



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, 2020

**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, 2020

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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, 2020, 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, 2020, 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 a 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, 2020, and the changes in its financial position and its cash flows for the year then ended, in accordance 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, 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 11, 2021, 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 the effectiveness of the 360 Tollway's internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 360 Tollway's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Dallas, Texas
June 11, 2021

360 Tollway

(An Enterprise Fund of the North Texas Tollway Authority)

Management's Discussion and Analysis

December 31, 2020

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, 2020. 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, 2020

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 2020 Highlights

- The 360 Tollway's total net position decreased by \$2,600,284 compared to fiscal year 2019, due to a 7.2% decrease in total operating revenues mainly due to the COVID-19 epidemic.
- The 360 Tollway's toll revenues of \$16,224,820, net of bad debt expense decreased \$1,047,277 or 6.1% compared to fiscal year 2019, due to a 7.2% decrease in traffic transactions. Toll revenues were less than the estimate of \$19,033,000 from the Authority's traffic and toll revenue engineer, CDM Smith, Inc. (CDM) by 14.8%.
- The 360 Tollway's total traffic transactions (excluding non-revenue transactions) for fiscal year 2020 were 17,442,133, a decrease of 1,388,950 or 7.4% compared to fiscal year 2019 and less than the CDM's estimate of 20,577,700 by 15.2%.
- The 360 Tollway's operating expenses of \$6,977,285 increased by \$530,670 or 8.2% over fiscal year 2019. Operating expenses were comprised of \$3,006,541 of Operations & Maintenance (O&M) Services, and \$3,970,744 in Tolling Services.
- The 360 Tollway's interest expense (associated with the Project Loan) of \$13,256,707 increased \$644,566 or 5.1% over fiscal year 2019.

360 Tollway
 (An Enterprise Fund of the North Texas Tollway Authority)
 Management's Discussion and Analysis
 December 31, 2020

Summary of Operations

Table A-1
 Net Position

	2020	2019
Current assets	\$ 29,388,180	\$ 17,796,711
Noncurrent assets:		
Capital assets:		
Nondepreciable	315,808,649	315,808,649
Total assets	<u>345,196,829</u>	<u>333,605,360</u>
Current liabilities	1,760,368	825,322
Long-term debt	<u>325,179,223</u>	<u>311,922,516</u>
Total liabilities	<u>326,939,591</u>	<u>312,747,838</u>
Net position:		
Investment in capital assets	(9,370,574)	3,886,133
Restricted for debt service	<u>27,627,812</u>	<u>16,971,389</u>
Total net position	<u>\$ 18,257,238</u>	<u>\$ 20,857,522</u>

The net position indicates a current ratio 16.69 and 21.56 for fiscal year 2020 and fiscal year 2019, respectively. Working capital was \$27,627,812 and \$16,971,389 in fiscal year 2020 and fiscal year 2019, respectively. Total current assets were \$29,388,180 in fiscal year 2020, compared to \$17,796,711 in fiscal year 2019. Investments, which represents the largest component of current assets, were \$27,770,222 for the fiscal year. The remaining \$1,617,958 is comprised of accrued interest receivable of \$3,471, accounts receivable of \$1,523,351, and inter-project/interagency receivables of \$91,136.

Total current liabilities were \$1,760,368 at the end of fiscal year 2020, consisting of \$457,131 for payables due to the NTTA System, and \$1,303,237 of payables related to O&M services.

360 Tollway
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Management's Discussion and Analysis
December 31, 2020

Table A-2
Change in Net Position

	2020	2019
Revenues		
Tolls	\$ 16,224,820	\$ 17,272,097
Other	1,408,888	1,739,035
Operating revenues	<u>17,633,708</u>	<u>19,011,132</u>
Operating expenses	<u>6,977,285</u>	<u>6,446,614</u>
Operating income	10,656,423	12,564,518
Nonoperating expenses:		
Interest expense	<u>(13,256,707)</u>	<u>(12,612,141)</u>
Net nonoperating expenses:	<u>(13,256,707)</u>	<u>(12,612,141)</u>
Change in net position	(2,600,284)	(47,623)
Net position - beginning	<u>20,857,522</u>	<u>20,905,145</u>
Net position - ending	<u>\$ 18,257,238</u>	<u>\$ 20,857,522</u>

Total operating revenues were \$17,633,708 for fiscal year 2020 and \$19,011,132 for fiscal year 2019. Toll revenues in fiscal year 2020 were \$16,224,820 (net of bad debt expense of \$2,912,726), an 6.1% decrease compared to fiscal year 2019 toll revenues of \$17,272,097 (net of bad debt expense of \$2,596,924). Traffic on the 360 Tollway decreased with average daily transactions of 47,656 in fiscal year 2020 as compared to 51,592 in fiscal year 2019, respectively.

