

**FORT BEND GRAND PARKWAY TOLL ROAD  
AUTHORITY  
FINANCIAL REPORT  
For the Year Ended September 30, 2014**



**Prepared by:**

**Fort Bend County Auditor's Office**

**Robert Ed Sturdivant, CPA**

**County Auditor**

**FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY**  
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## COUNTY AUDITOR

Fort Bend County, Texas

**Robert Ed Sturdivant**  
County Auditor

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March 12, 2015

To the Board of Directors of the Fort Bend Grand Parkway Toll Road Authority, 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 Grand Parkway Toll Road Authority (the "Authority"), 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 Authority'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 Authority**

In 2007, during the 80th Texas Legislature, Senate Bill 792 was signed into law giving counties the option to take over development of the Grand Parkway from the Texas Department of Transportation ("TxDOT"). In September of 2009, Fort Bend County Commissioners Court (the "Court") signed their order to assume the responsibility of financing, designing, constructing, operating and tolling Segment D of the Grand Parkway. The Authority was created by the Court as a local government corporation pursuant to the Texas Transportation Code.

The Authority, located in Sugar Land, Texas, is underway with this new key mobility project for the County; Segment D of the Grand Parkway. Segment D of the Grand Parkway will be the third such effort by the County to provide alternative transportation options for Fort Bend County residents and the greater Houston area in the form of a toll road.

In May of 2011, the Authority executed the "Right of Use" agreement with TxDOT allowing the Authority to use state highway right-of-way and giving the green light to begin construction of nine (9) new tolled overpasses and eight (8) miles of main-lane development for and construction of Segment D of the Grand Parkway. Construction of all overpasses was completed in April 2014.

Additional information about the Authority is available on Fort Bend County Toll Road Authority's website: <http://www.fbctra.com>.

## **Local Economy**

Fort Bend County experienced a continued upturn in the local economy for fiscal year 2014. This is evident by a modest increase 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 Authority 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 Authority to meet the service demands of the residents in Fort Bend County.

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

### *Budget*

The Authority adopts a one-year budget through its fully coordinated financial planning process. The budget implements strategies, both financial and operational, identified through the strategic and long-range planning process to meet existing challenges and to effectively plan for future needs. The budget is a financial plan for a fiscal year of operations that matches all planned revenues and expenses with the services provided the citizens of the County based on the established budget policy. Decisions are not based solely on current conditions but on the long-term welfare of the community. The budget is developed and resources allocated based on the vision, mission, and goals of the Authority and County.

### *Long-Term Comprehensive Plan*

The Authority's long-term plan is to manage, maintain, and expand the Fort Bend Grand Parkway to enhance the County's master thoroughfare system. The future expansion of the toll road will be appropriately timed to meet the demand when financially feasible.

### *Capital Improvement Program*

The Authority maintains a multi-year Capital Projects Plan that includes toll road mobility projects. These capital initiatives involve the future expansion of the Grand Parkway Toll Road.

### *Debt Policy*

The purpose of the County's Debt Policy (which includes the Authority) is to establish guidelines for the utilization of debt instruments issued by the County and Authority whether payable from County taxes or payable from certain revenues of the County or Authority.

The County and Authority will ensure all uses of debt instruments are in compliance with all statutory requirements, and in accordance with the guidelines, outstanding ordinances, insurance covenants, and existing agreements. Further, the County and Authority will ensure that the utilization of any debt instrument provides the most prudent and cost-effective funding possible, taking all material matters into account.

## Major Initiatives

Mobility remains one of the top priorities of the Authority as the County continues to grow and develop. With the major roadways already heavily congested, mobility has been, and continues to be, a primary concern. Continued residential and commercial expansion has increased the use of County roads. Right-of-way acquisitions for future roads have required more focus on future planning to prevent project delays. Completed toll road projects have proven to be effective in reducing congestion and enhancing safety within the 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

***FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY MISSION STATEMENT***  
*The Fort Bend Grand Parkway Toll Road Authority ("FBGPTRA") was created by the Fort Bend County Commissioners Court as a local government corporation pursuant to the Texas Transportation Code, to aid, assist, and act on behalf of the County in the performance of its essential government purposes, including toll road projects.*





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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Fort Bend Grand Parkway Toll Road Authority  
Fort Bend County, Texas

We have audited the accompanying financial statements of the Fort Bend Grand Parkway Toll Road Authority (the "Authority") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority'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.

