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# GRAND PARKWAY TRANSPORTATION CORPORATION

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A blended component unit of the Texas Department of Transportation

**Annual Financial Report**  
For The Fiscal Year Ended August 31, 2019  
(With Independent Auditor's Report)





**Grand Parkway Transportation Corporation**  
A Blended Component Unit of the Texas Department of Transportation

**FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended**  
**August 31, 2019**

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, 2019**

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Section One

## **Introductory Section**

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# Grand Parkway Transportation Corporation

125 E. 11<sup>th</sup> Street, Austin, Texas 78701

December 17, 2019

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, 2019 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, Cowe LLP, performed an independent audit, in accordance with generally accepted auditing standards, of GPTC's basic financial statements for the year ended August 31, 2019. 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.

December 17, 2019

**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 depository, 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,

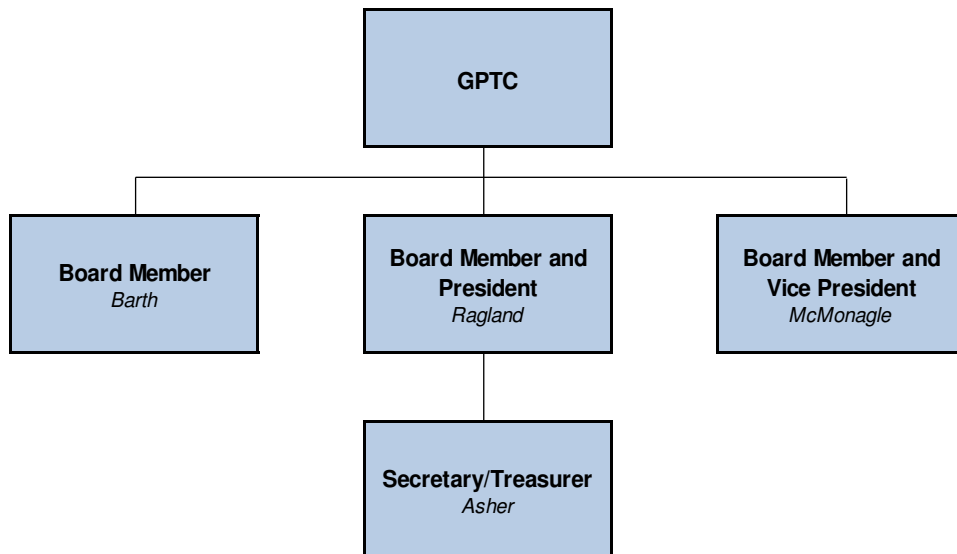
A handwritten signature in blue ink, appearing to read 'BDR', is positioned above the printed name of the signatory.

Brian D. Ragland, CPA

President  
Grand Parkway Transportation Corporation

# Grand Parkway Transportation Corporation

Organization Chart as of August 31, 2019



**Grand Parkway Transportation Corporation  
Corporation Officials  
As of August 31, 2019**

**BOARD OF DIRECTORS**

<b><u>Key Personnel</u></b>	<b><u>Title</u></b>	<b><u>Occupation</u></b>
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**

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

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Section Two

**Financial Section**

## 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, 2019, 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, 2019, 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 12-16 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 17, 2019 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

Dallas, Texas  
December 17, 2019

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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, 2019, with selected comparative information for the year ended Aug. 31, 2018. 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 2019, GPTC generated \$201.2 million in toll and fee revenues, net of allowance, an increase of \$26.0 million or 14.8 percent over fiscal 2018. Toll revenue increased mainly due to traffic increase. A 2.8 percent toll rate increase that became effective on Jan. 1, 2019 also contributed to the toll revenue growth.

As of Aug. 31, 2019, GPTC has incurred \$2.6 billion of costs related to the design and construction of the System which is reported as intangible assets on the statement of net position.

GPTC ended the fiscal year of operation with assets of \$4.6 billion; liabilities of \$4.8 billion; and deficit net position of \$202.0 million. The net position decreased by \$58.5 million from fiscal 2018.

