GRAND PARKWAY TRANSPORTATION CORPORATION

A blended component unit of the Texas Department of Transportation

Annual Financial Report

For the Fiscal Year Ended August 31, 2023

(With Independent Auditor's Report)

Texas Department of Transportation

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Grand Parkway Transportation Corporation

A Blended Component Unit of the Texas Department of Transportation

ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
August 31, 2023

Prepared by:
Texas Department of Transportation's Financial Management Division

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Grand Parkway Transportation Corporation
Annual Financial Report
For the Fiscal Year Ended August 31, 2023

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Section One

Introductory Section

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Grand Parkway Transportation Corporation

125 E. 11th Street, Austin, Texas 78701

December 15, 2023

TO: The Citizens of Texas and the Bondholders of the Grand Parkway Transportation Corporation

The audited annual financial statements of the Grand Parkway Transportation Corporation (GPTC) for the year ended August 31, 2023 are enclosed in accordance with the Trust Agreement dated August 1, 2013, as supplemented (Trust Agreement). The Trust Agreement requires the preparation and submission of audited annual financial statements beginning with the fiscal year in which substantial completion occurs for the initial project financed with the obligations issued pursuant to the Trust Agreement.

An external audit firm, Crowe LLP, performed an independent audit, in accordance with generally accepted auditing standards, of GPTC's basic financial statements for the year ended August 31, 2023. The audit opinion is presented in this report preceding the financial statements. This report was prepared by the accounting staff of the Financial Management Division of Texas Department of Transportation (TxDOT). GPTC's internal accounting controls provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposal and the reliability of financial records for preparing financial statements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the resulting benefit.

Management is responsible for the accuracy of the data in this report as well as for the completeness and fairness of the presentation. Consequently, management assumes full responsibility for the completeness and fairness of all of the information presented in the financial statements. To the best of my knowledge and belief, the financial statements are accurate in all material respects, are reported in a manner that presents fairly the financial position and results of operations of GPTC and provide disclosures that enable the reader to understand GPTC's financial condition.

The Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview and analysis of the financial activities of GPTC. We encourage readers to consider the information in this letter of transmittal in conjunction with the MD&A.

Profile of the Government

GPTC is incorporated as a public non-profit corporation. It was created by the Texas Transportation Commission (Commission) in 2012 and is organized and existing pursuant to the provisions of Subchapters A through C, Chapter 431, Texas Transportation Code and the Business Organization Code related to non-profit corporations, including Chapter 22 thereof (collectively, the Act). The Corporation is authorized to act on behalf of the Commission for the public purpose of developing, financing, refinancing, designing, acquiring, constructing, reconstructing, expanding, operating and maintaining some or all of the segments of the Grand Parkway Project.

The Corporation is governed by a three-member board of directors consisting of individuals appointed by the Commission, all of whom are full-time, permanent employees of TxDOT. The directors serve without compensation. The Corporation has no staff, no resources and no taxing power.

The Grand Parkway (State Highway 99) Project is a proposed 184-mile highway around the greater Houston area from State Highway 146 in Galveston County, Texas to State Highway 146 in Baytown, Texas and spread across the seven counties of Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty and Montgomery. The primary purpose of the Grand Parkway Project is to provide an outer loop around the Houston metropolitan area to improve connectivity within the existing network, reduce transportation congestion and enhance mobility and travel options, reduce unsafe "stop and go" conditions and accommodate demographic and economic growth. The Grand Parkway Project is divided into 11 segments designated A through I-2.

GPTC obligations were issued in part to finance the costs of the Grand Parkway System. The Grand Parkway System consists of Segment D in Harris County, Texas and Segments E, F-1, F-2, G, H, I-1, and I-2 located in Chambers, Harris, Liberty and Montgomery counties. Certain outstanding GPTC obligations are supported, under certain circumstances, by a Toll Equity Loan

Agreement (TELA) between the Corporation and TxDOT. Obligations issued by GPTC are not obligations of the Commission, TxDOT or any other agency of the State of Texas.

GPTC has the power to issue toll revenue bonds, notes or other obligations and enter into contracts, and assume agreements of TxDOT in connection with the Grand Parkway Project. The Corporation also has the power to enter into agreements with TxDOT regarding the responsibility of each party for the development, financing, refinancing, design, construction, reconstruction, expansion, operation or maintenance of the Grand Parkway Project and the support to be provided to the Corporation by TxDOT including any necessary toll equity loan agreements between the Corporation and TxDOT and take other actions necessary or convenient to implementing the Grand Parkway Project.

Budgetary Controls

GPTC utilizes the services of TxDOT employees for all accounting, debt financing and administrative services. TxDOT's internal accounting controls provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposal and the reliability of financial records for preparing financial statements.

Annual budgets must be approved by the board of directors of GPTC on or before the fifth business day preceding the first day of the new fiscal year.

Information Useful in Assessing GPTC Financial Condition

GPTC and the Trustee are responsible for ensuring that funds maintain the proper minimum balances as set forth in the Trust Agreement and for investing in securities required to meet liquidity requirements. All moneys held for the credit of the Construction Fund and Reserve Accounts shall, as nearly as may be practicable, be invested and reinvested in permitted investments. In lieu of the investments, at the option of the Corporation, the Corporation may make interest bearing time deposits, invest in certificates of deposits, or make other similar arrangements with the Trustee or any other depositary, as may be permitted by law.

Risk Financing & Management

GPTC has established a self-insurance program funded with $150 million on deposit with the Trustee, held in the Rate Stabilization Fund. TxDOT staff provides all accounting, debt financing and administrative services. Salaries and wages of TxDOT employees who are specifically dedicated to managing the operations of GPTC are reported as expenses in this report.The current balance of $141 million represents the market value for investments in the Rate Stabilization Fund, which are intended to be held to maturity.