### **Auditors' 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.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fort Bend Grand Parkway Toll Road Authority as of September 30, 2014, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1A, the financial statements present only the Authority and do not purport to, and do not, present fairly the financial position of Fort Bend County, Texas, as of September 30, 2014, 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. Our opinion is not modified with respect to this matter.

**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 6 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 an opinion on the financial statements that collectively comprise the Authority’s basic financial statements. The introductory and other supplementary information sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and other supplementary information 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.



Sugar Land, Texas  
March 12, 2015

## **FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Fort Bend Grand Parkway Toll Road Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority 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.

### **Overview of the Financial Statements**

Management's discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority'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 Toll Road Authority is a local government corporation and a component unit of Fort Bend County (the "County"). It is a single-purpose government with one business-type activity. Because the Authority 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 (Deficit), Statement of Revenues, Expenses and Changes in Net Position (Deficit), and the Statement of Cash Flows.

The enterprise fund financial statements, which can be found on pages 8 through 10 of this report, are designed to provide readers with a broad overview of the Authority'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 enterprise fund financial statements. The notes to the financial statements can be found on pages 11 through 16 of this report.

### **Financial Analysis**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, liabilities exceeded assets by \$15,845,697 at the close of the most recent fiscal year.

**FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY  
CONDENSED STATEMENT OF NET POSITION (DEFICIT)**

*September 30, 2014 and 2013*

	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 28,812,524	\$ 68,689,694
Capital assets, net	<u>133,459,947</u>	<u>102,305,000</u>
<b>Total Assets</b>	<b>162,272,471</b>	<b>170,994,694</b>
Long-term liabilities	172,734,294	173,287,275
Other liabilities	<u>5,383,874</u>	<u>9,087,413</u>
<b>Total Liabilities</b>	<b>178,118,168</b>	<b>182,374,688</b>
Net Position (Deficit):		
Net investment in capital assets	(26,567,856)	(23,522,392)
Restricted	6,536,583	12,142,398
Unrestricted	<u>4,185,576</u>	
<b>Total Net (Deficit)</b>	<b><u>\$ (15,845,697)</u></b>	<b><u>\$ (11,379,994)</u></b>

As of September 30, 2014, the Authority had a negative net investment in capital assets of \$26,567,856. The Authority's capital assets consist primarily of infrastructure which was constructed using related debt. The Authority uses capital assets to provide services to citizens. Consequently, these assets are not available for future spending. The Authority had restricted net position of \$6,536,583, which represents funds held by a trustee for debt service payments. The remaining balance of \$4,185,576 is unrestricted.

**FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY  
STATEMENT OF CHANGES IN NET POSITION (DEFICIT)**

*For the years ended September 30, 2014 and 2013*

	<u>2014</u>	<u>2013</u>
<b>Revenues</b>		
Operating revenues:		
Toll revenue	\$ 6,770,539	\$
Non-operating revenues:		
Earnings on investments	81,124	225,267
Amortization of bond premium	<u>552,981</u>	<u>552,980</u>
<b>Total Revenues</b>	<b><u>7,404,644</u></b>	<b><u>778,247</u></b>
<b>Expenses</b>		
Operating expenses:		
Salaries and personnel costs		
Fees and supplies	2,904,328	776,754
Utilities	91,291	10,134
Depreciation	1,689,028	
Non-operating expenses:		
Interest on long-term debt	7,180,200	7,180,200
Debt service fees	<u>5,500</u>	
<b>Total Expenses</b>	<b><u>11,870,347</u></b>	<b><u>7,967,088</u></b>
Change in Net (Deficit)	(4,465,703)	(7,188,841)
<b>Net (Deficit), Beginning</b>	<b>(11,379,994)</b>	<b>(4,191,153)</b>
<b>Net (Deficit), Ending</b>	<b><u>\$ (15,845,697)</u></b>	<b><u>\$ (11,379,994)</u></b>

