GRAND PARKWAY TRANSPORTATION CORPORATION

A blended component unit of the Texas Department of Transportation

Annual Financial Report

For The Fiscal Year Ended August 31, 2017

(With Independent Auditor's Report)

Texas Department of Transportation

Grand Parkway Transportation Corporation

A Blended Component Unit of the Texas Department of Transportation

FINANCIAL STATEMENTS
For the Fiscal Year Ended
August 31, 2017

Prepared by:
Financial Management Division of the Texas Department of Transportation

GRAND PARKWAY TRANSPORTATION CORPORATION
Annual Financial Report
For the Fiscal Year Ended August 31, 2017

TABLE OF CONTENTS

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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, 2017

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, 2017 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 Horwath LLP, performed an independent audit, in accordance with generally accepted auditing standards, of GPTC's basic financial statements for the year ended August 31, 2017. 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 initial project of the Grand Parkway System consisting of Segment D located in Harris County, Texas and Segments E, F-1, F-2 and G. 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 $100,000,000 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.

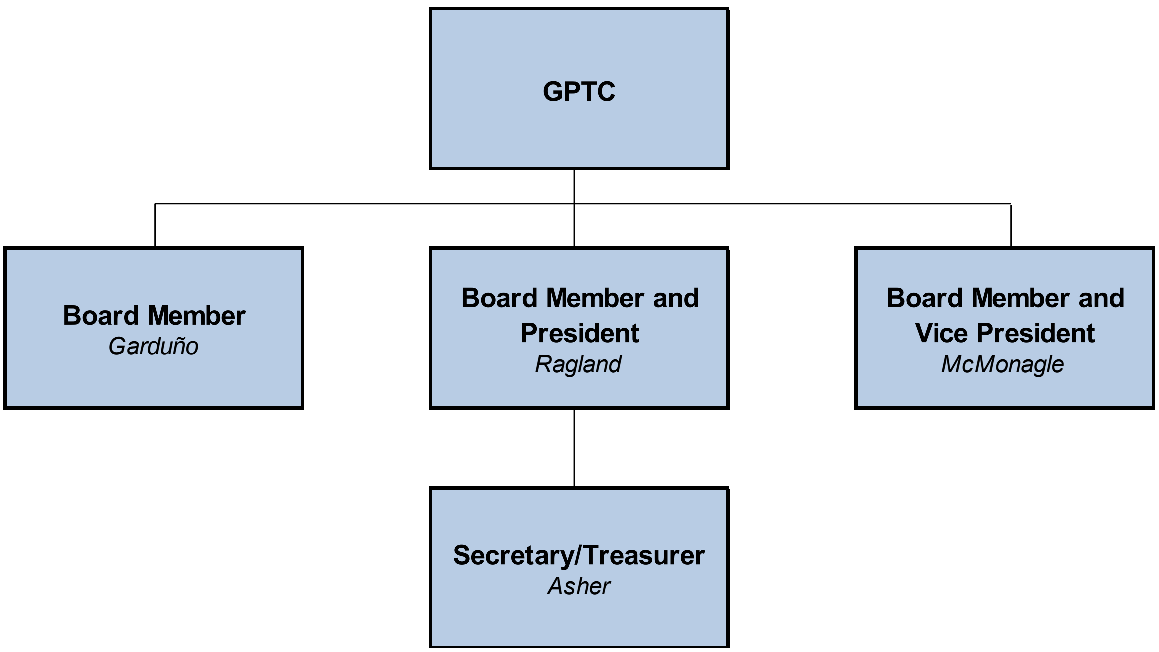
Acknowledgements
The preparation of the report requires the efforts of individuals throughout TxDOT, including the dedicated efforts of the management and staff of the TxDOT Financial Reports Section of the Financial Management Division and the Project Finance, Debt & Strategic Contracts Division. I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

Sincerely,

Brian D. Ragland, CPA
President
Grand Parkway Transportation Corporation

Grand Parkway Transportation Corporation

Organization Chart as of August 31, 2017



Grand Parkway Transportation Corporation
Corporation Officials
As of August 31, 2017

