

**FORT BEND COUNTY TOLL ROAD AUTHORITY
FINANCIAL REPORT
For the Year Ended September 30, 2013**



Prepared by:

Fort Bend County Auditor's Office

Robert Ed Sturdivant, CPA

County Auditor

FORT BEND COUNTY TOLL ROAD AUTHORITY
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COUNTY AUDITOR

Fort Bend County, Texas

Robert Ed Sturdivant
County Auditor

281-341-3769, 281-341-3744 (fax)
sturdrob@co.fort-bend.tx.us

February 7, 2014

To the Board of Directors of the Fort Bend County 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 County Toll Road Authority ("Authority"), a component unit of Fort Bend County, Texas ("County"), for the fiscal year ended September 30, 2013. 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 unqualified (or "clean") opinion on the Authority's financial statements for the year ended September 30, 2013. 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

The Authority was created by the Fort Bend County Commissioners Court ("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. The Board of Directors of the Authority includes five members appointed by the Court. All actions of the Authority are presented to the Court for approval.

The Authority's main office is located in Sugar Land, Texas, and has completed construction of two key components of the Fort Bend County Toll Road System, the first segments of the Fort Bend Parkway and the Fort Bend Westpark Tollway. The Fort Bend County Toll Road system offers new transportation options, relieving traffic congestion for commuters.

In November 2000, Fort Bend County citizens overwhelmingly approved a \$140 million bond issue to support revenue bond financing to pay for the construction of the two toll road projects. The four-lane, 6.2

mile, Fort Bend Parkway Toll Road connects the Sam Houston Tollway (Beltway 8) with State Highway 6, easing traffic problems and stimulating economic development in the eastern part of the County. The second project, the Fort Bend Westpark Tollway, ties into Harris County's Westpark Tollway. Both toll roads provide seamless access to commuters with a standard EZ-TAG.

The Fort Bend Parkway opened August 30, 2004 to approximately 6,000 commuters taking advantage of their new travel option. The Authority's expansion of the system includes: ongoing construction of the second segment of the Fort Bend Parkway, from State Highway 6 to Sienna Parkway; and extension of the Westpark Tollway further west to Fulshear. The first segment of the Fort Bend Westpark Tollway was completed on August 10, 2005, and is located in the Houston metropolitan area of southeast Texas.

Local Economy

Fort Bend County continues to experience improvement in the local economy for fiscal year 2013. 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 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 Authority to meet the service demands of the residents in Fort Bend County. This ongoing conservative approach will not reduce the level of service provided by the Fort Bend County Toll Road System to the residents.

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 Toll Road System to enhance the County's master thoroughfare system.

Capital Improvement Program

The Authority maintains a multi-year Capital Projects Plan that includes toll road mobility projects. These capital initiatives include extension of the existing Fort Bend County Toll Road System.

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 COUNTY TOLL ROAD AUTHORITY MISSION STATEMENT

The Fort Bend County Toll Road Authority 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 AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Fort Bend County Toll Road Authority (the "Authority") as of and for the year ended September 30, 2013, 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.

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2013, 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, 2013, 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 7 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 financial statements as a whole. The introductory and other supplementary information sections are presented for purposes of additional analysis and are not a required part of the 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.

DRAFT

Sugar Land, Texas
February 7, 2014

FORT BEND COUNTY TOLL ROAD AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Fort Bend County Toll Road Authority ("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, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$64,515,621 at the close of the most recent fiscal year.

As of September 30, 2013, the Authority's net position included \$12,201,229 for investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Authority uses capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

FORT BEND COUNTY TOLL ROAD AUTHORITY

CONDENSED STATEMENT OF NET POSITION

September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 77,967,462	\$ 87,170,303
Capital assets, net	160,953,472	148,570,862
Total Assets	<u>238,920,934</u>	<u>235,741,165</u>
Long-term liabilities	171,321,306	174,319,100
Other liabilities	3,084,007	5,012,103
Total Liabilities	<u>174,405,313</u>	<u>179,331,203</u>
Net Position:		
Net investment in capital assets	12,201,229	12,831,291
Restricted	2,592,517	3,460,767
Unrestricted	49,721,875	40,117,904
Total Net Position	<u><u>\$ 64,515,621</u></u>	<u><u>\$ 56,409,962</u></u>

As of September 30, 2013, the Authority had restricted net position of \$2,592,517, which represents funds held by a trustee for debt service payments. The remaining balance of \$49,721,875 is unrestricted.

