GRAND PARKWAY TRANSPORTATION CORPORATION

A blended component unit of the Texas Department of Transportation

Annual Financial Report

For the Fiscal Year Ended August 31, 2022

(With Independent Auditor's Report)

Texas Department of Transportation

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

ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
August 31, 2022

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, 2022

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Section One

Introductory Section

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Grand Parkway Transportation Corporation
125 E. 11th Street, Austin, Texas 78701

December 15, 2022

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, 2022 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, 2022. 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 15, 2022

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,

DocuSigned by:

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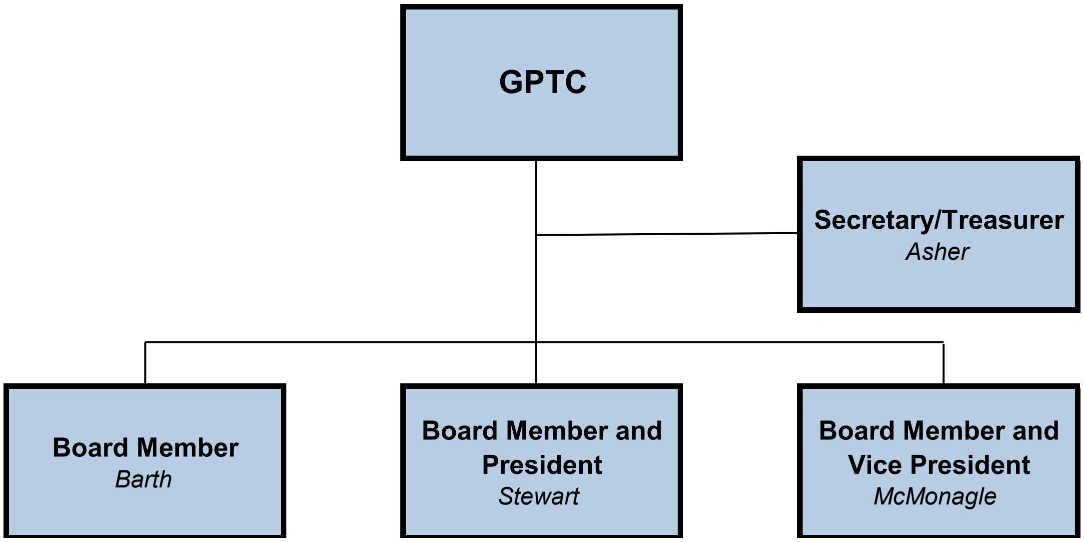
Stephen R. Stewart, CPA
President
Grand Parkway Transportation Corporation

Grand Parkway Transportation Corporation

Organization Chart as of August 31, 2022



BOARD OF DIRECTORS

Key Personnel	Title	Occupation
Stephen Stewart	President, Board of Directors	Chief Financial Officer, TxDOT
Richard McMonagle	Vice President, Board of Directors	Chief Administrative Officer, TxDOT
Brian Barth	Board Member	Deputy Executive Director, Program Delivery 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

INDEPENDENT AUDITOR'S REPORT

Members of the Texas Transportation Commission
State of Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Grand Parkway Transportation Corporation (Corporation), a component unit of the Texas Department of Transportation (TxDOT), an agency of the State of Texas, as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of August 31, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 12-16 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 15, 2022, on our consideration of TxDOT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TxDOT's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TxDOT's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Dallas, Texas
December 15, 2022

Section Two (Continued)

Management's Discussion and Analysis (Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Grand Parkway Transportation Corporation (GPTC), we offer readers of the GPTC financial statements this narrative overview and analysis of its financial activities for the fiscal year ended Aug. 31, 2022, with selected comparative information for the fiscal year ended Aug. 31, 2021. 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 2022, GPTC generated $246.6 million in toll revenues, net of allowance, an increase of $57.1 million or 30.1 percent over fiscal 2021. Total transactions recorded on GPTC roadways in fiscal 2022 was $218.6 million, an increase of 17.9 percent in overall toll transactions.

