GRAND PARKWAY TRANSPORTATION CORPORATION

A blended component unit of the Texas Department of Transportation

Annual Financial Report

For The Fiscal Year Ended August 31, 2018

(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, 2018

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, 2018

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Section One

Introductory Section

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Grand Parkway Transportation Corporation

125 E. 11th Street, Austin, Texas 78701

December 14, 2018

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, 2018 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, 2018. 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 consisting of Segment D in Harris County, Texas and Segments E, F-1, F-2, G, H, I-1 and I-2. 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 $150,000,000 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

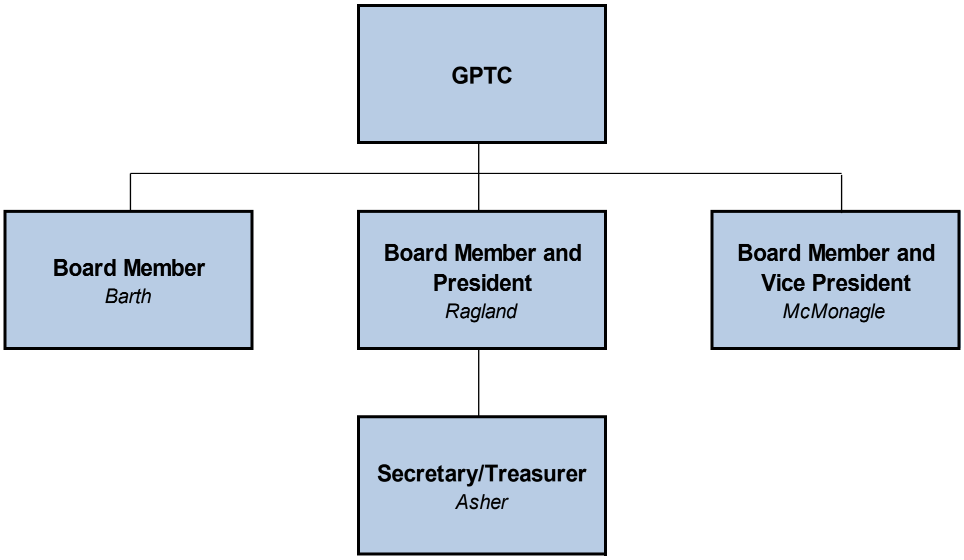
The preparation of the report requires the efforts of individuals throughout TxDOT, including the dedicated efforts of the management and staff of the TxDOT Financial Reports Section of the Financial Management Division and the Project Finance, Debt & Strategic Contracts Division. I sincerely appreciate 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, 2018



Grand Parkway Transportation Corporation

Corporation Officials

As of August 31, 2018

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
Brian Barth	Board Member	Project Planning and Development Director, TxDOT

OFFICIALS

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

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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, 2018, 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, 2018, 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 14, 2018 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 LLP

Crowe LLP

Dallas, Texas
December 14, 2018

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 year ended Aug. 31, 2018, with selected comparative information for the year ended Aug. 31, 2017. 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 2018, GPTC generated $175.2 million in toll and fee revenues, an increase of $17.0 million or 11 percent over fiscal 2017. Toll revenue increased mainly due to traffic increase. A two percent toll rate increase that became effective on Jan. 1, 2018 also contributed to the toll revenue growth.

As of Aug. 31, 2018, 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.

On May 30, 2018, GPTC issued $878.6 million of System Subordinate Tier Toll Revenue Bonds, Series 2018, and $605.3 million Bond Anticipation Notes, Series 2018, to finance the development of the H and I project within the System. See Note 4 to the financial statements and later sections of this management's discussion and analysis for more information on outstanding bonded debt of GPTC.

GPTC ended the fiscal year of operation with assets of $4.6 billion; liabilities of $4.8 billion; and deficit net position of $143.5 million. The net position decreased by $63.4 million from fiscal 2017.