BOARD OF DIRECTORS

Key Personnel	Title	Occupation
Brian Ragland	President, Board of Directors	Chief Financial Officer, TxDOT
Richard McMonagle	Vice President, Board of Directors	Chief Administrative Officer, TxDOT
Lauren Garduño	Board Member	Director of Project Planning and Development, TxDOT

OFFICIALS

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

Section Two

Financial Section

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INDEPENDENT AUDITOR'S REPORT

Members of the Texas Transportation Commission
State of Texas

Report on the Financial Statements

We have audited the accompanying 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, 2017, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of August 31, 2017, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 10-14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017 on our consideration of the Corporation'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Dallas, Texas
December 15, 2017

Section Two (Continued)

Management's Discussion & 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 year ended Aug. 31, 2017, with selected comparative information for the year ended Aug. 31, 2016. 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 2017, GPTC generated $158.2 million in toll revenues, an increase of $74.3 million or 89 percent over fiscal 2016. Toll revenue increased mainly due to full year operation of Segment F-1, F-2 and G in fiscal 2017. More transactions on the toll roads and a 2 percent toll rate increase that became effective on Jan. 1, 2017 also contributed to the toll revenue growth.

As of Aug. 31, 2017, GPTC has incurred $2.4 billion of costs related to the design and construction of the System which is reported as intangible assets on the statement of net position.

As of Aug. 31, 2017, GPTC reported deficit net position, the liabilities and deferred inflows of GPTC exceeded its assets by $80.1 million. The net position decreased by $56.8 million from fiscal 2016. The deficit is attributable to the increase of operating expense of $17.0 million and the increase of interest expense of $88.5 million, offset by the increase of operating revenues of $74.3 million.

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
(Amounts in Thousands)
August 31, 2017 and 2016

	2017	2016
ASSETS		
Assets Other Than Intangible Assets	$ 612,949	$ 693,201
Intangible Assets	2,355,252	2,326,591
Total Assets	2,968,201	3,019,792
LIABILITIES		
Current Liabilities	65,304	88,523
Noncurrent Liabilities	2,983,034	2,953,566
Total Liabilities	3,048,338	3,042,089
DEFERRED INFLOW OF RESOURCES	0	996
NET POSITION		
Restricted for Debt Service	52,250	
Restricted for Operations and Maintenance	49,294	38,707
Unrestricted	(181,681)	(62,000)
Total Net Position	$ (80,137)	$ (23,293)

Changes in Net Position (Amounts in Thousands) August 31, 2017 and 2016		
	2017	**2016**
REVENUES		
Total Operating Revenues	$ 158,230	$ 83,890
Total Non-operating Revenues	4,084	2,136
Total Revenues	162,314	86,026
EXPENSES		
Total Operating Expenses	93,780	76,800
Total Non-operating Expenses	125,378	49,129
Total Expense	219,158	125,929
Change in Net Position	(56,844)	(39,903)
Net Position - Beginning	(23,293)	16,610
Net Position - Ending	$ (80,137)	$ (23,293)

Net Position

The $80.1 million deficit balance of net position is due to the total expense exceeding the total revenue by $56.8 million. The large expense in fiscal 2017 included $63.9 million of amortization and $137.1 million of interest payments.

Interest payments were capitalized as intangible assets prior to substantial completion of the five segments of the System in March 2016. All interest payments were reported as expense in fiscal 2017. Amortization of intangible assets began in fiscal 2016.

Revenues

Total revenues for fiscal 2017 were $162.3 million. The largest revenue source is toll and fee revenue of $158.2 million or 98 percent of total revenues. Interest revenue for fiscal 2017 totaled $4.1 million.

Expenses

For the fiscal year ended Aug. 31, 2017, expenses totaled $219.2 million. Interest expense is the largest expense category, comprising 63 percent of total expenses.