Net accounts receivable in 2022 increased by $44.6 million or 265.5 percent over fiscal 2021. The increase was due to a delay in the transfer of June and July interoperability payments from the Harris County Toll Road Authority (HCTRA). Negotiations with HCTRA are ongoing regarding the transfer date of the withheld interoperability payments.

The H and I Project opened to traffic on May 19, 2022, and tolling commenced on May 21, 2022.

As of Aug. 31, 2022, GPTC has incurred $3.2 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 $4.3 billion; deferred outflows of resources of $165.1 million, liabilities of $5.0 billion; and deficit net position of $534.1 million. The net position decreased by $113.2 million from fiscal 2021.

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, 2022 and 2021

	2022	2021
ASSETS		
Assets Other Than Intangible Assets	$ 1,100,411	$ 1,290,192
Intangible Assets	3,226,308	3,172,805
Total Assets	4,326,719	4,462,997
DEFERRED OUTFLOWS OF RESOURCES	165,105	170,431
LIABILITIES		
Current Liabilities	753,271	163,658
Noncurrent Liabilities	4,272,626	4,890,623
Total Liabilities	5,025,897	5,054,281
NET POSITION		
Restricted for Debt Service	88,098	44,208
Restricted for Operations and Maintenance	68,057	77,923
Unrestricted	(690,228)	(542,983)
Total Net Position	$ (534,073)	$ (420,852)

Changes in Net Position
(Amounts in Thousands)
August 31, 2022 and 2021

	2022	2021
OPERATING REVENUES		
Operating Revenues	$ 246,566	$ 189,466
Total Operating Revenues	246,566	189,466
OPERATING EXPENSES		
Operating Expenses	159,619	116,471
Total Operating Expenses	159,619	116,471
Operating Income	86,947	72,995
NON-OPERATING EXPENSES		
Non-Operating Expenses	(200,186)	(183,371)
Total Non-Operating Expenses	(200,186)	(183,371)
TRANSFERS		
Tranfers In	18	
Total Transfers	18	0
Change in Net Position	(113,221)	(110,376)
Net Position - Beginning	(420,852)	(310,476)
Net Position - Ending	$ (534,073)	$ (420,852)

Net Position

The deficit balance of net position increased to $534.1 million due to the total expense exceeding the total revenue by $113.2 million. The largest expense in fiscal 2022 was $200.3 million of interest.

Changes in Net Position

Total operating revenues for fiscal 2022 were $246.6 million, an increase of 30.1 percent or $57.1 million over fiscal 2021. Toll revenues is the only component of operating revenues. The toll revenue increase is due to increased toll transactions.

Total operating expenses for fiscal 2022 were $159.7 million, an increase of 37.0 percent over fiscal 2021. The largest operating expense was intangible assets amortization expense of $104.1 million, which comprised 65.2 percent of total operating expenses.

Total non-operating expenses exceeded non-operating revenues by $200.2 million, an increase of 9.2 percent or $16.9 million over fiscal 2021. Reduced investment income offsets the decreased bond issuance costs. Fair value of investments decreased by $19.5 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 SCA is for the Initial Project. The Initial Project includes Segments D (Harris County), E, F-1, F-2 and G of Grand Parkway toll road. The second SCA is for the H and I Project. The H and I Project is designated with Segments H, I-1, and I-2B. All five segments in the Initial Project and all three segments in the H and I Project are open to traffic. GPTC began to amortize the intangible 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. GPTC began to amortize the intangible assets associated with the H and I Project in fiscal 2022. As of Aug. 31, 2022, GPTC had $3.2 billion, net of $489.4 million accumulated amortization, in intangible assets. See Note 2 for more information.

Intangible Assets Activities
For the Fiscal Year Ended August 31, 2022 (Amounts in Thousands)

	Balance 8/31/2021	Additions	Reductions	Balance 8/31/2022
Intangible Assets - SCAs	$ 3,558,152	$ 157,577	$	$ 3,715,729
Less: Accumulated Amortization for Intangible Assets	(385,347)		(104,074)	(489,421)
Intangible Assets, Net	$ 3,172,805	$ 157,577	$ (104,074)	$ 3,226,308

Debt Administration

As of Aug. 31, 2022, GPTC had $4.9 billion of debt. See Note 4 for more information.

