



NORTH TEXAS TOLLWAY AUTHORITY

360 TOLLWAY

(An Enterprise Fund of the North Texas Tollway Authority)

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2019

**James Hofmann
Executive Director**

**Horatio Porter
Chief Financial Officer**

360 TOLLWAY
(An Enterprise Fund of the North Texas Tollway Authority)

Annual Financial Report
For the Year Ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Texas Tollway Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the State Highway 360 Tollway (the 360 Tollway), an enterprise fund of the North Texas Tollway Authority (the Authority), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the 360 Tollway'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 State Highway 360 Tollway as of December 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.

Emphasis of Matters

As discussed in note 1(a), the financial statements present only the State Highway 360 Tollway, an enterprise fund of the Authority and do not purport to, and do not, present fairly the financial position of the Authority as of December 31, 2019, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 9 to the financial statements, the financial impact of COVID-19 will impact subsequent periods of the 360 Tollway. Our opinion is not modified with respect to this matter.

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 4-11, and the Modified Approach – Infrastructure on pages 25-26, be presented to supplement the basic financial statements. Such information, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the 360 Tollway's basic financial statements. The schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Schedule 1 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 June 12, 2020 on our consideration of the 360 Tollway'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 360 Tollway's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, professional style.

Crowe LLP

Dallas, Texas
June 12, 2020

360 Tollway
(An Enterprise Fund of the North Texas Tollway Authority)
Management's Discussion and Analysis
December 31, 2019

As Management of North Texas Tollway Authority (Authority), we offer readers the financial statements for the 360 Tollway, an enterprise fund of the Authority, including a narrative overview and analysis of the financial activities for the year ended, December 31, 2019. This overview and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in the financial position of the 360 Tollway. Please read it in conjunction with the financial statements, which immediately follow this section.

In February 2014, the Authority entered into the Project Agreement State Highway 360 (the "*360 Tollway Project Agreement*") with the Texas Department of Transportation (TxDOT) for the 360 Tollway which is a toll road located in Tarrant, Ellis and Johnson counties extending from Green Oaks Boulevard to US 287. In July 2017, the Authority's Board of Directors via resolution 17-74 approved 360 Tollway as the project name for the Project Agreement State Highway 360.

Under the 360 Tollway Project Agreement, TxDOT designed and constructed the 360 Tollway and, upon its substantial completion on August 1, 2018, TxDOT transferred ownership to the Authority. In exchange, the Authority agreed to reimburse TxDOT for its cost to design and construct the 360 Tollway in the amount of \$294 million (the "*Project Loan*") payable solely from net revenues of the 360 Tollway. The 360 Tollway opened to traffic in May 2018.

The 360 Tollway is a 9.7-mile toll road project located in Ellis, Johnson and Tarrant Counties, Texas, extending generally from Green Oaks Boulevard in Tarrant County south to US 287 in Ellis County with approximately 117 lane miles of toll roads and service roads. The 360 Tollway is an All-ETC facility initially consisting of two to four limited access main lanes, with continuous service roads along the entire corridor.

The 360 Tollway is a stand-alone toll project that is not part of the North Texas Tollway Authority System (NTTA System), but a separate enterprise fund of the Authority. Revenues of the 360 Tollway may only be used to pay costs, including debt service, that are related to the 360 Tollway. Revenues from the 360 Tollway do not secure and are not be available to pay debt service on the Bonds or other obligations entitled to the benefit of the Trust Agreement related to the NTTA System.

Separate financial statements are issued for the NTTA System. Any financial obligations (loans, bonds, etc.) issued by the 360 Tollway are secured and paid from revenues of the 360 Tollway and not from revenues of the NTTA System.

The Authority is entitled to reimbursement from TxDOT for its documented Tolling Services Expenses incurred each year, payable on a monthly basis per the 360 Tollway Project Agreement.

360 Tollway
(An Enterprise Fund of the North Texas Tollway Authority)
Management's Discussion and Analysis
December 31, 2019

Using This Annual Report

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the 360 Tollway basic financial statements. The 360 Tollway basic financial statements are comprised of three components: 1) proprietary financial statements, 2) notes to the financial statements and 3) required supplementary information which includes this management discussion and analysis.

Proprietary financial statements - The proprietary financial statements are designed to provide readers with a broad overview of the 360 Tollway's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the 360 Tollway's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position are useful indicators of whether the 360 Tollway's financial position is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing the 360 Tollway's revenues, expenses, and how the net position changed during the year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected tolls).

The Statement of Cash Flows presents information about the 360 Tollway's cash receipts and cash payments, or, in other words, the sources and uses of the 360 Tollway's cash and the change in cash balance during the fiscal year.

The basic proprietary fund financial statements can be found on pages 13-15 of this report.

Notes to the Financial Statements: The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the proprietary financial statements. The notes to the financial statements can be found on pages 17-24 of this report.

Other Information: In addition to the proprietary financial statements and accompanying notes, the basic financial statements contain required supplementary information including this discussion and analysis. Other required supplementary information is presented to disclose trend data on the 360 Tollway's infrastructure condition. Additionally, certain financial schedules are presented for continuing disclosure.

