



**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, 2018**

**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, 2018**

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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, 2018, 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. 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, 2018, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

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, 2018, 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.

### ***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, 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.

  
Crowe LLP

Dallas, Texas  
June 7, 2019

**360 Tollway**  
**(An Enterprise Fund of the North Texas Tollway Authority)**  
Management's Discussion and Analysis  
December 31, 2018

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, 2018. 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, 2018

**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 9-11 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 13-19 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 2018 Highlights**

- The 360 Tollway's total net position was \$20,905,145.
- Toll revenues were \$9,139,097, net of bad debt expense. Toll revenues exceeded the estimate from the Authority's traffic and toll revenue engineer, CDM Smith, Inc. (CDM) of \$5,789,500 by 57.9%.
- Total traffic transactions (excluding non-revenue transactions) were 10,081,394, exceeding CDM's estimate of 8,872,600 by 13.6%.
- Operating expenses were \$5,185,390, comprised of \$1,045,095 of Operations & Maintenance (O&M) Services, and \$4,139,485 in Tolling Services.
- Interest expense associated with the Project Loan was \$5,310,375.

**360 Tollway**  
 (An Enterprise Fund of the North Texas Tollway Authority)  
 Management's Discussion and Analysis  
 December 31, 2018

**Summary of Operation**

**Table A-1**  
 Net Position

		2018
Current assets	\$	5,565,538
Noncurrent assets		
Capital assets:		
Nondepreciable		315,808,649
Total assets		321,374,187
Current liabilities		1,158,667
Long-term debt		299,310,375
Total liabilities		300,469,042
Net position:		
Restricted for debt service		20,905,145
Total net position	\$	20,905,145

The net position of the 360 Tollway for fiscal year 2018 was \$20,905,145 indicating a current ratio of 4.80.

Working capital was \$4,406,873 in fiscal year 2018. Total current assets were \$5,565,539 at the end of fiscal year 2018. Investments, which represents the largest component of current assets, were \$4,498,717 for the fiscal year. The remaining \$1,066,821 is comprised of accrued interest receivable of \$10,416, accounts receivable of \$914,857, and inter-project/interagency receivables of \$141,548.

Total current liabilities were \$1,158,667 at the end of fiscal year 2018, consisting of \$949,486 for payables due to the NTTA System, and \$209,181 of payables related to O&M services.

**360 Tollway**  
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 Management's Discussion and Analysis  
 December 31, 2018

**Table A-2**  
 Change in Net Position

	2018
Revenues	
Tolls	\$ 9,139,097
Other	453,164
Operating revenues	9,592,261
Operating expenses	5,185,390
Operating income	4,406,871
Nonoperating revenue (expenses):	
Interest expense	(5,310,375)
Net nonoperating revenue (expenses):	(5,310,375)
Change in net position	(903,504)
Capital contribution	21,808,649
Net position- beginning	-
Net position - ending	\$ 20,905,145

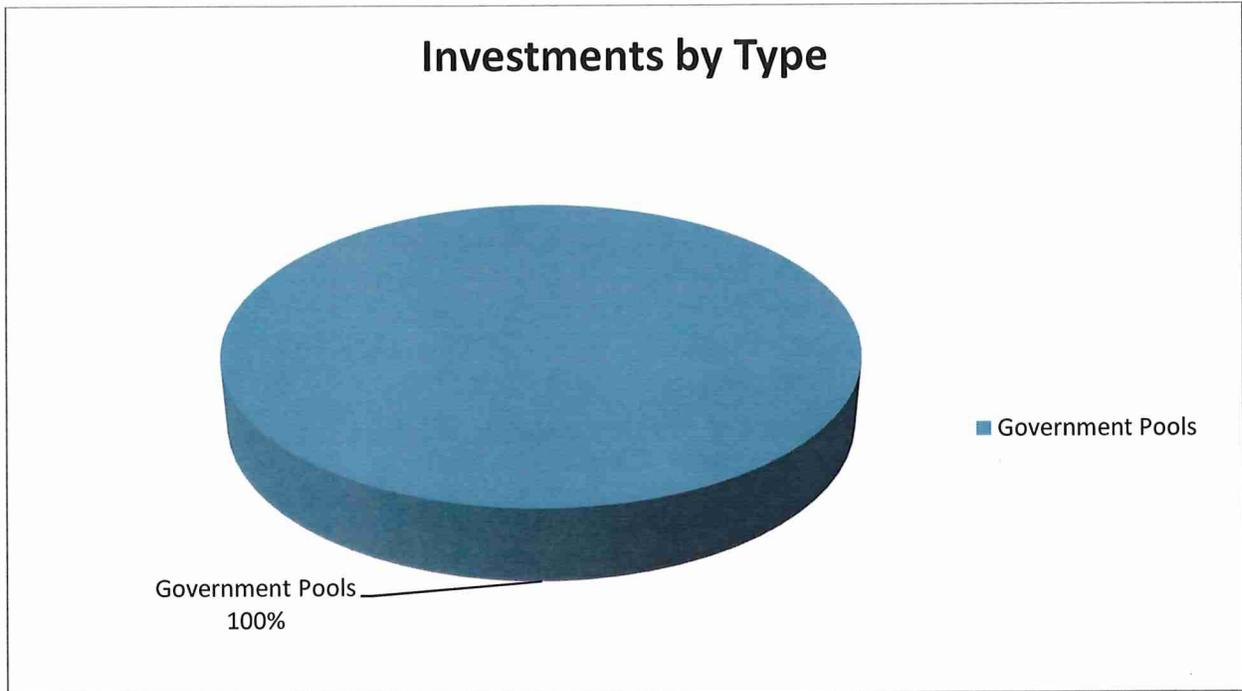
Total operating revenues were \$9,592,261 for fiscal year 2018. Toll revenues were \$9,139,097 (net of bad debt expense of \$1,139,885). Other revenues of \$453,164 consisted of \$415,244 in late fees and \$37,920 in interest earnings.