The Authority's assets exceeded its liabilities by \$64,515,621, resulting in an increase in net position of \$8,105,659 from the prior year. This increase is a result of revenues exceeding expenses due primarily to increased utilization of the Fort Bend County Toll Road System. However, operating expenses also increased as shown on the next page. The growth in net position is being maintained in the revenue fund for future maintenance and construction.

FORT BEND COUNTY TOLL ROAD AUTHORITY
STATEMENT OF CHANGES IN NET POSITION

For the years ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Revenues		
Operating revenues:		
Toll revenue	\$ 21,853,536	\$ 19,325,050
Earnings on investments	180,323	523,604
Amortization of bond premium	1,109,451	3,107,603
Miscellaneous income		1,781
Total Revenues	<u>23,143,310</u>	<u>22,958,038</u>
Expenses		
Operating expenses:		
Salaries and personnel costs	31,549	31,527
Fees	3,253,537	4,027,097
Utilities	120,737	127,960
Depreciation	3,870,676	3,870,677
Non-operating expenses:		
Interest on long-term debt	7,652,789	4,705,623
Debt service fees	17,750	6,000
Amortization of bond discounts	11,656	3,885
Amortization of debt issuance costs	78,957	723,492
Total Expenses	<u>15,037,651</u>	<u>13,496,261</u>
Net Income before Contributions	8,105,659	9,461,777
Capital contributions		761,500
Change in Net Position	<u>8,105,659</u>	<u>10,223,277</u>
Net Position, Beginning	56,409,962	46,186,685
Net Position, Ending	<u><u>\$ 64,515,621</u></u>	<u><u>\$ 56,409,962</u></u>

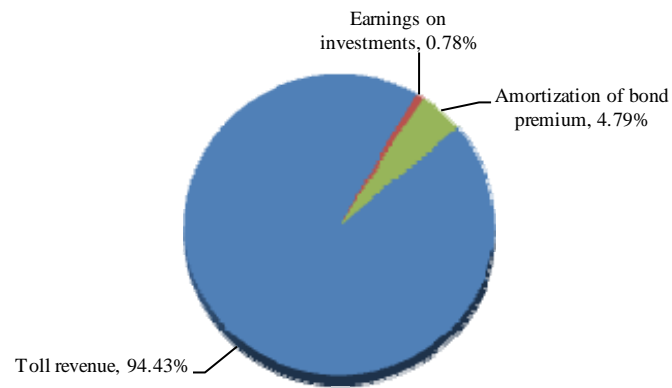
At the end of the current fiscal year, the Authority was able to report a positive balance in net position. The same situation held true for the prior fiscal year.

Toll Road operations increased the Authority's net position by \$8,105,659 . This increase is down from last year's increase of \$10,223,277. The key elements of the change in increase of \$2,117,618 in net position are as follows:

- Increase in toll revenue of \$2,528,486 primarily due to increased utilization. Decrease in earnings on investments of \$343,281 due to reduced deposit balances and interest rates. Decrease in amortization of bond premium of \$1,998,152 due to the recognizing of premiums on refunded debt in the prior year. Decrease in capital contributions of \$761,500 due to reimbursements from developers in prior year.
- Decrease in fees of \$773,560 due to reduced maintenance costs of the system. Increase in interest on long-term debt of \$2,947,166 due to interest paid on the Series 2012 Refunding Bonds. Decrease in amortization of debt issuance costs of \$644,535 due to the expensing of issuance costs on refunded debt in the prior year.

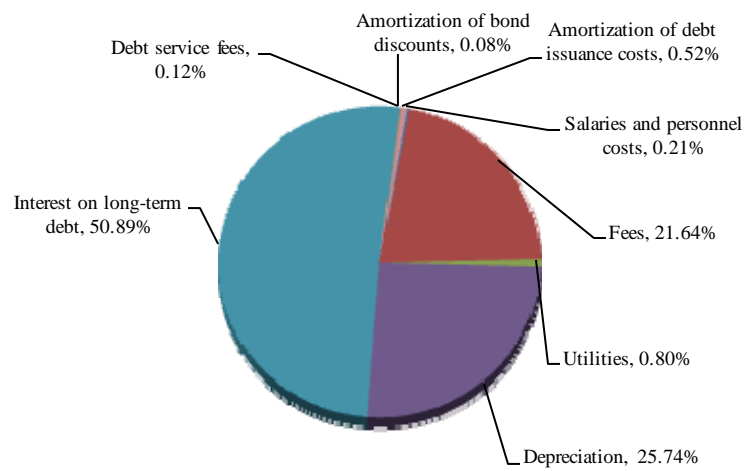
Toll Road revenues for fiscal year 2013 are graphically displayed as follows:

TOLL ROAD REVENUES



Toll Road expenses for fiscal year 2013 are graphically displayed as follows:

TOLL ROAD EXPENSES



Capital Assets and Debt Administration

Capital Assets - At the end of fiscal year 2013, the Authority had \$160,953,472 invested in toll road land, construction in progress, and infrastructure, net of accumulated depreciation, as reflected in the following schedule. This represents an increase of \$12,382,610 from the previous fiscal year.