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, 2018 and 2017

	2018	2017
ASSETS		
Assets Other Than Intangible Assets	$ 2,267,987	$ 612,949
Intangible Assets	2,378,901	2,355,252
Total Assets	4,646,888	2,968,201
LIABILITIES		
Current Liabilities	119,566	65,304
Noncurrent Liabilities	4,670,824	2,983,034
Total Liabilities	4,790,390	3,048,338
NET POSITION		
Restricted for Debt Service	33,789	52,250
Restricted for Operations and Maintenance	62,007	49,294
Unrestricted	(239,298)	(181,681)
Total Net Position	$ (143,502)	$ (80,137)

Changes in Net Position
(Amounts in Thousands)
August 31, 2018 and 2017

	2018	2017
REVENUES		
Total Operating Revenues	$ 175,223	$ 158,230
Total Non-operating Revenues	13,187	4,084
Total Revenues	188,410	162,314
EXPENSES		
Total Operating Expenses	100,621	93,780
Total Non-operating Expenses	151,154	125,378
Total Expense	251,775	219,158
Change in Net Position	(63,365)	(56,844)
Net Position - Beginning	(80,137)	(23,293)
Net Position - Ending	$ (143,502)	$ (80,137)

Net Position

The $143.5 million deficit balance of net position is due to the total expense exceeding the total revenue by $63.4 million. The large expense in fiscal 2018 included $64.1 million of amortization and $141.5 million of interest payments.

Interest expense related to the 2018 Bonds and 2018 BANs were capitalized in fiscal year 2018. Interest expenses of other debts were reported as expense in fiscal 2018. Amortization of intangible assets associated with the Initial Project began in fiscal 2016.

Revenues

Total revenues for fiscal 2018 were $188.4 million.

The largest revenue source is toll and fee revenue of $175.2 million or 93 percent of total revenues. To facilitate evacuation and rescue efforts during Hurricane Harvey, tolls were suspended on the Grand Parkway System for thirteen days in September 2017.

Interest revenue for fiscal 2018 totaled $8.1 million.

GPTC received $5.0 million settlement of claims revenue in fiscal 2018. This claim was filed on behalf of GPTC by the builder of Segments F-1, F-2 and G for toll revenue loss resulting from the delay in project completion due to significant rainfall and flooding in May 2015.

Expenses

For the fiscal year ended Aug. 31, 2018, expenses totaled $251.8 million. Interest expense is the largest expense category, comprising 56 percent of total expenses.

Amortization expense of intangible assets totaling $64.1 million is the second largest expense category in fiscal 2018 and represents 26 percent of total expenses and 64 percent of total operating expense.

Intangible Assets and Debt Administration

Intangible Assets

Adhering to the service concession arrangements (SCA), GPTC records the construction related costs, acquisition costs of right-of-way and capitalized interest during construction as an intangible asset. There are two SCAs between GPTC and TxDOT. One is for the Initial Project, another is for the H and I Project. All five segments in the Initial Project are open to traffic. GPTC began to amortize the intangible assets associated with the Initial Project in fiscal 2016. With the 2018 series bonds and BANs issuing in fiscal 2018 for financing the construction and development of the H and I project, the amended agreements between GPTC and TxDOT updated for the H and I Project meet the definition of a service concession arrangement under criteria established by the Governmental Accounting Standards Board. As of Aug. 31, 2018, GPTC had $2.4 billion, net of $190.4 million accumulated amortization, in intangible assets. See Note 2 for more information.

Intangible Assets Activities

For the Fiscal Year Ended August 31, 2018 (Amounts in Thousands)

	Balance 9/1/2017	Additions	Reductions	Balance 8/31/2018
Intangible Assets - SCAs	$ 2,481,549	$ 87,774	$	$ 2,569,323
Less: Accumulated Amortization for Intangible Assets	(126,297)		(64,125)	(190,422)
Intangible Assets, Net	$ 2,355,252	$ 87,774	$ (64,125)	$ 2,378,901

Debt Administration

GPTC issued bonds and notes backed by the pledged revenues and restricted assets specified in the bond resolutions. GPTC also 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, 2018, GPTC had $4.7 billion of debt. See Note 4 for more information.