Amortization expense of intangible assets totaling $63.9 million is the second largest expense category in fiscal 2017 and represents 29 percent of total expenses and 68 percent of total operating expense.

Intangible Assets and Debt Administration

Intangible Assets

Adhering to a service concession arrangement (SCA), GPTC records the construction related costs, acquisition costs of right-of-way and capitalized interest during construction as an intangible asset. GPTC began to amortize the intangible assets in fiscal 2016 since all five segments in the initial system achieved substantial completion as of March 2016. As of Aug. 31, 2017, GPTC had $2.4 billion, net of $126.3 million accumulated amortization, in intangible assets. See Note 2 for more information.

Intangible Assets Activities

For the Fiscal Year Ended August 31, 2017 (Amounts in Thousands)

	Balance 9/1/2016	Additions	Reductions	Balance 8/31/2017
Intangible Assets - SCA	$ 2,388,987	$ 92,562	$	$ 2,481,549
Less: Accumulated Amortization for Intangible Assets	(62,396)		(63,901)	(126,297)
Intangible Assets, Net	$ 2,326,591	$ 92,562	$ (63,901)	$ 2,355,252

Debt Administration

GPTC issued bonds backed by the pledged revenues and restricted assets specified in the bond resolutions. GPTC entered into a secured loan agreement with the United States Department of Transportation (USDOT) through the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA). Funds were drawn per the agreement in fiscal 2017. As of Aug. 31, 2017, GPTC had $3.0 billion of debt. See Note 4 for more information.

Outstanding Debt Obligations

(Amounts in Thousands)

August 31, 2017 and 2016

	2017	2016
Revenue Bonds Payable	$ 2,119,979	$ 2,207,671
Loans Payable	862,725	745,565
Total Outstanding Debt	**$ 2,982,704**	**$ 2,953,236**

Bond Credit Ratings

Long-Term Credit Ratings		
As of August 31, 2017		
	Fitch	Standard & Poor's
Series 2013 - A	BBB+	BBB
Series 2013 - B	AA	AA+
Series 2013 - E	AA	AA+
Series 2016	NR	AA+

On Apr. 10, 2017, Fitch Ratings upgraded the ratings on GPTC Series 2013-B and 2013-E toll revenue bonds, to 'AA' from'AA-'.

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
Finance Management
125 East 11th Street
Austin, Texas 78701-2483

Section Two (Continued)

Basic Financial Statements

GRAND PARKWAY TRANSPORTATION CORPORATION
STATEMENT OF NET POSITION
August 31, 2017 (Amounts in Thousands)

ASSETS	
Current Assets:	
Cash and Cash Equivalents (Note 3)	$ 76,304
Short-Term Investments (Note 3)	29,981
Restricted:	
Cash and Cash Equivalents (Note 3)	381,585
Short-Term Investments (Note 3)	75,964
Interest and Dividends Receivable	267
Account Receivable, Net	33,716
Consumable Inventory	222
Total Current Assets	598,039
Noncurrent Assets:	
Long-Term Investments (Note 3)	14,910
Intangible Assets (Note 2)	2,355,252
Total Noncurrent Assets	2,370,162
TOTAL ASSETS	2,968,201
LIABILITIES	
Current Liabilities:	
Payables:	
Accounts Payable	19,285
Interest Payable	37,398
Contracts Retainage	2,089
Deposits Payable	686
Due to Other Funds (Note 7)	6,176
Revenue Bonds Payable (Notes 4)	(330)
Total Current Liabilities	65,304
Noncurrent Liabilities:	
Loans Payable (Note 4)	862,725
Revenue Bonds Payable (Notes 4)	2,120,309
Total Noncurrent Liabilities	2,983,034
TOTAL LIABILITIES	3,048,338
NET POSITION	
Restricted for Debt Service	52,250
Restricted for Other	49,294
Unrestricted	(181,681)
TOTAL NET POSITION	$ (80,137)

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, 2017 (Amounts in Thousands)