Outstanding Debt Obligations
(Amounts in Thousands)
August 31, 2022 and 2021

	2022	2021
Revenue Bonds Payable	$ 4,299,814	$ 4,301,655
Notes and Loans Payable	615,862	626,393
Total Outstanding Debt	$ 4,915,676	$ 4,928,048

Bond Credit Ratings

Long-Term Credit Ratings			
As of August 31, 2022			
	Fitch	Moody's	Standard & Poor's
Series 2013 - A	A+	NR	BBB
Series 2013 - B	AA	NR	AA+
Series 2013 - E	AA	NR	AA+
Series 2016	NR	NR	AA+
Series 2018 -A	AA	NR	AA+
Series 2018 -B	AA	NR	AA+
Series 2020 -A	A+	A2	NR
Series 2020 -B	AA	Aa1	NR
Series 2020 -C	A+	A2	NR

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

Requests for Information

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

Grand Parkway Transportation Corporation
125 East 11th Street
Austin, Texas 78701-2483

Section Two (Continued)

Basic Financial Statements

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GRAND PARKWAY TRANSPORTATION CORPORATION
STATEMENT OF NET POSITION
August 31, 2022 (Amounts in Thousands)

ASSETS		
Current Assets:		
Cash and Cash Equivalents:		
Cash and Cash Equivalents	$	59,502
Restricted Cash and Cash Equivalents:		
Cash and Cash Equivalents		736,265
Receivables:		
Accounts Receivable		61,357
Interest and Dividends		380
Due from Other Funds (Note 7)		7,517
Consumable Inventory		223
Total Current Assets		865,244
Noncurrent Assets:		
Investments		235,167
Intangible Assets (Note 2)		3,226,308
Total Noncurrent Assets		3,461,475
Total Assets		4,326,719
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources		
Loss on Bond Refunding		165,105
Total Deferred Outflows of Resources		165,105
LIABILITIES		
Current Liabilities:		
Payables:		
Accounts		13,959
Interest		72,997
Contract Retainage		9,445
Due to Other Funds (Note 7)		6,547
Unearned Revenues		7,273
Notes and Loans Payable (Notes 4)		615,862
Revenue Bonds Payable (Notes 4, 5)		27,188
Total Current Liabilities		753,271
Noncurrent Liabilities:		
Revenue Bonds Payable (Notes 5)		4,272,626
Total Noncurrent Liabilities		4,272,626
Total Liabilities		5,025,897
NET POSITION		
Restricted for:		
Transportation - Operations and Maintenance		68,058
Debt Service		88,097
Unrestricted		(690,228)
Total Net Position	$	(534,073)

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, 2022 (Amounts in Thousands)

OPERATING REVENUES		
Toll Revenue -Pledged	$	255,047
Discounts and Allowances		(8,481)
Total Operating Revenues		246,566
OPERATING REVENUES (EXPENSES)		
Salaries		3,639
Professional Fees and Services		7,829
Travel		3
Materials and Supplies		793
Communication and Utilities		210
Repairs and Maintenance		11,009
Rentals and Leases		2
Contracted Services		134
Advertising		133
Amortization		104,074
Other Operating Expenses		31,793
Total Operating Expenses		159,619
Operating Income		86,947
NONOPERATING REVENUES (EXPENSES)		
Interest and Investment Income		6,799
Net Decrease in Fair Value of Investments		(19,532)
Amortization		13,614
Interest Expense		(200,270)
Bond Issuance Expenses		(682)
Other Financing Fees		(115)
Total Nonoperating Revenues (Expenses)		(200,186)
(Loss) before Transfers		(113,239)
TRANSFERS		
Transfers		18
Total Transfers		18
Change in Net Position		(113,221)
Net Position, September 1, 2021		(420,852)
Net Position, August 31, 2022	$	(534,073)

