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January 9, 2015

To the Board of Directors of the Fort Bend County Industrial Development Corporation, Members of the Commissioners Court, and Citizens of Fort Bend County, Texas:

The Fort Bend County Auditor’s Office is pleased to present the basic financial statements of the Fort Bend County Industrial Development Corporation (the “Corporation”), a component unit of Fort Bend County, Texas (the “County”), for the fiscal year ended September 30, 2014. This report is submitted in accordance with Section 114.025 of the Texas Local Government Code and was prepared by the staff of the County Auditor’s Office.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Sandersen Knox and Company, L.L.P. has issued an unmodified (“clean”) opinion on the Corporation’s financial statements for the year ended September 30, 2014. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (“MD&A”) immediately follows the independent auditors’ report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Corporation

The Development Corporation Act of 1979, Article 5190.6, Vernon’s Annotated Texas Civil Statutes, provides for the creation of a corporation to issue tax-exempt conduit debt for businesses to promote industrial development. In 1984, the Commissioners Court (the “Court”) created the Fort Bend County Industrial Development Corporation. The Corporation issues conduit tax-exempt bonds for qualifying businesses for the purpose of industrial development. The conduit debt does not create any financial obligation to the Corporation or the County.

Local Economy

Fort Bend County continues to enjoy improvement in the local economy through fiscal year 2014. This is evident by growth in new home sales, labor force, and employment rate. The demand for services regarding the governmental functions performed by the County continues to increase at a greater rate. The
Commissioners Court and the Corporation continue to use a conservative approach to the allocation of resources to serve the County’s needs to ensure that Fort Bend County is prepared as the local economy improves. This ongoing conservative approach will allow the County and the Corporation to meet the service demands of the residents in Fort Bend County.

**Long-Term Financial Planning and Relevant Financial Policies**

*Budget*

The Corporation adopts a one-year budget. The Corporation serves as a conduit for activity related to bond issues for industrial development.

*Long-Term Comprehensive Plan*

The Corporation’s long-term plan is to manage, maintain, and expand industrial development within Fort Bend County.

*Major Initiatives*

The Corporation, with the assistance of the Fort Bend County Economic Development Council, continues to promote industrial development in Fort Bend County.

*Acknowledgements*

The preparation of this report could not be achieved without the efficient and dedicated services of the staff of the County Auditor's Office and Sandersen Knox & Company, L.L.P., our independent auditor.

Respectfully submitted,

Robert E. Sturdivant, CPA
County Auditor
Fort Bend County, Texas
INDEPENDENT AUDITORS’ REPORT

To the Board of Directors
Fort Bend County Industrial Development Corporation
Fort Bend County, Texas

We have audited the accompanying financial statements of the business-type activities of Fort Bend County Industrial Development Corporation (the “Corporation”), a component unit of Fort Bend County, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Corporation’s basic financial statement 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. 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.

As discussed in Note 1A, the financial statements present only the Corporation and do not purport to, and do not, present fairly the financial position of Fort Bend County, Texas, as of September 30, 2014, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.
Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Corporation as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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 3 through 4 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 Corporation’s basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements. The introductory section has 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 it.

Sugar Land, Texas
January 9, 2015
As management of the Fort Bend County Industrial Development Corporation (the “Corporation”), we, the Board of Directors of the Corporation, offer readers of the Corporation’s financial statements this narrative overview and analysis of the financial activities of the Corporation for the fiscal year ended September 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The assets of the Corporation exceeded its liabilities at the close of the most recent fiscal year by $241,092 (net position).
- The Corporation’s cash and cash equivalents balance at September 30, 2014 was $241,092, representing a decrease of $14,957 from September 30, 2013.
- The Corporation had operating expenses of $15,798 and no operating revenues for the year ended September 30, 2014.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Corporation’s basic financial statements. The Corporation’s basic financial statements include two components: the enterprise fund financial statements; and notes to the financial statements.