OPERATING REVENUES		
Toll Revenue - Pledged	$	149,299
Discounts and Allowances		(3,974)
Fee Revenue - Pledged		12,905
Total Operating Revenues		158,230
OPERATING EXPENSES		
Salaries		1,536
Professional Fees and Services		2,079
Travel		8
Materials and Supplies		287
Communication and Utilities		184
Repairs and Maintenance		3,949
Rentals and Leases		3
Contracted Services		11,206
Advertising		105
Amortization Expense		63,901
Interest Expense		3
Other Operating Expenses		10,519
Total Operating Expenses		93,780
Operating Income		64,450
NON-OPERATING REVENUES (EXPENSES)		
Interest and Investment Income		4,075
Net Increase(Decrease) in Fair Value of Investments		9
Amortization of Long Term Debt		12,767
Interest Expense		(137,109)
Bond Issuance Expenses		(1,000)
Other Financing Fees		(36)
Total Non-Operating Revenues (Expenses)		(121,294)
Change in Net Position		(56,844)
Net Position, September 1, 2016		(23,293)
Net Position, August 31, 2017	$	(80,137)

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, 2017 (Amounts in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from Customers	$	135,845
Payments for Local Entity		(2,398)
Payments for Interfund Services Used		(23,652)
Payments to Suppliers for Goods and Services		(328)
NET CASH PROVIDED BY OPERATING ACTIVITIES		109,467
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Loan Draw		840,645
Proceeds from Issuing Bonds		83,775
Payments for Retirement of Bonds and Notes		(924,195)
Payments for Debt Interest		(105,152)
Payments of Costs of Debt Issuance		(433)
Payments for Interfund Services Used		(19)
Payments for Intangible Assets		(111,025)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES		(216,404)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Interest and Investment Income		4,156
Proceeds from Sales and Maturities of Investments		578,462
Payments to Acquire Investments		(317,718)
Payments for Accrued Interest on Purchase of Investment		(478)
NET CASH PROVIDED IN INVESTING ACTIVITIES		264,422
NET INCREASE IN CASH AND CASH EQUIVALENTS		157,485
CASH AND CASH EQUIVALENTS - September 1, 2016		300,404
CASH AND CASH EQUIVALENTS – August 31, 2017	$	457,889

Concluded on the following page

GRAND PARKWAY TRANSPORTATION CORPORATION
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended August 31, 2017 (Amounts in Thousands)

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVTIES:

Operating Income	$	64,450
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Amortization of Intangible Assets		63,901
Changes in Assets and Liabilities:		
(Increase) in Accounts Receivable		(22,386)
(Increase) in Inventory		(215)
Increase in Accounts Payable		3,855
(Decrease) in Deposit Payable		(2,397)
Increase in Amounts Due to Other Fund		2,259
Net Cash Provided by Operating Activities	$	109,467

Noncash Investing, Capital and Financing Activities:

Amortization of Investment Premium/Discount	$	497
Net Change in Fair Market Value of Investments	$	9

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

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Grand Parkway Transportation Corporation
Notes to Financial Statements

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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 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). GPTC's accounting will closely follow the requirements detailed in GASB 60 for governmental service concession arrangement (SCA) operators.

The basic financial statements consist of Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, and Notes to the Financial Statements. The reporting period is for the fiscal year of September 1st through August 31st.

GPTC, a blended component unit of TxDOT, is part of the TxDOT's reporting entity. GPTC does not have any employees and does not make contributions to any retirement 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). No allocation of the pension liabilities and expense for GPTC is deemed necessary or required.

GPTC implemented the following new GASB pronouncements for fiscal 2017:

- *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter period equity, and creating additional transparency.
- *GASB Statement No. 77, Tax Abatement Disclosures.* This statement defines tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement

requires disclosure of tax abatement information about (a) a reporting government's own tax abatement agreements and (b) those that are entered into by other governments and that reduce the reporting government's tax revenues.