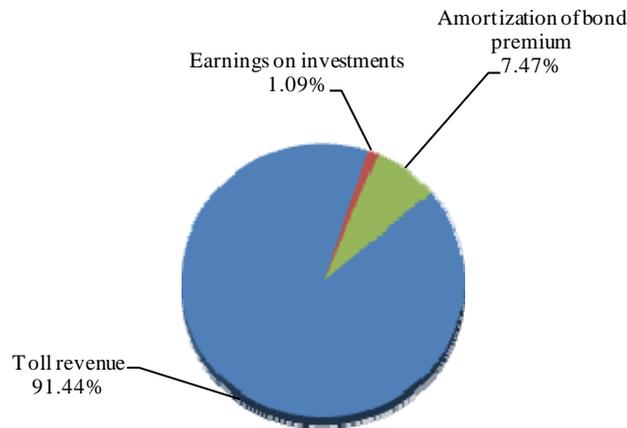
At the end of the current fiscal year, the Authority reported a deficit balance in net position of \$15,845,697.

The Authority's revenues were insufficient to cover all expenses incurred during the year ended September 30, 2014, resulting in a decrease in net position of \$4,465,703. This decrease is \$2,723,138 less than the prior year's decrease of \$7,188,841. The key elements of the change in decrease in net position were due to the following:

- The Grand Parkway Toll Road opened during the current year, producing toll revenues of \$6,770,539.
- Increase in fees and supplies of \$2,127,574 due to increased maintenance costs of the system.
- Depreciation of \$1,689,028 taken in the current year due to placing the system in service during the current year.

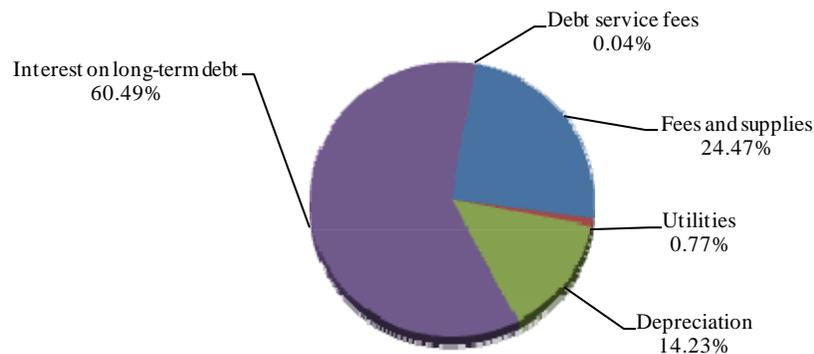
Toll Road revenues for fiscal year 2014 are graphically displayed as follows:

### TOLL ROAD REVENUES



Toll Road expenses for fiscal year 2014 are graphically displayed as follows:

### TOLL ROAD EXPENSES



## Capital Assets and Debt Administration

**Capital Assets** - At the end of fiscal year 2014, the Authority had \$133,459,947 invested in land, toll road construction in progress, and infrastructure, net of accumulated depreciation, as reflected in the following schedule.

	<u>2014</u>	<u>2013</u>
<b>Non-Depreciable Capital Assets</b>		
Land	\$ 4,300	\$ 4,300
Construction in progress	22,421	102,300,700
<b>Other Capital Assets, Net</b>		
Infrastructure	133,433,226	
<b>Totals</b>	<u>\$ 133,459,947</u>	<u>\$ 102,305,000</u>

The increase in toll road infrastructure and decrease in toll road construction in progress were the result of completion of the overpasses along State Highway 99 from State Highway 59 to the Westpark Toll Road.