Fiscal Year 2019 Highlights

- The 360 Tollway's total net position decreased by \$47,623 over fiscal year 2018.
- The 360 Tollway's toll revenues of \$17,272,097, net of bad debt expense increased \$8,133,000 or 89.0% over fiscal year 2018, due to an 86.8% increase in traffic transactions. Toll revenues exceeded the estimate from the Authority's traffic and toll revenue engineer, CDM Smith, Inc. (CDM) of \$11,524,300 by 49.9%.
- The 360 Tollway's total traffic transactions (excluding non-revenue transactions) for fiscal year 2019 were 18,831,083, an increase of 8,749,689 or 86.8% over fiscal year 2018 and exceeding CDM's estimate of 14,747,400 by 27.7%.
- The 360 Tollway's operating expenses of \$6,446,614 increased by \$1,261,224 or 24.3% over fiscal year 2018. Operating expenses were comprised of \$2,576,216 of Operations & Maintenance (O&M) Services, and \$3,870,398 in Tolling Services.
- The 360 Tollway's interest expense (associated with the Project Loan) of \$12,612,141 increased \$7,301,766 or 137.5% over fiscal year 2018. The increase is due to a full year of interest expense, as the prior year was prorated due to the road opening.

360 Tollway
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 Management's Discussion and Analysis
 December 31, 2019

Summary of Operations

Table A-1
 Net Position

	2019	2018
Current assets	\$ 17,796,711	\$ 5,565,538
Noncurrent assets		
Capital assets:		
Nondepreciable	315,808,649	315,808,649
Total assets	333,605,360	321,374,187
Current liabilities	825,322	1,158,667
Long-term debt	311,922,516	299,310,375
Total liabilities	312,747,838	300,469,042
Net position:		
Net investment in capital assets	3,886,133	16,498,274
Restricted for debt service	16,971,389	4,406,871
Total net position	\$ 20,857,522	\$ 20,905,145

The net position indicates a current ratio 21.56 and 4.80 for fiscal year 2019 and fiscal year 2018, respectively. Working capital was \$16,971,389 and \$4,406,871 in fiscal year 2019 and fiscal year 2018, respectively. Total current assets were \$17,796,711 in fiscal year 2019, compared to \$5,565,538 in fiscal year 2018. Investments, which represents the largest component of current assets, were \$16,229,456 for the fiscal year. The remaining \$1,567,255 is comprised of accrued interest receivable of \$20,635, accounts receivable of \$1,441,739, and inter-project/interagency receivables of \$104,881.

Total current liabilities were \$825,322 at the end of fiscal year 2019, consisting of \$444,780 for payables due to the NTTA System, and \$380,542 of payables related to O&M services.

360 Tollway
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Management's Discussion and Analysis
December 31, 2019

Table A-2
Change in Net Position

	2019	2018
Revenues		
Tolls	\$ 17,272,097	\$ 9,139,097
Other	1,739,035	453,164
Operating revenues	19,011,132	9,592,261
Operating expenses	6,446,614	5,185,390
Operating income	12,564,518	4,406,871
Nonoperating revenue (expenses):		
Interest expense	(12,612,141)	(5,310,375)
Net nonoperating revenue (expenses)	(12,612,141)	(5,310,375)
Capital contributions		
Capital contribution	-	21,808,649
Change in net position	(47,623)	20,905,145
Net position - beginning	20,905,145	-
Net position - ending	\$ 20,857,522	\$ 20,905,145

Total operating revenues were \$19,011,132 for fiscal year 2019 and \$9,592,261 for fiscal year 2018. Toll revenues in fiscal year 2019 were \$17,272,097 (net of bad debt expense of \$2,596,924), an 89.0% increase over fiscal year 2018 toll revenues of \$9,592,261 (net of bad debt expense of \$1,139,885). Traffic on the 360 Tollway continues to grow with average daily transactions of 51,592 in fiscal year 2019 as compared to 41,430 in fiscal year 2018, respectively.

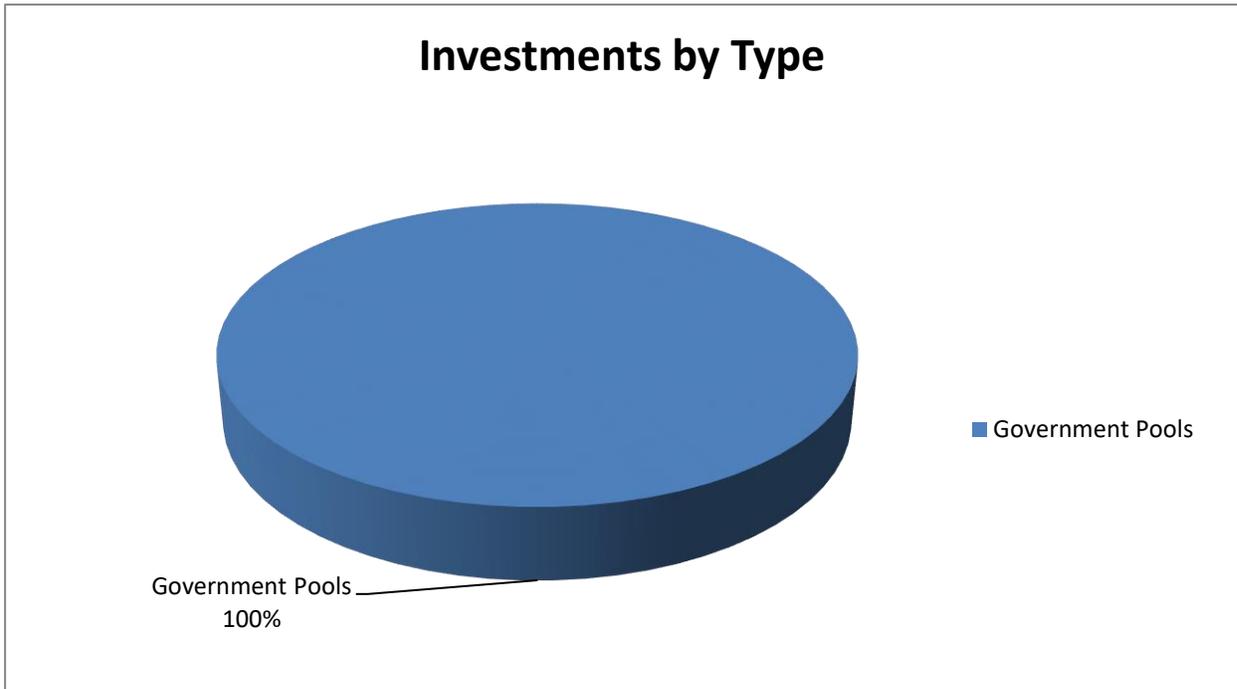
Total operating expenses for fiscal year 2019 were \$6,446,614 representing a 24.3% increase from fiscal year 2018 operating expenses of \$5,185,390. Interest expense for fiscal year 2019 was \$12,612,141, a 137.5% increase from fiscal year 2018 interest expense of \$5,310,375.