### 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.

<b><u>Statement of Net Position</u></b>			
	<b><u>2019</u></b>		
	\$	2,081,966	\$
		<u>2,553,936</u>	
Total Assets		<u>4,635,902</u>	<u>4,646,888</u>
		127,745	119,566
		<u>4,710,193</u>	<u>4,670,824</u>
Total Liabilities		<u>4,837,938</u>	<u>4,790,390</u>
<b>NET POSITION</b>			
Restricted for Debt Service		22,984	33,789
Restricted for Operations and Maintenance		61,344	62,007
Unrestricted		<u>(286,364)</u>	<u>(239,298)</u>
Total Net Position	\$	<u><u>(202,036)</u></u>	\$ <u><u>(143,502)</u></u>

<b>Changes in Net Position</b>		
(Amounts in Thousands)		
August 31, 2019 and 2018		
	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>OPERATING REVENUES</b>		
Operating Revenues	\$ <u>201,213</u>	\$ <u>175,223</u>
Total Operating Revenues	<u>201,213</u>	<u>175,223</u>
<b>OPERATING EXPENSES</b>		
Operating Expenses	<u>107,876</u>	<u>100,621</u>
Total Operating Expenses	<u>107,876</u>	<u>100,621</u>
Operating Income	<u>93,337</u>	<u>74,602</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Non-Operating Revenues (Expenses)	<u>(151,871)</u>	<u>(137,967)</u>
Total Non-Operating Revenues (Expenses)	<u>(151,871)</u>	<u>(137,967)</u>
Change in Net Position	<u>(58,534)</u>	<u>(63,365)</u>
Net Position - Beginning	<u>(143,502)</u>	<u>(80,137)</u>
Net Position - Ending	\$ <u><u>(202,036)</u></u>	\$ <u><u>(143,502)</u></u>

### ***Net Position***

The deficit balance of net position increased to \$202.0 million due to the total expense exceeding the total revenue by \$58.5 million. The large expense in fiscal 2019 included \$64.2 million of amortization and \$218.1 million of interest.

Interest expense of all debts were reported as expense in fiscal 2019. Amortization of intangible assets associated with the Initial Project began in fiscal 2016.

### ***Changes in Net Position***

Total operating revenues for fiscal 2019 were \$201.2 million, an increase of 14.8 percent over fiscal 2018. Operating revenues are entirely comprised of toll and fee revenues.

Total operating expenses for fiscal 2019 were \$107.9 million, an increase of 7.2 percent over fiscal 2018. The largest operating expense was amortization of \$64.2 million, which comprised 59.5 percent of total operating expenses.

Total non-operating expenses exceeded non-operating revenues by \$151.9 million, an increase of 10.1 percent over fiscal 2018. The largest non-operating item was interest expense of \$218.1 million.

## Intangible Assets and Debt Administration

### *Intangible Assets*

Adhering to the service concession arrangements (SCA), GPTC records the construction related costs and acquisition costs of right-of-way 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 issued 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, 2019, GPTC had \$2.6 billion, net of \$254.6 million accumulated amortization, in intangible assets. See Note 2 for more information.

<b>Intangible Assets Activities</b>				
For the Fiscal Year Ended August 31, 2019 (Amounts in Thousands)				
	<b>Balance 8/31/2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 8/31/2019</b>
<b>Intangible Assets - SCAs</b>	\$ 2,569,323	\$ 239,202	\$	\$ 2,808,525
<b>Less: Accumulated Amortization for Intangible Assets</b>	(190,422)		(64,167)	(254,589)
<b>Intangible Assets, Net</b>	<u>\$ 2,378,901</u>	<u>\$ 239,202</u>	<u>\$ (64,167)</u>	<u>\$ 2,553,936</u>

### *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, 2019, GPTC had \$4.7 billion of debt. See Note 4 for more information.

<b>Outstanding Debt Obligations</b>			
(Amounts in Thousands)			
August 31, 2019 and 2018			
	<u>2019</u>		<u>2018</u>
Revenue Bonds Payable	\$ 3,150,042	\$	3,133,088
Notes and Loans Payable	1,574,906		1,552,491
Total Outstanding Debt	<u>\$ 4,724,948</u>	<u>\$</u>	<u>4,685,579</u>

### ***Bond Credit Ratings***

<b>Long-Term Credit Ratings</b>		
As of August 31, 2019		
	<u>Fitch</u>	<u>Standard &amp; Poor's</u>
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+

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 11<sup>th</sup> Street  
Austin, Texas 78701-2483



Section Two (Continued)

**Basic Financial Statements**

**GRAND PARKWAY TRANSPORTATION CORPORATION**  
**STATEMENT OF NET POSITION**

August 31, 2019 (Amounts in Thousands)

**ASSETS**

Current Assets:

Cash and Cash Equivalents		
Money Market and Similar Funds	\$	125,969
Short-Term Investments		133,983
Restricted:		
Cash and Cash Equivalents		684,986
Short-Term Investments		784,054
Interest and Dividends Receivable		5,196
Account Receivable, Net		18,436
Consumable Inventory		370

Total Current Assets		<u>1,752,994</u>
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Noncurrent Assets:

Long-Term Investments		29,921
Restricted Long-Term Investments		299,051
Intangible Assets (Note 2)		<u>2,553,936</u>

Total Noncurrent Assets		<u>2,882,908</u>
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TOTAL ASSETS		<u>4,635,902</u>
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**LIABILITIES**

Current Liabilities:

Payables:

Accounts Payable		40,404
Interest Payable		68,313
Contracts Retainage		2,089
Due to Other Funds (Note 7)		2,184
Notes and Loans Payable (Note 4)		10,532
Revenue Bonds Payable (Note 4)		<u>4,223</u>

Total Current Liabilities		<u>127,745</u>
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Noncurrent Liabilities:

Notes and Loans Payable (Note 4)		1,564,374
Revenue Bonds Payable (Note 4)		<u>3,145,819</u>

Total Noncurrent Liabilities		<u>4,710,193</u>
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TOTAL LIABILITIES		<u>4,837,938</u>
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**NET POSITION**

Restricted for Debt Service		22,984
Restricted for Operations and Maintenance		61,344
Unrestricted		<u>(286,364)</u>

TOTAL NET POSITION	\$	<u><u>(202,036)</u></u>
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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, 2019 (Amounts in Thousands)

**OPERATING REVENUES**

Toll Revenue - Pledged	\$	203,656
Discounts and Allowances		(2,448)
Fee Revenue - Pledged		5
Total Operating Revenues		<u>201,213</u>

**OPERATING EXPENSES**

Salaries		1,778
Professional Fees and Services		2,169
Travel		7
Materials and Supplies		352
Communication and Utilities		196
Repairs and Maintenance		11,204
Rentals and Leases		2
Contracted Services		14,197
Advertising		129
Amortization Expense		64,167
Other Operating Expenses		<u>13,675</u>
Total Operating Expenses		<u>107,876</u>
Operating Income		<u>93,337</u>

**NON-OPERATING REVENUES (EXPENSES)**

Interest and Investment Income		48,881
Net Increase in Fair Value of Investments		3,758
Amortization of Long Term Debt		14,755
Interest Expense		(218,077)
Bond Issuance Expenses		(1,112)
Other Financing Fees		<u>(76)</u>
Total Non-Operating Revenues (Expenses)		<u>(151,871)</u>
Change in Net Position		<u>(58,534)</u>
Net Position, September 1, 2018		<u>(143,502)</u>
Net Position, August 31, 2019	\$	<u><u>(202,036)</u></u>

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, 2019 (Amounts in Thousands)

### CASH FLOWS FROM OPERATING ACTIVITIES

Proceeds from Customers	\$	198,918
Payments to Suppliers for Goods and Services		(42,512)
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>156,406</u>

### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Payments for Debt Interest		(151,792)
Payments of Costs of Debt Issuance		(1,119)
Payments for Financing Fee		(115)
Payments for Intangible Assets		(244,474)
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES		<u>(397,500)</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Interest and Investment Income		34,380
Proceeds from Sales and Maturities of Investments		1,356,800
Payments to Acquire Investments		(1,728,233)
Payments for Accrued Interest on Purchase of Investment		(2,536)
NET CASH USED IN INVESTING ACTIVITIES		<u>(339,589)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>(580,683)</u>
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CASH AND CASH EQUIVALENTS - September 1, 2018		1,391,638
CASH AND CASH EQUIVALENTS – August 31, 2019	\$	<u><u>810,955</u></u>

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## GRAND PARKWAY TRANSPORTATION CORPORATION

### STATEMENT OF CASH FLOWS

For the Fiscal Year Ended August 31, 2019 (Amounts in Thousands)

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

Operating Income	\$	93,337
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Amortization of Intangible Assets		64,167
Changes in Assets and Liabilities:		
(Increase) in Accounts Receivable		(2,294)
(Increase) in Inventory		(140)
Increase in Accounts Payable		3,512
(Decrease) in Amounts Due to Other Fund		(2,176)
Net Cash Provided by Operating Activities	\$	<u>156,406</u>