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, 2022 (Amounts in Thousands)

Cash Flows from Operating Activities		
Proceeds from Customers	$	207,839
Payments to Suppliers for Goods and Services		(54,278)
Net Cash Provided by Operating Activities		153,561
Cash Flows from Non-Capital Financing Activities		
Payments for Debt Issuance Costs		(703)
Payments for Principal on Debt		(18,485)
Payments of Interest on Debt		(175,338)
Payments for Intangible Assets		(177,413)
Payments for Financing Fee		(116)
Net Cash Used by Non-Capital Financing Activities		(372,055)
Cash Flows from Investing Activities		
Proceeds from Interest and Investment Income		7,258
Proceeds from Sales and Maturities of Investments		87,000
Payments to Acquire Investments		(34,906)
Payments for Accrued Interest on Purchase of Investment		(4)
Net Cash Provided by Investing Activities		59,348
Net Decrease in Cash and Cash Equivalents		(159,146)
Cash and Cash Equivalents - September 1, 2021		954,913
Cash and Cash Equivalents – August 31, 2022	$	795,767

Concluded on the following page

GRAND PARKWAY TRANSPORTATION CORPORATION
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended August 31, 2022 (Amounts in Thousands)

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

Operating Income	$	86,947
Operating Activities:		
Amortization of Intangible Assets		104,074
Changes in Assets and Liabilities:		
(Increase) in Accounts Receivable		(44,568)
(Increase) in Inventory		(40)
Decrease in Amounts Due from Other Fund		5,842
Increase in Accounts Payable		1,126
Increase in Amounts Due to Other Fund		180
Net Cash Provided by Operating Activities	$	153,561

Noncash Investing, Capital and Financing Activities:

Net Change in Fair Value of Investments	$	(19,532)
Change in the Accrued Intangible Assets	$	19,958
Accretion on Bonds Payable	$	(25,052)
Amortization of Bonds Payable	$	18,940
Amortization of Deferred Outflows	$	(5,326)
Increase in Unearned Revenue	$	(2,660)

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

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 Annual Comprehensive Financial Report (ACFR).

GASB Pronouncements and Implementation Guides Effective for Fiscal 2022

In fiscal 2022 GPTC adopted the following new GASB pronouncements:

- *GASB Statement No. 87, Leases.* This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under the statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Changes adopted to conform to the provisions of this Statement are applied retroactively by restating the beginning fund balance or net position, as applicable, for the earliest period restated. The effective date of the Statement is postponed from fiscal 2021 to fiscal 2022 by *GASB Statement 95, Postponement of the Effective Dates of Certain Authoritative Guidance*, due to the COVID-19 pandemic.

- *GASB Statement No. 93, Replacement of Interbank Offered Rates.* This statement addresses accounting and reporting implications that result from the replacement of an interbank offered rate (IBOR) or the London Interbank Offered Rate (LIBOR) in hedging derivative instruments and leases. Paragraph 11b on the removal of LIBOR as an appropriate interest rate for hedging derivative instruments and paragraphs 13 and 14 related to lease modifications are effective for fiscal 2022. All other paragraphs of the Statement were effective in fiscal 2021.

- *GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB Statement No. 32.* The effective date of the Statement, other than paragraphs 4 and 5 was postponed to fiscal 2022 by *GASB Statement 95, Postponement of the Effective Dates of Certain Authoritative Guidance*, due to the COVID-19 pandemic. The Statement requires the IRC Section 457 plan be classified as either a pension plan or an other employee benefit plan. The Section 457 Deferred Compensation Plan of TxDOT does not meet the definition of a pension plan and is therefore an other employee benefit plan for accounting and financial reporting purposes. See Note 9 for details of the deferred compensation plans. Paragraphs 4 and 5 related to certain component unit criteria, were effective in fiscal 2021.