**Long-Term Debt** – At the end of the current fiscal year, the Authority had total bonds outstanding of \$155,085,000.

### LONG-TERM DEBT

	<u>2014</u>	<u>2013</u>
Revenue bonds	\$ 155,085,000	\$ 155,085,000
Premium on bonds	17,649,294	18,202,275
<b>Totals</b>	<u>\$ 172,734,294</u>	<u>\$ 173,287,275</u>

The County and the Authority received unsecured ratings of Aa1 and AA+ from Moody's and Fitch, respectively on the 2012 Toll Road bond issue.

### Economic Factors

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.

Mobility improvements continue to be a demand from the residents of Fort Bend County. The Authority is proceeding with the Segment D Grand Parkway toll road project that will enhance and compliment the County's road system.

### Requests for Information

This financial report is designed to provide a general overview of Authority's finances for all of those with an interest in the Authority'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 GRAND PARKWAY TOLL ROAD AUTHORITY

## STATEMENT OF NET POSITION (DEFICIT)

September 30, 2014

### Assets

Cash and cash equivalents	\$ 27,306,476
Miscellaneous receivables	1,500,548
Prepaid items	5,500
Capital assets, not subject to depreciation	26,721
Capital assets, net of accumulated depreciation	<u>133,433,226</u>
<b>Total Assets</b>	<u><u>162,272,471</u></u>

### Liabilities

Due to primary government	665,207
Due to Fort Bend County Toll Road Authority	167,765
Retainage payable	3,952,552
Accrued interest payable	598,350
Long-term liabilities due in more than one year	<u>172,734,294</u>
<b>Total Liabilities</b>	<u><u>178,118,168</u></u>

### Net Position (Deficit)

Net investment in capital assets	(26,567,856)
Restricted for:	
Debt service	6,536,583
Unrestricted	<u>4,185,576</u>
<b>Total Net (Deficit)</b>	<u><u>\$ (15,845,697)</u></u>

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

## **FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY**

### **STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (DEFICIT)**

*For the Year Ended September 30, 2014*

#### **Operating Revenues**

Toll revenue	\$ 6,770,539
<b>Total Operating Revenues</b>	<u>6,770,539</u>

#### **Operating Expenses**

Fees and supplies	2,904,328
Utilities	91,291
Depreciation	1,689,028
<b>Total Operating Expenses</b>	<u>4,684,647</u>

**Operating Income** 2,085,892

#### **Non-Operating Revenues**

Earnings on investments	81,124
Amortization of bond premiums	552,981
<b>Total Non-Operating Revenues</b>	<u>634,105</u>

#### **Non-Operating Expenses**

Interest on long-term debt	7,180,200
Debt service fees	5,500
<b>Total Non-Operating Expenses</b>	<u>7,185,700</u>

**Change in Net (Deficit)** (4,465,703)

**Total Net (Deficit), Beginning of Year** (11,379,994)

**Total Net (Deficit), End of Year** \$ (15,845,697)

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

# FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY

## STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2014

### Cash Flows from Operating Activities

Receipts from tolls and other	\$ 5,269,991
Payments to suppliers	(2,995,619)
<b>Net Cash Provided by Operating Activities</b>	<u>2,274,372</u>

### Cash Flows from Investing Activities

Interest earned on investments	81,124
<b>Net Cash Provided by Investing Activities</b>	<u>81,124</u>

### Cash Flows from Capital and Related Financing Activities

Purchase of capital assets	(32,448,160)
Repayment of loan from primary government	(4,099,354)
Interest and fees paid on long-term debt	(7,191,200)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<u>(43,738,714)</u>

**Net (Decrease) in Cash and Cash Equivalents** (41,383,218)

**Cash and Cash Equivalents, Beginning of Year** 68,689,694

**Cash and Cash Equivalents, End of Year** \$ 27,306,476

### Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating Income	\$ 2,085,892
Adjustments to operations:	
Depreciation	1,689,028
Change in assets and liabilities:	
(Increase) in other receivables	(1,500,548)
<b>Total adjustments</b>	<u>188,480</u>

**Net Cash Provided by Operating Activities** \$ 2,274,372

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

**FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Fort Bend Grand Parkway Toll Road Authority (the “Authority”) is organized under the Texas Transportation Corporation Act and the Texas Non-Profit Corporation Act. The Authority was created to assist in the planning, designing, financing and building of the Fort Bend County Grand Parkway/State Highway 99. In particular, the Authority is to assist in the building and operation of Segment D of the Grand Parkway Toll Road. This Toll Road system includes tolling locations along with overpasses at West River Park, New Territory Blvd., US90A/FM1464, West Airport, Harlem Road, Mason Road, West Belfort/Morton Road, Peek Road (design only), Bellaire Blvd., and FM1093/Westpark Tollway.

