

**FORT BEND GRAND PARKWAY TOLL ROAD
AUTHORITY
FINANCIAL REPORT
For the Year Ended September 30, 2015**



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 17, 2016

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, 2015. 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.

Whitley Penn, LLP, has issued an unmodified ("clean") opinion on the Authority's financial statements for the year ended September 30, 2015. 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, has completed the initial improvement of Segment D of the Grand Parkway. Segment D of the Grand Parkway is the third initiative 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 2015. 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 Whitley Penn, LLP, 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.



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Fort Bend Grand Parkway Toll Road Authority (the "Authority"), a component unit of Fort Bend County, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's 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 of 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 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 Board of Directors
Fort Bend Grand Parkway Toll Road Authority
Fort Bend County, Texas

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 8 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 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2016, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 Authority's internal control over financial reporting and compliance.

Whitley Penn LLP

Houston, Texas
March 17, 2016

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, 2015. 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 10 through 12 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 13 through 18 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 \$13,356,047 at the close of the most recent fiscal year.

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

FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY
CONDENSED STATEMENT OF NET POSITION (DEFICIT)
September 30, 2015 and 2014

	2015	2014
Current and other assets	\$ 25,157,261	\$ 28,812,524
Capital assets, net	137,702,865	133,459,947
Total Assets	162,860,126	162,272,471
Long-term liabilities	172,181,314	172,734,294
Other liabilities	4,034,859	5,383,874
Total Liabilities	176,216,173	178,118,168
Net Position (Deficit):		
Net investment in capital assets	(28,750,755)	(26,567,856)
Restricted	2,306,838	6,536,583
Unrestricted	13,087,870	4,185,576
Total Net (Deficit)	\$ (13,356,047)	\$ (15,845,697)

As of September 30, 2015, the Authority had a negative net investment in capital assets of \$28,750,755 . 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 \$2,306,838 , which represents funds held by a trustee for debt service payments. The remaining balance of \$13,087,870 is unrestricted.

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

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

For the years ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenues		
Operating revenues:		
Toll revenue	\$ 18,731,285	\$ 6,770,539
Non-operating revenues:		
Earnings on investments	67,869	81,124
Amortization of bond premium	552,980	552,981
Miscellaneous income	164,275	
Total Revenues	<u>19,516,409</u>	<u>7,404,644</u>
Expenses		
Operating expenses:		
Salaries and personnel costs		
Fees and supplies	6,775,479	2,904,328
Utilities	127,972	91,291
Depreciation	3,446,142	1,689,028
Non-operating expenses:		
Interest on long-term debt	7,180,200	7,180,200
Debt service fees	11,000	5,500
Total Expenses	<u>17,540,793</u>	<u>11,870,347</u>
Net (Loss) before Contributions	1,975,616	(4,465,703)
Capital contributions	514,034	
Change in Net (Deficit)	<u>2,489,650</u>	<u>(4,465,703)</u>
Net (Deficit), Beginning	<u>(15,845,697)</u>	<u>(11,379,994)</u>
Net (Deficit), Ending	<u>\$ (13,356,047)</u>	<u>\$ (15,845,697)</u>

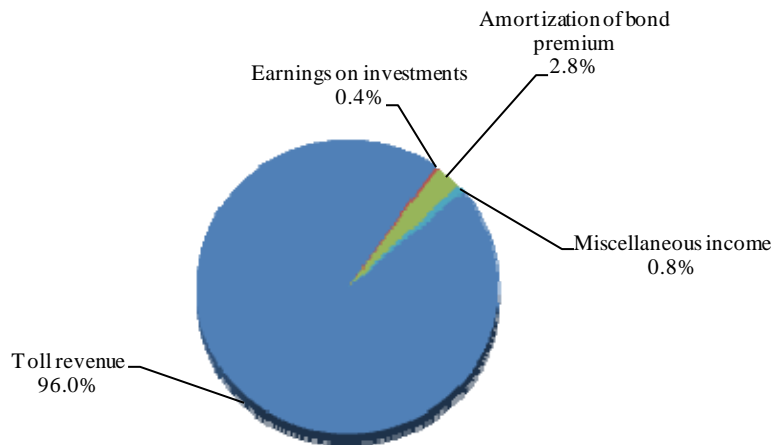
At the end of the current fiscal year, the Authority reported a deficit balance in net position of \$13,356,047.