- *GASB Statement No. 99, Omnibus 2022.* Paragraphs 26-32 on replacement of LIBOR, SNAP, disclosure of nonmonetary transactions, pledges of future revenues, focus of the government-wide financial statements, and terminology updates are effective upon issuance, or for fiscal 2022. TxDOT early implemented Paragraphs 11-17 related to leases in fiscal 2022. Paragraphs 18-25 related to PPPs and SBITAs are effective in fiscal 2023. Paragraphs 4-10 related to financial guarantees and derivative instruments are effective in fiscal 2024.

- *GASB Implementation Guide No. 2019-3 Leases.* The Implementation Guide provides questions and answers related to accounting and financial reporting for leases in accordance with the requirements of Statement 87.

- *GASB Implementation Guide No. 2020-1, Implementation Guidance Update – 2020*. The requirements of the Implementation Guide are effective for fiscal 2022 except for questions 4.19-4.21 on conduit debt obligations, which will be effective for fiscal 2023. TxDOT early implemented Questions 4.6-4.17 on leases in fiscal 2022. Questions and answers in paragraph 4 are new Category B guidance in the hierarchy of generally accepted accounting principles. Questions in the paragraph 5 amend questions in previously issued Implementation Guides.

- *GASB Implementation Guide No. 2021-1, Implementation Guidance Update – 2021.* Question 4.22 on the effective date and transition of Statement 87 is effective for fiscal 2022. All other questions and answers of the Implementation Guide are effective in fiscal 2023.

Fund Structure

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

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

Assets, Deferred Outflows, Liabilities and Net Position

Cash and Cash Equivalents

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

Investments

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

Accounts Receivable

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

Interest and Dividends Receivable

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

Due From Other Funds

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

Consumable Inventory

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

Restricted Assets

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

Intangible Assets

GPTC is operating under two service concession arrangements (SCA) with TxDOT. As a governmental operator, GPTC records two intangible assets for its cost of design, construction, and acquisition of right-of-way of the System. Amortization of the intangible assets is associated with the initial project which began in fiscal 2016 and the H&I segments which began in fiscal 2022. See Note 2 for more information about GPTC's SCAs with TxDOT.

Deferred Outflows of Resources

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

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

Accounts Payable

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

Interest Payable

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

Contracts Retainage

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

Due to Other Funds

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

Unearned Revenue

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

Long-Term Liabilities

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

Net Position

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

Restricted

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

Unrestricted

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

Revenues and Expenses

Operating Revenues

GPTC operating revenues for fiscal 2022 consist of $246.6 million in toll revenue earned by the System. This represents $255.0 million in gross toll revenue, minus an increase in allowance for doubtful accounts of $8.5 million.

Operating Expenses

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 value of investments. Nonoperating expenses are any expenses not classified as operating, including bond issuance costs and interest expense.

Transfers

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

NOTE 2 – INTANGIBLE ASSETS

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

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

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 2022 were added to the unamortized intangible asset balance. Annual amortization of the intangible asset adjusted accordingly.

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

The table below presents the composition of GPTC's intangible assets as of Aug. 31, 2022.

Intangible Assets Activities
For the Fiscal Year Ended August 31, 2022 (Amounts in Thousands)

	Balance 9/1/2021	Additions	Reductions	Balance 8/31/2022
Intangible Assets - SCA- Initial Project	$ 2,488,498	$ 7,668	$	$ 2,496,166
Less: Accumulated Amortization for Intangible Assets	(385,347)		(65,963)	(451,310)
Intangible Assets - Initial Project, Net	2,103,151	7,668	(65,963)	2,044,856
Intangible Assets - SCA- H and I Project	1,069,654	149,909		1,219,563
Less: Accumulated Amortization for Intangible Assets			(38,111)	(38,111)
Intangible Assets - H and I Project, Net	1,069,654	149,909	(38,111)	1,181,452
Intangible Assets - Total, Net	**$ 3,172,805**	**$ 157,577**	**$ (104,074)**	**$ 3,226,308**

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.