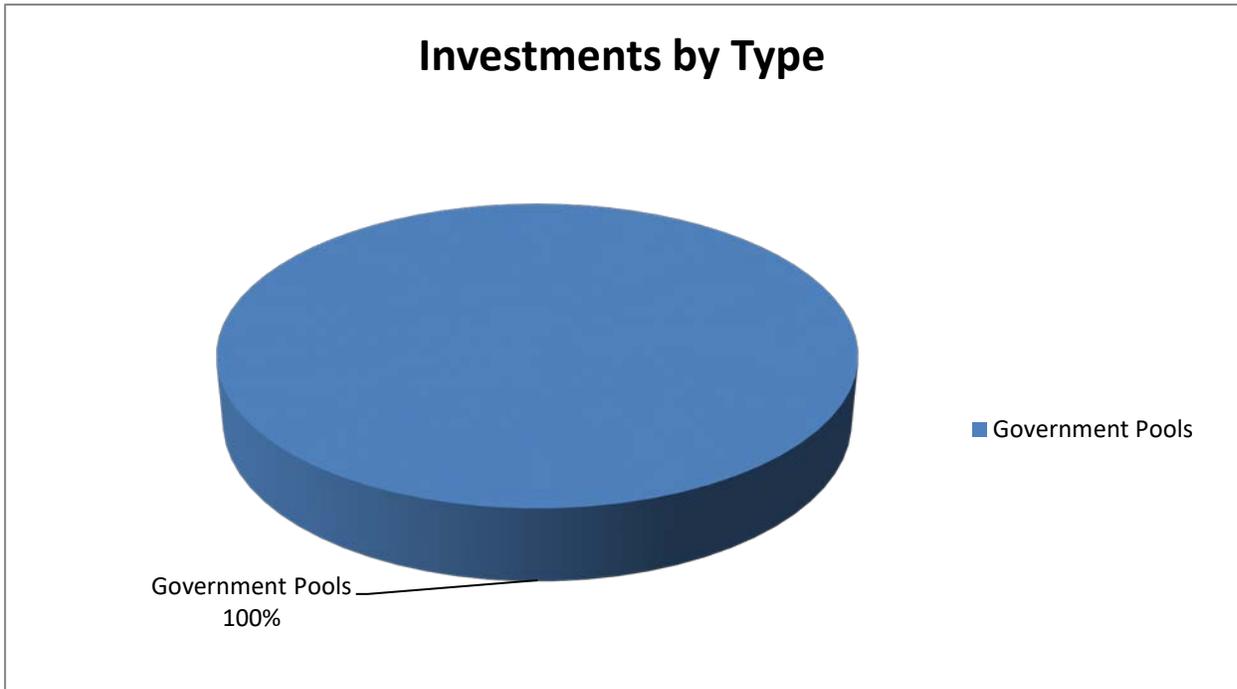
Total operating expenses for fiscal year 2020 were \$6,977,285 representing an 8.2% increase over fiscal year 2019 operating expenses of \$6,446,614. Interest expense for fiscal year 2020 was \$13,256,707, a 5.1% increase from fiscal year 2019 interest expense of \$12,612,141.

The overall financial position in fiscal year 2020 decreased by \$2,600,284 from fiscal year 2019.

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Management's Discussion and Analysis
December 31, 2020

Investments: The 360 Tollway investments at December 31, 2020 and 2019 were approximately \$27,770,222 and \$16,229,456 respectively. Chart A-3 below shows the type of authorized investment in the December 31, 2020 portfolio.