The Authority's revenues were sufficient to cover all expenses incurred during the year ended September 30, 2015, resulting in an increase in net position of \$2,489,650. This increase is an improvement of from than the prior year's decrease of \$4,465,703 . The key elements of this difference in the change in net position were due to the following:

- Increase in toll revenue of \$11,960,746 due to a full year of operations in the current year, whereas there was only a partial year of operations in the prior year.
- Increase in fees and supplies of \$3,871,151 due to increased maintenance costs of the system and increased non-capital construction costs.
- Increase in depreciation of \$1,757,114 due to a full year taken in the current year, whereas only one-half year was taken in the prior year, since the system was placed in service during the prior year.

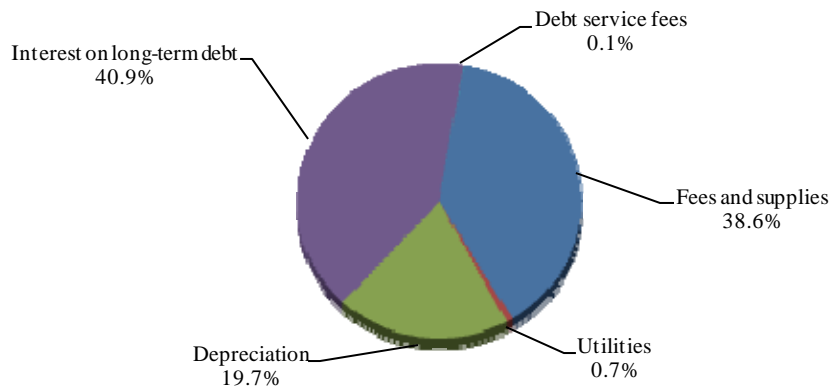
Toll Road revenues for fiscal year 2015 are graphically displayed as follows:

TOLL ROAD REVENUES



Toll Road expenses for fiscal year 2015 are graphically displayed as follows:

TOLL ROAD EXPENSES



Capital Assets and Debt Administration

Capital Assets - At the end of fiscal year 2015, the Authority had \$137,702,865 invested in land, toll road construction in progress, infrastructure, and office furniture and equipment, net of accumulated depreciation, as reflected in the following schedule. This represents an increase of \$4,242,918 from the previous fiscal year.

**FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY'S
CAPITAL ASSETS**

	<u>2015</u>	<u>2014</u>
Non-Depreciable Capital Assets		
Land	\$ 195,994	\$ 4,300
Construction in progress	5,261,787	22,421
Other Capital Assets, Net		
Office furniture and equipment	\$ 13,456	
Infrastructure	132,231,628	133,433,226
Totals	<u>\$ 137,702,865</u>	<u>\$ 133,459,947</u>

The increase in construction in progress and infrastructure was the result of ongoing construction to improve the existing Grand Parkway pavement and extend the access road on segment C of the Grand Parkway south of State Highway 59. The increase in land acquisition is a result of purchase of right away along segment C of the Grand Parkway.

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>2015</u>	<u>2014</u>
Revenue bonds	\$ 155,085,000	\$ 155,085,000
Premium on bonds	17,096,314	17,649,294
Totals	<u>\$ 172,181,314</u>	<u>\$ 172,734,294</u>

The County and the Authority received uninsured 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 687,439 in 2015 and is expected to grow to 804,228 by 2020.

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

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, 2015

Assets

Cash and cash equivalents	\$ 19,680,211
Investments	2,302,211
Miscellaneous receivables	3,174,839
Capital assets, not subject to depreciation	5,457,781
Capital assets, net of accumulated depreciation	<u>132,245,084</u>
Total Assets	<u><u>162,860,126</u></u>

Liabilities

Due to primary government	2,624,770
Retainage payable	811,739
Accrued interest payable	598,350
Long-term liabilities due in more than one year	<u>172,181,314</u>
Total Liabilities	<u><u>176,216,173</u></u>

Net Position (Deficit)

Net investment in capital assets	(28,750,755)
Restricted for:	
Debt service	2,306,838
Unrestricted	<u>13,087,870</u>
Total Net (Deficit)	<u><u>\$ (13,356,047)</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 POSTION (DEFICIT)
For the Year Ended September 30, 2015