FORT BEND COUNTY TOLL ROAD AUTHORITY'S CAPITAL ASSETS

	2013	2012
Non-Depreciable Capital Assets		
Land	\$ 12,436,639	\$ 12,295,060
Construction in progress	22,719,851	6,608,144
Other Capital Assets, Net		
Infrastructure	125,796,982	129,667,658
Totals	<u>\$ 160,953,472</u>	<u>\$ 148,570,862</u>

Additions to toll road construction in progress totaled \$16,111,707 for construction, engineering and consulting on the expansion of the Fort Bend County Toll Road System. Land acquisitions increased by \$141,579 due to purchase of right-of-way along the Westpark Tollway and Fort Bend Parkway Toll Road extensions. Infrastructure, net of depreciation, decreased by \$3,870,676 due to depreciation expense. Construction in progress has a balance of \$22,719,851 at the end of the fiscal year primarily consisting of activity on the extension of Westpark section B and Parkway section B.

Long-Term Debt - At the end of the current fiscal year, the Authority had total bonds outstanding of \$151,580,000.

LONG-TERM DEBT

	2013	2012
General Obligation Bonds	\$ 151,580,000	\$ 153,480,000
Premiums on bonds	20,052,142	21,161,593
Discounts on bonds	(310,836)	(322,493)
Total	<u>\$ 171,321,306</u>	<u>\$ 174,319,100</u>

The County and Authority received an insured rating of Aaa from Moody's and Standard and Poors on the 2003 and 2004 Toll Road bond issuances, and uninsured ratings of Aa2 and AA+ from Moody's and Standard and Poors, respectively. The County and Authority received uninsured ratings of Aa1 and AA+ from Moody's and Fitch, respectively on the 2012 Refunding issue. The Authority received uninsured ratings of A2 and A+ from Moody's and Fitch, respectively on the 2012 Senior Lien issue.

Economic Factors

The population of the County is estimated at 643,408 in 2013 and is expected to grow to 241,305 by 2018.

The number of households has increased to 206,439 in 2013 and is expected to grow to 241,305 by 2018. Mean household income for 2013 is \$108,994 and is estimated to rise to \$129,644 by 2018. Income per capita is currently at \$35,172 and is expected to grow to \$41,926 by 2018.

Mobility improvements continue to be a demand from the residents of Fort Bend County. The Authority is proceeding with several toll road projects 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 533, Richmond, TX 77469, telephone (281) 341-3760.



BASIC FINANCIAL STATEMENTS



FORT BEND COUNTY TOLL ROAD AUTHORITY
STATEMENT OF NET POSITION
September 30, 2013

Assets

Cash and cash equivalents	\$ 63,399,262
Miscellaneous receivables	1,677,384
Deferred bond issuance costs	1,430,765
Deferred charges-debt refunding	11,460,051
Capital assets, not subject to depreciation	35,156,490
Capital assets, net of accumulated depreciation	<u>125,796,982</u>
Total Assets	<u><u>238,920,934</u></u>

Liabilities

Retainage payable	750,700
Due to primary government	1,749,034
Accrued interest payable	584,273
Long-term liabilities due within one year	2,345,000
Long-term liabilities due in more than one year	<u>168,976,306</u>
Total Liabilities	<u><u>174,405,313</u></u>

Net Position

Net investment in capital assets	12,201,229
Restricted for:	
Debt service	2,592,517
Unrestricted	<u>49,721,875</u>
Total Net Position	<u><u>\$ 64,515,621</u></u>

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

FORT BEND COUNTY TOLL ROAD AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended September 30, 2013

Operating Revenue

Toll revenue	\$ 21,853,536
Total Operating Revenue	<u>21,853,536</u>

Operating Expenses

Salaries and personnel costs	31,549
Fees	3,253,537
Utilities	120,737
Depreciation	3,870,676
Total Operating Expenses	<u>7,276,499</u>

Operating Income 14,577,037

Non-Operating Revenues

Earnings on investments	180,323
Amortization of bond premiums	1,109,451
Total Non-Operating Revenues	<u>1,289,774</u>

