	4,462
Sheriff - Bailiffs:				
Salaries and personnel costs	2,900,216	2,858,583	2,858,576	7
Operating costs	59,998	38,998	36,884	2,114
Information technology costs	6,723	6,723	4,928	1,795
240th,400th Dist Ct Assoc Jdg:				
Salaries and personnel costs	254,752	254,056	254,056	
Operating costs	22,003	10,584	10,386	198
Information technology costs	600	769	769	
Indigent Defense Program:				
Salaries and personnel costs	229,771	217,723	217,641	82
Operating costs	47,176	72,430	72,193	237
Behavioral Health Services:				
Salaries and personnel costs	323,719	300,469	299,622	847
Operating costs	15,873	18,339	18,211	128
Information technology costs	886	4,642	4,057	585
268th,434th Dist Ct Assoc Jdg:				
Salaries and personnel costs	169,768	170,423	170,423	
Operating costs	10,303	10,545	10,214	331
Death Investigators:				
Operating costs	24,350	24,350	21,906	2,444
Adult Probation Operating:				
Salaries and personnel costs	78,588	80,189	78,998	1,191
Operating costs	85,904	64,104	64,037	67
CSR Program:				
Salaries and personnel costs	319,639	306,139	306,112	27
Operating costs	24,804	24,804	23,967	837
Drug Court - County:				
Operating costs	100,000	92,100	80,655	11,445

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, 2016

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance from Final Positive (Negative)
Juvenile Truancy Court:				
Salaries and personnel costs	324,378	301,578	301,493	85
Operating costs	10,375	2,875	2,805	70
Information technology costs	150	150	55	95
Total Administration of Justice	65,636,197	65,739,950	65,730,803	9,147
Construction and Maintenance				
Engineering:				
Salaries and personnel costs	2,187,149	2,096,252	2,096,052	200
Operating costs	518,568	262,468	220,412	42,056
Information technology costs	15,846	19,215	17,746	1,469
Capital acquisitions	86,504	93,135	93,134	1
Landfill:				
Salaries and personnel costs	41,326	27,926	27,870	56
Operating costs	85,635	58,635	55,630	3,005
Recycling Center:				
Salaries and personnel costs	138,938	134,038	133,967	71
Operating costs	47,647	56,138	55,529	609
Capital acquisitions	90,000	80,234	80,234	
Household/Ag Waste Program:				
Salaries and personnel costs	37,569	29,169	29,107	62
Operating costs	58,906	64,506	63,968	538
Information technology costs		300	124	176
Capital acquisitions		5,932	5,932	
Total Construction and Maintenance	3,308,088	2,927,948	2,879,705	48,243
Health and Human Services:				
Ambulance - EMS:				
Salaries and personnel costs	10,760,338	11,146,120	11,146,120	
Operating costs	1,328,777	1,214,070	1,210,694	3,376
Information technology costs	6,000	6,000	5,851	149
Capital acquisitions	796,580	792,780	793,199	(419)
Public Transportation:				
Operating costs	2,511,497	23,339	22,900	439
Health Department - County:				
Salaries and personnel costs	486,397	465,784	464,062	1,722
Operating costs	41,448	44,203	43,130	1,073
Information technology costs	100	845	845	
Clinical Health Immunization:				
Salaries and personnel costs	365,041	356,941	356,843	98
Operating costs	20,975	20,975	19,223	1,752
Animal Control:				
Salaries and personnel costs	895,763	846,239	846,159	80
Operating costs	193,424	170,292	147,501	22,791
Information technology costs	1,946	1,946		1,946
Capital acquisitions	58,620	58,620	58,614	6