Based on criteria prescribed by generally accepted accounting principles, the Authority is considered a discretely presented component unit of Fort Bend County, Texas (the “County”). The primary criteria for the inclusion of the Authority in the County’s reporting entity is that of financial accountability. The Commissioners Court, the elected governing body of the County, appoints the Authority’s governing body. The County has financial accountability because it appoints a voting majority of the Board and the County can impose its will. As such, the County is financially accountable for the Authority and the Authority is considered a discretely presented component unit of the County.

**B. Implementation of New Standards**

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

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

Also, with this implementation, deferred charges, which consist of bond issuance costs and were amortized over the term of the bonds, are no longer recognized, but are accounted for as an expense in the period incurred. Therefore, the beginning net deficit on the Statement of Activities has been adjusted to reflect the portion of deferred charges that were incurred in prior years.

Net (Deficit), Beginning	\$ (9,812,368)
Adjustment for Deferred Charges	<u>(1,567,626)</u>
Net (Deficit), Restated	<u>\$ (11,379,994)</u>

**C. 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.

#### **D. Cash and Cash Equivalents**

The Authority's cash and cash equivalents consist of demand deposits and investment pools.

#### **E. Receivables**

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

#### **F. Capital Assets**

Capital assets consist of infrastructure, land, and construction in progress, that are used in the Authority's operations. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operations when incurred. Expenses 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 the resulting gain or loss is included in the results of operations.

The Authority applies a half-year convention for depreciation on all capital assets. Therefore, one-half year of depreciation is charged to operations the first and last year that a capital asset is in service. Depreciation is computed using the straight-line method over an estimated useful life of 20 to 40 years.

#### **G. 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.

#### **H. Restricted/Unrestricted Net Position**

It is the Authority's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

#### **I. Date of Management's Review**

In preparing the financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through March 12, 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, as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the Authority.

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 Authority incurs for banking services received. The Authority 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 Authority's funds as defined by the Public Funds Investment Act (Chapter 2256, Texas Government Code). The investments of the Authority are in compliance with this policy.

### **B. 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 Authority. To achieve this diversification, the County will limit investments in specific types of securities to the following percentages of the total portfolio:

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

As of September 30, 2014, 73.9% of the Authority's cash and cash equivalents were contained in demand deposit accounts.

### **C. 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 Authority 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. At year-end, the Authority's cash and investment balances and the weighted average maturity of these investments were as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>	<u>Percentage of Total Portfolio</u>
Demand Deposits	\$ 20,177,043	1	73.9%
Investment Pools:			
Wells Fargo Government Money Market Fund	7,129,433	33	26.1%
Total Cash and Cash Equivalents	<u>\$ 27,306,476</u>		
Portfolio weighted average maturity (days)		<u>9</u>	

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

The Authority's investment in Wells Fargo Government Money Market Fund was rated "AAAm" and "Aaa-mf" by Standard and Poor's and Moody's Investments, respectively.