#### Noncash Investing, Capital and Financing Activities:

Amortization of Investment Premium/Discount	\$	13,746
Net Change in Fair Market Value of Investments	\$	3,758

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

### ***Basis of Presentation***

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

### ***GASB Statements Effective for Fiscal 2019***

In fiscal 2019 GPTC adopted the following new GASB pronouncements:

- *GASB Statement No. 83, Certain Asset Retirement Obligations.* This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The legal obligations to perform future asset retirement activities is recorded when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred is based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities.
- *GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* This statement is to improve the information that is disclosed in notes to government financial statement related to debt, including direct borrowings and direct placements. It defines debt for note disclosure purposes as a liability that arises from a contractual obligation to pay cash to settle an amount that is fixed at the date the contractual obligation is established. The statement requires additional information related to debt, including unused lines of credit, assets pledged as collateral for the debt, and terms specified in debt agreements related to significant default events and significant termination events with finance-related consequences, and significant subjective acceleration clauses.

- *GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period.* This statement is effective for reporting periods beginning after December 15, 2019, or fiscal 2021. TxDOT decided to early implement the statements in fiscal 2019. The statement supersedes GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraphs 5-22. For financial statements prepared using the economic resources measurement focus, the statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

### ***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 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 amounts 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, 2019.

### *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. 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 2019, but not paid as of Aug. 31, 2019.

### *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 and liabilities 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 2019 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 30<sup>th</sup>, 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, 2019.

<b>Intangible Assets Activities</b>				
For the Fiscal Year Ended August 31, 2019 (Amounts in Thousands)				
	<b>Balance 9/1/2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 8/31/2019</b>
Intangible Assets - SCA- Initial Project	\$ 2,434,810	\$ 1,447	\$	\$ 2,436,257
Less: Accumulated Amortization for Intangible Assets	(190,422)		(64,167)	(254,589)
<b>Intangible Assets - Initial Project, Net</b>	<b>2,244,388</b>	<b>1,447</b>	<b>(64,167)</b>	<b>2,181,668</b>
Intangible Assets - SCA- H and I Project	134,513	237,755		372,268
<b>Intangible Assets - H and I Project, Net</b>	<b>134,513</b>	<b>237,755</b>		<b>372,268</b>
<b>Intangible Assets - Total, Net</b>	<b>\$ 2,378,901</b>	<b>\$ 239,202</b>	<b>\$ (64,167)</b>	<b>\$ 2,553,936</b>

### **NOTE 3 - DEPOSITS, INVESTMENTS AND REPURCHASE AGREEMENTS**

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

#### ***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, 2019, the measurements of GPTC’s investments are summarized below:

<b>Investment Fair Value and Maturities</b>			
August 31, 2019 (Amounts in Thousands)			
<b>Investment Type</b>	<b>Fair Value Hierarchy Level 1</b>	<b>Measurement Amortized Cost</b>	<b>Total</b>
Money Market Mutual Funds	\$	\$ 324	\$ 324
U.S. Treasury Securities	328,972	630,054	959,026
U.S. Government Agency Obligations		382,640	382,640
Government Investment Pools		715,974	715,974
<b>Total Investments</b>	<b>\$ 328,972</b>	<b>\$ 1,728,992</b>	<b>\$ 2,057,964</b>

Below is more detail regarding the measurement of GPTC’s investments as of Aug. 31, 2019.

- GPTC had U.S. treasury securities investments of \$329.0 million with original maturities of one year or more valued at quoted market prices (Level 1 input, 1 year or more).
- GPTC had investments in money market mutual funds, U.S. treasury securities, U.S. government agency obligations and government investment pools of \$1.7 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, 2019, GPTC holdings had the following ratings:

<b>Investment Credit Ratings</b>				
August 31, 2019 (Amounts in Thousands)				
<b>Investment Type</b>	<b>Balance</b>	<b>S&amp;P</b>	<b>Credit Rating Moody's</b>	<b>Fitch</b>
<b>Money Market Mutual Funds</b>				
Fidelity Investments Money Market Government	\$ 7	AAAm	AAA-mf	NR
Goldman Sachs Financial Square Government	10	AAAm	Aaa-mf	NR
Morgan Stanley Institutional Liquidity Funds	307	AAAm	Aaa-mf	AAAmmf
<b>Government Sponsored Entities</b>				
Federal Farm Credit Bank	60,485	A-1+	P-1	F1+
Federal Home Loan Bank Discount Note	252,737	A-1+	P-1	NR
Federal Home Loan Bank	15,000	AA+	Aaa	NR
Federal Home Loan Mortgage Corporation	54,418	A-1+	P-1	F1+
<b>Government Securities</b>				
U.S. Treasury Notes	740,867	AA+	Aaa	AAA
U.S. Treasury Bills	218,159	A-1+	NR	F1+
<b>Governmental Investment Pools</b>				
TexPool	715,974	AAAm	NR	NR
<b>Total:</b>	<b>\$ 2,057,964</b>			