Acknowledgements

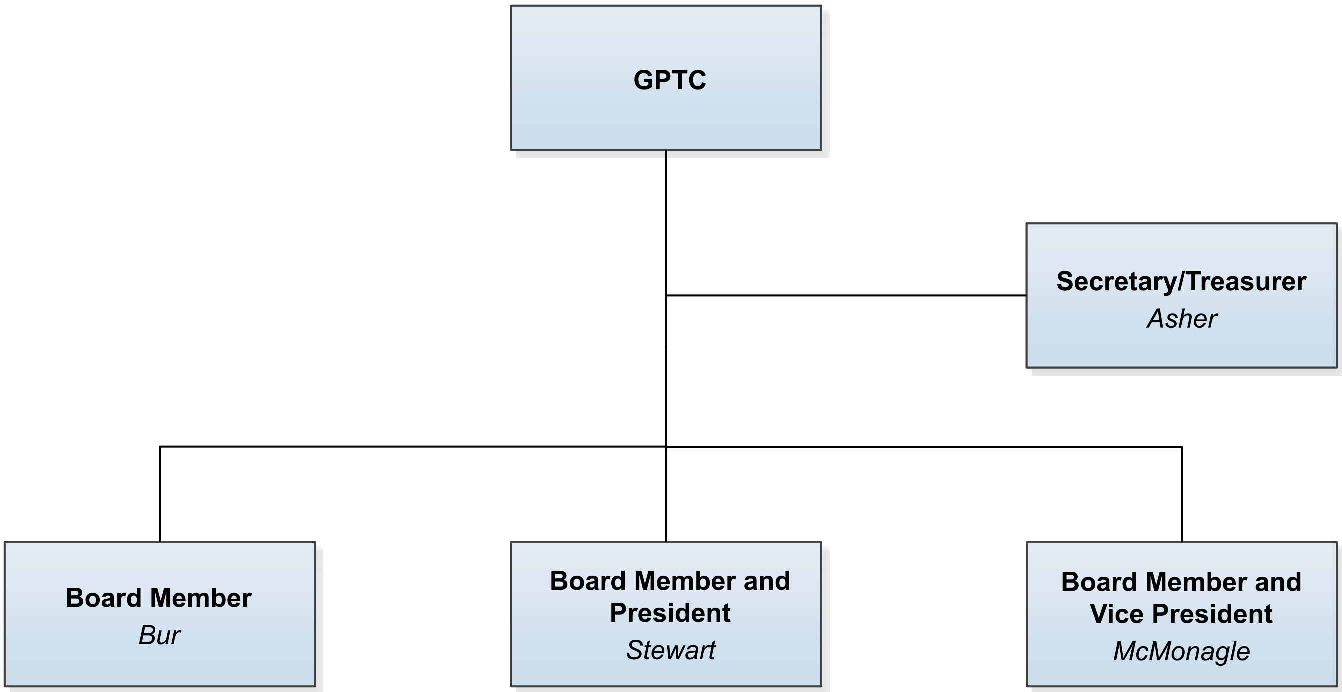
The preparation of the report requires the efforts of individuals throughout TxDOT, including the dedicated efforts of the management and staff of the TxDOT Financial Reporting Section of the Financial Management Division and the Project Finance, Debt & Strategic Contracts Division. I sincerely appreciate the efforts of all these individuals who made this report possible.

Sincerely,

Stephen R. Stewart, CPA
President
Grand Parkway Transportation Corporation

Grand Parkway Transportation Corporation

Organization Chart as of August 31, 2023



BOARD OF DIRECTORS

Key Personnel	Title	Occupation
Stephen Stewart	President, Board of Directors	Chief Financial Officer, TxDOT
Richard McMonagle	Vice President, Board of Directors	Chief Administrative Officer
Mo Bur	Board Member	Director of Project Development

OFFICIALS

Name	Title	Occupation
Benjamin Asher	Secretary/Treasurer	Director, Project Finance, Debt and Strategic Contracts Division, TxDOT

Section Two

Financial Section

INDEPENDENT AUDITOR'S REPORT

Members of the Texas Transportation Commission
State of Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Grand Parkway Transportation Corporation (Corporation), a component unit of the Texas Department of Transportation (TxDOT), an agency of the State of Texas, as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of August 31, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 10-14 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 15, 2023, on our consideration of TxDOT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of TxDOT's 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 TxDOT's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Austin, Texas
December 15, 2023

Section Two (Continued)

Management's Discussion and Analysis (Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Grand Parkway Transportation Corporation (GPTC), we offer readers of the GPTC financial statements this narrative overview and analysis of its financial activities for the fiscal year ended Aug. 31, 2023, with selected comparative information for the fiscal year ended Aug. 31, 2022. The information presented should be read in conjunction with our letter of transmittal, the financial statements and the accompanying notes to the financial statements.

GPTC is authorized to act on behalf of the Commission for the public purpose of developing, financing, refinancing, designing, constructing, reconstructing, expanding, operating and/or maintaining the Grand Parkway System (the System). The System consists of eight segments of the Grand Parkway Project including Segments D (Harris County), E, F-1, F-2, G, H, I-1 and I-2 located in Chambers, Harris, Liberty and Montgomery counties.

Highlights

During fiscal year 2023, GPTC generated $323.9 million in toll revenues, net of allowance, an increase of $77.3 million or 31.4 percent over fiscal 2022. Total transactions recorded on GPTC roadways in fiscal 2023 was 262.9 million, an increase of 20.3 percent in overall toll transactions.

Net accounts receivable in 2023 decreased by $29.3 million or 47.8 percent over fiscal 2022. The decrease in accounts receivable was attributed to the receipt of interoperability payments from the Harris County Toll Road Authority (HCTRA) for June and July 2022, which were received during fiscal year 2023.

During fiscal year 2023, GPTC finalized the drawdown of its Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) loan issued in 2021. GPTC issued subordinate tier toll revenue refunding put bonds Series 2023 (TELA Supported). Series 2023 Bonds, together with other funds, were used to refund Series 2013A Bonds, Series 2016 Bonds, and Series 2018B Bonds.

GPTC ended the fiscal year of operation with assets of $4.3 billion; deferred outflows of resources of $159.8 million, liabilities of $5.0 billion; and deficit net position of $579.7 million. The net position decreased by $45.6 million from fiscal 2022.

Overview of Financial Statements

The financial section of this annual financial report consists of two parts: management's discussion and analysis (this section) and the basic financial statements with their accompanying notes.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Proprietary funds are used to account for a government's business-type activities. The activities related to GPTC are accounted for in an enterprise fund, which is a type of proprietary fund used to report activities in which a fee is charged to external users for goods and services.

Financial Analysis

The overall financial position and operations of GPTC for the past two years is summarized as followed.

Statement of Net Position

August 31, 2023 and 2022

(Amounts in Thousands)

	2023	2022
ASSETS		
Assets Other Than Intangible Right-to-Use Assets	$ 1,119,694	$ 1,100,411
Intangible Right-to-Use Assets	3,163,057	3,226,308
Total Assets	4,282,751	4,326,719
DEFERRED OUTFLOWS OF RESOURCES	159,779	165,105
LIABILITIES		
Current Liabilities	153,211	753,271
Noncurrent Liabilities	4,852,773	4,272,626
Total Liabilities	5,005,984	5,025,897
DEFERRED INFLOWS OF RESOURCES	16,247	0
NET POSITION		
Restricted for Debt Service	99,586	88,098
Restricted for Operations and Maintenance	148,744	68,057
Unrestricted	(828,031)	(690,228)
Total Net Position	$ (579,701)	$ (534,073)

Changes in Net Position

August 31, 2023 and 2022

(Amounts in Thousands)

	2023	2022
OPERATING REVENUES		
Operating Revenues	$ 323,867	$ 246,566
Total Operating Revenues	323,867	246,566
OPERATING EXPENSES		
Operating Expenses	195,671	159,619
Total Operating Expenses	195,671	159,619
Operating Income	128,196	86,947
NONOPERATING EXPENSES		
Nonoperating Expenses	(169,782)	(200,186)
Total Nonoperating Expenses	(169,782)	(200,186)
TRANSFERS		
Transfers In		18
Transfers Out	(4,042)	
Total Transfers	(4,042)	18
Change in Net Position	(45,628)	(113,221)
Net Position - Beginning	(534,073)	(420,852)
Net Position - Ending	$ (579,701)	$ (534,073)

Net Position

The deficit balance of net position increased to $579.7 million due to the total expense exceeding the total revenue by $41.6 million. The largest expense in fiscal 2023 was $186.4 million of interest expense.