Operating Revenues	
Toll revenue	\$ 18,731,285
Total Operating Revenues	<u>18,731,285</u>
 Operating Expenses	
Fees and supplies	6,775,479
Utilities	127,972
Depreciation	3,446,142
Total Operating Expenses	<u>10,349,593</u>
 Operating Income	 8,381,692
 Non-Operating Revenues	
Earnings on investments	67,869
Amortization of bond premiums	552,980
Miscellaneous income	164,275
Total Non-Operating Revenues	<u>785,124</u>
 Non-Operating Expenses	
Interest on long-term debt	7,180,200
Debt service fees	11,000
Total Non-Operating Expenses	<u>7,191,200</u>
 Net Income before Contributions	 1,975,616
 Capital contributions	 <u>514,034</u>
 Change in Net (Deficit)	 2,489,650
 Total Net (Deficit), Beginning of Year	 <u>(15,845,697)</u>
 Total Net (Deficit), End of Year	 <u><u>\$ (13,356,047)</u></u>

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, 2015

Cash Flows from Operating Activities	
Receipts from tolls and other	\$ 17,056,994
Payments to suppliers	(6,903,451)
Net Cash Provided by Operating Activities	<u>10,153,543</u>
Cash Flows from Investing Activities	
Purchase of investments	(2,302,211)
Interest earned on investments	67,869
Net Cash (Used) by Investing Activities	<u>(2,234,342)</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(10,315,839)
Repayment of loan from primary government	1,956,073
Interest and fees paid on long-term debt	(7,185,700)
Net Cash (Used) by Capital and Related Financing Activities	<u>(15,545,466)</u>
Net (Decrease) in Cash and Cash Equivalents	(7,626,265)
Cash and Cash Equivalents, Beginning of Year	<u>27,306,476</u>
Cash and Cash Equivalents, End of Year	<u>\$ 19,680,211</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 8,381,692
Adjustments to operations:	
Depreciation	3,446,142
Change in assets and liabilities:	
(Increase) in other receivables	(1,674,291)
Total adjustments	<u>1,771,851</u>
Net Cash Provided by Operating Activities	<u>\$ 10,153,543</u>

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. 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.

C. Cash and Cash Equivalents

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

D. Receivables

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

E. Capital Assets

Capital assets consist of infrastructure, land, office furniture and equipment, 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 5 to 40 years.

F. 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. 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.

H. Date of Management's Review

In preparing the financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through March 17, 2016, the date that the financial statements were available to be issued.

NOTE 2 - DEPOSITS (CASH) AND INVESTMENTS

A. Authorization for Deposits and Investments

The Texas Public Funds Investment Act, 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.

As of September 30, 2015, the Authority reported deposits in the amount of \$19,077,233 and the bank balance was \$19,077,233. The Authority's collateral requirement, in accordance with the County's investment policy is 110%. Of the bank balance, the entire amount was covered by federal depository insurance or by collateral held by the County's agent in the Authority's name as of September 30, 2015.

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, 2015, 86.8% 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	19,077,234	1	86.8%
Investment Pools:			
Wells Fargo Government Money Market Fund	602,977	21	2.7%
Government Securities:			
FHLB	2,302,211	142	10.5%
Total Cash and Cash Equivalents	<u>\$ 21,982,422</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, 2015 is as follows:

	Balances 10/1/14	Increases	Decreases	Balances 9/30/15
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 4,300	\$ 191,694	\$	\$ 195,994
Construction in progress	22,421	6,968,380	(1,729,014)	5,261,787
Total capital assets not depreciated	<u>26,721</u>	<u>7,160,074</u>	<u>(1,729,014)</u>	<u>5,457,781</u>
Other capital assets:				
Office furniture and equipment		14,951		14,951
Infrastructure	135,122,254	2,243,049		137,365,303
Total other capital assets	<u>135,122,254</u>	<u>2,258,000</u>		<u>137,380,254</u>
Accumulated depreciation for:				
Office furniture and equipment		(1,495)		(1,495)
Infrastructure	(1,689,028)	(3,444,647)		(5,133,675)
Total accumulated depreciation	<u>(1,689,028)</u>	<u>(3,446,142)</u>		<u>(5,135,170)</u>
Other capital assets, net	133,433,226	(1,188,142)		132,245,084
Total capital assets	<u>\$ 133,459,947</u>	<u>\$ 5,971,932</u>	<u>\$ (1,729,014)</u>	<u>\$ 137,702,865</u>

The increase in construction in progress and infrastructure was the result of ongoing construction to improve the existing Grand Parkway pavement and extend the access road on segment C of the Grand Parkway south of State Highway 59. The increase in land acquisition is a result of purchase of right away along segment C of the Grand Parkway. The contract commitments as of September 30, 2015, include the design of the direct connectors for the interchange at Westpark Tollway and Grand Parkway of \$1,989,019.