The overall financial position in fiscal year 2019 decreased by \$47,623 from fiscal year 2018.

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Management's Discussion and Analysis
December 31, 2019

Investments: The 360 Tollway investments at December 31, 2019 and 2018 were approximately \$16,229,456 and \$4,498,717 respectively. Chart A-3 below shows the type of authorized investment in the December 31, 2019 portfolio.

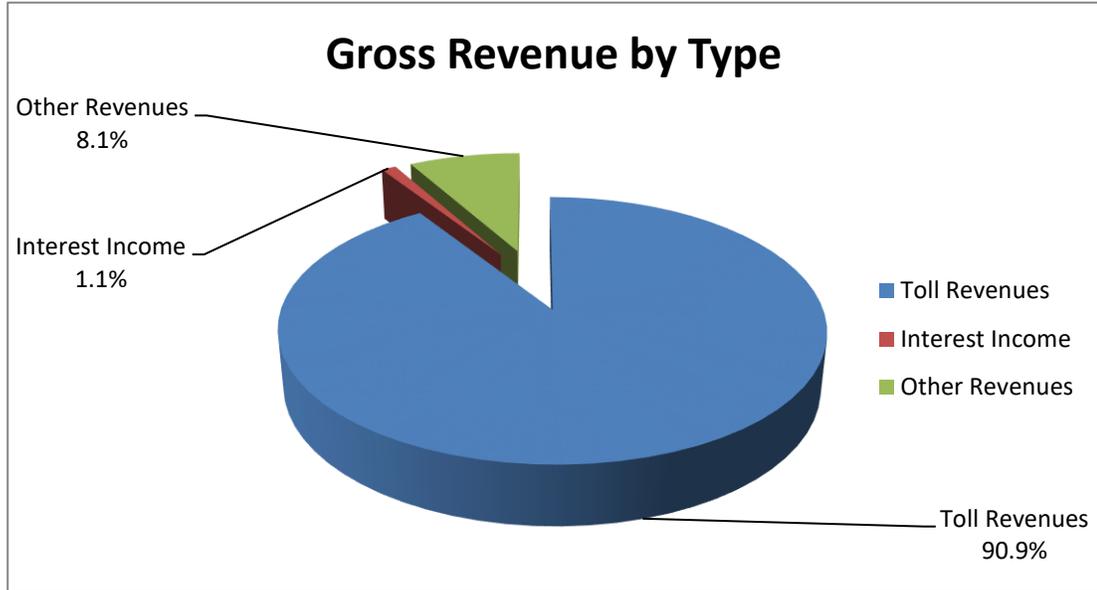
Chart A-3



360 Tollway
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Management's Discussion and Analysis
December 31, 2019

Chart A-4 below shows 360 Tollway revenue in fiscal year 2019 by revenue source type.

Chart A-4

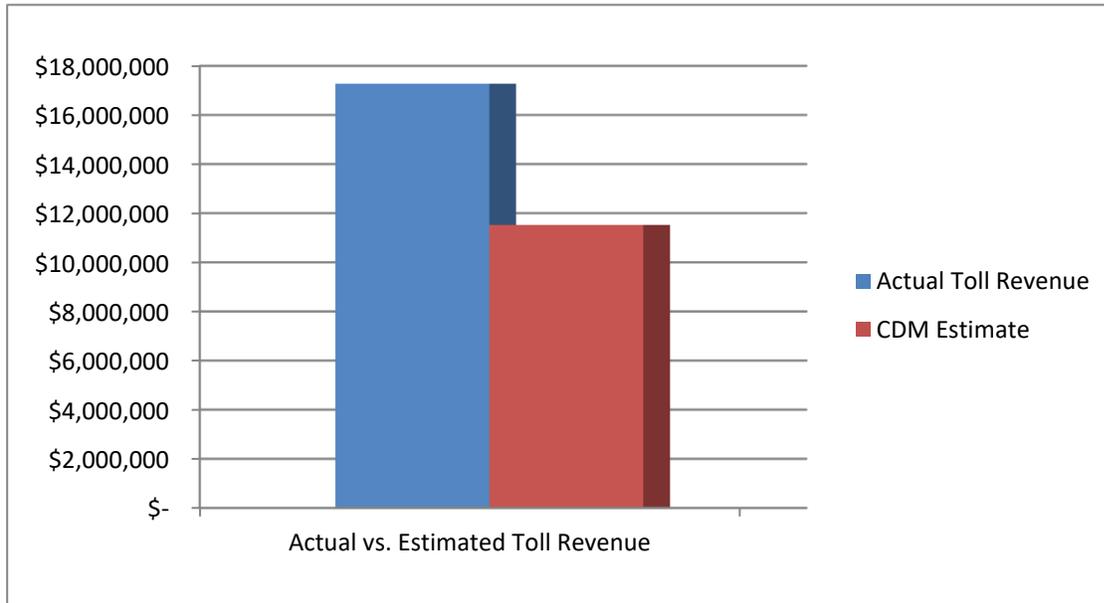


Net operating revenues for fiscal year 2019 were \$19,011,131, a 98.2% increase over fiscal year 2018 net revenues of \$9,592,261. Toll revenues of \$17,272,097 (net of uncollectible of \$2,596,924) account for 90.9% of total revenue. The remaining 9.1% of total revenue consisted of Interest Income of \$202,890 or 1.0% and Other Revenues of \$1,536,144 or 8.1% for administrative fees during the collection of tolls from violators and interoperability fees.