Outstanding Debt Obligations
(Amounts in Thousands)
August 31, 2018 and 2017

	2018	2017
Revenue Bonds Payable	$ 3,133,088	$ 2,119,979
Notes and Loans Payable	1,552,491	862,725
Total Outstanding Debt	**$ 4,685,579**	**$ 2,982,704**

Bond Credit Ratings

Long-Term Credit Ratings
As of August 31, 2018

	Fitch	Standard & Poor's
Series 2013 - A	A-	BBB
Series 2013 - B	AA	AA+
Series 2013 - E	AA	AA+
Series 2016	NR	AA+
Series 2018 -A	AA	AA+
Series 2018 -B	AA	AA+

On Apr. 26, 2018, Fitch Ratings upgraded the ratings on GPTC Series 2013-A revenue bonds, to 'A-' from 'BBB'.

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

GRAND PARKWAY TRANSPORTATION CORPORATION
STATEMENT OF NET POSITION
August 31, 2018 (Amounts in Thousands)

ASSETS	
Current Assets:	
Cash and Cash Equivalents	
Money Market and Similar Funds	$ 109,238
Short-Term Investments	54,676
Restricted:	
Cash and Cash Equivalents	1,282,400
Short-Term Investments	733,751
Interest and Dividends Receivable	1,905
Account Receivable, Net	16,141
Consumable Inventory	229
Total Current Assets	2,198,340
Noncurrent Assets:	
Long-Term Investments	69,647
Intangible Assets (Note 2)	2,378,901
Total Noncurrent Assets	2,448,548
TOTAL ASSETS	4,646,888
LIABILITIES	
Current Liabilities:	
Payables:	
Accounts Payable	39,983
Interest Payable	56,154
Contracts Retainage	2,089
Due to Other Funds (Note 7)	6,585
Notes and Loans Payable (Notes 4)	10,532
Revenue Bonds Payable (Notes 4)	4,223
Total Current Liabilities	119,566
Noncurrent Liabilities:	
Notes and Loans Payable (Note 4)	1,541,959
Revenue Bonds Payable (Notes 4)	3,128,865
Total Noncurrent Liabilities	4,670,824
TOTAL LIABILITIES	4,790,390
NET POSITION	
Restricted for Debt Service	33,789
Restricted for Other	62,007
Unrestricted	(239,298)
TOTAL NET POSITION	$ (143,502)

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, 2018 (Amounts in Thousands)

OPERATING REVENUES		
Toll Revenue - Pledged	$	174,399
Discounts and Allowances		(2,768)
Fee Revenue - Pledged		3,592
Total Operating Revenues		175,223
OPERATING EXPENSES		
Salaries		1,747
Professional Fees and Services		2,403
Travel		5
Materials and Supplies		341
Communication and Utilities		187
Repairs and Maintenance		7,474
Rentals and Leases		4
Contracted Services		12,306
Advertising		108
Amortization Expense		64,125
Other Operating Expenses		11,921
Total Operating Expenses		100,621
Operating Income		74,602
NON-OPERATING REVENUES (EXPENSES)		
Interest and Investment Income		8,077
Net Increase in Fair Value of Investments		110
Amortization of Long Term Debt		(330)
Interest Expense		(141,554)
Settlement of Claims Revenue		5,000
Bond Issuance Expenses		(9,213)
Other Financing Fees		(57)
Total Non-Operating Revenues (Expenses)		(137,967)
Change in Net Position		(63,365)
Net Position, September 1, 2017		(80,137)
Net Position, August 31, 2018	$	(143,502)

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, 2018 (Amounts in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from Customers	$	192,798
Proceeds from Settlement of Claims		5,000
Payments for Local Entity		(686)
Payments for Interfund Services Used		(38,445)
Payments to Suppliers for Goods and Services		(71)
NET CASH PROVIDED BY OPERATING ACTIVITIES		158,596
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Issuing BANs		666,840
Proceeds from Issuing Bonds		993,161
Payments for Debt Interest		(89,755)
Payments of Costs of Debt Issuance		(3,938)
Payments for Interfund Services Used		(1,035)
Payments for Intangible Assets		(67,383)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES		1,497,890
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Interest and Investment Income		14,058
Proceeds from Sales and Maturities of Investments		283,614
Payments to Acquire Investments		(1,018,829)
Payments for Accrued Interest on Purchase of Investment		(1,580)
NET CASH USED IN INVESTING ACTIVITIES		(722,737)
NET INCREASE IN CASH AND CASH EQUIVALENTS		933,749
CASH AND CASH EQUIVALENTS - September 1, 2017		457,889
CASH AND CASH EQUIVALENTS – August 31, 2018	$	1,391,638

