

**FORT BEND GRAND PARKWAY TOLL ROAD
AUTHORITY
FINANCIAL REPORT
For the Year Ended September 30, 2012**



Prepared by:

Fort Bend County Auditor's Office

Robert Ed Sturdivant, CPA

County Auditor

FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY
TABLE OF CONTENTS

	<u>Page(s)</u>
 <u>INTRODUCTORY SECTION</u>	
Letter of Transmittal	i-iii
 <u>FINANCIAL SECTION</u>	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements	
Statement of Net Assets	9
Statement of Revenues, Expenses and Changes in Net Assets	10
Statement of Cash Flows	11
Notes to the Financial Statements	12-16



COUNTY AUDITOR

Fort Bend County, Texas

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County Auditor

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March 4, 2013

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 ("Authority"), a component unit of Fort Bend County ("County"), for the fiscal year ended September 30, 2012. 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, 2012. 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 ("Court") signed their order to assume the responsibility of financing, designing, constructing, operating and tolling Segment D of the Grand Parkway. The Authority was created by the Court as a local government corporation pursuant to the Texas Transportation Code.

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

In May of 2011, the Authority executed the "Right of Use" agreement with TxDOT allowing the Authority to use state highway right-of-way and giving the green light to begin construction of nine (9) new tolled overpasses and eight (8) miles of main-lane development for and construction of Segment D of the Grand Parkway. Construction of the first two overpasses began in August of 2011 and construction of the additional overpasses and main-lanes began in 2012.

Local Economy

Fort Bend County experienced a slight upturn in the local economy for fiscal year 2012. 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 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 Segment D of the Grand Parkway by adding tolled overpasses to the existing road 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 involve the construction of tolled 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.

Debt Policy

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

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

Major Initiatives

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

Acknowledgements

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

Respectfully submitted,



Robert E. Sturdivant, CPA
County Auditor
Fort Bend County, Texas

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





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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Fort Bend Grand Parkway Toll Road Authority (the "Authority") as of and for the year ended September 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2012, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 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.

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 section is presented for purposes of additional analysis and is not a required part of the financial statements. The introductory section has not been

subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in cursive script, appearing to read "Grant & Co.", written in black ink.

Sugar Land, Texas
March 4, 2013

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

As management of the Fort Bend Grand Parkway 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, 2012. 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 assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, liabilities exceeded assets by \$2,575,903 at the close of the most recent fiscal year.

The Authority's capital assets consist solely of construction-in-progress which was acquired using related debt. Therefore, as of the close of the most recent fiscal year, no portion of the net assets were designated as capital assets, net of related debt. The Authority uses capital assets to provide services to citizens. Consequently, these assets are not available for future spending.

FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY
CONDENSED STATEMENT OF NET ASSETS
September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 146,456,933	\$ 72
Capital assets, net	<u>42,520,661</u>	<u>11,488,319</u>
Total Assets	<u>188,977,594</u>	<u>11,488,391</u>
Long-term liabilities	173,840,255	
Other liabilities	<u>17,713,242</u>	<u>12,523,669</u>
Total Liabilities	<u>191,553,497</u>	<u>12,523,669</u>
Net (Deficit):		
Restricted	20,888,247	
Unrestricted	<u>(23,464,150)</u>	<u>(1,035,278)</u>
Total Net (Deficit)	<u><u>\$ (2,575,903)</u></u>	<u><u>\$ (1,035,278)</u></u>

As of September 30, 2012, the Authority had restricted net assets of \$20,888,247, which represents funds held by a trustee for debt service payments. There is a deficit remaining unrestricted net asset balance of \$23,464,150 due to the Authority using long-term financing to achieve all operating and capital activities until the opening of the Grand Parkway Toll Road, expected in December 2013.

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

FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY
STATEMENT OF CHANGES IN NET ASSETS

For the years ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenues		
Non-operating revenues:		
Earnings on investments	\$ 149,456	\$
Amortization of bond premium	46,082	
Miscellaneous income		72
Total Revenues	<u>195,538</u>	<u>72</u>
Expenses		
Operating expenses:		
Fees and supplies	650,940	1,002,669
Utilities	6,269	
Non-operating expenses:		
Interest on long-term debt	774,527	
Interest paid to primary government	325,760	7,557
Interest paid to Fort Bend County Toll Road Authority	28,020	25,124
Amortization of debt issuance costs	3,969	
Total Expenses	<u>1,789,485</u>	<u>1,035,350</u>
Net (Loss) before Contributions	(1,593,947)	(1,035,278)
Capital contributions	53,322	
Change in Net Assets	<u>(1,540,625)</u>	<u>(1,035,278)</u>
Net (Deficit), Beginning	<u>(1,035,278)</u>	
Net (Deficit), Ending	<u>\$ (2,575,903)</u>	<u>\$ (1,035,278)</u>

At the end of the current fiscal year, the Authority reported a deficit balance in net assets of \$2,575,903.