Changes in Net Position

Total operating revenues for fiscal 2023 were $323.9 million, an increase of 31.4 percent or $77.3 million over fiscal 2022. Toll revenues is the only component of operating revenues. The toll revenue increase is due to increased toll transactions.

Total operating expenses for fiscal 2023 were $195.7 million, an increase of 22.6 percent over fiscal 2022. The largest operating expense was intangible assets amortization expense of $105.4 million, which comprised 53.9 percent of total operating expenses.

Total nonoperating expenses exceeded nonoperating revenues by $169.8 million, a decrease of 15.2 percent or $30.4 million over fiscal 2022. This was primarily due to an increase in interest and investment income by $30.7 million. A net increase in fair value of investments of $21.6 million and a decrease in interest expense by $13.8 million offset the settlement expense of $35.9 million.

Intangible Right-to-Use Assets and Debt Administration

Intangible Assets

Adhering to the guidance for Public-Private Partnerships (PPP), GPTC records the construction related costs and acquisition costs of right-of-way as an intangible right-to-use assets. There are two PPPs between GPTC and TxDOT. One PPP is for the Initial Project. The Initial Project includes Segments D (Harris County), E, F-1, F-2 and G of Grand Parkway toll road. The second PPP is for the H and I Project. The H and I Project is designated with Segments H, I-1 and I-2. All five segments in the Initial Project and all three segments in the H and I Project are open to traffic. GPTC began to amortize the intangible right-to-use assets associated with the Initial Project in fiscal 2016. GPTC began to amortize the intangible right-to-use assets associated with the H and I Project in fiscal 2022. As of Aug. 31, 2023, GPTC had $3.2 billion, net of $594.9 million accumulated amortization, in intangible right-to-use assets. See Note 2 for more information.

Intangible Right-to-Use (RTU) Assets Activities

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Balance 8/31/2022	Additions	Reductions	Balance 8/31/2023
Intangible Right-to-Use Assets - PPPs	$ 3,715,729	$ 42,184	$	$ 3,757,913
Less: Accumulated Amortization for Intangible RTU Assets	(489,421)		(105,435)	(594,856)
Intangible RTU Assets, Net	$ 3,226,308	$ 42,184	$ (105,435)	$ 3,163,057

Debt Administration

As of Aug. 31, 2023, GPTC had $4.9 billion of debt. See Note 4 for more information.

Outstanding Debt Obligations

August 31, 2023 and 2022

(Amounts in Thousands)

	2023	2022
Revenue Bonds Payable	$ 4,266,040	$ 4,299,814
Notes and Loans Payable	614,390	615,862
Total Outstanding Debt	$ 4,880,430	$ 4,915,676

Bond Credit Ratings

Long-Term Credit Ratings
As of August 31, 2023

	Fitch	Moody's	Standard & Poor's
Series 2013 - B	AA	NR	AA+
Series 2013 - E	AA	NR	AA+
Series 2018 -A	AA	NR	AA+
Series 2020 -A	A+	A2	NR
Series 2020 -B	AA	Aa1	NR
Series 2020 -C	A+	A2	NR
Series 2023	AA	Aa1	NR

An explanation of the significance of each rating may be obtained from the company furnishing the ratings. The ratings reflect only the respective views of such organizations and GPTC makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all companies, circumstances so warrant.

Requests for Information

This financial report is designed to provide a general overview of GPTC's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to GPTC at the following address:

Grand Parkway Transportation Corporation

125 East 11th Street

Austin, Texas 78701-2483

Section Two (Continued)

Basic Financial Statements

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GRAND PARKWAY TRANSPORTATION CORPORATION
STATEMENT OF NET POSITION

August 31, 2023 (Amounts in Thousands)

ASSETS		
Current Assets:		
Cash and Cash Equivalents:		
Cash and Cash Equivalents	$	259,985
Restricted Cash and Cash Equivalents:		
Cash and Cash Equivalents		621,410
Receivables:		
Accounts Receivable		32,040
Interest and Dividends		459
Due from Other Funds (Note 7)		8,366
Consumable Inventory		138
Total Current Assets		922,398
Noncurrent Assets:		
Investments		197,296
Intangible Right-to-Use Assets (Note 2)		3,163,057
Total Noncurrent Assets		3,360,353
Total Assets		4,282,751
DEFERRED OUTFLOWS OF RESOURCES		
Loss on Bond Refunding		159,779
Total Deferred Outflows of Resources		159,779
LIABILITIES		
Current Liabilities:		
Payables:		
Accounts		51,987
Interest		55,553
Contract Retainage		238
Due to Other Funds (Note 7)		9,959
Unearned Revenues		7,817
Revenue Bonds Payable (Notes 4, 5)		27,657
Total Current Liabilities		153,211
Noncurrent Liabilities:		
Notes and Loans Payable (Note 4)		614,390
Revenue Bonds Payable (Note 4,5)		4,238,383
Total Noncurrent Liabilities		4,852,773
Total Liabilities		5,005,984
DEFERRED INFLOWS OF RESOURCES		
Gain on Bond Refunding		16,247
Total Deferred Inflows of Resources		16,247
NET POSITION		
Restricted for:		
Transportation - Operations and Maintenance		148,744
Debt Service		99,586
Unrestricted		(828,031)
Total Net Position	$	(579,701)

The accompanying notes to the financial statements are an integral part of this financial statement.

GRAND PARKWAY TRANSPORTATION CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

OPERATING REVENUES	
Toll Revenue - Pledged	$ 345,862
Discounts and Allowances	(21,995)
Total Operating Revenues	323,867
OPERATING EXPENSES	
Salaries	3,854
Professional Fees and Services	7,104
Travel	2
Materials and Supplies	609
Communication and Utilities	310
Repairs and Maintenance	14,697
Rentals and Leases	3
Contracted Services	302
Advertising	128
Amortization	105,435
Other Operating Expenses	63,227
Total Operating Expenses	195,671
Operating Income	128,196
NONOPERATING REVENUES (EXPENSES)	
Land Income	604
Interest and Investment Income	37,461
Net Decrease in Fair Value of Investments	2,129
Amortization	13,868
Interest Expense	(186,371)
Settlement of Claims Revenue	1
Claims and Judgment Expense	(35,876)
Bond Issuance Expenses	(1,483)
Other Financing Fees	(114)
Other Nonoperating Expenses	(1)
Total Nonoperating (Expenses)	(169,782)
(Loss) before Transfers	(41,586)
TRANSFERS	
Transfers (Note 7)	(4,042)
Total Transfers	(4,042)
Change in Net Position	(45,628)
Net Position, September 1, 2022	(534,073)
Net Position, August 31, 2023	$ (579,701)

The accompanying notes to the financial statements are an integral part of this financial statement.