## 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, 2019, the following investment exceeded 5 percent of the total GPTC portfolio: TexPool, Federal Home Loan Bank Discount Notes, U.S. Treasury Notes and U.S. Treasury Bills.

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



### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates, will adversely affect the fair value of an investment. GPTC does not have a formal policy on interest rate risk. Investment portfolios are designed with the objective of attaining the best possible rate of return commensurate with GPTC's investment risk constraints and the cash flow characteristics of the portfolio. Return on investment, although important, is subordinate to the safety and liquidity objectives. Investment maturities are noted in the investment table. Approximately 84 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, 2019, GPTC had six revenue bonds outstanding, one bond anticipation note and one loan agreement outstanding. As detailed below, the following changes occurred in long-term liabilities during the year ended Aug. 31, 2019.

<b>Long-Term Liabilities Activity (Amounts in Thousands)</b>						
For the Fiscal Year ended August 31, 2019						
	<b>Beginning</b>				<b>Ending</b>	<b>Due</b>
	<b>Balance</b>				<b>Balance</b>	<b>Within</b>
	<b>08/31/2018</b>	<b>Adjustments*</b>	<b>Additions**</b>	<b>Reductions</b>	<b>08/31/2019</b>	<b>One Year</b>
Revenue Bonds Payable	\$ 3,133,088	\$ (87,998)	\$ 21,177	\$	\$ 3,066,267	\$ 4,223
Revenue Bonds Payable - Direct Placements		83,775			83,775	
Notes and Loans Payable	1,552,491	(905,034)			647,457	10,532
Notes and Loans Payable - Direct Borrowings		894,502	32,947		927,449	
Total	\$ 4,685,579	\$ (14,755)	\$ 54,124	\$ 0	\$ 4,724,948	\$ 14,755

\*Includes reclassification related to implementation of GASB 88 and current year amortization of premiums and discounts.

\*\*Includes current year amortization of accretion.

#### 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, 2019, 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.

The outstanding note and loan payable from direct borrowings of \$927.4 million contains the following default provisions. Of note, in the case of (i) a payment default, interest is charged on the overdue balance of the note at the default rate (an additional 2%) until the overdue balance is repaid, (ii) a development default (which occurs upon failure of the borrower to prosecute the work related to the applicable project or to complete the applicable project in accordance with the financial plan), interest is charged at the default rate until such development default is cured, and (iii) a default due to project abandonment, the default rate is charged until the note is paid in full. Additionally, in the case of certain bankruptcy related event defaults, the note becomes secured by a first priority security interest in the trust estate.

GPTC closed a \$605.3 million TIFIA loan for Grand Parkway Segments H&I on Feb. 1, 2019. The H&I TIFIA loan is anticipated to be drawn in 2022 to refund GPTC's 2018 Bond Anticipation Notes (BANs), therefore, the closing of the loan does not increase the outstanding loan amount of GPTC.

As of Aug. 31, 2019, the notes and loans from direct borrowing debt service requirements are as follows.

<b>TIFIA Direct Borrowing Loan</b>			
<b>Debt Service Requirements</b>			
<b>Year</b>	<b>Principal</b>	<b>Interest*</b>	<b>Total</b>
2020	\$	\$	\$
2021		34,528	34,528
2022		34,575	34,575
2023		34,575	34,575
2024		34,622	34,622
2025-2029	4,845	172,621	177,466
2030-2034	18,728	170,685	189,413
2035-2039	41,811	165,815	207,626
2040-2044	166,195	150,537	316,732
2045-2049	480,630	97,439	578,069
2050-2051	235,050	8,751	243,801
Total	947,259	904,148	1,851,407
Unamortized Accretion	(19,810)		(19,810)
Total Requirements	\$ 927,449	\$ 904,148	\$ 1,831,597
*Fixed interest rate at 3.65 percent.			