Custodial Credit Risk – Deposits

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

Regular depository accounts are insured by the FDIC up to $250 thousand per depositor, per insured bank. As of Aug. 31, 2022, the sweep account is subjected to the same $250 thousand coverage provided to a regular depository account.

Investments

Measurement

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

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

As of Aug. 31, 2022, the measurements of GPTC’s investments are summarized below:

Investment Fair Value and Maturities
August 31, 2022 (Amounts in Thousands)

Investment Type	Fair Value Hierarchy Level 1	Other Measurement	Total
Money Market Mutual Funds	$	$ 4,076	$ 4,076
U.S. Treasury Securities	29,052		29,052
U.S. Government Agency Obligations	206,115		206,115
Government Investment Pools		791,691	791,691
Total Investments	**$ 235,167**	**$ 795,767**	**$ 1,030,934**

Below is more detail regarding the measurement of GPTC’s investments as of Aug. 31, 2022.

- GPTC had U.S. treasury securities and U.S. government agency obligation investments of $235.2 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 government investment pools totaling $795.8 million with maturities less than one year valued at amortized cost.

Custodial Credit Risk – Investments

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

Credit Risk

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

As of Aug. 31, 2022, GPTC holdings had the following ratings:

Investment Credit Ratings
August 31, 2022 (Amounts in Thousands)

			Credit Rating	
Investment Type	**Balance**	**S&P**	**Moody's**	**Fitch**
Money Market Mutual Funds				
Fidelity Investments Money Market Government	$ 1,764	AAAm	AAA-mf	NR
Goldman Sachs Financial Square Government	204	AAAm	Aaa-mf	NR
Morgan Stanley Institutional Liquidity Funds	2,108	AAAm	Aaa-mf	AAAmmf
Government Sponsored Entities				
Federal Home Loan Banks	146,240	AA+	Aaa	NR
Federal Home Loan Mortgage Company	59,874	AA+	Aaa	AAA
Government Securities				
U.S. Treasury Notes	29,052	AA+u	Aaa	AAAu
Governmental Investment Pools				
TexPool	40,696	AAAm	NR	NR
TexPool Prime	750,995			
Total:	$ **1,030,933**			

NR=Not Rated

Concentration of Credit Risk

It is the policy of GPTC to diversify its investment portfolios. Assets held in the particular funds shall be diversified to minimize the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. As of Aug. 31, 2022, the following investments exceeded five percent of the total GPTC portfolio: TexPool Prime, Federal Home Loan Bank, and Federal Home Loan Mortgage Company.

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates, will adversely affect the fair value of an investment. GPTC does not have a formal policy on interest rate risk. Investment portfolios are designed with the objective of attaining the best possible rate of return commensurate with GPTC's investment risk constraints and the cash flow characteristics of the portfolio. Return on investment, although important, is subordinate to the safety and liquidity objectives. Investment maturities are noted in the investment table. Approximately 77.2 percent of the investments mature within one year. Market value fluctuation of the overall portfolio is minimized by keeping the weighted average maturity low.

NOTE 4 – LONG-TERM LIABILITIES

As of Aug. 31, 2022 GPTC had nine revenue bonds outstanding and one bond anticipation note outstanding. As detailed below, the following changes occurred in long-term liabilities during the year ended Aug. 31, 2022.

Long-Term Liabilities Activity (Amounts in Thousands)
For the Fiscal Year ended August 31, 2022

	Beginning Balance 09/01/2021	Adjustments*	Additions**	Reductions	Ending Balance 08/31/2022	Due Within One Year
Revenue Bonds Payable	$ 4,217,881	$ (8,409)	$ 25,052	$ (18,485)	$ 4,216,039	$ 27,189
Revenue Bonds Payable - Direct Placements	83,775				83,775	
Notes and Loans Payable	626,393	(10,531)			615,862	615,862
Total	$ 4,928,049	$ (18,940)	$ 25,052	$ (18,485)	$ 4,915,676	$ 643,051

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

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, 2022, the note's debt service requirements are as follows:

BANs – Debt Service Requirements

Business-Type Activities

Year	Principal	Interest*	Total
2023	$ 605,330	$ 25,222	$ 630,552
Total	605,330	25,222	630,552
Unamortized Premium	10,532		10,532
Total Requirements	$ 615,862	$ 25,222	$ 641,084

* 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 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 and Notes	$ 8,670,784
Term of Commitment Ending:	10/1/2052
Percentage of Revenue Pledged	99.79%
Current Year Pledged Revenue	$ 252,806
Current Year Principal and Interest Paid	$ 193,823

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

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	$	200,000,000.00	8/1/2013	5.13%	5.50%	2031	2053	10/1/2023
Subordinate Tier Toll Revenue Bonds, Series 2013-B								
Convertible Capital Appreciation Bonds**		460,412,488.42	8/1/2013	4.95%	5.85%	2029	2048	10/1/2028
Current Interest Bonds		1,137,935,000.00	8/1/2013	5.00%	5.25%	2048	2053	10/1/2023
Subordinate Tier Toll Revenue Bonds, Series 2013-E		361,810,000.00	8/1/2013	5.18%	5.18%	2036	2042	*
Subordinate Tier Toll Revenue Bonds, Series 2016		83,775,000.00	12/7/2016	2.20%	2.20%	2023	2023	n/a
Subordinate Tier Toll Revenue Bonds, Series 2018-A		712,100,000.00	5/30/2018	5.00%	5.00%	2030	2048	4/1/2028
Subordinate Tier Toll Revenue Bonds, Series 2018-B		166,525,000.00	5/30/2018	5.00%	5.00%	2049	2052	10/1/2023
First Tier Toll Revenue Refunding Bonds Taxable, Series 2020-A		220,415,000.00	2/27/2020	2.11%	3.36%	2026	2052	4/1/2030
Subordinate Tier Toll Revenue Refunding Bonds Taxable, Series 2020-B		1,293,260,000.00	2/27/2020	1.53%	3.24%	2020	2052	4/1/2030
First Tier Toll Revenue Refunding Bonds, Series 2020-C		793,385,000.00	2/27/2020	3.00%	5.00%	2033	2050	n/a
Total	$	5,429,617,488.42						

* 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 of or interest on the obligations upon the occurrence of an event of default is not a remedy available under the Trust Agreement.

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

Debt service requirements for the outstanding revenue bonds as of Aug. 31, 2022, are detailed in the following table. GPTC has $83.8 million in direct placement bonds.

Debt Service Requirements (Amounts in Thousands)			
Revenue Bonds			
Year	**Principal**	**Interest**	**Total**
2023	$ 18,780	$ 142,935	$ 161,715
2024	19,085	156,511	175,596
2025	2,780	170,213	172,993
2026	2,825	170,166	172,991
2027	3,815	170,104	173,919
2028-2032	64,065	847,150	911,215
2033-2037	320,060	803,854	1,123,914
2038-2042	637,985	683,941	1,321,926
2043-2047	892,520	507,790	1,400,310
2048-2052	1,628,065	241,670	1,869,735
2053	461,485	7,889	469,374
	4,051,465	3,902,223	7,953,688
Unamortized Accretion	(28,748)		(28,748)
Unamortized Premium	193,322		193,322
Total	$ 4,216,039	$ 3,902,223	$ 8,118,262

Debt Service Requirements - Direct Placements Revenue Bonds (Amounts in Thousands)			
Year	**Principal**	**Interest**	**Total**
2023	$	$ 1,843	$ 1,843
2024	83,775	927	84,702
Total	$ 83,775	$ 2,770	$ 86,545

Defeased Bonds

GPTC defeased various bond issues by placing funds and securities in irrevocable trusts with external financial institutions to provide for all future debt service payments on the bonds through the earlier of the maturity date or the first call date. As of Aug. 31, 2022, the amounts of defeased bonds, at par, that remain outstanding are presented in the table below.