Enterprise Fund Financial Statements

The Fort Bend County Industrial Development Corporation is a municipal corporation and component unit of the Fort Bend County, Texas (the “County”). It is a single-purpose government with one business-type activity. Because the Corporation is a single-purpose government, this report only includes the required Management Discussion and Analysis, the Enterprise Fund financial statements and the notes to the financial statements. The Enterprise Fund financial statements consist of the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

The Corporation operates a number of programs consistent with its mission to promote industrial development and employment. The Corporation was established under the Texas Industrial Development Act of 1979 (Article 5190.6, Vernon’s Texas Civil Statutes now codified under Chapter 501 et seq. Texas Local Government Code) as a state public nonprofit corporate entity and is organized solely to carry out its purposes. The service area of the Corporation includes Fort Bend County. All programs operated by the Corporation are classified as business-type activities because the programs are financed by fees charged to external parties. These activities include facilitating financing to qualified industrial development activities. All financing of below-market interest rate programs is accomplished through the use of conduit debt sponsored by the Corporation in its capacity to do so under state statutes and relevant provisions of the United States Internal Revenue Code. No liabilities to the Corporation or the County are created under such financing mechanisms.

The financial statements (pages 7 through 9 of this report) are designed to provide readers with a broad overview of the Corporation’s finances, in a manner similar to private-sector businesses.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 10 through 13 of this report.
Economic Factors

The County continues to enjoy growth in various demographic areas as the economy improves.

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

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

Requests for Information

This financial report is designed to provide a general overview of the Corporation’s finances for all of those with an interest in the Corporation’s finances. Questions concerning this report or requests for additional financial information should be directed to Ed Sturdivant, County Auditor, 301 Jackson, Seventh Floor, Richmond, TX 77469.
BASIC FINANCIAL STATEMENTS
FORT BEND COUNTY INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF NET POSITION

September 30, 2014

<table>
<thead>
<tr>
<th></th>
<th>Industrial Development Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 241,092</td>
</tr>
<tr>
<td>Total Assets</td>
<td>241,092</td>
</tr>
<tr>
<td><strong>Net Position</strong></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>241,092</td>
</tr>
<tr>
<td>Total Net Position</td>
<td>$ 241,092</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
FORT BEND COUNTY INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended September 30, 2014

<table>
<thead>
<tr>
<th>Industrial Development Fund</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
</tr>
<tr>
<td>Administration costs</td>
<td>15,798</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>15,798</td>
</tr>
<tr>
<td><strong>Operating (Loss)</strong></td>
<td>(15,798)</td>
</tr>
<tr>
<td><strong>Non-Operating Revenues</strong></td>
<td></td>
</tr>
<tr>
<td>Earnings on investments</td>
<td>841</td>
</tr>
<tr>
<td><strong>Total Non-Operating Revenues</strong></td>
<td>841</td>
</tr>
</tbody>
</table>

| Change in Net Position      | (14,957)|
| **Total Net Position, Beginning of Year** | 256,049 |
| **Total Net Position, End of Year**       | $ 241,092|

The accompanying notes are an integral part of these financial statements.
FORT BEND COUNTY INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2014

<table>
<thead>
<tr>
<th>Cash Flows from Operating Activities</th>
<th>Industrial Development Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disbursed for goods and services to suppliers</td>
<td>$ (15,798)</td>
</tr>
<tr>
<td>Net Cash (Used) by Operating Activities</td>
<td>(15,798)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash Flows from Investing Activities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest earned on investments</td>
<td>841</td>
</tr>
<tr>
<td>Net Cash Provided by Investing Activities</td>
<td>841</td>
</tr>
</tbody>
</table>

Net (Decrease) in Cash and Cash Equivalents | (14,957) |

Cash and Cash Equivalents, Beginning of Year | 256,049 |

Cash and Cash Equivalents, End of Year | $ 241,092 |

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

| Operating (Loss) | $ (15,798) |

Net Cash (Used) by Operating Activities | $ (15,798) |

The accompanying notes are an integral part of these financial statements.
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

These financial statements include all of the funds and activities of the Fort Bend County Industrial Development Corporation (the “Corporation”). The Corporation is a component unit of Fort Bend County, Texas (the “County”). Financial statements of the Corporation are included as a discretely presented component unit in the County’s financial statements.