Non-Operating Expenses

Interest on long-term debt	7,652,789
Debt service fees	17,750
Amortization of bond discounts	11,656
Amortization of debt issuance costs	78,957
Total Non-Operating Expenses	<u>7,761,152</u>

Increase in Net Position 8,105,659

Net Position, Beginning of Year 56,409,962

Net Position, End of Year \$ 64,515,621

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

FORT BEND COUNTY TOLL ROAD AUTHORITY**STATEMENT OF CASH FLOWS***For the Year Ended September 30, 2013***Cash Flows from Operating Activities**

Receipts from tolls and other	\$ 21,645,862
Payment of toll operation expenses	(3,405,823)
Net Cash Provided by Operating Activities	<u>18,240,039</u>

Cash Flows from Investing Activities

Interest earned on investments	180,323
Net Cash Provided by Investing Activities	<u>180,323</u>

Cash Flows from Capital and Related Financing Activities

Purchase of capital assets	(15,574,692)
Loan from primary government	(1,824,955)
Principal paid on capital debt	(1,900,000)
Interest expense	(7,842,426)
Net Cash (Used) by Capital and Related Financing Activities	<u>(27,142,073)</u>

Net (Decrease) in Cash and Cash Equivalents	(8,721,711)
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Cash and Cash Equivalents, Beginning of Year	<u>72,120,973</u>
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Cash and Cash Equivalents, End of Year	<u><u>\$ 63,399,262</u></u>
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Reconciliation of Operating Income to Net Cash**Provided by Operating Activities**

Operating Income	\$ 14,577,037
Adjustments to operations:	
Depreciation	3,870,676
Change in assets and liabilities:	
(Increase) in other receivables	(207,674)
Total adjustments	<u>3,663,002</u>

Net Cash Provided by Operating Activities	<u><u>\$ 18,240,039</u></u>
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The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY TOLL ROAD AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Fort Bend County Toll Road Authority (“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 County roads and highways. In particular, the Authority is to assist in the building and operation of the Fort Bend County Toll Road System. This Fort Bend County Toll Road System currently includes the Fort Bend Parkway Toll Road that extends from Sam Houston Parkway in Harris County to State Highway 6 in Fort Bend County near Sienna Plantation. It also includes the Westpark Tollway that extends from the Sam Houston Parkway at the Harris County Westpark Tollway to State Highway 99.

Based on criteria prescribed by generally accepted accounting principles, the Authority is considered a discretely presented component unit of Fort Bend County, Texas (“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, 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 assets. Therefore, one-half year of depreciation is charged to operations the first and last year that an asset is in service. Depreciation is computed using the straight-line method over an estimated useful life of 20 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 February 7, 2014, 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 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:

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

At September 30, 2013, 94.5% 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 utilizing weighted average maturity analysis. In accordance with its investment policy, the County reduces the Authority's 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:

	Fair Value	Weighted Average Maturity	Percentage of Total Portfolio
Demand Deposits	\$ 59,930,275	1	94.5%
Investment Pools:			
MBIA	290,176	37	0.5%
Texas TERM	1,007	49	0.0%
LOGIC	1,014	55	0.0%
Wells Fargo 100 % Treasury Money Market Fund	578,853	53	0.9%
Wells Fargo Government Money Market Fund	2,597,937	47	4.1%
Total Fair Value	<u>\$ 63,399,262</u>		
Portfolio weighted average maturity (days)		<u>4</u>	

Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, Texas Government Code, and the Public Funds Investment Act, chapter 2256, Texas Government Code. Texas CLASS was established in 1996. Pursuant to the Trust Agreement, Texas CLASS is supervised by a Board of Trustees who are elected by the Participants. The Board of Trustees supervises the Trust and its affairs and acts as the liaison between the Participants, the Custodian and the Program Administrator.

Cutwater Investor Services Corp. serves as Program Administrator. Cutwater Investor Services Corp. is a subsidiary of Cutwater Asset Management. Texas CLASS is considered a '2a-7 like pool' under

Governmental Accounting Standards Statement No. 31; it will operate the pool consistent with the SEC's Rule 2a7. It maintains a Net Asset Value of approximately \$1 per share.

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

Local Government Investment Cooperative (LOGIC) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, Texas Government Code, and the Public Funds Investment Act, chapter 2256, Texas Government Code. The Pool was created in April, 1994 through a contract among its participating governmental units, and is governed by a board of directors, to provide for the joint investment of participant's public funds and funds under their control. LOGIC is considered a '2a-7 like pool' under Governmental Accounting Standards Statement No. 31; it will operate the pool consistent with the SEC's Rule 2a7. It maintains a Net Asset Value of approximately \$1 per share.