### NOTE 3 – CAPITAL ASSETS

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

	<u>Balances</u> <u>10/1/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u> <u>9/30/14</u>
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 4,300	\$	\$	\$ 4,300
Construction in progress	102,300,700	32,843,975	(135,122,254)	22,421
<b>Total capital assets not depreciated</b>	<u>102,305,000</u>	<u>32,843,975</u>	<u>(135,122,254)</u>	<u>26,721</u>
Other capital assets:				
Infrastructure		135,122,254		135,122,254
<b>Total other capital assets</b>		<u>135,122,254</u>		<u>135,122,254</u>
Accumulated depreciation for:				
Infrastructure		(1,689,028)		(1,689,028)
Total accumulated depreciation		<u>(1,689,028)</u>		<u>(1,689,028)</u>
Other capital assets, net		133,433,226		133,433,226
<b>Total capital assets</b>	<u>\$ 102,305,000</u>	<u>\$ 166,277,201</u>	<u>\$ (135,122,254)</u>	<u>\$ 133,459,947</u>

Increases to toll road infrastructure and decreases to toll road construction in progress were the result of material completion of construction activities on the overpasses along State Highway 99 from State Highway 59 to the Westpark Toll Road. The contract commitments as of September 30, 2014, are as follows:

Design	\$ 83,683
Construction	3,008,065
Toll Collection System	210,516
Main Lane Rehab and Reconstruction	4,039,881
Total	<u>\$ 7,342,145</u>

### NOTE 4 – LONG-TERM DEBT

The Authority issued subordinate lien revenue bonds in July, 2012, for the purpose of financing the construction of the Toll Road System and paying the first thirty-six months of interest on the bonds. These subordinate lien bonds will be subsequently be paid through the Authority's Debt Service Fund from toll fees collected by the Authority. The following is a summary of the outstanding subordinate lien bonds as of September 30, 2014:

<b>Original Issue</b>	<b>Description</b>	<b>Interest Rate %</b>	<b>Matures</b>	<b>Debt Outstanding</b>
<b>Revenue Bonds</b>				
\$ 155,085,000	Limited Contract Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2012	3.00 - 5.00	2046	\$ 155,085,000
<b>Total Revenue Bonds</b>				<b>\$ 155,085,000</b>

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

	<b>Balances 10/1/13</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balances 9/30/14</b>	<b>Amounts Due Within One Year</b>
Revenue bonds	\$ 155,085,000	\$	\$	\$ 155,085,000	\$
Premium on bonds	18,202,275		(552,981)	17,649,294	
<b>Totals</b>	<b>\$ 173,287,275</b>	<b>\$</b>	<b>\$ (552,981)</b>	<b>\$ 172,734,294</b>	<b>\$</b>

Annual debt service requirements to maturity are summarized as follows:

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

In the bond resolution, the Authority has the following agreement for the benefit of the holders and beneficial owners of the bonds. The Authority is required to observe the agreement for so long as it remains obligated to advance funds to pay the bonds. Under the agreement, the Authority will be obligated to provide certain updated financial information and operational data annually, and timely notice of specified material events, and certain information to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

## NOTE 5 - CONTINGENCIES AND COMMITMENTS

### Litigation and Other Contingencies

The Authority 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 Authority as of September 30, 2014.

#### **NOTE 6 – DEFICIT NET POSITION**

During the year ended September 30, 2012, the County issued bonds on behalf of the Authority to fund the construction of the overpasses along the Grand Parkway Toll Road. There were no operating revenues from toll collections until February 2014. Therefore, sufficient assets have not yet been generated to offset the liabilities of the Authority as of September 30, 2014, resulting in a deficit net position of \$15,845,697.

#### **NOTE 7 – STATEWIDE INTEROPERABILITY OF ELECTRONIC TOLL COLLECTIONS**

The Authority entered into an agreement by resolution on October 29, 2013 to participate in the Statewide Interoperability of Electronic Toll Collections with Texas Department of Transportation, Harris County (acting through Harris County Toll Road Authority), North Texas Tollway Authority, and Central Texas Regional Mobility Authority for the collection of tolls from customers. The Fort Bend County Toll Road Authority joined the Authority in this agreement through a Joint Project Agreement with the Authority executed on February 19, 2014.