Concluded on the following page

GRAND PARKWAY TRANSPORTATION CORPORATION
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended August 31, 2018 (Amounts in Thousands)

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	$	74,602
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Amortization of Intangible Assets		64,125
Operating Income and Cash Flow Categories Classfication Differences		5,000
Changes in Assets and Liabilities:		
Decrease in Accounts Receivable		17,574
(Increase) in Inventory		(7)
(Decrease) in Accounts Payable		(2,401)
(Decrease) in Deposit Payable		(686)
Increase in Amounts Due to Other Fund		389
Net Cash Provided by Operating Activities	$	158,596
Noncash Investing, Capital and Financing Activities:		
Amortization of Investment Premium/Discount	$	1,894
Net Change in Fair Market Value of Investments	$	110

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 implemented the following new GASB pronouncements for fiscal 2018:

- *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. This statement establishes standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB.

- *GASB Statement No. 81, Irrevocable Split-Interest Agreements.* This statement establishes accounting and financial reporting standards for irrevocable split-interest agreements created through trusts, in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. The statement requires that a government recognize revenue when the resources become applicable to the reporting period.

- *GASB No. 85, Omnibus 2017*. This statement establishes accounting and financial reporting requirements to address practice issues identified in certain GASB statements. The topics include issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits including pensions and other postemployment benefits.

- *GASB 86, Certain Debt Extinguishment Issues.* This statement establishes accounting and financial reporting requirements for in-substance defeasance of debt using existing resources other than the proceeds of refunding debt. The statement establishes essentially the same requirements as the GASB statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, for a government places cash and other monetary assets acquired with only existing resources. This statement also addresses that for financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance.

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, Deferred Inflows of Resources 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 on hand, cash in bank, 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

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 and amount expected to be collected beyond the next fiscal year are classified as noncurrent. All receivables are recorded net of allowance for uncollectible accounts as of Aug. 31, 2018.

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 two service concession arrangements (SCA) with TxDOT. As a governmental operator, GPTC records an intangible asset for its cost of design, construction and acquisition of right-of-way of the System. In accordance with GASB 62, GPTC capitalized interest and investment income, interest expense, and accretion during the construction period to the intangible asset. Amortization of the intangible asset associated with the initial project began in fiscal 2016. See Note 2 for more information about GPTC's SCAs 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 developer, 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 2018, but not paid as of Aug. 31, 2018.

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.

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, 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 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 the Initial Project and the H and I Project. The Initial Project includes Segments D (Harris County), E, F-1, F-2 and G of Grand Parkway toll road. The H and I Project is designated with Segments H, I-1 and I-2.

The Initial Project was financed and refinanced through the issuance of Obligations by GPTC in 2013, 2014 and 2016 and other sources of funding.

GPTC issued Subordinate Tier Toll Revenue Bonds and BANs on May 30, 2018. The proceeds of the 2018 Bonds, the 2018 BANs, together with other sources of funding will be used to finance the costs of design, development, acquisition and construction of the H and I Project.

Since the Initial Project and the H and I project are financed by different funding sources, GPTC is operating under two service concession arrangements (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 intangible assets for the project costs of design, development, acquisition and construction of the Initial Project and the H and I project separately.

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 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 2018 were added to the unamortized intangible asset balance. Annual amortization of the intangible asset adjusted accordingly.

The Design Build contract for Segments H and I were executed on June 30th, 2017. The H and I project is under construction and is scheduled to open to traffic in 2022.

The table below presents the composition of GPTC's intangible assets as of Aug. 31, 2018.