Total operating expenses for fiscal year 2018 were \$5,185,390.

**360 Tollway**  
(An Enterprise Fund of the North Texas Tollway Authority)  
Management's Discussion and Analysis  
December 31, 2018

**Investments:** The 360 Tollway investments at December 31, 2018 were approximately \$4.5 million. Chart A-3 below shows the type of authorized investment in the December 31, 2018 portfolio.

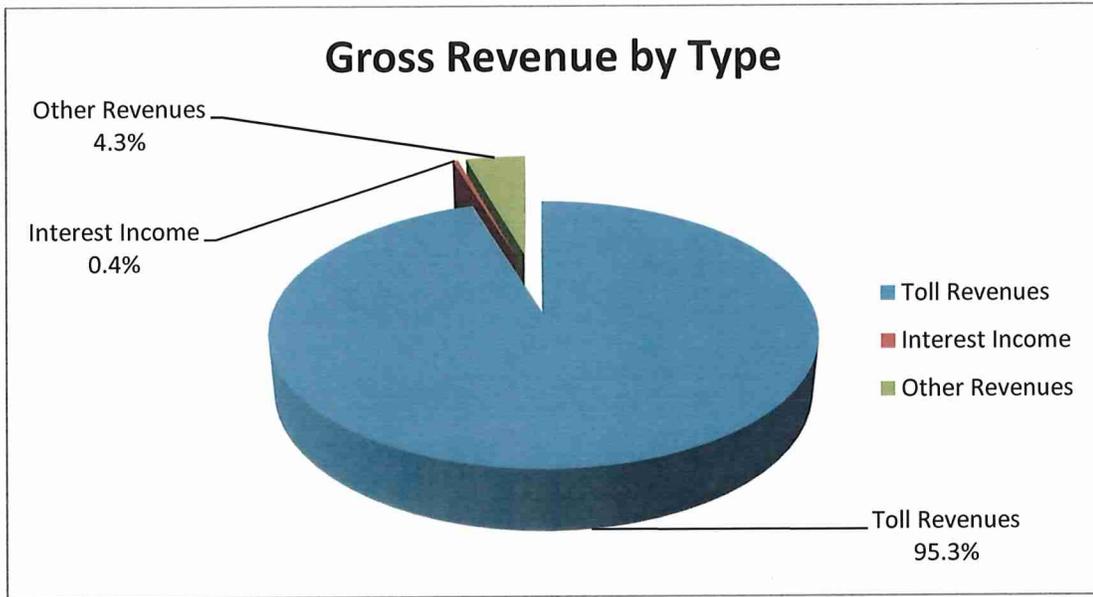
Chart A-3



**360 Tollway**  
(An Enterprise Fund of the North Texas Tollway Authority)  
Management's Discussion and Analysis  
December 31, 2018

Chart A-4 below shows 360 Tollway revenue in fiscal year 2018 by revenue source type.