Wells Fargo 100% Treasury Money Market Fund seeks current income exempt from most state and local individual income taxes, while preserving capital and liquidity. It invests in high-quality, short-term money market instruments that consist of U.S. Treasury obligations.

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.

D. Credit Risk

The County's investment policy, which includes the Authority, does not require investments to hold certain credit ratings issued by nationally recognized statistical rating organizations. As of September 30, 2013, the Authority's investments in Texas CLASS, Texas TERM, and LOGIC were rated "AAAm" by Standard and Poor's. The Authority's investments in both Wells Fargo Money Market Funds were rated "AAAm" and "Aaa-mf" by Standard and Poor's and Moody's Investments, respectively.

NOTE 3 – RECEIVABLES

Receivables at September 30, 2013 consist of toll revenue due from the Harris County Toll Road Authority, net of applicable fees.

NOTE 4 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended September 30, 2013 is as follows:

	Balance 10/1/12	Increases	Decreases	Balance 9/30/13
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 12,295,060	\$ 141,579	\$	\$ 12,436,639
Construction in progress	6,608,144	16,111,707		22,719,851
Total capital assets not depreciated	<u>18,903,204</u>	<u>16,253,286</u>		<u>35,156,490</u>
Other capital assets:				
Infrastructure	158,727,154			158,727,154
Total other capital assets	<u>158,727,154</u>			<u>158,727,154</u>
Accumulated depreciation for:				
Infrastructure	(29,059,496)	(3,870,676)		(32,930,172)
Total accumulated depreciation	<u>(29,059,496)</u>	<u>(3,870,676)</u>		<u>(32,930,172)</u>
Other capital assets, net	129,667,658	(3,870,676)		125,796,982
Total capital assets	<u>\$ 148,570,862</u>	<u>\$ 12,382,610</u>	<u>\$</u>	<u>\$ 160,953,472</u>

Depreciation expense for the Authority for the year ended September 30, 2013 totaled \$3,870,676. Construction in progress is primarily comprised of activity on the Westpark section B and Parkway section B extensions.

NOTE 5 – LONG-TERM DEBT

The Authority issued subordinate lien revenue bonds for the purpose of financing the construction of the Toll Road System. These subordinate lien revenue bonds are 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 revenue bonds as of September 30, 2013:

Original Issue	Description	Interest Rate %	Matures	Debt Outstanding
General Obligation Bonds				
\$ 63,695,000	Unlimited Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2003	4.00 - 5.00	2014	\$ 1,145,000
72,195,000	Unlimited Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2004	4.00 - 5.00	2015	2,720,000
30,775,000	Senior Lien Toll Road Revenue Bonds, Series 2012	2.00 - 4.125	2040	30,775,000
116,940,000	Unlimited Tax and Subordinate Lien Toll Road Revenue Refunding Bonds Series 2012	3.125 - 5.00	2032	116,940,000
Total General Obligation Bonds				<u>\$ 151,580,000</u>

A summary of the long-term liability transactions of the Authority for the year ended September 30, 2013 is as follows:

	Balance 10/1/12	Additions	Retirements	Balance 9/30/13	Amounts Due Within One Year
General obligation bonds	\$ 153,480,000		\$ (1,900,000)	\$ 151,580,000	\$ 2,345,000
Premiums on bonds	21,161,593		(1,109,451)	20,052,142	
Discounts on bonds	(322,493)		11,657	(310,836)	
Totals	<u>\$ 174,319,100</u>	<u>\$</u>	<u>\$ (2,997,794)</u>	<u>\$ 171,321,306</u>	<u>\$ 2,345,000</u>

Annual debt service requirements to maturity are summarized as follows:

	Principal	Interest	Totals
2014	2,345,000	6,952,650	9,297,650
2015	2,575,000	6,834,925	9,409,925
2016	3,745,000	6,705,875	10,450,875
2017	4,470,000	6,552,225	11,022,225
2018	5,315,000	6,343,712	11,658,712
2019-2023	33,535,000	27,560,213	61,095,213
2024-2028	43,310,000	18,467,553	61,777,553
2029-2033	44,310,000	6,968,869	51,278,869
2034-2038	8,220,000	1,631,025	9,851,025
2039-2040	3,755,000	156,441	3,911,441
Totals	<u>\$ 151,580,000</u>	<u>88,173,488</u>	<u>\$ 239,753,488</u>

In fiscal year 2012 the County defeased a material portion of the Unlimited Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2003 and 2004 on behalf of the Authority by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service on the refunded bonds. The trust account assets and the liability for the defeased bonds are not included in the Authority's basic financial statements. As of September 30, 2013, the outstanding balance of these refunded bonds was \$67,530,000.