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance from Final Positive (Negative)
Health and Human Services:				
Salaries and personnel costs	506,271	502,671	502,626	45
Operating costs	629,227	777,476	672,438	105,038
Information technology costs	5,000	3,651	3,651	
Senior Center:				
Salaries and personnel costs	271,744	252,313	251,912	401
Operating costs	19,245	18,990	18,184	806
Information technology costs		755	755	
Environmental Services:				
Salaries and personnel costs	1,380,837	1,321,313	1,321,228	85
Operating costs	143,668	110,688	110,510	178
Information technology costs	1,500	1,500	1,496	4
Capital acquisitions	41,200	46,520	46,520	
CIHC Coordinator - County:				
Salaries and personnel costs	597,512	599,709	599,705	4
Operating costs	1,526,374	1,955,599	1,933,310	22,289
Information technology costs	75	75		75
Social Services:				
Salaries and personnel costs	822,374	820,087	787,044	33,043
Operating costs	326,686	333,780	333,232	548
Information technology costs	1,986	1,792	1,791	1
Total Health and Welfare	23,740,605	21,895,073	21,699,543	195,530
Cooperative Services				
Extension Service:				
Salaries and personnel costs	501,271	477,108	477,016	92
Operating costs	338,007	350,957	347,174	3,783
Information technology costs	100	350	257	93
Capital acquisitions		11,971	16,550	(4,579)
Veterans Service:				
Salaries and personnel costs	214,004	210,404	210,334	70
Operating costs	10,817	6,967	5,365	1,602
Information technology costs	50	500	315	185
Total Cooperative Services	1,064,249	1,058,257	1,057,011	1,246
Public Safety				
Civil Service Commission:				
Salaries and personnel costs	85,188	85,188	85,178	10
Operating costs	10,428	10,428	8,012	2,416
Information technology costs	50	50		50
Fire Marshal:				
Salaries and personnel costs	1,074,408	1,081,378	1,081,378	
Operating costs	1,672,218	1,634,416	1,633,227	1,189
Information technology costs	7,775	7,775	7,409	366
Capital acquisitions	85,332	74,300	74,300	

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, 2016

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance from Final Positive (Negative)
Department of Public Safety:				
Salaries and personnel costs	126,244	120,344	120,329	15
Operating costs	20,802	20,802	17,155	3,647
Information technology costs	3,700	3,700	3,609	91
DPS - License and Weight:				
Operating costs	5,673	5,673	4,272	1,401
Information technology costs	500	500	461	39
Constable Precinct #1:				
Salaries and personnel costs	1,598,405	1,560,356	1,560,288	68
Operating costs	180,805	112,581	110,954	1,627
Information technology costs	886	886	37	849
Capital acquisitions	49,245	40,873	40,873	
Constable Precinct #2:				
Salaries and personnel costs	1,590,424	1,609,828	1,609,827	1
Operating costs	175,981	126,262	121,715	4,547
Information technology costs		1,000	874	126
Capital acquisitions	124,583	102,258	101,700	558
Constable Precinct #3:				
Salaries and personnel costs	1,117,472	984,614	984,598	16
Operating costs	163,851	123,362	122,246	1,116
Information technology costs	751	1,051	932	119
Capital acquisitions	28,975	26,100	26,097	3
Constable Precinct #4:				
Salaries and personnel costs	1,078,546	1,112,887	1,112,887	
Operating costs	152,255	110,911	110,873	38
Information technology costs	2,525	6,496	6,495	1
Capital acquisitions	82,679	106,701	106,588	113
Sheriff Enforcement Operating:				
Salaries and personnel costs	29,672,154	29,576,904	29,576,904	
Operating costs	4,679,117	3,410,259	3,314,033	96,226
Information technology costs	46,779	106,925	101,813	5,112
Capital acquisitions	1,588,265	1,118,958	1,118,957	1
Commissary Administration:				
Operating costs		94,307	19,399	74,908
Emergency Management - County:				
Salaries and personnel costs	510,292	532,528	532,527	1
Operating costs	115,790	91,534	88,725	2,809
Information technology costs	100	12,084	11,493	591
Capital acquisitions		5,972	5,972	
Total Public Safety	46,052,198	44,020,191	43,822,137	198,054