The Authority has no completed components as of September 30, 2012; therefore no operating revenues were recognized. Net assets decreased by \$1,540,625. The key elements of the decrease in net assets were due to the following:

- Increase in earnings on investments of \$149,456 due to increased cash balance from bond issue.
- Increase in bond premium amortization of \$46,082 from the issuance of the series 2012 revenue bonds.
- Increase in capital contributions of \$53,322 due to local participation in the construction project.
- Decrease in fees and supplies of \$351,729 due to reduced expenditures after first year startup.
- Increase in non-operating interest of \$321,099 paid on loans from primary government and Fort Bend County Toll Road Authority due to increased loan balances.
- Increase in interest on long-term debt of \$774,527 due to issuance of the series 2012 revenue bonds.

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

Capital Assets and Debt Administration

Capital Assets - At the end of fiscal year 2012, the Authority had \$42,520,661 invested in toll road construction-in-progress, as reflected in the following schedule.

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

	<u>2012</u>	<u>2011</u>
Non-Depreciable Capital Assets		
Construction-in-progress	\$ 42,520,661	\$ 11,488,319
Totals	<u>\$ 42,520,661</u>	<u>\$ 11,488,319</u>

Additions to toll road construction-in-progress were the result of construction activities on the overpasses along State Highway 99 from State Highway 59 to the Westpark Toll Road.

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

LONG-TERM DEBT

	<u>2012</u>	<u>2011</u>
General Obligation Bonds	\$ 155,085,000	\$
Total	<u>\$ 155,085,000</u>	<u>\$</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 639,969 in 2012 and is expected to grow by 4.44% annually through 2015. Total employment is estimated at 239,123 in 2012 and is expected to grow by 3.37% annually over the same period.

The number of households has increased to 206,797 in 2012 and is expected to grow to 244,020 by 2015. Mean household income for 2012 is \$151,333 and is estimated to rise to \$171,460 by 2015. Income per capita is currently at \$42,194 and is expected to grow to \$48,354 by 2015. Retail sales increased by 5.7% to \$6.54 billion in 2012 and are expected to grow to \$7.37 billion by 2015.

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.

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

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 GRAND PARKWAY TOLL ROAD AUTHORITY

STATEMENT OF NET ASSETS

September 30, 2012

Assets

Cash and cash equivalents	\$ 144,841,683
Deferred bond issuance costs	1,615,250
Capital assets, not subject to depreciation	42,520,661
Total Assets	<u>188,977,594</u>

Liabilities and Net Assets

Liabilities

Due to primary government	15,496,560
Retainage payable	1,438,827
Accrued interest payable	777,855
Long-term liabilities due in more than one year	173,840,255
Total Liabilities	<u>191,553,497</u>

Net (Deficit)

Restricted for:	
Debt service	20,888,247
Unrestricted	(23,464,150)
Total Net (Deficit)	<u>\$ (2,575,903)</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 ASSETS
For the Year Ended September 30, 2012

Operating Expenses	
Fees and supplies	\$ 650,940
Utilities	6,269
Total Operating Expenses	<u>657,209</u>
Operating (Loss)	(657,209)
Non-Operating Revenues	
Earnings on investments	149,456
Amortization of bond premiums	46,082
Total Non-Operating Revenues	<u>195,538</u>
Non-Operating Expenses	
Interest on long-term debt	774,527
Interest paid to primary government	325,760
Interest paid to Fort Bend County Toll Road Authority	28,020
Amortization of debt issuance costs	3,969
Total Non-Operating Expenses	<u>1,132,276</u>
Net (Loss) before Contributions	(1,593,947)
Capital contributions	<u>53,322</u>
Change in Net (Deficit)	(1,540,625)
Total Net (Deficit), Beginning of Year	(1,035,278)
Total Net (Deficit), End of Year	<u><u>\$ (2,575,903)</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, 2012

Cash Flows from Operating Activities	
Payments to suppliers	\$ (657,209)
Net Cash (Used) by Operating Activities	<u>(657,209)</u>
Cash Flows from Investing Activities	
Interest earned on investments	149,456
Net Cash Provided by Investing Activities	<u>149,456</u>
Cash Flows from Capital and Related Financing Activities	
Proceeds from revenue bonds	173,840,255
Purchase of capital assets	(26,492,508)
Interest paid to primary government	(333,317)
Interest paid to Fort Bend County Toll Road Authority	(53,144)
Bond issuance costs paid	(1,611,922)
Net Cash Provided by Capital and Related Financing Activities	<u>145,349,364</u>
Net Increase in Cash and Cash Equivalents	144,841,611
Cash and Cash Equivalents, Beginning of Year	<u>72</u>
Cash and Cash Equivalents, End of Year	<u>\$ 144,841,683</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities	
Operating (Loss)	\$ (657,209)
Net Cash (Used) by Operating Activities	<u>\$ (657,209)</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 (“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 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 tolled 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 (“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 assets.