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, 2015:

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

A summary of the long-term liability transactions of the Authority for the year ended September 30, 2015, is as follows:

	Balances 10/1/14	Additions	Retirements	Balances 9/30/15	Amounts Due Within One Year
Revenue bonds	\$ 155,085,000	\$	\$	\$ 155,085,000	\$
Premium on bonds	17,649,294		(552,980)	17,096,314	
Totals	\$ 172,734,294	\$	\$ (552,980)	\$ 172,181,314	\$

Annual debt service requirements to maturity are summarized as follows:

	Principal	Interest	Totals
2016	\$	\$ 7,180,200	\$ 7,180,200
2017		7,180,200	7,180,200
2018		7,180,200	7,180,200
2019		7,180,200	7,180,200
2020		7,180,200	7,180,200
2021-2025	14,945,000	34,367,375	49,312,375
2026-2030	22,585,000	29,578,675	52,163,675
2031-2035	27,785,000	24,101,075	51,886,075
2036-2040	35,270,000	16,312,500	51,582,500
2041-2045	44,490,000	6,768,375	51,258,375
2046	10,010,000	200,200	10,210,200
Totals	\$ 155,085,000	\$ 147,229,200	\$ 302,314,200

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, 2015.

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, 2015, resulting in a deficit net position of \$13,356,047 .

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 TWO FISCAL YEARS
(Unaudited)

	Fiscal Year	
	2014	2015
Operating Revenues		
Toll revenue	\$ 6,770,539	\$ 18,731,285
Total Operating Revenues	<u>6,770,539</u>	<u>18,731,285</u>
Operating Expenses		
Fees	2,904,328	6,775,479
Utilities	91,291	127,972
Depreciation	1,689,028	3,446,142
Total Operating Expenses	<u>4,684,647</u>	<u>10,349,593</u>
Operating Income	2,085,892	8,381,692
Non-Operating Revenues		
Earnings on investments	81,124	67,869
Amortization of bond premiums	552,981	552,980
Miscellaneous income		164,275
Total Non-Operating Revenues	<u>634,105</u>	<u>785,124</u>
Non-Operating Expenses		
Interest on long-term debt	7,180,200	7,180,200
Debt service fees	5,500	11,000
Total Non-Operating Expenses	<u>7,185,700</u>	<u>7,191,200</u>
Net Income (Loss) before Contributions	(4,465,703)	1,975,616
Capital Contributions		514,034
Change in Net Position	(4,465,703)	2,489,650
Total Net (Deficit), Beginning of Year	<u>(11,379,994)</u>	<u>(15,845,697)</u>
Total Net (Deficit), Ending of Year	<u>\$ (15,845,697)</u>	<u>\$ (13,356,047)</u>

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

Components/Segments	Fiscal Year	
	2014	2015
Grand Parkway	\$ 6,689,707	\$16,983,097
Sienna Parkway (a)	<u>(200,690)</u>	<u>(300,429)</u>
Subtotal (b)	\$ 6,489,017	\$16,682,668
Credit Tolls and Replacement	(35)	(427)
Toll Violations	<u>281,557</u>	<u>2,049,044</u>
Total Revenue Grand Parkway (c)	<u>\$ 6,770,539</u>	<u>\$18,731,285</u>

- (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) A VI & 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 Bellfort, 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 TWO FISCAL YEARS
(Unaudited)

Components/Segments	Fiscal Year	
	2014	2015
Grand Parkway	18,402,235	45,662,279
Sienna Parkway (a)	(552,555)	(762,257)
Total Transactions Grand Parkway (b)	17,849,680	44,900,022

- (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 TWO FISCAL YEARS
(Unaudited)

<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Project</u> <u>Revenues</u>	<u>Other</u> <u>Earnings</u>	<u>O & 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
2015	18,731,285	232,144	6,903,451	12,059,978	7,191,200	1.677

FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY

TOLL RATE SCHEDULE

(Unaudited)

Toll Rate Schedule Effective as of February 1, 2014

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

Toll Rate Schedule Effective as of May 13, 2015

Two-Axle Vehicles

Fort Bend Grand Parkway Toll Road \$ 0.35-0.50

Three to Six Axle Vehicles

Fort Bend Grand Parkway Toll Road \$ 0.70-1.90

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the 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, the financial statements of Fort Bend Grand Parkway Toll Road Authority (the “Authority”), a component unit of Fort Bend County, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated March 17, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

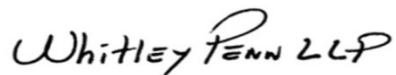
To the Board of Directors
Fort Bend Grand Parkway Toll Road Authority
Fort Bend County, Texas

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
March 17, 2016