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 Management's Discussion and Analysis
 December 31, 2019

Chart A-5 below shows the 360 Tollway actual toll revenue for fiscal year 2019 compared to the toll revenue projection by the Authority's traffic and toll revenue engineer, CDM Smith Inc. (CDM). Toll revenue was greater than CDM's estimates by 49.9%.

Chart A-5



Traffic on the 360 Tollway continues to grow with approximately 51,592 average daily transactions in fiscal year 2019, up 24.5% from the 41,430 daily averages in fiscal year 2018.

The increase in actual toll revenue as compared to CDM's estimate (budget) was a result of the:

- Increase in traffic (transactions) and a full year of activity

Engineering Estimates

The annual toll revenue projected by CDM displayed below is in comparison to the actual revenue of the 360 Tollway for the year of 2018 and 2019 in Table A-6 below:

Table A-6
 Actual vs Estimated
 (Toll Revenue)

Year	Actual	Estimated	Variance
2019	\$ 17,272,097	\$ 11,524,300	\$ 5,747,797
2018	9,139,097	5,789,500	3,349,597

360 Tollway

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Management's Discussion and Analysis

December 31, 2019

Capital Assets – The 360 Tollway's investment in capital assets consist of the 360 Tollway roadway. Capital assets at December 31, 2019 were \$315,808,649, same as the previous fiscal year. For additional information on capital assets see Note (1) (e) and Note (3).

Loan – At the end of fiscal year 2019, the 360 Tollway Project Loan's outstanding principal was \$311,922,516 compared to \$299,310,375 in fiscal year 2018 (See Table A-7 below). This loan is secured solely by toll revenues of the 360 Tollway. For detailed information of the outstanding debt, service requirements of the loan as of December 31, 2019, see page 23 (Note 4).

Table A-7

TxDOT SH 360 Loan- Outstanding Principal

Fiscal Years	2019	2018
2020	\$ -	\$ -
2021	-	-
2022	-	-
2023	-	-
2024	-	-
2025-2029	-	-
2030-2034	37,151,924	37,151,924
2035-2039	45,746,895	45,746,895
2040-2044	56,330,284	56,330,284
2045-2049	69,362,105	69,362,105
2050-2053	85,408,792	85,408,792
Interest Accretion	17,922,516	5,310,375
Total	\$ 311,922,516	\$ 299,310,375

Economic Factors

The State of Texas declared a state of emergency in March 2020 due to the COVID-19 global pandemic. The 360 Tollway anticipates a financial impact resulting from the effects of the COVID-19 outbreak. During this evolving situation, North Texas Tollway Authority continues to analyze the impact on its financial position. North Texas Tollway Authority has developed and instituted a phased financial response plan that includes implementing expense reductions, delaying the start of certain capital projects and securing liquidity facilities. The global pandemic had no effect on the current year financials.

Contacting the NTTA's Financial Management

This financial report is designed to provide overview information to our bondholders, patrons and other interested parties. Should you have questions about this report, please contact the North Texas Tollway Authority's Chief Financial Officer, 5900 W. Plano Parkway, Suite 100, Plano, Texas 75093.



NORTH TEXAS TOLLWAY AUTHORITY

360 TOLLWAY
 (An Enterprise Fund of the North Texas Tollway Authority)
 Statement of Net Position
 December 31, 2019

	<u>Total</u>
Assets	
Current assets:	
Investments (note 2)	\$ 16,229,456
Accrued interest receivable	20,635
Accounts receivable (net of allowance for uncollectibles) (note 8)	1,441,739
Intergovernmental receivable	104,881
Total current assets	<u>17,796,711</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable (note 3)	<u>315,808,649</u>
Total noncurrent assets	<u>315,808,649</u>
Total assets	<u>333,605,360</u>
Liabilities	
Current liabilities:	
Accounts payable	444,780
Intergovernmental payable	380,542
Total current liabilities	<u>825,322</u>
Noncurrent liabilities:	
Loan payable - TxDOT	<u>311,922,516</u>
Total noncurrent liabilities	<u>311,922,516</u>
Total liabilities	<u>312,747,838</u>
Net Position	
Net investment in capital assets	3,886,133
Restricted for:	
Debt service	16,971,389
Total net position	<u>\$ 20,857,522</u>

See accompanying notes to basic financial statements

360 TOLLWAY
 (An Enterprise Fund of the North Texas Tollway Authority)
 Statement of Revenues, Expenses and Changes in Net Position
 Year ended December 31, 2019

	Total
Operating revenues:	
Tolls	\$ 17,272,097
Other	1,739,035
Total operating revenues	19,011,132
Operating expenses:	
Operations and maintenance services	2,576,216
Tolling services	3,870,398
Total operating expenses	6,446,614
Operating income	12,564,518
Nonoperating expenses:	
Interest expense	(12,612,141)
Net nonoperating expenses	(12,612,141)
Loss before capital contributions, subsidies, and transfers	(47,623)
Change in net position	(47,623)
Beginning net position	20,905,145
Ending net position	\$ 20,857,522