Intangible Assets Activities

For the Fiscal Year Ended August 31, 2018 (Amounts in Thousands)

	Balance 9/1/2017	Additions	Reductions	Balance 8/31/2018
Intangible Assets - SCA- Initial Project	$ 2,426,742	$ 8,068	$	$ 2,434,810
Less: Accumulated Amortization for Intangible Assets	(126,297)		(64,125)	(190,422)
Intangible Assets - Initial Project, Net	2,300,445	8,068	(64,125)	2,244,388
Intangible Assets - SCA- H and I Project	54,807	79,706		134,513
Less: Accumulated Amortization for Intangible Assets				
Intangible Assets - H and I Project, Net	54,807	79,706		134,513
Intangible Assets - Total, Net	**$ 2,355,252**	**$ 87,774**	**$ (64,125)**	**$ 2,378,901**

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.

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, 2018, the measurements of GPTC's investments are summarized below:

Investment Summary
August 31, 2018 (Amounts in Thousands)

Investment Type	Fair Value Hierarchy Level 1	Other Measurement Amortized Cost	Total
Government Securities			
U.S. Treasury Securities	$ 69,647	$ 924,548	$ 994,195
Government Sponsored Entities			
Federal Home Loan Banks		24,933	24,933
Federal National Mortgage Association		36,510	36,510
Money Market Mutual Funds		122	122
Texpool		1,193,952	1,193,952
Total Investments	**$ 69,647**	**$ 2,180,065**	**$ 2,249,712**

Below is more detail regarding the measurement of GPTC's investments as of Aug. 31, 2018.

- GPTC had U.S. treasury securities investments of $69.6 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 $2.2 billion 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, 2018, GPTC holdings had the following ratings:

Investment Credit Ratings
August 31, 2018 (Amounts in Thousands)

Investment Type		Balance	Moody's	Standard & Poor's	Fitch
Money Market Mutual Funds					
Morgan Stanley Institutional Liquidity Funds		122	Aaa-mf	AAAm	AAAmmf
Governmental Investment Pools					
TexPool		1,193,952	NR	AAAm	NR
Government Sponsored Entities					
Federal Home Loan Banks (Discount Notes)		24,933	P-1	A-1+	NR
Federal Home Loan Mortgage Corporation (Discount Notes)		36,510	P-1	A-1+	F1+
Government Securities					
U.S. Treasury Notes		523,090	Aaa	AA+	AAA
U. S. Treasury Bills		471,105	NR	A-1+	F1+
Total	$	2,249,712			

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, 2018, the following investment exceeded 5 percent of the total GPTC portfolio: Texpool and Government Securities.

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

GPTC issued Grand Parkway System Subordinate Tier Toll revenue bonds, Series 2018, in May 2018. The 2018 Bonds consist of:

- Series 2018A : Subordinate Tier Toll Revenue Bonds (TELA Supported)
- Series 2018B : Subordinate Tier Toll Revenue Put Bonds (TELA Supported)

Concurrently with the issuance of the 2018 Bonds, GPTC issued its bond anticipation note, Series 2018 (the "2018 BANs").

A portion of the proceeds of the 2018 Bonds and the 2018 BANs will be used to finance the costs of designing and constructing the H and I project. The remaining proceeds of the 2018 Bonds and the 2018 BANs will be used to pay capitalized interest on the 2018 Bonds and the 2018 BANs and pay the costs of issuance thereof.

As of Aug. 31, 2018, GPTC had six revenue bonds outstanding, one bond anticipation note 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, 2018.

Long-Term Liabilities Activity (Amounts in Thousands)
For the Fiscal Year ended August 31, 2018

	Beginning Balance 08/31/2017	Additions*	Reductions	Adjustments**	Ending Balance 08/31/2018	Due Within One Year
Revenue Bonds Payable	$ 2,119,979	$ 898,648	$	$ 114,461	$ 3,133,088	$ 4,223
Notes and Loans Payable	862,725	637,107		52,659	1,552,491	10,532
Total	$ 2,982,704	$ 1,535,755	$ 0	$ 167,120	$ 4,685,579	$ 14,755

* 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, 2018, 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, 2018, the loan's debt service requirements are as follows.