**Chart A-4**



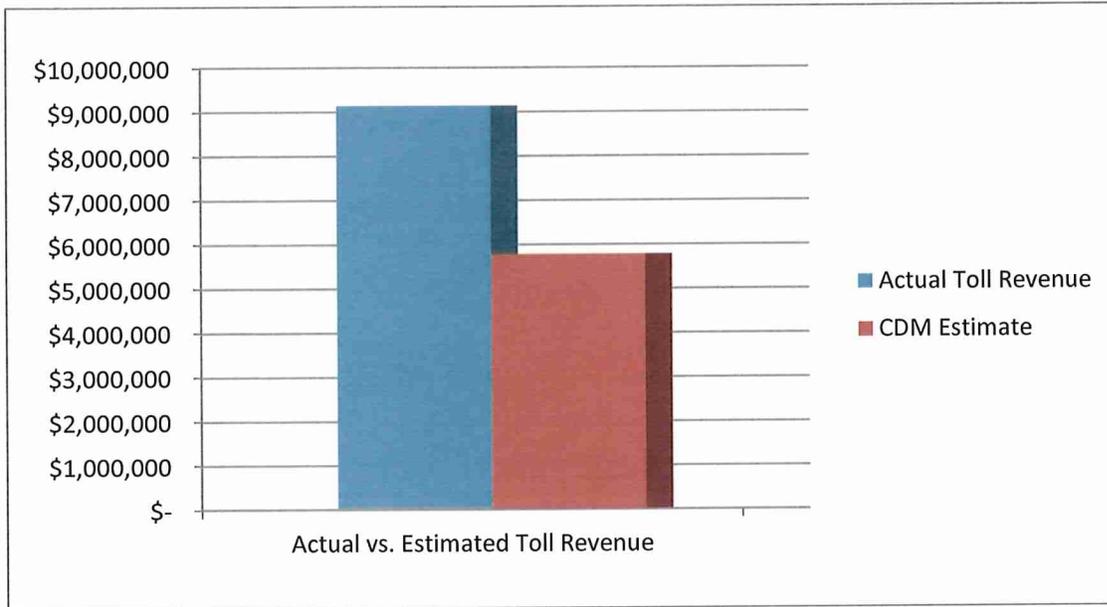
Operating revenues for fiscal year 2018 were \$9,592,261. Toll revenues of \$9,139,097 (net of uncollectible of \$1,139,885) account for 95.3% of total operating revenue.

Other revenue accounted for \$453,164 or 4.7% of total operating revenue. This was made up of \$415,244 (or 4.3%) for administrative fees during the collection of tolls from violators and interoperability fees and \$37,920 (or 0.4%) from interest income.

**360 Tollway**  
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Chart A-5 below shows the 360 Tollway actual toll revenue for fiscal year 2018 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 57.9%.

**Chart A-5**



Average daily revenue transactions for fiscal year 2018 were 41,149 (May-December) following opening to traffic.

**Engineering Estimates**

The annual toll revenue projected by CDM is displayed in comparison to the actual revenue in Table A-6 below:

**Table A-6**  
 Actual vs Estimated (Toll Revenue)

Year	Actual	Estimated	Variance
2018	\$ 9,139,097	\$ 5,789,500	3,349,597

**360 Tollway**  
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 Management's Discussion and Analysis  
 December 31, 2018

**Capital Assets** – The 360 Tollway's investment in capital assets consist of the 360 Tollway roadway. Capital assets at December 31, 2018 were \$315,808,649. For additional information on capital assets see Note (1) (e) and Note (3).

**Loan** – At the end of fiscal year 2018, the 360 Tollway Project Loan's outstanding principal was \$299,310,375 (See Table A-4 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, 2018, see page 19 (Note 4).

**Table A-7**  
 TxDOT SH 360 Loan- Outstanding Principal

<u>Fiscal Years</u>	<u>As of Fiscal Year 2018</u>
2018	\$ -
2019	-
2020	-
2021	-
2022	-
2023-2027	-
2028-2032	37,151,924
2033-2037	45,746,895
2038-2042	56,330,284
2043-2047	69,362,105
2048-2052	85,408,792
Interest Accretion	5,310,375
<b>Total</b>	<b>\$ 299,310,375</b>

**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.



**STATE HIGHWAY 360 TOLLWAY**  
 (An Enterprise Fund of the North Texas Tollway Authority)  
 Statement of Net Position  
 December 31, 2018