- *GASB Statement No. 78, Pensions Provided through Certain Multiple-employer Defined Benefit Pension Plans.* This statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan.

- *GASB Statement No. 80, Blending Requirements for Certain Component Units, an amendment of GASB Statement No.* 14. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.
- *GASB Statement No. 82, Pension Issues¬an amendment of GASB Statements No. 67, No. 68, and No. 73.* This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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, Liabilities and Net Position

Cash and Cash Equivalents

Investments with a maturity of three months or less are considered cash equivalents. On the statement of cash flows, cash and cash equivalents are cash in state treasury, money market funds, state and local government investment pools (TexPool) and short-term, highly liquid investments with a maturity of three months or less at the time of purchase.

Investments

Long-term 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.

Interest Receivable

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

Accounts Receivable

The accounts receivable of $33.7 million is the toll revenue earned but not yet received by GPTC of $37.7 million, net of an allowance of doubtful accounts of $4.0 million as of Aug. 31, 2017.

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 consumed.

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. GPTC may receive funding whose related expenditure is restricted to certain activities. 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 Asset

GPTC is operating under a service concession agreement (SCA) with TxDOT. As a governmental operator, GPTC records an intangible asset for its cost of designing, construction and acquisition of right-of-way of the System. In accordance with GASB 62, GPTC capitalized interest and investment income, interest paid, and accretion during the construction period to the intangible asset. Amortization of the intangible asset began in fiscal 2016. See Note 2 for more information about GPTC's SCA with TxDOT.

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 contractor, bond issuance costs and other vendor payments.

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 in fiscal 2017, but not paid as of Aug. 31, 2017.

Long-Term Liabilities

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

Generally speaking, the serial maturities of long-term obligations to be paid within one year of the financial statements date are reported as a current liability and are considered a short-term obligation. In certain circumstances, however, amounts scheduled to mature during the ensuing fiscal year are instead reported as noncurrent long-term liabilities. This provision applies when GPTC intends to refund a debt instrument on a long-term basis and issues a long-term obligation after the date of the financial statements, but before the financial statements are issued. See Note 4 and 5 for more information

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, liabilities, and deferred inflows of resources that are not included in the restricted components of net position.

Revenues and Expense

Operating Revenue

Operating revenues consist of toll revenue for open Segments D, E, F-1, F-2 and G, net of allowance for doubtful accounts of $4.0 million, and fee revenue earned by GPTC.

Operating Expense

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

Nonoperating Revenues/Expenses

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

NOTE 2 – INTANGIBLE ASSETS

The Grand Parkway Transportation Corporation (GPTC) is operating under a service concession arrangement (SCA) with the Texas Department of Transportation (TxDOT). An SCA 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 an intangible asset for the design and construction costs of Segments D (Harris County), E, F-1, F-2 and G of Grand Parkway toll road.

Segments D (Harris County), E, F-1, F-2 and G all achieved substantial completion and opened to traffic by the end of March 2016. As required, GPTC is amortizing the intangible asset using a straight line method for a term of 38 years, beginning in fiscal 2016. Capital costs paid in fiscal 2017 were added to the unamortized intangible asset balance. Annual amortization of the intangible asset adjusted accordingly.

The table below presents the composition of GPTC's intangible assets as of Aug. 31, 2017.

Intangible Assets Activities

For the Fiscal Year Ended August 31, 2017 (Amounts in Thousands)

	Balance 9/1/2016	Additions	Reductions	Balance 8/31/2017
Intangible Assets - SCA	$ 2,388,987	$ 92,562	$	$ 2,481,549
Less: Accumulated Amortization for Intangible Assets	(62,396)		(63,901)	(126,297)
Intangible Assets, Net	$ 2,326,591	$ 92,562	$ (63,901)	$ 2,355,252

NOTE 3 - DEPOSITS, INVESTMENTS AND REPURCHASE AGREEMENTS

GPTC is authorized by statue 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.

Deposits

GPTC had no cash in bank as of Aug. 31, 2017.