Defeased Bonds Outstanding (Amounts in Thousands)	
Description	**Par Value**
Series 2013-A Revenue Refunding Bonds	$ 152,270
Series 2013-B Current Interest Bonds	1,137,935
Total	$ 1,290,205

NOTE 6 - RETIREMENT PLAN AND POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

NOTE 7 – INTERFUND ACTIVITY

Transfers In/Out represents the flow of assets (cash or goods) between funds. In fiscal 2022, the State Highway Fund (SHF) transfers to GPTC totaled $18 thousand.

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. GPTC started to be responsible for H and I project maintenance and operation from May 19, 2022 when the revenue from Segment H and I became the revenue of the system. All expenses related to maintenance and operation of the H and I Project paid by the state highway fund is subject to reimbursement by GPTC as a senior operating expense. During the fiscal 2022, the state highway fund paid certain construction and operation and maintenance costs for GPTC. $3.4 million of these costs was not reimbursed to state highway fund by Aug. 31, 2022. Back office expense of $3.2 million has not been reimbursed to CTTS as of Aug. 31, 2022. State highway fund collected $244 thousand of toll revenue and $7.3 million of TxTag deposits that were not transferred to GPTC by Aug. 31, 2022.

Amounts not transferred to/from other funds at fiscal year-end are accrued as due to/due from other funds. As of Aug. 31, 2022, the due to and due from state highway fund balances as detailed in the following table:

Interfund Balance
August 31, 2022 (Amounts in Thousands)

Category	Due to SHF	Due to CTTS
Construction	$ 1,132	$
Operating & Maintenance	2,261	
Back Office Expense		3,154
Total	$ 3,393	$ 3,154

Interfund Balance
August 31, 2022 (Amounts in Thousands)

Category	Due from SHF
Toll Revenue	$ 244
TxTag Deposit	7,273
Total	$ 7,517

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, 2022. 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 $0 to $19.0 million, for a total of $19.0 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 2022.

Significant Commitments

Construction Contracts

TxDOT entered a design-build agreement with Grand Parkway Infrastructure, LLC to develop, design and construct improvements along SH99 Grand Parkway Segments H, I-1, and I-2B in Harris, Montgomery, Chambers and Liberty Counties, effective as of June 30, 2017. TxDOT assigned the agreement to GPTC shortly after the effective date. On Oct. 27, 2017, TxDOT issued the notice to proceeds for the H-West Option. As of Aug. 31, 2022, GPTC approved sixteen change orders which increased the design-build contract amount by $49.8 million.

Disclosure of the construction related commitment as of Aug. 31, 2022 is displayed below:

GPTC Construction Related Contract Commitments August 31, 2022 (Amounts in Thousands)				
Contractor	Segment	Contract Commitment	Paid Amount	Remaining Commitment
Grand Parkway Infrastructure, LLC	Segment H,I-1&I-2B	$944,463	$922,622	$21,841

NOTE 9 - RISK FINANCING AND RELATED INSURANCE

Grand Parkway Transportation Corporation (GPTC) is a non-profit corporation created by the Texas Transportation Commission to act on behalf of the Commission in assisting with the development, construction, financing, operating and maintaining of the 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.

NOTE 10 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Net Position

Grand Parkway Transportation Corporation (GPTC) had a $534.1 million deficit net position at the end of fiscal 2022. The deficit is due to accretion on outstanding bonds and notes and the accumulated amortization of the intangible assets for the two service concession projects operated by GPTC.

NOTE 11 – SUBSEQUENT EVENTS

The United States Department of Transportation (USDOT) approved a secured loan made to GPTC under the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) in 2021 in a principal amount not to exceed $605.33 million. GPTC drew the TIFIA loan on Nov. 15, 2022. The TIFIA proceeds will be used to pay off the 2018 Bond Anticipation Notes used to fund the H&I project when they mature on Feb. 1, 2023.

On Sept. 23, 2022, S&P Global Ratings raised its long-term rating from 'BBB' to 'BBB+' on GPTC’s first-tier toll revenue bonds citing favorable transaction and revenue growth trends exceeding forecasted levels.

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Produced by **Texas Department of Transportation's Financial Management Division.**

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