In the bond resolutions, 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 6 - 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, 2013.

NOTE 7 – CONTRACT WITH HARRIS COUNTY TOLL ROAD AUTHORITY

The Authority has contracted with the Harris County Toll Road Authority (“HCTRA”) to operate the Fort Bend County Toll Road System. HCTRA charges the Authority for these services based on a fee schedule detailed in the contract, and deducts these fees from the toll revenue remitted to the Authority.

NOTE 8 – SUBSEQUENT EVENTS

The Authority plans to issue approximately \$60 million in first lien revenue bonds by the end of fiscal year 2014 to finance the construction of Westpark section B.

NOTE 9 – IMPLEMENTATION OF NEW STANDARDS

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

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (“GASB 63”), amended the net asset reporting requirements in GASB Statement No. 34 and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as “net position” rather than “net assets.”

OTHER SUPPLEMENTARY INFORMATION (Unaudited)

FORT BEND COUNTY TOLL ROAD AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
LAST EIGHT FISCAL YEARS
(Unaudited)

	Fiscal Year			
	2006	2007	2008	2009
Operating Revenues				
Toll revenue	\$ 11,636,441	\$ 15,504,417	\$ 15,715,542	\$ 17,027,190
Total Operating Revenues	<u>11,636,441</u>	<u>15,504,417</u>	<u>15,715,542</u>	<u>17,027,190</u>
Operating Expenses				
Salaries and personnel costs				20,554
Fees	2,091,935	1,799,192	3,403,869	3,965,993
Utilities	184,118	154,071	162,089	129,811
Depreciation	3,755,036	3,844,267	3,953,604	3,953,604
Total Operating Expenses	<u>6,031,089</u>	<u>5,797,530</u>	<u>7,519,562</u>	<u>8,069,962</u>
Operating Income	5,605,352	9,706,887	8,195,980	8,957,228
Non-Operating Revenues				
Earnings on investments	772,797	925,535	763,184	319,012
Amortization of bond premiums	142,955	142,955	142,955	142,956
Miscellaneous income	5,468	1,155		
Total Non-Operating Revenues	<u>921,220</u>	<u>1,069,645</u>	<u>906,139</u>	<u>461,968</u>
Non-Operating Expenses				
Interest on long-term debt	6,750,322	6,756,541	6,753,431	6,753,431
Debt service fees			6,000	6,000
Amortization of bond discounts				
Amortization of debt issuance costs	35,188	35,188	35,188	35,188
Total Non-Operating Expenses	<u>6,785,510</u>	<u>6,791,729</u>	<u>6,794,619</u>	<u>6,794,619</u>
Net Income Before Contributions	(258,938)	3,984,803	2,307,500	2,624,577
Capital contributions	8,666,316	802,322	91,500	3,792
Contribution from FBGPTRA				
Change in Net Position	8,407,378	4,787,125	2,399,000	2,628,369
Net Position, Beginning of Year	<u>20,756,790</u>	<u>29,164,168</u>	<u>33,951,293</u>	<u>36,350,293</u>
Net Position, End of Year	<u>\$ 29,164,168</u>	<u>\$ 33,951,293</u>	<u>\$ 36,350,293</u>	<u>\$ 38,978,662</u>

Fiscal Year			
2010	2011	2012	2013
<u>\$ 17,185,507</u>	<u>\$ 17,694,231</u>	<u>\$ 19,325,050</u>	<u>\$ 21,853,536</u>
<u>17,185,507</u>	<u>17,694,231</u>	<u>19,325,050</u>	<u>21,853,536</u>
20,020	30,849	31,527	31,549
3,752,419	3,975,986	4,027,097	3,253,537
129,679	124,226	127,960	120,737
3,962,606	3,986,219	3,870,677	3,870,676
<u>7,864,724</u>	<u>8,117,280</u>	<u>8,057,261</u>	<u>7,276,499</u>
9,320,783	9,576,951	11,267,789	14,577,037
165,305	354,629	523,604	180,323
142,955	142,955	3,107,603	1,109,451
8,175	54,501	1,781	
<u>316,435</u>	<u>552,085</u>	<u>3,632,988</u>	<u>1,289,774</u>
6,753,431	6,720,764	4,705,623	7,652,789
6,000	6,000	6,000	17,750
		3,885	11,656
35,188	35,188	723,492	78,957
<u>6,794,619</u>	<u>6,761,952</u>	<u>5,439,000</u>	<u>7,761,152</u>
2,842,599	3,367,084	9,461,777	8,105,659
480,002		761,500	
	<u>518,338</u>		
3,322,601	3,885,422	10,223,277	8,105,659
38,978,662	42,301,263	46,186,685	56,409,962
<u>\$ 42,301,263</u>	<u>\$ 46,186,685</u>	<u>\$ 56,409,962</u>	<u>\$ 64,515,621</u>