### ***Bond Anticipation Notes***

GPTC issued a bond anticipation note for the purpose of providing funds to pay the costs of extending, expanding and improving segments H&I of the Grand Parkway System. As of Aug. 31, 2019, the note's debt service requirements are as follows:

<b>BANs – Debt Service Requirements</b>			
<b>Business-Type Activities</b>			
<b>Year</b>	<b>Principal</b>	<b>Interest*</b>	<b>Total</b>
2020	\$	\$	\$
2021		30,267	30,267
2022		30,267	30,267
2023	605,330	25,222	630,552
Total	605,330	116,023	721,353
Unamortized Premium	42,127		42,127
Total Requirements	\$ 647,457	\$ 116,023	\$ 763,480
* Fixed interest rate at 5.00 percent.			

## Pledged Future Revenues

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

Pledged Future Revenue (Amounts in Thousands)		
Pledged Revenue Required for Future Principal and Interest	\$	9,912,886
On Existing Bonds and Notes		
Term of Commitment, Year Ending Aug. 31:		2053
Percentage of Revenue Pledged		91.49%
Current Year Pledged Revenue	\$	228,822
Current Year Principal and Interest Paid	\$	151,792

## 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 Call Date
					First Year	Last Year		
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**	389,276	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	\$ 3,051,421							
* 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.

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

- (i) Protect its rights and the rights of the owners under Chapter 431, Transportation Code and under the Trust Agreement, the Toll Rate Agreement or certain sections of the Project Agreement by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for mandamus or the specific performance of any covenant or agreement contained in the Trust Agreement or in aid or execution of any power granted in the Trust Agreement for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, deems most effectual to protect and enforce such rights. Acceleration of principal or of interest on the obligations upon the occurrence of an event of default is not a remedy available under the Trust Agreement.
- (ii) In the enforcement of any remedy under the Trust Agreement the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Corporation and to enforce judgment or decree against the Corporation but solely as provided in the Trust Agreement.

Debt service requirements for the outstanding revenue bonds as of Aug. 31, 2019, are detailed in the following table. GPTC has \$83.8 million in direct placement bonds.

Debt Service Requirements (Amounts in Thousands)							
Revenue Bonds				Revenue Bonds - Direct Placements			
Year	Principal	Interest	Total	Year	Principal	Interest	Total
2020	\$	\$	131,843	\$	\$	1,843	\$ 1,843
2021			131,843			1,843	1,843
2022			131,843			1,843	1,843
2023			131,843			1,843	1,843
2024			145,722			927	84,702
2025-2029			798,001				
2030-2034	121,385	787,802	909,187				
2035-2039	411,860	718,910	1,130,770				
2040-2044	507,590	589,737	1,097,327				
2045-2049	670,435	439,994	1,110,429				
2050-2053	1,356,260	172,986	1,529,246				
	3,067,530	4,180,524	7,248,054		83,775	8,299	92,074
Unamortized Accretion	(99,884)		(99,884)				
Unamortized Premium/(Discount)	98,621		98,621				
Total	\$ 3,066,267	\$ 4,180,524	\$ 7,246,791	Total	\$ 83,775	\$ 8,299	\$ 92,074

**NOTE 6 - RETIREMENT PLAN AND POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

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

The details are disclosed in the TxDOT's Comprehensive 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 2019, the state highway fund paid certain construction related costs for GPTC.

As of Aug. 31, 2019, the due to state highway fund balance totaled \$2.2 million, as detailed in the following table:

<b>Due To</b>	
August 31, 2019 (Amounts in Thousands)	
<b>Category</b>	<b>GPTC Due to SHF</b>
Construction	\$ 36
Operating & Maintenance	2,148
Total	<u>\$ 2,184</u>

## **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, 2019. GPTC management's opinion is that the probable outcome of these cases will not materially affect the financial position of GPTC or TxDOT.

Type of Suit	Amounts in Controversy
Eminent Domain	Total claims with amounts indicated, range from \$113.2 thousand to \$19.6 million, for a total of \$100.3 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 2019.

### ***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. GPTC approved three change orders in fiscal 2019 which increased the design-build contract amount by \$5.7 million.

Disclosure of the construction related commitment as of Aug. 31, 2019 is displayed below:

<b>GPTC Construction Related Contract Commitments</b> August 31, 2019 (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	\$900,424	\$219,900	\$680,524

***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.

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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**[www.txdot.gov](http://www.txdot.gov)**

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