See accompanying notes to basic financial statements

360 TOLLWAY
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Statement of Cash Flows
Year ended December 31, 2019

	Total
Cash flows from operating activities:	
Receipts from customers and users	\$ 18,520,916
Payments to contractors and suppliers	(6,779,958)
Net cash provided by operating activities	11,740,958
Cash flows from capital and related financing activities:	
Net cash used for capital and related financing activities	-
Cash flows from investing activities:	
Purchase of investments	(18,510,698)
Proceeds from sales and maturities of investments	6,769,740
Net cash used by investing activities	(11,740,958)
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents, beginning of the year	-
Cash and cash equivalents, end of the year	-
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	12,564,518
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts receivable	(490,215)
Decrease in accounts payable	(333,344)
Total adjustments	(823,559)
Net cash provided by operating activities	\$ 11,740,959
Noncash financing activities:	
Interest accretion on loan payable	12,612,141

See accompanying notes to basic financial statements

NTTA

NORTH TEXAS TOLLWAY AUTHORITY

360 TOLLWAY
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NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2019

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NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2019

(1) Nature of the Organization and Summary of Significant Accounting Policies

(a) Reporting Entity

The North Texas Tollway Authority ("NTTA" or "The Authority") is a regional tollway authority governed by Chapter 366 of the Texas Transportation Code (the "NTTA Act") and a political subdivision of the State of Texas. The NTTA Act authorizes NTTA to acquire, construct, maintain, repair and operate turnpike projects at locations within its jurisdiction and to issue bonds and other obligations for the purpose of paying all or any part of the cost of a turnpike project. NTTA serves Collin, Dallas, Denton and Tarrant Counties (the "Member Counties") and Ellis and Johnson Counties (together with the Member Counties, the "Project Counties").

NTTA came into existence on September 1, 1997, as the successor to the Texas Turnpike Authority (the "TTA"), an agency of the State that was created in 1953. At the time of NTTA's creation, NTTA assumed all obligations of the TTA related to the system of toll roads then owned and operated by the TTA and NTTA took ownership of such system of toll roads. NTTA currently owns and operates the Dallas North Tollway, the Addison Airport Toll Tunnel, the President George Bush Turnpike, the President George Bush Turnpike Eastern Extension, the Mountain Creek Lake Bridge, the Lewisville Lake Toll Bridge, the President George Bush Turnpike Western Extension, the Chisolm Trail Parkway, and the Sam Rayburn Tollway, collectively with the foregoing toll roads, the "NTTA System" or "System".

The Authority also owns and operates a portion of State Highway 360 (the "*360 Tollway*") as a stand-alone toll project that is not a part of the NTTA System. The 360 Tollway is a 9.7-mile toll road project located in Ellis, Johnson and Tarrant Counties, Texas, extending generally from Green Oaks Boulevard in Tarrant County south to US 287 in Ellis County with approximately 117 lane miles of toll roads and service roads. The 360 Tollway is an All-ETC facility initially consisting of two to four limited access main lanes, with continuous service roads along the entire corridor. Revenues of the 360 Tollway may only be used to pay costs, including debt service, that are related to the 360 Tollway. The 360 Tollway is an enterprise fund of the Authority and does not purport to be the entire activities of the Authority.

(b) Basis of Accounting

The operations of the 360 Tollway are accounted for as an enterprise fund on an accrual basis in order to recognize the flow of economic resources. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and all assets and liabilities associated with the operation of the 360 Tollway are included in the Statement of Net Position. The assets of the 360 Tollway are stated at cost with the exception of certain investments, which are stated at fair value.

The 360 Tollway does not have any employees. The Authority employees perform the work of the 360 Tollway. Additionally, the Authority provides all accounting and administrative services.

The principal revenues of the 360 Tollway are toll revenues received from patrons. Operating expenses for the 360 Tollway include the costs of operating and administrative expenses allocated from the System. In addition operating expenses include maintenance of the 360 Tollway. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(c) Budget

Operating budgets are established in accordance with the practices set forth in the provisions of the Project Agreement for the 360 Tollway, as interpreted by the Authority. These practices follow the Generally Accepted Accounting Principles (GAAP) in the United States for an enterprise fund on an accrual basis.

Revenues are recognized when they are earned, expenses are recognized in the period in which they are incurred, and all assets and liabilities associated with the operation of the 360 Tollway are included in the Statement of Net Position.

(d) Restricted Assets

When both restricted and unrestricted resources are available for use, it is the 360 Tollway's policy to use restricted resources first and then unrestricted resources as they are needed. All expenditures made for the 360 Tollway are subject to the order of priority as defined in 360 Tollway Project Agreement.

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NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2019

(e) Investments

The 360 Tollway considers other money market funds along with State & Local Government Investment Pools to be investments. The carrying amount of the investments is fair value. The net change in fair value of investments is recorded in the Statement of Revenues, Expenses, and Changes in Net Positions and includes the unrealized and realized gains and losses on investments.

(f) Capital Assets

All capital assets are stated at historical cost, except for donated assets, which are valued at the acquisition value of the item at the date of its donation. This includes costs for infrastructure assets (highways, bridges, and highways and bridges substructures), toll equipment, buildings, land, toll facilities; other related costs, including property and equipment with a value greater than \$5,000 and software with a value greater than \$1,000,000. Highways and bridges substructure includes road sub-base, grading, land clearing, embankments, and other related costs.

The costs to acquire additional capital assets, which replace existing assets or improve the efficiency of the 360 Tollway, are capitalized. Under the Authority's policy of accounting for infrastructure assets pursuant to the "preservation method of accounting" or "modified approach," property costs represent an historical accumulation of costs expended to construct, improve, and place in operation the various projects and related facilities. These infrastructure assets are considered to be "indefinite lived assets" that is, the assets themselves will last indefinitely and are, therefore, not depreciated. Costs related to renewing and maintaining these assets are not capitalized, but instead are considered to be period costs and are included in preservation expense classified as part of major maintenance and capital expenditures. Additional charges to preservation expense occur whenever the condition of the infrastructure assets is determined to be at a level that is below the standards adopted by the Board of Directors of the Authority.