GRAND PARKWAY TRANSPORTATION CORPORATION
STATEMENT OF CASH FLOWS

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

Cash Flows from Operating Activities	
Proceeds from Customers	$ 352,880
Payments to Suppliers for Goods and Services	(84,712)
Net Cash Provided by Operating Activities	268,168
Cash Flows from Non-Capital Financing Activities	
Payments for Transfers to Other Fund	(4,042)
Net Cash Used by Non-Capital Financing Activities	(4,042)
Cash Flows from Capital and Related Financing Activities	
Proceeds from Land Income	604
Proceeds from Bond Issuance	1,154
Payments for Debt Issuance Costs	(775)
Payments for Principal on Debt and Other Liabilities	(18,780)
Payments of Interest on Debt and Other Liabilities	(168,257)
Payments for Contribution to Refunding	(17,737)
Payments for Intangible Right-to-Use Assets	(51,974)
Payments for Financing Fee	(114)
Net Cash (Used) by Capital and Related Financing Activities	(255,879)
Cash Flows from Investing Activities	
Proceeds from Interest and Investment Income	35,995
Proceeds from Sales and Maturities of Investments	111,000
Proceeds from Other Income	1
Payments to Acquire Investments	(69,615)
Net Cash Provided by Investing Activities	77,381
Net Increase in Cash and Cash Equivalents	85,628
Cash and Cash Equivalents - September 1, 2022	795,767
Cash and Cash Equivalents – August 31, 2023	$ 881,395

Concluded on the following page

GRAND PARKWAY TRANSPORTATION CORPORATION
STATEMENT OF CASH FLOWS

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

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

Operating Income	$	128,196
Operating Activities:		
Amortization of Intangible Right-to-Use Assets		105,435
Changes in Assets and Liabilities:		
Decrease in Accounts Receivable		29,317
Decrease in Inventories		86
(Increase) in Amounts Due from Other Fund		(304)
Increase in Accounts Payable		2,006
Increase in Amounts Due to Other Fund		3,432
Net Cash Provided by Operating Activities	$	268,168

Noncash Investing, Capital and Financing Activities:

Net Change in Fair Value of Investments	$	2,129
Change in the Accrued Intangible Right-to-Use Assets	$	(9,465)
Accretion on Bonds Payable	$	(35,558)
Amortization of Bonds Payable	$	11,282
Amortization of Deferred Outflows	$	(5,326)
Amortization of Deferred Inflows	$	7,911
Defeasance of Long-Term Debt	$	(928,264)
Proceeds from Bond Issuance - Sent to Escrow	$	885,594

The accompanying notes to the financial statements are an integral part of this financial statement.

Grand Parkway Transportation Corporation

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying financial statements reflect the financial position of the Grand Parkway Transportation Corporation (GPTC). GPTC is a public non-profit corporation, created by the Texas Transportation Commission (Commission) in 2012. GPTC is authorized to act on behalf of the Commission for the public purpose of developing, financing, refinancing, designing, constructing, reconstructing, expanding, operating and/or maintaining the Grand Parkway System (the System). The System consists of eight segments of the Grand Parkway Project including Segments D (Harris County), E, F-1, F-2, G, H, I-1, and I-2 located in Chambers, Harris, Liberty and Montgomery counties. The Texas Department of Transportation (TxDOT) owns or will own the roadway and all access roads and appurtenant facilities comprising the System and the related right-of-way. GPTC is entitled to all revenues from, or produced as a consequence of, the operation of the System as a toll highway.

GPTC, a blended component unit of TxDOT, is part of the TxDOT's reporting entity. GPTC is governed by a three-member board of directors consisting of individuals appointed by the Commission, all of whom are employees of TxDOT. GPTC has no staff, no resources, and no taxing power. The GPTC utilizes the services of TxDOT employees for administrative support, including financial, legal, technical, clerical, and other services.

Basis of Presentation

The accompanying financial statements were prepared in conformance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). Financial reporting for GPTC is based on all GASB pronouncements. The data in this report is combined and consolidated by the Texas Comptroller's Office with similar data from other state agencies and universities in the preparation of the state of Texas Annual Comprehensive Financial Report (ACFR).

GASB Pronouncements and Implementation Guides Effective for Fiscal 2023

In fiscal 2023 GPTC adopted the following new GASB pronouncements:

- GASB Statement No. 91, Conduit Debt Obligations. This statement provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. It clarifies the definition of a conduit debt; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional and voluntary commitments; and improving required note disclosures. The effective date of the statement was postponed from fiscal 2022 to fiscal 2023.

- GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payments Arrangements. This statement addresses financial reporting issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset for a period of time in an exchange or exchange-like transactions. Some PPPs meet the definition of a service concession arrangement (SCA). This statement requires a transferor to recognize a receivable for installment payments and a deferred inflow of resources to account for a PPP in financial statements prepared using the current financial resources measurement focus. Governmental fund revenue would be recognized in a systematic and rational manner over the PPP term. An APA is an arrangement in which a government procures a capital asset or service by compensating an operator for activities that may include designing, constructing, financing, maintaining, and operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. In contrast to PPPs, the other party to an APA is receiving compensation from the government based entirely on the asset's availability and not the actual performance of a public service. The statement is effective fiscal 2023.

- GASB Statement 96, Subscription-Based Information Technology Arrangements. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. A SBITA is a contract that conveys control of the right to use another party's information technology software for a period of time in an exchange or exchange-like transaction. The statement establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability. The standards for SBITAs are based on the standards established in Statement 87, Leases. The statement is effective fiscal 2023.

- GASB Statement 99, Omnibus 2022. Paragraphs 18-22, PPPs. Paragraphs 23-25, SBITAs. Effective fiscal 2023.

- Implementation Guide 2020-1, Implementation Guidance Update 2020. Questions 4.19-4.21, Conduit Debt Obligations. Effective fiscal 2023.

- Implementation Guide 2021-1, Implementation Guidance Update 2021. Questions 4.4-4.21 Leases. Effective fiscal 2023.

Fund Structure

The activity of GPTC is reported in a proprietary fund. Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

A proprietary fund distinguishes operating from nonoperating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary fund's principal ongoing operations.

Assets, Deferred Outflows, Deferred Inflows, Liabilities and Net Position

Cash and Cash Equivalents

For reporting purposes, cash and cash equivalents include cash on hand, cash in transit, cash in local banks, cash in the treasuries, money market funds, state and local government investment pools (TexPool), and cash equivalents. The statement of cash flows presents the change in cash and cash equivalents during the fiscal year. Cash equivalents are defined as short-term, highly-liquid investments that are both readily convertible to known amounts of cash and so near maturity they present insignificant risk of a decrease in value due to changes in interest rates. Investments with an original maturity of three months or less and used for cash management rather than investing activities are considered cash equivalents.

Investments

Investments are investments with a maturity date of one year or greater from the date of purchase. These investments are recorded at fair value based upon quoted market prices as of fiscal year end. Short-term investments are investment with a maturity greater than 90 days but less than one year at the time of purchase. Short-term investments are recorded on an amortized cost basis. All investment income, including changes in the fair value of investments, net interest income, is recognized as nonoperating revenue in the operating statement. See Note 3 for more information.

Accounts Receivable

Toll revenue earned but not yet received by GPTC is reported as accounts receivable. Amounts expected to be collected the next fiscal year are classified as current. All receivables are recorded net of allowance for uncollectible accounts as of fiscal year end.

Interest and Dividends Receivable

Interest and dividends receivable is the amount of interest and dividends that has been earned, but which has not yet been received.

Due From Other Funds

Toll revenue earned by GPTC that is received by the TxTag Toll Collection Account but has not been distributed to GPTC at fiscal year end is reported as due from other funds. Also the allocation of TxTag deposits is recorded as due from other funds.