FORT BEND COUNTY TOLL ROAD AUTHORITY
REVENUES BY TOLL ROAD COMPONENTS/SEGMENTS
LAST EIGHT FISCAL YEARS
(Unaudited)

Components/Segments	Fiscal Year			
	2006	2007	2008	2009
Parkway:				
Lake Olympia East	\$ 9,233	\$ 12,021	\$ 11,224	\$ 12,256
Lake Olympia West	13,056	15,662	14,768	15,790
McHard East (e)	148,930	153,656	137,157	91,908
McHard West	184,784	203,966	183,827	136,873
Main Line Plaza	4,914,011	6,493,247	6,308,489	7,295,807
Subtotal: (a)	5,270,014	6,878,552	6,655,465	7,552,634
Westpark (b)	5,687,034	8,093,489	8,574,029	8,774,580
Revenue from Parkway and Westpark:	10,957,048	14,972,041	15,229,494	16,327,214
Credit Tolls and Replacement (d)	(226)	(278)	(536)	(3,935)
Toll Violations (f)	679,619	532,655	486,584	703,911
Total Revenue Parkway and Westpark: (c) (g)	<u>\$ 11,636,441</u>	<u>\$ 15,504,418</u>	<u>\$ 15,715,542</u>	<u>\$ 17,027,190</u>

- (a) In August 2008, Parkway tollroad became 100% EZ tag. Cash vault report did not agree with cost report for the months of December 2005, August 2006 and June 2007. The variance was due to bank adjustments which did not reflect on the cash vault report. HCTRA represents all adjustments were for Main Line Plaza location.
- (b) AVI & VPS do not breakdown revenue for Westpark tollroad by location. Includes revenue for Moore Road East/West and Peek Road East/West.
- (c) Monthly AVI and VPS revenue minus credit tolls plus toll replacement reconciles to Recap report.
- (d) Breakdown by location of credit tolls not provided in historical reports, therefore total revenue adjusted for credit tolls. Beginning in June 2009, FBC paid for toll replacement. Breakdown by location of toll replacement not provided in historical reports, therefore total revenue adjusted for toll replacement. FY2009 increase in credit tolls attributable to January toll rate change - Greenwich Meantime went into effect rather than CST thus charging the new rates 6 hours earlier than allowable. FY2012 increase in credit tolls attributable to \$18,366 credit issued to Metro for the year. Another credit in the amount of \$4,365 was issued in December 2012 to patrons due to an accident on Westpark toll road.
- (e) Credit tolls are created at the McHard ramps on the Fort Bend Parkway which is very near the Main Line plaza. A credit is given to travelers who enter or exit at this ramp and go through the Main Line.
- (f) Toll violations are not broken down by location, therefore the amount disclosed represents total violation deposits for Parkway and Westpark for fiscal years October 1st thru September 30th.
- (g) Revenue consist of EZ tag fees, cash fees thru July 2008, violations, credit tolls and toll replacements.

Fiscal Year			
2010	2011	2012	2013
\$ 13,060	\$ 13,260	\$ 14,465	\$ 15,752
16,862	16,747	16,905	18,497
109,369	98,569	108,159	131,894
135,835	131,587	153,949	182,626
7,306,382	7,273,269	7,905,653	8,637,580
7,581,508	7,533,432	8,199,131	8,986,349
8,954,123	9,397,608	10,380,478	12,091,094
16,535,631	16,931,040	18,579,609	21,077,443
(2,549)	(5,649)	(23,997)	(11,705)
652,425	768,840	769,438	787,798
<u>\$ 17,185,507</u>	<u>\$ 17,694,231</u>	<u>\$ 19,325,050</u>	<u>\$ 21,853,536</u>

FORT BEND COUNTY TOLL ROAD AUTHORITY
TRAFFIC COUNT TABLE
LAST EIGHT FISCAL YEARS
(Unaudited)