(g) Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(h) New Accounting Pronouncements

The GASB issued GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, effective immediately, the primary objective of which was to provide temporary relief to governments in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain or are scheduled to be effective for periods beginning after June 15, 2018 and later. However, the 360 Tollway has early implemented the following:

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This statement had no effect on the 360 Tollway financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequence, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The implementation of this statement resulted in additional disclosure in Note 4.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement had no effect on the 360 Tollway financial statements, as all interest costs are currently being recorded as an expense.

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GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement is not applicable thus no effect on the 360 Tollway financial statements.

GASB Statement No. 91, *Conduit Debt*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement is not applicable thus no effect on the 360 Tollway financial statements.

The GASB has issued the following statements which will be effective in future years as described below and in accordance with GASB Statement 95. The impact on the 360 Tollway financial statements of implementation has not yet been determined for the following:

GASB Statement No. 84, *Fiduciary Activities* is now effective for periods beginning after December 15, 2019. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

GASB Statement No. 87, *Leases* is now effective for periods beginning after June 15, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It 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 this 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.

GASB Statement No. 92, *Omnibus* paragraphs 6, 7, 8, and 12 is now effective for periods beginning after June 15, 2021. The primary objective is to address implementation issues which have been identified related to GASB 87, *Leases*, reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; the applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, to reporting assets accumulated for postemployment benefits; The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements; Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs); reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and terminology used to refer to derivative instruments.

GASB Statement No. 93, *Replacement of Interbank Offered Rates* The objective of this statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. The requirements of paragraphs 13 and 14 are now effective for fiscal years beginning after June 15, 2021. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This statement is effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

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(2) Investments

The Authority's investment policy is in accordance with the laws of the State of Texas. The Authority may purchase investments as authorized by the Trust Agreement and as further authorized by the revised investment policy and strategy approved by the Board of Directors in February, 2019. These investments include:

- Government Obligations - shall mean (i) direct obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by two nationally recognized credit rating agencies not less than "A" or its equivalent, and (iii) obligations of a state, agency, county, municipality, or other political subdivision of a state that have been refunded and that, on the date purchased are rated as to investment quality by two nationally recognized credit rating agencies not less than "A" or its equivalent, with a stated maturity not to exceed 5 years.
- Certificates of deposit, including certificates of deposit of the Trustee, where the certificates are collaterally secured by Government Obligations and held by a third party as escrow agent or custodian, of a fair value not less than the amount of the certificates of deposit so secured, including interest, but this collateral is not required to the extent the certificates of deposit are insured by an agency of the United States of America with a stated maturity not to exceed one year.
- Direct and reverse repurchase agreements as defined by the Public Funds Investment Act ("PFIA") under the terms of a Securities Industry and Financial Markets Association Master Repurchase Agreement and collateralized in accordance with this investment policy.
- Banker's acceptances with a stated maturity of 180 days or less and whose endorsing banks are constantly monitored as to financial solvency by the Investment Officers.
- Commercial paper rated not less than "A1"/"P1" (or an equivalent rating) by at least two nationally recognized credit rating agencies with a stated maturity of 180 days or less.
- Money market funds, including money market funds affiliated with the Trustee, that invest solely in obligations of the United States of America, its agencies and instrumentalities, and have a S&P rating of AA-Am-G or AAA-m, or a Moody's rating of Aaa.
- AAA-rated, SEC registered, no-load mutual funds with an average weighted maturity of less than two years and invested exclusively in obligations authorized in the Authority's Investment Policy, continuously rated as to investment quality by at least one nationally recognized credit rating agency. Such no-load mutual funds are not authorized for bond proceeds, reserves, and funds held for debt service in accordance with the PFIA.
- Investments may be made in Permitted Investments through an eligible investment pool as permitted by Texas Government Code, Chapter 2256, as amended. An eligible investment pool is a constant dollar, Texas local government investment pool as described by the PFIA and authorized by the Board.
- Collateralized guaranteed investment contracts ("GICs"), with a defined termination date and secured by direct obligations of the U.S. or its agencies and instrumentalities and pledged to the Authority. GICs are restricted to use for investment of bond proceeds.
- Interest bearing bank savings deposits issued by state and national banks, a savings bank, or a state or federal credit union (having their main or branch office in Texas) that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund (or their successor organizations). Also included are collateralized interest bearing savings deposits that have secured the uninsured portion of deposits with obligations of the U.S. Treasury and/or Federal agencies and instrumentalities.

The Authority does not invest in financial instruments other than those authorized by the Authority's Trust Agreement and the Investment Policy. The Authority reports all securities and debt instruments with readily determinable fair values to be carried at fair value, with changes in fair value reflected in the Statements of Revenues, Expenses, and Changes in Net Position.

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(a) Deposits

The 360 Tollway did not have any cash deposits as of December 31, 2019.

(b) Investments

As of December 31, 2019 the maturity values were as follows:

Description	2019			WAM(*)
	Maturity Value (in Yrs)			
	Fair Value	Less Than 1 Yr	1 Yr or More	
Government Pool	16,229,456	16,229,456	-	1
Total Investments	\$ 16,229,456	\$ 16,229,456	\$ -	1

*WAM = Weighted Average Maturity (in days)

(c) Interest Rate Risk

Investment portfolios are designed with the objective of attaining the best possible rate of return commensurate with the Authority's investment risk constraints and the cash flow characteristics of the portfolio. Return on investments, although important, is subordinate to the safety and liquidity objectives. The weighted average yield-to-maturity of the portfolio for December 31, 2019 was 1.56% in comparison to 2.31% in 2018. The weighted average maturity in days was 1 day for 2019, compared to 1 day for 2018. The Authority does not have a formal policy on Interest Rate Risk.