Treasury Pool

The deposits in the state treasury totaling $3.5 million represent monies due to the State Highway Fund that were in transit at Aug. 31, 2017.

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, 2017, the measurements of GPTC's investments are summarized below:

Investment Summary
August 31, 2017 (Amounts in Thousands)

Investment Type		Fair Value Hierarchy Level 1		Other Measurement Amortized Cost		Total
Government Securities						
U.S. Treasury Securities	$	14,910	$	99,943	$	114,853
Government Sponsored Entities						
Federal Home Loan Mortgage Corporation				6,001		6,001
Money Market Mutual Funds				85		85
Texpool				454,299		454,299
Total Investments	$	**14,910**	$	**560,328**	$	**575,238**

Below is more detail regarding the measurement of GPTC's investments as of Aug. 31, 2017.

- GPTC had U.S. treasury securities investments of $14.9 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 funds, government securities, government sponsored entities and government investment pools of $560.3 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, 2017, GPTC holdings had the following ratings:

Investment Credit Ratings
August 31, 2017 (Amounts in Thousands)

Investment Type		Balance	Moody's	Standard & Poor's	Fitch
Money Market Mutual Funds					
JP Morgan US Government Fund	$	1	Aaa-mf	NR	AAAmmf
Goldman Sachs Financial Square Government Fund		81	Aaa-mf	AAAm	AAAmmf
Fidelity Government Money Market Fund		3	Aaa-mf	AAAm	NR
Governmental Investment Pools					
TexPool		454,299	NR	AAAm	NR
Government Sponsored Entities					
Federal Home Loan Mortgage Corporation		6,001	Aaa	AA+	AAA
Government Securities					
U.S. Treasury Notes		99,874	Aaa	AA+	AAA
U. S. Treasury Bills		14,979	NR	A-1+	NR
Total	$	575,238			

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, 2017, the following investments exceeded 5 percent of the total GPTC portfolio: Texpool and U.S. Treasuries.

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. In general, all securities held by GPTC are anticipated to be held to maturity, thereby avoiding interest rate risk due to an early redemption. Investment maturities are noted in the investment table. Approximately 97 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 – SUMMARY OF LONG-TERM LIABILITIES

As of Aug. 31, 2017, GPTC had four revenue bonds outstanding and one loan agreement outstanding. Additional detail is provided in the sections that follow. As detailed below, the following changes occurred in long-term liabilities during the year ended Aug. 31, 2017.

Long-Term Liabilities Activity (Amounts in Thousands)
For the Fiscal Year ended August 31, 2017

	Beginning Balance 08/31/2016	Additions*	Reductions	Adjustments**	Ending Balance 08/31/2017	Due Within One Year
Revenue Bonds Payable	$ 2,207,671	$ 102,708	(190,730)	$ 330	$ 2,119,979	$ (330)
Notes and Loans Payable	745,565	862,725	(733,465)	(12,100)	862,725	
Total	$ 2,953,236	$ 965,433	$ (924,195)	$ (11,770)	$ 2,982,704	$ (330)

* Includes current year amortization of accretion.
**Includes current year amortization of premiums and discounts.

Notes and Loans Payable

GPTC entered into a secured loan agreement with the United States Department of Transportation (USDOT) through the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA). USDOT has agreed to lend the GPTC up to $840.6 million to pay a portion of the eligible project costs. As of Aug. 31, 2017, the GPTC has drawn down $840.6 million under the secured loan agreement for the purpose of providing funds to refund the GPTC Series 2014-A bond anticipation notes and the GPTC Series 2014-C toll revenue bonds. 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, 2017, the loan's debt service requirements are as follows.