Consumable Inventory

Consumable inventory is comprised of toll tags. The consumption method of accounting is used to account for inventory. The costs of these items are expensed when the items are distributed to consumers.

Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of enterprise fund notes/loans, revenue bonds and revenues set aside for statutory or contractual requirements. In situations where both restricted and unrestricted resources are available to cover expenses, GPTC will first expend the restricted resources and cover additional costs with unrestricted resources. GPTC reserves the right to selectively defer the use of restricted assets.

Intangible Right-to-Use (RTU) Assets

GPTC is operating under two Public-Private (PPP) arrangements with TxDOT. As a governmental operator, GPTC records two intangible RTU assets for the cost of design, construction, and acquisition of right-of-way of the System. Amortization of the intangible RTU assets is associated with the initial project which began in fiscal 2016 and the H&I segments which began in fiscal 2022. See Note 2 for more details.

Deferred Outflows of Resources

Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

For current refundings and advance refundings resulting in defeasance of debt, when the reacquisition price is higher than the net carrying amount of the old debt, the difference is reported as a deferred outflow of resources. The deferred outflows of resources are amortized and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Accounts Payable

Accounts payable represents the liability for the value of assets or services received during the reporting period for which payment is pending. It includes the payable to the design-build developer, bond issuance costs and other vendor payments.

Interest Payable

Interest payable is the interest expense that has been incurred but has not been paid as of fiscal year end.

Contracts Retainage

Contracts retainage is the withholding of a portion of the funds that are due to a contractor until the construction project is finished or a time specified in the contract. It is meant to serve as a financial incentive and an assurance that the contractor will complete the project in a satisfactory manner.

Due to Other Funds

Due to other funds represents the reimbursement to the state highway fund for reimbursable construction, right-of-way acquisition costs, bond issuance costs, maintenance expenses and toll operating expenses incurred during fiscal year, but not paid as of fiscal year end.

Unearned Revenue

Unearned revenue is reported when cash or other assets are received prior to being earned.

Long-Term Liabilities

Long-term liabilities include revenue bonds payable and bond anticipation notes. Revenue bonds and notes payable are reported net of the applicable premium or discount.

Deferred Inflows of Resources

Deferred Inflows of resources are acquisition of net assets by the government that is applicable to the future reporting period. Deferred Inflows of resources have a negative effect on net position, similar to liabilities.

For current refundings and advance refundings resulting in defeasance of debt, when the reacquisition price is lower than the net carrying amount of the old debt, the difference is reported as a deferred inflows of resources. The deferred inflows of resources are amortized and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Net Position

Proprietary funds report net position as the residual amount in a statement of net position. The categories of net position reported in this report include:

Restricted

Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors and the like, or imposed by law through constitutional provisions or enabling legislation. The restricted component of net position represents restricted assets reduced by liabilities related to those assets.

Unrestricted

Unrestricted net position consists of the assets and liabilities that are not included in the restricted components of net position.

Revenues and Expenses

Operating Revenues

GPTC operating revenues for fiscal 2023 consist of $323.9 million in toll revenue earned by the System. This represents $345.9 million in gross toll revenue, minus a decrease of in allowance for doubtful accounts of $22.0 million.

Operating Expenses

Operating expenses include expenses incurred in operating the toll roads, the customer service center, maintenance expense and amortization on the intangible right-to-use asset.

Nonoperating Revenues/Expenses

Nonoperating revenues are mainly comprised of interest and investment revenue, net of the change in fair value of investments. Nonoperating expenses are any expenses not classified as operating, including bond issuance costs and interest expense.

Transfers

Transfers In/Out represents the flow of assets between funds. See Note 7 Interfund Activity for more information.

NOTE 2 – INTANGIBLE RIGHT-TO-USE ASSETS

The Grand Parkway Transportation Corporation (GPTC) is authorized to act on behalf of the Commission for the public purpose of developing, financing, refinancing, designing, acquiring, constructing, reconstructing, expanding, operating and maintaining some or all of the segments of State Highway 99 (the "Grand Parkway Project"). The commission has designated certain segments of Grand Parkway Project as the responsibility of GPTC, and GPTC has designated certain segments thereof as part of the Grand Parkway System. The System includes Segments D (Harris County), E, F-1, F-2, G, H, I-1, and I-2.

The Initial Project was financed and refinanced through the issuance of Obligations by GPTC in 2013, 2014, 2016 and 2020 and other sources of funding. The H and I project was financed and refinanced through the issuance of Obligations by GPTC in 2018 and 2023 and other sources of funding.

Since the Initial Project and the H and I project are financed by different funding sources, GPTC is operating under two Public-Private Partnerships (PPP) with the Texas Department of Transportation (TxDOT).

An PPP is an arrangement between a transferor (TxDOT) and an operator (GPTC) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties.

As the governmental operator, GPTC records intangible right-to-use assets as capital assets for the project costs of design, development, acquisition and construction of the Initial Project and the H and I project separately. The capitalization threshold of the intangible right-to-use capital assets for infrastructure is $500,000 and the estimated useful life is between 10 and 50 years.

All segments of the Initial Project achieved substantial completion and opened to traffic by the end of March, 2016. As required, GPTC is amortizing the intangible right-to-use asset associated with the Initial Project using a straight line method for a term of 38 years, beginning in fiscal 2016.

Capital costs paid for the Initial Project in fiscal 2023 were added to the unamortized intangible right-to-use asset balance. Annual amortization of the intangible right-to-use asset adjusted accordingly.

Segment H and I opened to traffic on May 19, 2022. With the H and I Project now being open to tolled traffic, the revenues from Segments H and I (including all of Segment I-2A) became Revenues of the System effective May 21, 2022. As required, GPTC is amortizing the intangible right-to-use asset associated with the H and I Project using a straight line method for a term of 32 years, beginning fiscal 2022 through 2053.

The table below presents the composition of GPTC's intangible right-to-use assets as of Aug. 31, 2023

Intangible Right-to-Use Assets Activities

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Balance 9/1/2022	Additions	Reductions	Balance 8/31/2023
Intangible Right-to-Use Assets - PPP - Initial Project	$ 2,496,166	$ 8,613	$	$ 2,504,779
Less: Accumulated Amortization for Intangible RTU Assets	(451,310)		(66,241)	(517,551)
Intangible Right-to-Use Assets - Initial Project, Net	2,044,856	8,613	(66,241)	1,987,228
Intangible Right-to-Use Assets - PPP- H and I Project	1,219,563	33,571		1,253,134
Less: Accumulated Amortization for Intangible RTU Assets	(38,111)		(39,194)	(77,305)
Intangible Right-to-Use Assets - H and I Project, Net	1,181,452	33,571	(39,194)	1,175,829
Intangible Right-to-Use Assets - Total, Net	$ 3,226,308	$ 42,184	$ (105,435)	$ 3,163,057

NOTE 3 – DEPOSITS, INVESTMENTS AND REPURCHASE AGREEMENTS

GPTC is authorized by statute to make investments following the "prudent person rule". GPTC has complied, in all material respects, with statutory authorization, bond documents, constraints and board policies during the period.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, deposits or collateral securities in the possession of an outside party will not be recovered. All GPTC's deposits are protected by insurance provided by the Federal Deposit Insurance Corporation (FDIC).