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance from Final Positive (Negative)
Parks and Recreation				
Fairgrounds:				
Salaries and personnel costs	499,755	475,331	475,259	72
Operating costs	84,704	123,312	121,194	2,118
Information technology costs		192	191	1
Capital acquisitions	22,850	22,850	22,850	
Jones Creek Ranch:				
Salaries and personnel costs	420,848	393,054	392,716	338
Operating costs	105,365	102,765	99,347	3,418
Information technology costs	5,842	5,842	5,350	492
Capital acquisitions	95,000	89,500	88,789	711
Parks Department:				
Salaries and personnel costs	1,320,872	1,246,770	1,246,509	261
Operating costs	680,808	600,808	576,445	24,363
Information technology costs	886	7,886	6,295	1,591
Capital acquisitions	143,940	141,940	141,723	217
Total Parks and Recreation	3,380,870	3,210,250	3,176,668	33,582
Libraries and Education				
County Library Operating:				
Salaries and personnel costs	11,756,006	11,528,115	11,527,836	279
Operating costs	3,341,668	3,385,583	3,385,074	509
Information technology costs	221,941	197,421	197,360	61
Capital acquisitions	218,397	171,002	170,488	514
Total Libraries and Education	15,538,012	15,282,121	15,280,758	1,363
Total Expenditures	224,496,024	211,692,117	215,380,763	(3,688,646)
Excess of Revenues Over Expenditures	20,043,058	32,846,965	32,278,432	(568,533)
Other Financing (Uses)				
Transfers (out)	(14,831,864)	(14,765,514)	(13,539,414)	1,226,100
Total Other Financing (Uses)	(14,831,864)	(14,765,514)	(13,539,414)	1,226,100
Net Change in Fund Balance-Budgetary Basis	5,211,194	18,081,451	18,739,018	657,567
Net Adjustment to Reflect Operations in Accordance with GAAP (a)			(17,984,600)	
Fund Balance, Beginning of Year	45,934,056	45,934,056	45,934,056	
Fund Balance, End of Year	$ 51,145,250	$ 64,015,507	$ 46,688,474	$ 657,567

(a) See reconciliation on page 81.

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, 2016, 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	$ 247,659,195	$ 33,975,821	$ 281,635,016
Expenditures	215,380,763	51,977,621	267,358,384
Excess (Deficiency) of Revenues Over (Under) Expenditures	32,278,432	(18,001,800)	14,276,632
Other Financing Sources (Uses)			
Transfers in		17,200	17,200
Transfers (out)	(13,539,414)		(13,539,414)
Total Other Financing Sources (Uses)	(13,539,414)	17,200	(13,522,214)
Net Change in Fund Balance	18,739,018	(17,984,600)	754,418
Fund Balance, Beginning of Year			45,934,056
Fund Balance, End of Year			$ 46,688,474

Excess of Expenditures over Appropriations

For the year ended September 30, 2016, significant variances where expenditures exceeded appropriations in the following budget categories are detailed below:

General Fund:	
General Administration:	
Facilities Management and Planning - Salaries and personnel costs	$ 4,272
County Attorney - Operating costs	4,475,114
County Attorney - Capital acquistions	12,033
Administration of Justice:	
County Court-at-Law #3 - Operating costs	235,258
Health and Welfare:	
Ambulance - EMS - Capital acquisitions	419
Cooperative Services:	
Extension Service - Capital acquisitions	4,579
Debt Service Fund:	
Total expenditures	112,391

The excess expenditures in the General Fund for County Court-at-Law #3, Ambulance – EMS, and Extension Service were funded from other available budgets within each governmental function. The excess expenditures for County Attorney caused an overall budget deficit in general administration, which was unable to be funded by the other governmental functions within General Fund, but did not cause a deficit for the General Fund overall. Procedures have been put in place to prevent these excess expenditures 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, 2016