TIFIA Loan – Debt Service Requirements
(Amounts in Thousands)

Year	Principal	Interest*	Total
2018	$	$	$
2019			
2020			
2021		34,528	34,528
2022		34,575	34,575
2023-2027	1,346	172,850	174,196
2028-2032	12,863	171,828	184,691
2033-2037	28,678	168,157	196,835
2038-2042	95,938	159,258	255,196
2043-2047	329,895	125,482	455,377
2048-2052	478,539	37,470	516,009
	947,259	904,148	1,851,407
Unamortized Accretion	(84,534)		(84,534)
Total	$ 862,725	$ 904,148	$ 1,766,873

*Fixed interest rate at 3.65 percent

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	8/1/2013	5.13%	5.50%	2031	2053	10/1/2023
Subordinate Tier Toll Revenue Bonds, Series 2013-B								
Convertible Capital Appreciation Bonds**		348,076	8/1/2013	4.95%	5.85%	2029	2048	10/1/2028
Current Interest Bonds		1,137,935	8/1/2013	5.00%	5.25%	2048	2053	10/1/2023
Subordinate Tier Toll Revenue Bonds, Series 2013-E		361,810	8/1/2013	5.18%	5.18%	2036	2042	*
Subordinate Tier Toll Revenue Bonds, Series 2014-B***		83,550	2/13/2014	variable		2016	2016	*
Subordinate Tier Toll Revenue Bonds, Series 2014-C***		107,180	2/13/2014	variable		2016	2016	*
Subordinate Tier Toll Reveue Bonds, Series 2016		83,775	12/7/2016	2.20%	2.20%	2023	2023	n/a
Total	$	2,322,326						

* 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.
***These bonds are not outstanding as of 8/31/2017.

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. Debt service requirements for the revenue bonds as of Aug. 31, 2017, are detailed in the following table.

Debt Service Requirements - Revenue Bonds (Amounts in Thousands)			
Year	Principal	Interest	Total
2018	$	$ 89,755	$ 89,755
2019		89,755	89,755
2020		89,755	89,755
2021		89,755	89,755
2022		89,755	89,755
2023-2027	83,775	539,478	623,253
2028-2032	21,545	577,228	598,773
2033-2037	160,635	555,050	715,685
2038-2042	329,930	489,556	819,486
2043-2047	313,840	409,344	723,184
2048-2052	937,325	272,473	1,209,798
2053-2057	425,630	16,160	441,790
	2,272,680	3,308,064	5,580,744
Unamortized Accretion	(141,084)		(141,084)
Unamortized Premium/(Discount)	(11,617)		(11,617)
Total	$ 2,119,979	$ 3,308,064	$ 5,428,043

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	$ 5,580,744
Term of Commitment, Year Ending Aug. 31:	2053
Percentage of Revenue Pledged	99.57%
Current Year Pledged Revenue	$ 161,602
Current Year Principal and Interest Paid	$ 89,627

Refunding

GPTC entered into a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan agreement with the United States Department of Transportation (USDOT), effective Feb. 6, 2014. On Dec. 3, 2016, GPTC requisitioned $840.6 million pursuant to the TIFIA loan agreement, $107.2 million was used to refund the Subordinate Tier Toll Revenue Refunding Bonds, Series 2014-C. GPTC issued the Series 2016 Subordinate Tier Toll Revenue Refunding Bonds with a par amount of $83.8 million on Dec. 7, 2016 of which $83.6 million was used to refund the Subordinate Tier Toll Revenue Refunding Bonds, Series 2014-B.

Refunding Issues
(Amounts in Thousands)

Description	Type of Refunding	Par Value Refunded	Par Value of Refunding Issue: Series 2016	Par Value of Refunding Issue: TIFIA Note	Cash Flow Increase/ (Decrease)	Economic Gain/(Loss)
Series 2014-B	Current	$ 83,550	$ 83,775	$	*	*
Series 2014-C	Current	107,180	-	107,180	**	**
Total		$ 190,730	$ 83,775	$ 107,180		

*Represents a change in mode from one variable rate to another mode.
**Represents a conversion from interim financing to long-term financing.

NOTE 6 - EMPLOYEES' RETIREMENT PLAN

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. 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). GPTC is not obligated in any form for the funding of the pension benefits provided by the ERS Plan. Allocation of the pension liabilities and expense for GPTC is deemed unnecessary and not required.