	<b>Assets</b>	<u><b>Total</b></u>
<b>Current assets:</b>		
Investments (note 2)		\$ 4,498,717
Accrued interest receivable		10,416
Accounts receivable (net of allowance for uncollectibles) (note 8)		914,857
Intergovernmental receivable		<u>141,548</u>
Total current assets		<u>5,565,538</u>
<b>Noncurrent assets:</b>		
<b>Capital assets:</b>		
Nondepreciable (note 3)		<u>315,808,649</u>
Total noncurrent assets		<u>315,808,649</u>
<b>Total assets</b>		<u><b>321,374,187</b></u>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Intergovernmental payable		<u>1,158,667</u>
Total current liabilities		<u>1,158,667</u>
<b>Noncurrent liabilities:</b>		
Loan payable - TxDOT		<u>299,310,375</u>
Total noncurrent liabilities		<u>299,310,375</u>
<b>Total liabilities</b>		<u><b>300,469,042</b></u>
<b>Net Position</b>		
Net investment in capital assets		16,498,274
<b>Restricted for:</b>		
Debt service		<u>4,406,872</u>
<b>Total net position</b>		<u><b>\$ 20,905,146</b></u>

See accompanying notes to basic financial statements

**STATE HIGHWAY 360 TOLLWAY**  
 (An Enterprise Fund of the North Texas Tollway Authority)  
 Statement of Revenues, Expenses and Changes in Net Position  
 Year ended December 31, 2018

	<b>Total</b>
Operating revenues:	
Tolls	\$ 9,139,097
Other	453,164
Total operating revenues	9,592,261
Operating expenses:	
Operations and maintenance services	1,045,905
Tolling services	4,139,485
Total operating expenses	5,185,390
<b>Operating income</b>	<b>4,406,871</b>
Nonoperating expenses:	
Interest expense	(5,310,375)
Net nonoperating expenses	(5,310,375)
Loss before capital contributions, subsidies, and transfers	(903,504)
Capital contribution	21,808,649
Change in net position	20,905,145
Beginning net position	-
<b>Ending net position</b>	<b>\$ 20,905,145</b>

See accompanying notes to basic financial statements

**STATE HIGHWAY 360 TOLLWAY**  
 (An Enterprise Fund of the North Texas Tollway Authority)  
 Statement of Cash Flows  
 Year ended December 31, 2018

	<b>Total</b>
<b>Cash flows from operating activities:</b>	
Receipts from customers and users	\$ 8,535,856
Payments to contractors and suppliers	(4,026,723)
<b>Net cash provided by operating activities</b>	<b>4,509,133</b>
<b>Cash flows from capital and related financing activities:</b>	
<b>Net cash used for capital and related financing activities</b>	<b>-</b>
<b>Cash flows from investing activities:</b>	
Purchase of investments	(8,732,605)
Proceeds from sales and maturities of investments	4,223,471
<b>Net cash used by investing activities</b>	<b>(4,509,133)</b>
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents, beginning of the year	-
Cash and cash equivalents, end of the year	-
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	4,406,871
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts receivable	(1,056,405)
Increase in accounts payable	1,158,667
Total adjustments	102,262
<b>Net cash provided by operating activities</b>	<b>\$ 4,509,133</b>
<b>Noncash financing activities:</b>	
Interest accretion on loan payable	5,310,375

On August 1, 2018, the 360 Tollway construction was completed and ownership of the project excluding right of way and frontage roads was transferred from the Texas Department of Transportation to the Authority. The roadway was valued at \$315,808,649 the acquisition value as of the date of donation. The Authority concurrently assumed the Project Loan of \$294 million associated with the roadway, resulting in a capital contribution of \$21,808,649.

See accompanying notes to the basic financial statements



**360 TOLLWAY**  
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NOTES TO BASIC FINANCIAL STATEMENTS  
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**360 TOLLWAY**  
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NOTES TO BASIC FINANCIAL STATEMENTS  
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(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.

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NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2018

**(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.

**(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.

The 360 Tollway's substantial completion date was August 2018. As required by GASB 34, a complete condition assessment of the roadway will be completed within three years.

**(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 has issued the following pronouncements which became effective for the fiscal year 2018.

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Implementation of this statement did not have an impact on the financial statements of the 360 Tollway.

GASB Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

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NOTES TO BASIC FINANCIAL STATEMENTS  
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GASB Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement establishes accounting and financial reporting requirements for when a government places cash and other monetary assets from existing resources (as opposed to debt proceeds) in an irrevocable trust to extinguish the debt. Implementation of this statement did not have an impact on the financial statements of the 360 Tollway.

The GASB has issued the following statements which will be effective in future years as described below. The impact on the 360 Tollway financial statements of implementation has not yet been determined for 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. The requirements of this Statement are effective for periods beginning after June 15, 2018.

GASB Statement No. 84, *Fiduciary Activities* is effective for periods beginning after December 15, 2018. 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 effective for periods beginning after December 15, 2019. 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. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* is effective for periods beginning after June 15, 2018. The 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.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2019. 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.

GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61* is effective for reporting periods beginning after December 15, 2018. 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.

GASB Statement No. 91, *Conduit Debt Obligations* is effective for periods beginning after December 15, 2020. 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.