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

	Measurement Year 2015	Measurement Year 2014
Total pension liability:		
Service cost	$ 17,634,188	$ 16,523,133
Interest on total pension liability	41,231,027	38,158,329
Effect of plan changes	(3,757,840)	
Effect of assumptions changes or inputs	5,221,392	
Effect of economic/demographic gains or losses	(4,826,769)	(317,076)
Benefit payments, including refunds of employee contributions	(18,596,903)	(16,821,825)
Net change in total pension liability	36,905,095	37,542,561
Total pension liability - Beginning of Year	508,779,484	471,236,923
Total pension liability - End of Year (a)	$ 545,684,579	$ 508,779,484
Plan fiduciary net position:		
Member contributions	$ 8,950,888	$ 8,374,898
Employer contributions	15,499,968	14,592,621
Net investment income	(3,695,830)	29,818,164
Benefit payments, including refunds of employee contributions	(18,596,903)	(16,821,825)
Administrative expenses	(341,868)	(351,781)
Other	(697,460)	(187,536)
Net change in plan fiduciary net position	1,118,795	35,424,541
Plan fiduciary net position - Beginning of Year	473,976,767	438,552,226
Plan fiduciary net position - End of Year (b)	475,095,562	473,976,767
Net pension liability - End of Year (a) - (b)	$ 70,589,017	$ 34,802,717
Plan fiduciary net position as a percentage of total pension liability	87.06%	93.16%
Covered employee payroll (measurement year)	$ 127,676,972	$ 119,513,775
Net pension liability as a percentage of covered employee payroll	55.29%	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.

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

Year ending September 30	Actuarially determined contribution	Actual contributions	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
2016	$ 16,282,073	$ 16,282,073		$ 141,373,051	11.5%
2015	15,237,042	15,237,042		125,320,314	12.2%
2014	14,139,360	14,139,360		117,481,100	12.0%
2013	12,681,672	12,681,672		110,913,229	11.4%
2012	12,127,523	12,127,523		110,352,543	11.0%
2011	11,418,711	11,418,711		106,734,729	10.7%
2010	11,235,138	11,235,138		105,310,643	10.7%
2009	10,187,718	10,187,718		99,913,522	10.2%
2008	9,110,858	9,110,858		89,502,142	10.2%
2007	8,097,682	8,097,682		78,967,489	10.3%

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
Actuarial Cost Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
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 projected to 2014 with a scale AA,and then projected with a 110% of the MP-2014 Ultimate scale after that.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table projected to 2014 with scale AA, and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two-year set-forward for females.

FORT BEND COUNTY, TEXAS
REQUIRED OTHER POST EMPLOYMENT BENEFIT SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FORT BEND COUNTY EMPLOYEE BENEFIT PLAN
September 30, 2016

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%
10/1/2015	$ 0	4.0%	$ 350,708,226	$ 350,708,226	0.0%	$ 127,676,972	274.7%

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

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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August 16, 2017

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

> FORT BEND COUNTY, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2017A, dated August 1, 2017, in an initial denomination equal to the entire principal amount of each scheduled maturity of the Certificate, being $47,550,000.
>
> The Certificates mature, bear interest and may be transferred and exchanged as set out in the Certificates and in the County's Order authorizing the Certificates (the "Order"). The Certificates are subject to optional redemption prior to maturity as set out in the Certificates and in 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 Certificates under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Certificates 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 Certificates. Our role in connection with the County's Official Statement prepared for use in connection with the sale of the Certificates (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 Certificates which contains certified copies of certain proceedings of the Commissioner's Court of the County, customary certificates of officers, agents and representatives of the County, and other certified showings relating to the authorization and issuance of the Certificates. We also have examined executed Bond No. R-1 of this issue.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that:

1. The County has been validly created and organized and that the transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently effective; that therefore the Certificates are valid and legally binding obligations of the County and all 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 Certificates are payable from and equally and ratably secured solely by a lien on and pledge of taxes within the limits prescribed by law and are further payable from and secured by a pledge of and lien on certain net revenues from the operation of the County's jail system.

The rights of the owners of the Certificates 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.

The Certificates are obligations solely of the County and are not obligations of the State of Texas, or any other entity.

IT IS OUR FURTHER OPINION that:

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

(2) Interest on the Certificates is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Certificates 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 Initial Purchaser (as defined in the Order) with respect to matters solely within the knowledge of the County, the County's Financial Advisor and the Initial Purchaser, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in the Order pertaining to those sections of the Internal Revenue Code of 1986, as amended (the "Code") that affect the exclusion from gross income of interest on the Certificates for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or the County fails to comply with the foregoing covenants of the Order, interest on the Certificates 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 Certificates.

Owners of the Certificates 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 Certificates).

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 Certificates. 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 Certificates as includable in gross income for federal income tax purposes.

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