The ERS Plan is considered a single employer defined benefit plan under GASB Statement 68. The defined benefit provisions of the ERS Plan are authorized by state law and may be amended by the Legislature. The details of the pension plans are disclosed in TxDOT's Note 8, Employees' Retirement Plan.

NOTE 7 – INTERFUND ACTIVITY

GPTC became responsible for the maintenance and operation of the System when the GPTC Series 2013 bonds were closed in August 2013. All expense related to maintenance and operation of the initial project paid by the state highway fund is subject to reimbursement by GPTC as a junior operating expense. Certain construction related costs paid by the state highway fund for GPTC are eligible to be reimbursed by GPTC.

In fiscal 2017, GPTC reimbursed the state highway fund $23.7 million for operating and maintenance expense. During the year, a total of $3.5 million cash was transferred from GPTC trustee to the state treasury and ready to reimburse the state highway fund.

As of Aug. 31, 2017, the due to state highway fund balance totaled $6.1 million, as detailed in the following table:

Interfund Activity
August 31, 2017 (Amounts in Thousands)

Category	GPTC Due to SHF
Construction	$ 2,171
Operating & Maintenance	4,005
Total	$ 6,176

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.

The Attorney General's office indicates that the lawsuits listed below were pending as of Aug. 31, 2017.

Type of Suit	Amounts in Controversy
Eminent Domain	Total claims with amounts indicated range from $29.9 thousand to $70.3 million with a total of $106.3 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 2017.

Significant Commitments

Construction Contracts

GPTC and TxDOT entered into a Project Agreement dated Jul. 17, 2013, under which GPTC will finance the costs of the System and certain pre-development work for Segments H&I using the proceeds of one or more series of Obligations issued pursuant to the Trust Agreement. TxDOT assigned all right, title and interest in the Design-Build and the Capital Maintenance Agreement on Mar. 22, 2013. In addition, five Design-Bid-Build agreements, project segment supplements to the statewide toll system integration agreement, any expansion of the System during the term of the Project Agreement and costs of the System right-of-way acquisition are the responsibility of GPTC.

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-2 in Harris, Montgomery, Chambers and Liberty Counties, effective as of June 30, 2017. TxDOT assigned the agreement to GPTC shortly after the effective date.

Disclosure of the construction related commitment as of Aug. 31, 2017 is displayed below:

GPTC Construction Related Contract Commitments
August 31, 2017 (Amounts in Thousands)

Contractor	Segment	Contract Commitment	Paid Amount	Remaining Commitment
Zachry Odebrecht Parkway Builders	Segment F1,F2&G	$1,103,493	$1,100,475	$3,018
Grand Parkway Infrastructure, LLC	Segment H,I-1&I-2	$855,306	$0	$855,306

NOTE 9 - SUBSEQUENT EVENTS

TxDOT signed the Design Build contract on Jun. 30, 2017 with Grand Parkway Infrastructure, LLC (DB contractor) for the H and I project. The H and I project included construction of the H-West Option (Option Work). On Oct. 27, 2017, TxDOT issued the notice to proceed for the Option Work. Upon exercise of the Option Work, the Design Build contract amount will be increased by $39.4 million. The H-West Option consists of the construction of two additional tolled mainlanes for the first 8 miles of Segment H. It starts from the connection of Segment H to Segment G at Interstate Highway 69 through Montgomery and Harris Counties.

NOTE 10 - RISK FINANCING & 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 SH 99 (Grand Parkway) System. GPTC does not own any part of the Grand Parkway System and does not have any employees.

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 Madison Consulting Group. To date, GPTC has not drawn upon the Rate Stabilization Fund to settle any claims and therefore settlements have not exceeded self-insurance coverage. During fiscal 2017, GPTC acquired director’s and officer’s liability insurance and certain public official’s liability coverage.

125 East 11th Street. Austin TX 78701

www.txdot.gov

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