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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, 2018. These investments include:

- Government Obligations- shall mean (i) direct, non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) non-callable 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 a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (iii) non-callable obligations of a state or an agency or a 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 a nationally recognized investment rating firm not less than "AAA" or its equivalent.
- 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 market 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.
- 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. Bond proceeds may be invested in a single flex repurchase agreement if the Executive Director and the Chief Financial Officer determine that such an investment is necessary to comply with federal tax arbitrage restrictions, to facilitate arbitrage record-keeping, calculations and expenditure draws, or (iii) to lock in positive yields in a declining interest rate environment. The term of any direct repurchase agreement may not exceed one year, except that the term of a flex repurchase agreement used for bond proceeds may exceed one year but must be based on the expenditure plan of the bonds. The term of any reverse repurchase agreement may not exceed 90 days after the date the reverse repurchase agreement is delivered. Money received by the Authority under the terms of a reverse repurchase agreement shall be used to acquire additional authorized investments, but the stated maturity of authorized investments acquired must not exceed the expiration date of the reverse repurchase agreement.
- 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 having a rating by S&P of AAAM-G or AAA-m if rated by Moody's, having a 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. Constant dollar, Texas local government investment pools 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.

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 market 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, 2018.

**(b) Investments**

As of December 31, 2018 the maturity values were as follows:

Description	2018			WAM(*)
	Maturity Value (in Yrs)			
	Reported Value	Less Than 1		
	Yr	1 Yr or More		
Government Pool	4,498,717	4,498,717		1
<b>Total Investments</b>	<b>\$ 4,498,717</b>	<b>\$ 4,498,717</b>	<b>\$ -</b>	<b>1</b>

\*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, 2018 was 2.31%. The weighted average maturity in days was 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, 2018, 360 Tollway was invested 100% in AAAM rated State and Local Government Pool, TexStar, which carries investments at amortized cost. JPMorgan 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, 2018, 100% of the total portfolio was invested in TexStar.

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**(3) Capital Assets**

Capital assets are summarized as follows:

	January 1, 2018	Additions	Disposal	Depreciation	Adjustments (transfers, etc.)	December 31, 2018
Roadway	\$ -	\$ 315,808,649	\$ -	\$ -	\$ -	\$ 315,808,649
<b>Total capital assets</b>	<b>\$ -</b>	<b>\$ 315,808,649</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 315,808,649</b>

**(4) Loans Payable**

**360 Tollway Loan**

Debt service requirements on the Project Loan payable subsequent to December 31, 2018 are as follows:

<b>360 Tollway Loan Payable</b>			
<b>Fiscal Years</b>	<b>Principal amount</b>	<b>Interest amount</b>	<b>Total</b>
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024-2028	-	68,081,616	68,081,616
2029-2033	37,151,924	81,125,532	118,277,456
2034-2038	45,746,895	72,375,314	118,122,209
2039-2043	56,330,284	61,600,762	117,931,047
2044-2048	69,362,105	48,333,555	117,695,659
2049-2052	85,408,792	31,997,024	117,405,816
Interest Accretion	5,310,375	-	5,310,375
<b>Total principal and interest</b>	<b>\$ 299,310,375</b>	<b>\$ 363,513,803</b>	<b>\$ 662,824,178</b>

**(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.

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**(8) Disaggregation of Receivable Balances**

The 360 Tollway has an unrestricted accounts receivable balance of \$914,857 as of December 31, 2018. The unrestricted balance consists of \$694,481 for billed video tolls (net of allowance for doubtful accounts of \$913,989) and \$220,376 for unbilled video tolls (net of allowance for doubtful accounts of \$225,896).

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 56.8% 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.



**360 Tollway**

**Schedule 1**

**(An Enterprise Fund of the North Texas Tollway Authority)**

Budget and Actual Revenues and Expenses

Year ended December 31, 2018

**(Unaudited)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Toll revenues	5,789,500	9,139,097 (*)	3,349,597
Interest revenue	-	37,920	37,920
Other revenues	368,577	415,244	46,667
Operating revenues	<u>6,158,077</u>	<u>9,592,261</u>	<u>3,434,184</u>
Operating expenses:			
Administration:			
O&M services	2,576,420	1,045,905	(1,530,515)
Tolling services	3,581,657	4,139,485	557,828
Operating expenses	<u>6,158,077</u>	<u>5,185,390</u>	<u>(972,687)</u>
Net revenues available	<u>-</u>	<u>4,406,871</u>	<u>4,406,871</u>

(\*) net of uncollectible of \$1,139,885

See accompanying independent auditors' report.