**OTHER SUPPLEMENTARY INFORMATION (Unaudited)**

**FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY**  
**FORT BEND GRAND PARKWAY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (DEFICIT)**  
**LAST FISCAL YEAR**  
*(Unaudited)*

	Fiscal Year
	2014
<b>Operating Revenues</b>	
Toll revenue	\$ 6,770,539
<b>Total Operating Revenues</b>	6,770,539
 <b>Operating Expenses</b>	
Fees	2,904,328
Utilities	91,291
Depreciation	1,689,028
<b>Total Operating Expenses</b>	4,684,647
 <b>Operating Income</b>	2,085,892
 <b>Non-Operating Revenues</b>	
Earnings on investments	81,124
Amortization of bond premiums	552,981
<b>Total Non-Operating Revenues</b>	634,105
 <b>Non-Operating Expenses</b>	
Interest on long-term debt	7,180,200
Debt service fees	5,500
<b>Total Non-Operating Expenses</b>	7,185,700
 Change in Net (Deficit)	(4,465,703)
 <b>Total Net (Deficit), Beginning of Year</b>	(11,379,994)
 <b>Total Net (Deficit), Ending of Year</b>	\$ (15,845,697)

**FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY**  
**REVENUES BY TOLL ROAD COMPONENTS/SEGMENTS**  
**LAST FISCAL YEAR**  
*(Unaudited)*

<b>Components/Segments</b>	<b>Fiscal Year</b>
	<b>2014</b>
Grand Parkway	\$ 6,689,707
Sienna Parkway (a)	<u>(200,690)</u>
Subtotal (b)	\$ 6,489,017
Credit Tolls and Replacement	(35)
Toll Violations	<u>281,557</u>
<b>Total Revenue Grand Parkway (c)</b>	<b><u><u>\$ 6,770,539</u></u></b>

- (a) Due to software issues Sienna Parkway revenue is included in the Grand Parkway revenue totals. The amount reported here is an allocation to Fort Bend County Toll Road based on a percentage that is determined quarterly. The software issues are expected to be resolved by the end of FY2015.
- (b) AVI & VPS do not break down revenue for the Grand Parkway Toll Road by location. Includes revenue for Riverpark, New Territory, US 90A, West Airport, West Belfort, Bellaire and Westpark
- (c) Revenue consists of EZ tag fees, credit tolls and toll replacements which reconcile to the recap report.

**FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY**  
**TRAFFIC COUNT TABLE**  
**LAST FISCAL YEAR**  
*(Unaudited)*

<b>Components/Segments</b>	<b>Fiscal Year</b>
	2014
Grand Parkway	18,402,235
Sienna Parkway (a)	(552,555)
<b>Total Transactions Grand Parkway (b)</b>	<b>17,849,680</b>

- (a) Due to software issues Sienna Parkway transactions are included in the Grand Parkway transaction totals. The amount reported here is an allocation to Fort Bend County Toll Road based on a percentage that is determined quarterly. The software issues are expected to be resolved by the end of FY2015.
- (b) AVI & VPS do not break down transactions for the Grand Parkway tollroad by location. Includes transactions for Riverpark, New Territory, US 90A, West Airport, West Bellfort, Bellaire and Westpark plazas.

**FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY**  
**HISTORICAL TOLL ROAD OPERATING RESULTS AND COVERAGES**  
**LAST FISCAL YEAR**  
*(Unaudited)*

<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Project</u> <u>Revenues</u>	<u>Other</u> <u>Earnings</u>	<u>O &amp; M</u> <u>Expenses</u>	<u>Revenues</u> <u>Available for</u> <u>Unlimited</u> <u>Subordinate</u> <u>Lien Tax Bonds</u>	<u>Debt</u> <u>Service</u> <u>Bonds</u>	<u>Coverage</u> <u>Ratio on</u> <u>Unlimited</u> <u>Subordinate</u> <u>Lien Tax Bonds</u>
2014	\$ 6,770,539	\$ 81,124	\$ 2,995,619	\$ 3,856,044	\$ 7,185,700	0.537

**FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY**  
**TOLL RATE SCHEDULE**  
*(Unaudited)*

Toll Rate Schedule Effective as of February 1, 2014

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Two-Axle Vehicles

Fort Bend Grand Parkway Toll Road \$ 0.35

Three to Six Axle Vehicles

Fort Bend Grand Parkway Toll Road \$ 0.50-1.30