Regular depository accounts are insured by the FDIC up to $250 thousand per depositor, per insured bank. As of Aug. 31, 2023, the sweep account is subjected to the same $250 thousand coverage provided to a regular depository account.

Investments

Measurement

GPTC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three-tiered fair value hierarchies are as follows.

- Level 1 – Quoted prices in active markets for identical investments
- Level 2 – Significant other observable inputs other than quoted market prices
- Level 3 – Significant unobservable inputs

As of Aug. 31, 2023, the measurements of GPTC's investments are summarized below:

Investment Fair Value and Maturities

August 31, 2023 (Amounts in Thousands)

Investment Type	Fair Value Hierarchy Level 1	Other Measurement	Total
Money Market Mutual Funds	$	$ 32,573	$ 32,573
U.S. Government Agency Obligations	197,296		197,296
Government Investment Pools		848,822	848,822
Total Investments	$ 197,296	$ 881,395	$ 1,078,691

Below is more detail regarding the measurement of GPTC's investments as of Aug. 31, 2023.

- GPTC had U.S. government agency obligation investments of $197.3 million with original maturities of one year or more valued at quoted market prices (Level 1 input, 1 year or more).
- GPTC had investments in money market mutual funds and government investment pools totaling $881.4 million with maturities less than one year valued at amortized cost.

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, GPTC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. GPTC's investment policies state that all securities purchased by the Board shall be designated as assets of the Board and shall be protected through the use of a third-party custodian/safekeeping agent, which may be a Trustee. Additionally, GPTC conducts securities on a delivery-versus-payment (DVP) basis.

Credit Risk

Direct credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The investment policy prohibits GPTC from entering into long-term investment agreements or other non-DVP investment transactions with a final maturity or termination date of longer than six months with any financial institution or broker/dealer that initially has a long-term rating category of less than "A" and that does not have at least one long-term rating of at least "AA" by a nationally recognized investment rating firm. All investments made by GPTC have been through the list of qualified business organization authorized to engage in investment transactions approved by GPTC.

As of Aug. 31, 2023, GPTC holdings had the following ratings:

Investment Credit Ratings

August 31, 2023 (Amounts in Thousands)

Investment Type		Balance	S&P	Credit Rating Moody's	Fitch
Money Market Mutual Funds					
Fidelity Investments Money Market Government	$	80	AAAm	AAA-mf	NR
Goldman Sachs Financial Square Government		32,493	AAAm	Aaa-mf	NR
Government Sponsored Entities					
Federal Home Loan Banks		136,770	AA+	Aaa	NR
Federal Home Loan Mortgage Company		60,526	AA+	Aaa	AA+
Governmental Investment Pools					
TexPool		23,665	AAAm	NR	NR
TexPool Prime		825,157	AAAm	NR	NR
Total:	$	1,078,691			

NR=Not Rated

Concentration of Credit Risk

It is the policy of GPTC to diversify its investment portfolios. Assets held in the particular funds shall be diversified to minimize the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. As of Aug. 31, 2023, the following investments exceeded five percent of the total GPTC portfolio: TexPool Prime, Federal Home Loan Bank, and Federal Home Loan Mortgage Company.

The Commission and GPTC both address diversification in the Commission's investment policy. Assets held in particular funds shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. Diversification strategies shall be determined and revised periodically by the investment officer for all funds.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates, will adversely affect the fair value of an investment. GPTC does not have a formal policy on interest rate risk. Investment portfolios are designed with the objective of attaining the best possible rate of return commensurate with GPTC's investment risk constraints and the cash flow characteristics of the portfolio. Return on investment, although important, is subordinate to the safety and liquidity objectives. Investment maturities are noted in the investment table. Approximately 81.7 percent of the investments mature within one year. Market value fluctuation of the overall portfolio is minimized by keeping the weighted average maturity low.

NOTE 4 – LONG-TERM LIABILITIES

As of Aug. 31, 2023 GPTC had seven revenue bonds outstanding and one loan agreement outstanding. As detailed below, the following changes occurred in long-term liabilities during the year ended Aug. 31, 2023.

Long-Term Liabilities Activity (Amounts in Thousands)
For the Fiscal Year ended August 31, 2023

	Beginning Balance 09/01/2022	Adjustments*	Additions**	Reductions	Ending Balance 08/31/2023	Due Within One Year	Amounts Due Thereafter
Revenue Bonds Payable	$ 4,216,039	$ (6,686)	$ 289,722	$ (233,035)	$ 4,266,040	$ 27,657	$ 4,238,383
Revenue Bonds Payable - Direct Placements	83,775			(83,775)			
Notes and Loans Payable	615,862	(10,532)	614,390	(605,330)	614,390		614,390
Total	$ 4,915,676	$ (17,218)	$ 904,112	$ (922,140)	$ 4,880,430	$ 27,657	$ 4,852,773

*Includes new issue premium and current year amortization of premiums and discounts.

**Includes current year amortization of accretion.

Notes and Loans Payable

GPTC entered into a Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) loan agreement with the United States Department of Transportation (USDOT) in 2021, in a total maximum proceeds amount of $605.3 million including premiums. The proceeds are used to pay or reimburse the Corporation for certain eligible costs related to the H and I Project.

On Nov. 15, 2022, GPTC requisitioned $605.3 million pursuant to the 2021 TIFIA loan agreement, which proceeds, together with other lawfully available funds of the Corporation, were used to defease all outstanding Series 2018 BANs to their stated maturity date of Feb. 1, 2023.

In accordance with the TIFIA loan agreement, the payments of principal and interest can be postponed under certain circumstances and such postponed payments increase the principal amount of the loan. As of Aug. 31, 2023, the loan's debt service requirements are as follows:

TIFIA Loan – Debt Service Requirements
(Amounts in Thousands)

Business-Type Activities Year	Principal	Interest*	Total
2024	$	$	$
2025			
2026			
2027		12,122	12,122
2028		12,139	12,139
2029 - 2033	14,288	60,332	74,620
2034 - 2038	61,793	56,899	118,692
2039 - 2043	103,396	49,575	152,971
2044 - 2048	202,120	36,036	238,156
2049 - 2053	263,204	12,922	276,126
Total	644,801	240,025	884,826
Unamortized Accretion	(30,411)		(30,411)
Total Requirements	$ 614,390	$ 240,025	$ 854,415

* Fixed interest rate at 1.88 percent.

Pledged Future Revenues

Pledged revenues are those specific revenues that are formally committed to directly secure the payment of bond debt service. The table below provides information on pledged revenue and pledged future revenue of the GPTC revenue bonds.

Pledged Future Revenue (Amounts in Thousands)		
Pledged Revenue Required for Future Principal and Interest on Existing Debt	$	8,767,396
Term of Commitment Ending		10/1/2052
Percentage of Revenue Pledged		95.55%
Current Year Pledged Revenue	$	345,833
Current Year Principal and Interest Paid	$	187,121

NOTE 5 – BONDED INDEBTEDNESS

Revenue Bonds

Transportation Code, Section 222.103 authorizes the Commission to participate, by spending money from any available source in the acquisition, construction, maintenance, or operation of a toll facility of a public or private entity on terms and conditions established by the Commission. In March 2012, the Commission adopted a resolution creating the Grand Parkway Transportation Corporation (GPTC). GPTC is authorized to assist and act on behalf of the Commission in the development, financing, design, construction, reconstruction, expansion, operation and/or maintenance of the Grand Parkway toll project.