Components/Segments	Fiscal Year			
	2006	2007	2008	2009
Parkway:				
Lake Olympia East	18,848	25,300	26,841	37,156
Lake Olympia West	26,592	33,950	36,185	48,082
McHard East (d)	383,775	518,721	547,930	683,448
McHard West	389,475	516,621	543,955	693,692
Main Line Plaza	3,560,627	4,873,670	5,165,747	6,031,617
Subtotal: (c)	4,379,317	5,968,262	6,320,658	7,493,995
Cash Transactions (a)	2,349,469	2,904,296	2,411,606	
Total Parkway:	6,728,786	8,872,558	8,732,264	7,493,995
Westpark (b)	11,118,230	15,740,320	16,621,641	14,925,065
Total Transactions Parkway and Westpark:	17,847,016	24,612,878	25,353,905	22,419,060

- (a) August 2008, Parkway tollroad became 100% EZ tag. Historical cash vault reports does not provide breakdown of transactions by location. Cash transactions are the total of monthly cash transactions represented on the Cost Sheet provided by the Harris County Toll Road.
- (b) AVI & VPS do not breakdown transactions for Westpark tollroad by location. Includes transactions for Moore Road East/West and Peek Road East/West.
- (c) Monthly AVI and VPS transactions reconciles to Cost report transactions posted less interop transactions.
- (d) Credit tolls are created at the McHard ramps on the Fort Bend Parkway which is very near the Main Line plaza. A credit is given to travelers who enter or exit at this ramp and go through the Main Line.

Fiscal Year			
2010	2011	2012	2013
36,967	37,586	40,968	44,931
47,838	47,570	47,800	52,890
627,428	630,991	644,356	706,642
649,054	643,996	641,506	696,284
<u>5,727,763</u>	<u>5,689,146</u>	<u>5,971,736</u>	<u>6,396,081</u>
<u>7,089,050</u>	<u>7,049,289</u>	<u>7,346,366</u>	<u>7,896,828</u>
<u>7,089,050</u>	<u>7,049,289</u>	<u>7,346,366</u>	<u>7,896,828</u>
<u>14,535,380</u>	<u>15,224,942</u>	<u>16,741,990</u>	<u>18,586,669</u>
<u><u>21,624,430</u></u>	<u><u>22,274,231</u></u>	<u><u>24,088,356</u></u>	<u><u>26,483,497</u></u>

FORT BEND COUNTY TOLL ROAD AUTHORITY
HISTORICAL TOLL ROAD OPERATING RESULTS AND COVERAGES
LAST EIGHT FISCAL YEARS
(Unaudited)

Fiscal Year Ending	Project Revenues	Other Earnings	Senior Lien Debt Service	Coverage Ratio on Senior Lien Revenue Bonds	O & M Expenses	Revenues Available for Unlimited Subordinate Lien Tax Bonds
2006	\$ 11,636,441	\$ 9,444,581	n/a	n/a	\$2,276,055	\$ 18,804,967
2007	15,504,417	1,729,012	n/a	n/a	1,953,261	15,280,168
2008	15,715,542	854,684	n/a	n/a	3,565,958	13,004,268
2009	17,027,190	322,802	n/a	n/a	4,116,358	13,233,634
2010	17,185,507	653,483	n/a	n/a	3,902,118	13,936,872
2011	17,694,231	927,468	n/a	n/a	4,131,061	14,490,638
2012	19,325,050	1,286,885	287,342	71.733	4,186,584	16,138,009
2013	21,853,536	180,323	1,126,700	19.556	3,405,823	17,501,336

Debt Service Bonds		Coverage Ratio on Unlimited Subordinate Lien Tax Bonds
\$ 6,753,431		2.785
6,753,431		2.263
6,759,431		1.924
6,759,431		1.958
6,759,431		2.062
8,131,431		1.782
5,134,341		3.143
8,615,726		2.031

FORT BEND COUNTY TOLL ROAD AUTHORITY
TOLL RATE SCHEDULE
(Unaudited)

Toll Rate Schedule Effective as of October 1, 2011

Two-Axle Vehicles

Parkway Toll Road	\$	0.35-1.30
Westpark Toll Road	\$	0.60

Three to Six Axle Vehicles

Parkway Toll Road	\$	1.05-6.50
Westpark Toll Road	\$	1.05-3.35

Subsequent to the end of the current fiscal year, the Fort Bend County Toll Road Authority raised the toll rates as follows:

Toll Rate Schedule Effective as of October 26, 2013

Two-Axle Vehicles

Parkway Toll Road	\$	0.40-1.35
Westpark Toll Road	\$	0.65

Three to Six Axle Vehicles

Parkway Toll Road	\$	1.10-6.75
Westpark Toll Road	\$	1.10-3.50