The Corporation was established under the Texas Industrial Development Corporation Act of 1979 (Article 5190.6, Vernon’s Texas Civil Statutes now codified under Chapter 501 et seq. Texas Local Government Code) as a separate public nonprofit corporate entity and is organized solely to carry out its purposes and shall have and possess all such powers enumerated. The Corporation’s specified public purpose is promotion and development of enterprises to promote and encourage employment and the public welfare. The primary criteria for the inclusion of the Corporation in the County's reporting entity, is that of financial accountability. The Commissioners Court, as the elected governing body of the County, appoints the members of the Board of the Corporation. As such, the Commissioners Court has the ability to significantly influence the operations of the Corporation by approving all budgets, borrowings, disbursements, and other transactions.

Additionally, 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 Corporation's financial reporting entity. Based on these considerations, no other entities, organizations, or functions have been included in the Corporation's financial reporting entity.

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

The accompanying basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included in the statement of net position.

Industrial Development Fund
The Industrial Development Fund is the Corporation’s only fund. It accounts for all financial resources of the Corporation.

C. Budgets

The Board of Directors adopts an annual budget for the Corporation. The Corporation serves as a conduit for activity related to bond issues for industrial development.

D. Cash and Cash Equivalents

The Corporation’s cash consists of demand deposits.
E. Net Position

Net position in the financial statements is 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. The Corporation’s net position is all unrestricted. It is the Corporation’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

F. Use of Estimates

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

G. Date of Management’s Review

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through January 9, 2015, the date that the financial statements were available to be issued.

NOTE 2 - DEPOSITS (CASH) AND INVESTMENTS

A. Authorization for Deposits and Investments

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

In accordance with applicable statutes, the County has a depository contract with an area bank (depository) providing for interest to be earned on deposited funds and for banking charges the Corporation incurs for banking services received. The Corporation 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 the Corporation’s funds as defined by the Public Funds Investment Act (Chapter 2256, Texas Government Code).

B. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The County monitors interest rate risk for the Corporation by utilizing weighted average maturity analysis. In accordance with its investment policy, the County reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio as a whole to no more than 3 years.
C. 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. The County manages adherence to this policy for the Corporation. To achieve this diversification, the County will limit investments in specific types of securities to the following percentages of the total portfolio:

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

At September 30, 2014, 100% of the Corporation’s cash and cash equivalents were contained in demand deposit accounts.

NOTE 3 – CONDUIT DEBT

The Corporation is authorized to facilitate and finance industrial development by issuing tax-exempt and taxable revenue bonds. The bonds issued by the Corporation do not constitute a debt or pledge of faith of the Corporation. Bonds are payable solely from the revenues or other resources pledged under the terms defined in the debt agreements.

A summary of outstanding issues as of September 30, 2014, the first of which was issued in 2000, is comprised of the following:

<table>
<thead>
<tr>
<th>Type of Issue</th>
<th>Series</th>
<th>Amount</th>
<th>Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Development Revenue Bond (Aaron Rents, Inc. Project)</td>
<td>2000</td>
<td>$ 4,200,000</td>
<td>$ 3,250,000</td>
</tr>
<tr>
<td>Industrial Development Revenue Bond (Accredo Packaging, Inc. Project)</td>
<td>2010</td>
<td>11,500,000</td>
<td>6,022,737</td>
</tr>
<tr>
<td>Industrial Development Revenue Bond (NRG Energy, Inc. Project)</td>
<td>2012</td>
<td>54,000,000</td>
<td>54,000,000</td>
</tr>
<tr>
<td>Industrial Development Revenue Bond (NRG Energy, Inc. Project)</td>
<td>2012B</td>
<td>73,100,000</td>
<td>73,100,000</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>$ 136,372,737</td>
</tr>
</tbody>
</table>

NOTE 4 – RISK MANAGEMENT

The Corporation 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, which covers the Corporation, encompasses various means of protecting the County against loss by obtaining property, casualty, and liability coverage through commercial insurance carriers, self-insurance and from participation in a risk pool. The participation of the Corporation in the risk pool is limited to the payment of premiums. Settled claims have not exceeded insurance coverage in any of the previous three fiscal years. There has not been any significant reduction in insurance coverage from that of the previous year.
NOTE 5 - CONTINGENCIES AND COMMITMENTS

Litigation and Other Contingencies

The Corporation is contingently liable with respect to lawsuits and other claims in the ordinary course of its operations. Any settlement of such contingencies under the budgetary process would not materially affect the financial position of the Corporation as of September 30, 2014. The Corporation has no known contingent liabilities to disclose at the date of this report.