Miscellaneous Bond Information
(Amounts in Thousands)

Description of Issue		Bonds Issued to Date	Date Issued	Range of Interest Rates		Maturities First Year	Maturities Last Year	First Call Date
First Tier Toll Revenue Bonds, Series 2013-A***	$	200,000	08/01/2013	5.13%	5.50%	2031	2053	10/01/2023
Subordinate Tier Toll Revenue Bonds, Series 2013-B								
Convertible Capital Appreciation Bonds**		486,910	08/01/2013	4.95%	5.85%	2029	2048	10/01/2028
Current Interest Bonds***		1,137,935	08/01/2013	5.00%	5.25%	2048	2053	10/1/2023
Subordinate Tier Toll Revenue Bonds, Series 2013-E		361,810	08/01/2013	5.18%	5.18%	2036	2042	*
Subordinate Tier Toll Revenue Refunding Bonds, Series 2016***		83,775	12/07/2016	2.20%	2.20%	2023	2023	n/a
Subordinate Tier Toll Revenue Bonds, Series 2018-A		712,100	05/30/2018	5.00%	5.00%	2030	2048	04/01/2028
Subordinate Tier Toll Revenue Put Bonds, Series 2018-B***		166,525	05/30/2018	5.00%	5.00%	2049	2052	10/01/2023
First Tier Toll Revenue Refunding Bonds, Taxable Series 2020-A		220,415	02/27/2020	2.11%	3.36%	2026	2052	04/01/2030
Subordinate Tier Toll Revenue Refunding Bonds, Taxable Series 2020-B		1,293,260	02/27/2020	1.53%	3.24%	2020	2052	04/01/2030
First Tier Toll Revenue Refunding Bonds, Series 2020-C		793,385	02/27/2020	3.00%	5.00%	2033	2050	n/a
Subordinate Tier Toll Revenue Refunding Put Bonds, Series 2023		263,225	08/16/2023	5.00%	5.00%	2034	2052	01/01/2028
Total	$	5,719,340						

* Bonds are subject to redemption prior to their respective maturities at the option of the Corporation.
** Bonds issued to date include interest accreted to principal.
*** Bonds are not outstanding as of 08/31/2023

The bond obligations are payable from tolls and other revenues of the GPTC held by the trustee. Neither the state; the Commission; nor any other agency or political subdivision of the state, is obligated to pay the debt service on the GPTC bonds. The Grand Parkway System is owned by the Commission and the Commission has not mortgaged, assigned, or pledged any interest in any real or personal property or improvements, including any interest in the Grand Parkway System, as security for payment of the bonds other than the pledge of the Trust Estate under the Trust Agreement.

In an event of default, the Trustee may proceed to, and upon the written request of the owners of not less than 20 percent in principal amount of outstanding obligations, shall proceed to:

(i) Protect its rights and the rights of the owners under Chapter 431, Transportation Code and under the Trust Agreement, the Toll Rate Agreement or certain sections of the Project Agreement by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for mandamus or the specific performance of any covenant or agreement contained in the Trust Agreement or in aid or execution of any power granted in the Trust Agreement for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, deems most effectual to protect and enforce such rights. Acceleration of principal of or interest on the obligations upon the occurrence of an event of default is not a remedy available under the Trust Agreement.

(ii) In the enforcement of any remedy under the Trust Agreement the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Corporation and to enforce judgment or decree against the Corporation but solely as provided in the Trust Agreement.

Debt service requirements for the outstanding revenue bonds as of Aug. 31, 2023, are detailed in the following table.

Debt Service Requirements (Amounts in Thousands)

Revenue Bonds Year	Principal	Interest	Total
2024	$ 19,085	$ 147,383	$ 166,468
2025	2,780	172,602	175,382
2026	2,825	172,555	175,380
2027	3,815	172,493	176,308
2028	3,920	172,417	176,337
2029-2033	96,220	855,626	951,846
2034-2038	379,780	799,279	1,179,059
2039-2043	684,810	667,480	1,352,290
2044-2048	1,059,410	463,628	1,523,038
2049-2053	1,829,010	177,452	2,006,462
	4,081,655	3,800,915	7,882,570
Unamortized Accretion	(2,250)		(2,250)
Unamortized Premium	186,635		186,635
Total	$ 4,266,040	$ 3,800,915	$ 8,066,955

Refunding

GPTC authorized the issuance of the Subordinate Tier Revenue Refunding Put Bonds, Series 2023 with the Tenth Supplement Agreement, dated Aug. 1, 2023 to refund certain outstanding Series 2013-A, Series 2016 and Series 2018-B. The Series 2023 were issued with par amounts of $263.2 million. The premium associated with the Series 2023 was $19.0 million and the underwriter's discount associated with the transaction amounted to $775.1 thousand, resulting in net proceeds of $281.4 million. The issuance closed on Aug. 16, 2023.

Refunding Issues
(Amounts in Thousands)

			For Refunding Only		
Description	Category	Amount Extinguished or Refunded	Refunding Issued Par Value	Cash Flow Increase	Economic Gain
Series 2013-A	Current Refunding	$ 47,730	$ 28,585	$ 35,690	$ 3,471
Series 2016	Current Refunding	83,775	78,534		
Series 2018-B	Current Refunding	166,525	156,106		
	Total	$ 298,030	$ 263,225	$ 35,690	$ 3,471

Defeased Bonds

GPTC defeased various bond issues by placing funds and securities in irrevocable trusts with external financial institutions to provide for all future debt service payments on the bonds through the earlier of the maturity date or the first call date. As of Aug. 31, 2023, the amounts of defeased bonds, at par, that remain outstanding are presented in the table below.

Defeased Bonds Outstanding (Amounts in Thousands)

Description	**Par Value**
Series 2013-A Revenue Bonds	$ 152,270
Series 2013-A Revenue Bonds	$ 47,730
Series 2013-B Current Interest Bonds	$ 1,137,935
Series 2016 Revenue Bonds	$ 83,775
Series 2018-B Revenue Bonds	$ 166,525
Total	$ 1,588,235

NOTE 6 – RETIREMENT PLAN AND POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

GPTC, a blended component unit of the Texas Department of Transportation (TxDOT), is part of TxDOT's reporting entity. GPTC does not have any employees and does not make contributions to any retirement plans or other postemployment benefits (OPEB) plans. TxDOT employees provide all accounting and administrative services for GPTC. Those employees are members of the Employee Retirement System of Texas defined benefit pension plan (ERS Plan) and the State Retiree Health Plan (SRHP). GPTC is not obligated in any form for the funding of the pension benefits provided by the ERS Plan or the postemployment benefits provided through the SRHP. Allocation of the pension and OPEB liabilities and expenses for GPTC is deemed unnecessary and not required. The details are disclosed in the TxDOT's Annual Comprehensive Financial Report for the pension plan in Note 8 and the OPEB plan in Note 10.