TIFIA Loan – Debt Service Requirements (Amounts in Thousands)						
Year		**Principal**		**Interest***		**Total**
2019	$		$		$	
2020						
2021				34,528		34,528
2022				34,575		34,575
2023				34,575		34,575
2024-2028		2,828		172,836		175,664
2029-2033		15,736		171,239		186,975
2034-2038		33,850		167,115		200,965
2039-2043		127,393		155,486		282,879
2044-2048		400,969		112,835		513,804
2049-2051		366,483		20,960		387,443
		947,259		904,149		1,851,408
Unamortized Accretion		(52,757)				(52,757)
Total	$	894,502	$	904,149	$	1,798,651

*Fixed interest rate at 3.65 percent

Bond Anticipation Notes

As of Aug. 31, 2018, the note's debt service requirements are as follows:

BANs – Debt Service Requirements						
Business-Type Activities						
Year		**Principal**		**Interest***		**Total**
2019	$		$	25,306	$	25,306
2020				30,267		30,267
2021				30,267		30,267
2022				30,267		30,267
2023		605,330		25,222		630,552
Total		605,330		141,329		746,659
Unamortized Premium		52,659				52,659
Total Requirements	$	657,989	$	141,329	$	799,318

* Fixed interest rate at 5.00 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**	368,099	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 2016	83,775	12/7/2016	2.20%	2.20%	2023	2023	n/a
Subordinate Tier Toll Revenue Bonds, Series 2018-A	712,100	5/30/2018	5.00%	5.00%	2030	2048	4/1/2028
Subordinate Tier Toll Revenue Bonds, Series 2018-B	166,525	5/30/2018	5.00%	5.00%	2049	2052	10/1/2023
Total	$ 3,030,244						

* 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.

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, 2018, are detailed in the following table.

Debt Service Requirements - Revenue Bonds (Amounts in Thousands)			
Year	**Principal**	**Interest**	**Total**
2019	$	$ 126,486	$ 126,486
2020		133,686	133,686
2021		133,686	133,686
2022		133,686	133,686
2023		133,686	133,686
2024-2028	83,775	785,049	868,824
2029-2033	76,015	792,865	868,880
2034-2038	353,710	738,750	1,092,460
2039-2043	550,435	616,717	1,167,152
2044-2048	594,915	474,477	1,069,392
2049-2053	1,492,455	246,220	1,738,675
	3,151,305	4,315,308	7,466,613
Unamortized Accretion	(121,061)		(121,061)
Unamortized Premium/(Discount)	102,844		102,844
Total	$ 3,133,088	$ 4,315,308	$ 7,448,396

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 Bonds	$	7,466,613
Term of Commitment, Year Ending Aug. 31:		2053
Percentage of Revenue Pledged		99.04%
Current Year Pledged Revenue	$	186,488
Current Year Principal and Interest Paid	$	89,755

NOTE 6 - EMPLOYEES' RETIREMENT PLAN AND OTHER POSTEMPLOYMENT BENEFITS

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 Financial Report for the pension plan in Note 8 and the OPEB plan in Note 10.

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 expenses 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.

During the fiscal 2018, the state highway fund paid certain construction related costs for GPTC.

As of Aug. 31, 2018, the due to state highway fund balance totaled $6.6 million, as detailed in the following table:

Interfund Activity
August 31, 2018 (Amounts in Thousands)

Category	GPTC Due to SHF	
Construction	$	2,188
Operating & Maintenance		4,397
Total	$	6,585

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, 2018.

Type of Suit	Amounts in Controversy
Eminent Domain	Total claims with amounts indicated, range from $119.5 thousand to $19.6 million, for a total of $82.4 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 2018.

Significant Commitments

Construction Contracts

GPTC and TxDOT have entered into a Project Agreement dated July 17, 2013, under which GPTC will finance the costs of the Initial 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 March 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. On Oct. 27, 2017, TxDOT issued the notice to proceeds for the H-West Option. Upon exercise the H-West Option, the Design Build contract amount increased by $39.4 million.

Disclosure of the construction related commitment as of Aug. 31, 2018 is displayed below:

GPTC Construction Related Contract Commitments August 31, 2018 (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	$894,702	$51,890	$842,812

NOTE 9 - 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. TxDOT provides all accounting, debt financing and administrative services.

TxDOT 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, workers' compensation and health benefit claims, theft, damage of assets, etc.

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.

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