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 construction-in-progress that is 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Capital Assets (continued)

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 Assets

It is the Authority's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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 4, 2013, 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.

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

NOTE 2 - DEPOSITS (CASH) AND INVESTMENTS (continued)

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%

At September 30, 2012, 85.0% 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	\$ 123,175,581	1	85.0%
Investment Pools:			
Wells Fargo Government Money Market Fund	21,666,102	33	15.0%
Total Cash and Cash Equivalents	<u>\$ 144,841,683</u>		
Portfolio weighted average maturity (days)		<u>6</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.

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

NOTE 3 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended September 30, 2012 is as follows:

	<u>Balance 10/1/11</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/12</u>
Business-type Activities:				
Capital assets not being depreciated:				
Construction-in-progress	\$ 11,488,319	\$ 31,032,342	\$	\$ 42,520,661
Total capital assets not depreciated	<u>11,488,319</u>	<u>31,032,342</u>		<u>42,520,661</u>
Total capital assets	<u>\$ 11,488,319</u>	<u>\$ 31,032,342</u>	<u>\$</u>	<u>\$ 42,520,661</u>

Additions to toll road construction-in-progress were the result of construction activities on the overpasses along State Highway 99 from State Highway 59 to the Westpark Toll Road. There are also contract commitments of approximately \$3.9 million as of the end of fiscal year 2012.

NOTE 4 – LONG-TERM DEBT

On August 22, 2012, the Authority issued \$155,085,000 of Limited Contract Tax and Subordinate Lien Revenue Bonds for the purpose of financing the construction of the Toll Road System. These subordinate lien bonds will be paid through the Authority’s Debt Service Fund from toll fees collected by the Authority after the Toll Road System is completed and placed in service. The bonds issued included \$21,662,727 of capitalized interest, to service the interest payments until toll fees begin to be collected. The following is a summary of the bonded debt as of September 30, 2012:

<u>Original Issue</u>	<u>Description</u>	<u>Interest Rate %</u>	<u>Matures</u>	<u>Debt Outstanding</u>
General Obligation 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 General Obligation Bonds			<u>\$ 155,085,000</u>

A summary of the long-term liability transactions of the Authority for the year end September 30, 2012, is as follows:

	<u>Balance 10/1/11</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 9/30/12</u>	<u>Amounts Due Within One Year</u>
General Obligation Bonds	\$	\$ 155,085,000	\$	\$ 155,085,000	\$
Premium on bonds		18,801,337	(46,082)	18,755,255	
Totals	<u>\$</u>	<u>\$ 173,886,337</u>	<u>\$ (46,082)</u>	<u>\$ 173,840,255</u>	<u>\$</u>

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

NOTE 4 – LONG-TERM DEBT (continued)

Annual debt service requirements to maturity are summarized as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013	\$	\$ 7,359,705	\$ 7,359,705
2014		7,180,200	7,180,200
2015		7,180,200	7,180,200
2016		7,180,200	7,180,200
2017		7,180,200	7,180,200
2018-2022	3,690,000	35,747,250	39,437,250
2023-2027	19,705,000	32,609,125	52,314,125
2028-2032	24,490,000	27,565,600	52,055,600
2033-2037	30,525,000	21,239,375	51,764,375
2038-2042	38,850,000	12,608,750	51,458,750
2043-2046	37,825,000	3,098,700	40,923,700
Totals	<u>\$ 155,085,000</u>	<u>\$ 168,949,305</u>	<u>\$ 324,034,305</u>

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, 2012.

NOTE 6 – DEFICIT NET ASSETS

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 are no operating revenues from toll collections because the Toll Road will not be complete until December 2013. Therefore, sufficient assets have not been generated to offset the liabilities of the Authority as of September 30, 2012, thereby resulting in negative net assets of \$2,575,903.

NOTE 7 – RESTATEMENT OF NET ASSETS

During the 2012 fiscal year, the Authority made an adjustment to its capital asset records to increase the construction-in-progress capital asset for capital costs incurred in the prior fiscal year that were not capitalized. Beginning net assets was increased by \$2,709,742.