NOTE 7 – INTERFUND ACTIVITY

Transfers In/Out represents the flow of assets (cash or goods) between GPTC and other funds of TxDOT. The State Highway Fund (SHF) is the major governmental fund of TxDOT. The Central Texas Turnpike System (CTTS) is a major enterprise fund of TxDOT. During fiscal 2023, GPTC transfers to CTTS totaled $4.0 million for its portion of SBITA payments. Transfers In/Out represents the flow of assets (cash or goods) between funds. TxDOT implemented GASB Statement No. 96 Subscription Based Information Technology Arrangements during fiscal 2023. GASB defines subscription assets as capital assets and being that split ownership of capital assets is not permitted. Since CTTS carries the liability associated with the subscription, it reports the entire annual expense related to the subscription. GPTC's portion of the annual expense associated with the subscription was moved to CTTS with an offset to transfer.

GPTC became responsible for the maintenance and operation of the System when the GPTC Series 2013 bonds were closed in August 2013. All expenses related to maintenance and operation of the initial project paid by the State Highway Fund (SHF) is subject to reimbursement by GPTC as a junior operating expense. GPTC started to be responsible for H and I project maintenance and operation from May 19, 2022 when the revenue from Segment H and I became the revenue of the System. All expenses related to maintenance and operation of the H and I Project paid by the SHF is subject to reimbursement by GPTC as a senior operating expense. During fiscal 2023, the SHF paid certain construction and operation and maintenance costs for GPTC. $6.3 million of these costs was not reimbursed to SHF by Aug. 31, 2023. Back office expense of $3.6 million has not been reimbursed to CTTS as of Aug. 31, 2023. SHF collected $383 thousand of toll revenue and $7.8 million of TxTag deposits that were not transferred to GPTC by Aug. 31, 2023.

Amounts not transferred to/from other funds at fiscal year-end are accrued as due to/due from other funds. As of Aug. 31, 2023, the due to and due from SHF and CTTS balances as detailed in the following table:

Interfund Balance

August 31, 2023 (Amounts in Thousands)

Category	Due to SHF	Due to CTTS
Construction	$ 1,111	
Operating & Maintenance	$ 5,212	
Back Office Expense		$ 3,636
Total	$ 6,323	$ 3,636

Interfund Balance

August 31, 2023 (Amounts in Thousands)

Category	Due from SH249	Due from SHF
Bank Errors	$ 165	
Toll Revenue		$ 383
TxTag Deposit		$ 7,818
Total	$ 165	$ 8,201

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Contingencies

Unpaid Claims and Lawsuits

The type and volume of activity for which GPTC is responsible exposes it to a large number of claims and lawsuits.

GPTC is exposed to claims by contractors. As of Aug. 31, 2023, GPTC and the H and I project developer GPI (Grand Parkway Infrastructure, LLC) reached an agreement to fully and finally resolve GPI's claims arising during the course of the H and I project. In October 2023, TIFIA approved settlement payment to GPI upon receipt of invoice. The outstanding settlement amount totaled $35.9 million.

The Attorney General's office indicates that the lawsuits listed below were pending as of Aug. 31, 2023. GPTC management's opinion is that the probable outcome of these cases will not materially affect the financial position of GPTC or TxDOT.

Type of Suit	Amounts in Controversy
Eminent Domain Grand Parkway Houston	Total claims with amounts indicated, range from $19.0 thousand to $2.8 million for a total of $3.2 million.
Contract	The settlement amount is $35.9 million.

Arbitrage

Rebatable arbitrages defined by Internal Revenue Code (IRC), Section 148, are earnings on tax exempt bond proceeds in excess of the yield on the bond. The rebatable arbitrage must be repaid to the federal government. Pursuant to the Trust Agreement, a Rebate Fund will be established to which deposits will be made upon the determination by GPTC that funding of the Rebate Fund is necessary or appropriate. The amount of rebate due to the federal government is determined and payable during each five-year period and upon final payment of the tax-exempt bonds. IRC Section 148 also provides for certain rebate exceptions, including an exception if certain spend-out requirements of the bond proceeds are met. GPTC has no rebatable arbitrage liability in fiscal 2023.

Significant Commitments

Construction Contracts

TxDOT entered a design-build agreement with Grand Parkway Infrastructure, LLC to develop, design and construct improvements along SH99 Grand Parkway Segments H, I-1, and I-2B in Harris, Montgomery, Chambers and Liberty Counties, effective as of June 30, 2017. TxDOT assigned the agreement to GPTC shortly after the effective date. On Oct. 27, 2017, TxDOT issued the notice to proceed for the H-West Option. As of Aug. 31, 2023, GPTC approved twenty-one change orders which increased the design-build contract amount by $56.5 million.

Disclosure of the construction related commitment as of Aug. 31, 2023 is displayed below:

GPTC Construction Related Contract Commitments
August 31, 2023 (Amounts in Thousands)

Contractor	Segment	Contract Commitment	Paid Amount	Remaining Commitment
Grand Parkway Infrastructure, LLC	Segment H,I-1&I-2	$951,154	$939,187	$11,967

NOTE 9 – RISK FINANCING AND RELATED INSURANCE

Grand Parkway Transportation Corporation (GPTC) is a non-profit corporation created by the Texas Transportation Commission to act on behalf of the Commission in assisting with the development, construction, financing, operating and maintaining of the Grand Parkway System. GPTC does not own any part of the Grand Parkway System and does not have any employees. TxDOT provides all accounting, debt financing and administrative services.

GPTC is exposed to a wide range of risks due to the size, scope and nature of its activities. Some of these risks include, but are not limited to, property and casualty losses, theft, damage of assets and business interruption. GPTC self-insures through funds on deposit within its Rate Stabilization Fund. The amount on deposit in the Rate Stabilization Fund for self-insurance has been certified as actuarially sound by the AMI Risk Consultants, Inc. To date, GPTC has not had to draw upon the Rate Stabilization Fund to settle any claims and therefore settlements have not exceeded self-insurance coverage. GPTC has also acquired Directors and Officers Liability insurance and certain public official's liability coverage.

GPTC and H&I developer - GPI (Grand Parkway Infrastructure, LLC) entered into a Design-Build Agreement (DBA) in 2017 to develop, design and construct improvements on GPTC Segments H, I-1 and I-2 ("Project"). As of Aug. 31, 2023, GPTC and GPI agreed to a settlement payment amount of $35.9 million to fully and finally resolve GPI's claims related to this agreement. GPTC recorded the pending settlement payment as a liability in the fiscal 2023 financial statements.

NOTE 10 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Net Position

Grand Parkway Transportation Corporation (GPTC) had a $579.7 million deficit net position at the end of fiscal 2023. The deficit is due to accretion on outstanding bonds and notes and the accumulated amortization of the intangible right-to-use assets for the two service concession projects operated by GPTC.

NOTE 11 – SUBSEQUENT EVENTS

On Nov. 17, 2023, Moody's Investors Service has upgraded Grand Parkway Transportation Corporation's (GPTC) first-tier toll revenue bonds and note rating to A1 from A2. The upgrade of rating reflects strong revenue collection that has exceeded both GPTC's and Moody's prior forecasts and the successful completion of segments H&I.

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