(d) Credit Risk

Per the Investment Policy, on the date of the purchase of any Government Obligation purchased by the Authority, the obligation must have a rating as to investment quality by a nationally recognized investment firm of not less than "AAA" or its equivalent.

As of December 31, 2019, 360 Tollway was invested 100% in AAAM rated State and Local Government Pool, TexStar, which carries investments at amortized cost. J.P. Investment Management, Inc. and Hilltop Securities, Inc. serve as co-administrators for TexStar under an agreement with the TexStar board of directors.

The local government investment pool in which 360 Tollway invests is structured similarly to money market mutual funds, to provide its liquidity needs. TexStar was established in conformity with the interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. These funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. These funds seek to maintain a constant net asset value of \$1.00, although this cannot be fully guaranteed. TexStar is rated AAAM and must maintain a dollar weighted average maturity not to exceed a 60 day limit.

(e) Concentration of Credit Risk

As of December 31, 2019, 100% of the total portfolio was invested in TexStar.

(3) Capital Assets

Capital assets are summarized as follows:

	January 1, 2019	Additions	Disposal	Depreciation	Adjustments (transfers, etc.)	December 31, 2019
Roadway	\$ 315,808,649	\$ -	\$ -	\$ -	\$ -	\$ 315,808,649
Total capital assets	\$ 315,808,649	\$ -	\$ -	\$ -	\$ -	\$ 315,808,649

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(4) **Loans Payable**

360 Tollway Loan

Debt service requirements on the Project Loan payable subsequent to December 31, 2019 are as follows:

Fiscal Years	Principal amount	Interest amount	Total
2020	\$ -	\$ -	\$ -
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025-2029	-	68,081,616	68,081,616
2030-2034	37,151,924	79,531,773	116,683,697
2035-2039	45,746,895	70,412,843	116,159,738
2040-2044	56,330,284	59,184,281	115,514,565
2045-2049	69,362,105	45,358,029	114,720,134
2050-2053	85,408,792	28,333,120	113,741,912
Interest Accretion	17,922,516	-	17,922,516
Total principal and interest	\$ 311,922,516	\$ 350,901,662	\$ 662,824,178

Financial Backstop Agreement

To provide support for TxDOT's efforts to develop, finance and construct the 360 Tollway and NTTA's efforts to operate and maintain the 360 Tollway, the Regional Transportation Council (the "RTC"), TxDOT and NTTA entered into a Financial Backstop Agreement State Highway 360 dated February 28, 2014 (the "*Financial Backstop Agreement*"). Under the Financial Backstop Agreement, if 360 Tollway revenues are insufficient to make scheduled payments on the Project Loan or operating and maintenance costs, NTTA is required to submit a draw request for the shortfall and TxDOT, on behalf of the RTC and subject to certain conditions, is required to make a draw on the Financial Backstop Agreement in the amount of the shortfall. NTTA is required to repay the draw plus interest to the RTC only from available 360 Tollway revenue. The Financial Backstop Agreement is not secured by the revenues of the NTTA System.

Reverter and Nonrecourse

If the obligations of the RTC under the Financial Backstop Agreement are determined to be inoperative or if the RTC otherwise fails to perform its obligations under the Financial Backstop Agreement, and TxDOT's rights under the Financial Backstop Agreement to self-effectuate a cure are unenforceable or otherwise unavailable, then

- (i) if 360 Tollway revenues are insufficient to make at least 50% of any scheduled Project Loan payment, NTTA will be required to transfer to TxDOT, from other sources available to NTTA, the difference between 50% of the scheduled Project Loan payment and the amount of 360 Tollway revenues available to make such payment, and
- (ii) any shortfall in a scheduled Project Loan payment will be added to the Project Loan balance and NTTA will be required to pay such shortfall to TxDOT, together with interest thereon, on before the earlier of the fifth anniversary of the applicable payment date or the maturity date of the Project Loan.

If NTTA fails to make a payment described above, NTTA will have 90 days after written notice from TxDOT to make such payment. If NTTA does not make such payment within the 90-day period, the 360 Tollway Project Agreement and all of NTTA's rights thereunder will automatically terminate and title to the 360 Tollway will revert to TxDOT. NTTA's failure to make any such payment to TxDOT will not constitute a default under the 360 Tollway Project Agreement, and the obligations of NTTA under the 360 Tollway Project Agreement are subject to the availability of 360 Tollway revenues to perform such obligations.

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(5) Employees' Retirement Plan

The Authority's employees' retirement plans do not apply to the 360 Tollway. For detailed information of these retirement plans, the separate financial statements of the NTTA System may be obtained from the North Texas Tollway Authority, Finance Department.

(6) Risk Management

The Authority's risk management programs do not apply to the 360 Tollway. For additional information, the separate financial statements of the NTTA System may be obtained from the North Texas Tollway Authority, Finance Department.

(7) Post-Employment Benefits

The 360 Tollway does not have any employees. The Authority provides all accounting and administrative services. Additionally, the Authority's employees' post employment benefit plans do not apply to the 360 Tollway. For detailed information of these plans, the separate financial statements of the Authority may be obtained from the North Texas Tollway Authority, Finance Department.

(8) Disaggregation of Receivable Balances

The 360 Tollway has an unrestricted accounts receivable balance of \$1,441,739 as of December 31, 2019. The unrestricted balance consists of \$1,205,141 for billed video tolls (net of allowance for doubtful accounts of \$2,912,917) and \$236,598 for unbilled video tolls (net of allowance for doubtful accounts of \$315,877).

Based upon the payment history for each 30 day bucket of aged billed toll receivables, an allowance is calculated for the expected percentage that will remain unpaid based upon these historical trends. The allowance for uncollectible receivables currently ranges from a minimum of 20% on invoices that are current (age of 0-30 days) to a maximum of 100% for invoices that have met the business rules for write-off with an overall average of 70.74% reserved for all invoices.

The 360 Tollway books as an account receivable the value of uninvoiced Zip Cash transactions that are categorized as "matched, current address," with an allowance for uncollectible receivables of 20%. These transactions will be invoiced on the customer's next monthly invoice as all business rules have been met. The 360 Tollway also books as an accounts receivable the value of invoiced transactions that are categorized as "matched, current address, not meeting business rules" with an allowance for uncollectible receivables of 85%. Unmatched transactions are not recorded by the 360 Tollway.

(9) Subsequent Events

COVID-19 Pandemic

The State of Texas declared a state of emergency in March 2020 due to the COVID-19 global pandemic. The 360 Tollway anticipates a financial impact resulting from the effects of the COVID-19 outbreak. During this evolving situation, North Texas Tollway Authority will continue to analyze the impact of the 360 Tollway financial position. North Texas Tollway Authority has developed and instituted a phased financial response plan that includes implementing expense reductions, delaying the start of certain capital projects and securing liquidity facilities.

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Required Supplementary Information

December 31, 2019

Modified Approach - Infrastructure

The Authority has elected to use the Modified Approach to account for maintenance of the 360 Tollway infrastructure assets. In February 2019, the Authority's General Engineering Consultant (GEC), Atkins North America, Inc. completed the annual inspection of the 360 Tollway and is pleased to report that the 360 Tollway has been maintained in good repair, working order, and condition. This inspection was done in accordance with the requirements set forth in the NTTA System Amended and Restated Trust Agreement Section 504. This observation was based on a general visual inspection of the roadway, walls, bridges and facilities.

The GEC Annual Inspection assessed four main elements of the 360 Tollway: roadway, bridges, walls, and buildings/facilities. The roadway portion of the inspection focused on the pavement, drainage structures, erosion issues, signing, striping, illumination, barriers, main lane and ramp plaza gantries, and overall safety of the corridor. The bridge inspection addressed the deck, superstructure, and substructure. The wall inspection focused on panels, joints, coping, flumes, mow strips, inlets, rails, slope paving, visible underdrain pipes, sound walls, and adjacent elements. There were no NTTA buildings/facilities inspected in FY 2019 on the 360 Tollway.

Inspections were conducted in accordance with NTTA's Project Delivery Department's Quality Management System (QMS) Manual Procedure GEC-01 and involve a general visual examination of element features. Items observed were recorded and rated using a five-point scale (Table 1).

Inspection Rating

Table 1: GEC Annual Inspection Rating		
Grade	Rating	Description
5	Excellent	Feature in like-new condition. No maintenance required
4	Good	Feature performing as expected. Routine maintenance necessary.
3	Average/ Fair	Feature functionality/operability is fair. Maintenance required to prevent future damage to system.
2	Poor	Feature functionality/operability is substandard. Maintenance required to protect public or system.
1	Emergency	Feature functionality/operability is critical. Immediate maintenance required to protect public or system.

The 360 Tollway has been maintained in good repair, working order, and condition. Using the GEC Annual Inspection Rating Scale, no observations were rated below a 3 on the four main elements inspected.

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Required Supplementary Information

December 31, 2019

Condition Assessment and Inventory

A comprehensive condition assessment on all the 360 Tollway assets was conducted in September 2019. The Authority's Maintenance Management Consultant performed condition assessments of the Authority's roadway pavement and the Texas Department of Transportation provided condition assessments for bridges as part of the National Bridge Inspection Program. Assessment procedures and representative work samples were reviewed by NTTA's General Engineering Consultants, Atkins North America, Inc. Governmental Accounting Standards Board (GASB) Statement 34 requires all governments and governmental organizations perform asset condition assessments every three years. The MMC develops and maintains an inventory of NTTA's infrastructure assets throughout the System. Condition ratings and a replacement cost are assigned to each asset. The MMC inventory and GEC inspection provide the foundation for complying with GASB Statement 34. The 2019 condition rating for the 360 Tollway is 9.3 out of 10.

Condition Index

A Condition Index is a measure of the "intrinsic value" of the asset as opposed to the book value. A Condition Index with a value of 10.0 is considered "like new"; conversely, a Condition Index with a value of 0.0 is considered "unusable." The evaluation resulted in an average Condition Index of 9.3 for all of the assets combined. The following table shows the Condition Index rating for the year 2019.

Condition Index Table		
Condition Index		
Fiscal Year	<u>Current</u>	<u>Goal</u>
2019	9.3	8.0



360 Tollway

Schedule 1

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Budget and Actual Revenues and Expenses

Year ended December 31, 2019

(Unaudited)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Toll revenues	11,524,300	17,272,097 (*)	5,747,797
Interest revenue	-	202,890	202,890
Other revenues	802,164	1,536,144	733,980
Operating revenues	<u>12,326,464</u>	<u>19,011,131</u>	<u>6,684,667</u>
Operating expenses:			
Administration:			
O&M services	2,614,856	2,576,216	(38,640)
Tolling services	4,514,231	3,870,398	(643,833)
Operating expenses	<u>7,129,087</u>	<u>6,446,614</u>	<u>(682,473)</u>
Net revenues available	<u>5,197,377</u>	<u>12,564,517</u>	<u>7,367,140</u>

(*) net of uncollectible of \$2,596,924

See accompanying independent auditors' report.