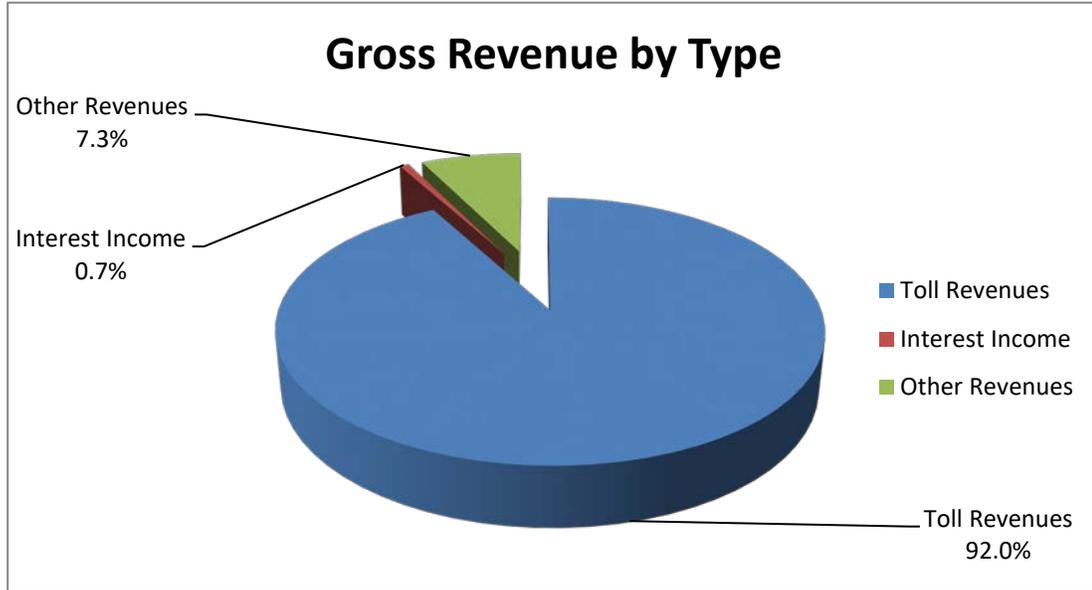
Chart A-3



360 Tollway
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Management's Discussion and Analysis
December 31, 2020

Chart A-4 below shows 360 Tollway revenue in fiscal year 2020 by revenue source type.

Chart A-4

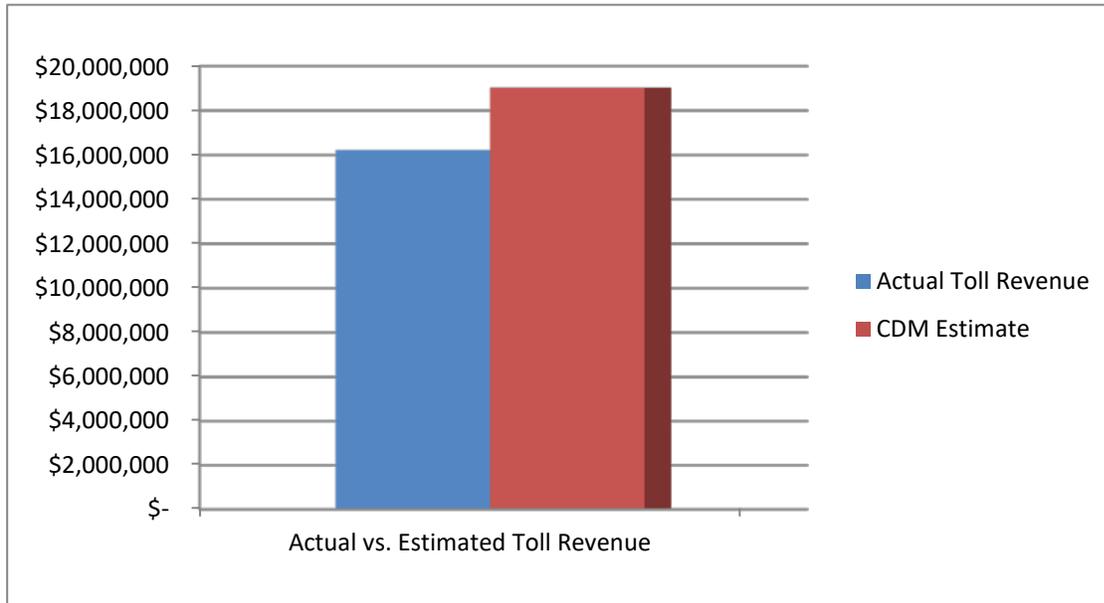


Net operating revenues for fiscal year 2020 were \$17,633,708, a 7.2% decrease from fiscal year 2019 net revenues of \$19,011,131. Toll revenues of \$16,224,820 (net of uncollectible of \$2,912,726) account for 92.0% of total revenue. The remaining 8.0% of total revenue consisted of Interest Income of \$120,894 or 0.7% and Other Revenues of \$1,287,994 or 7.3% for administrative fees during the collection of tolls from violators and interoperability fees.

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 Management's Discussion and Analysis
 December 31, 2020

Chart A-5 below shows the 360 Tollway actual toll revenue for fiscal year 2020 compared to the toll revenue projection by the Authority's traffic and toll revenue engineer, CDM Smith Inc. (CDM). Toll revenue was less than CDM's estimates by 17.3%.

Chart A-5



Traffic on the 360 Tollway decreased to approximately 47,656 average daily transactions in fiscal year 2020, down 7.4% from the 51,592 daily averages in fiscal year 2019.

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

- Decrease in transactions due to the COVID-19 epidemic and the stay at home orders implemented by the State governing body.

Engineering Estimates

The annual toll revenue projected by CDM displayed below is in comparison to the actual revenue of the 360 Tollway for the years of 2018 through 2020 in Table A-6 below:

Table A-6
 Actual vs Estimated
 (Toll Revenue)

Year	Actual	Estimated	Variance
2020	\$ 16,224,820	\$ 19,033,000	\$ (2,808,180)
2019	17,272,097	11,524,300	5,747,797
2018	9,139,097	5,789,500	3,349,597

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Management's Discussion and Analysis

December 31, 2020

Capital Assets – The 360 Tollway's investment in capital assets consist of the 360 Tollway roadway. Capital assets at December 31, 2020 were \$315,808,649, unchanged from the previous fiscal year. For additional information on capital assets see Note (1) (f) and Note (3).

Loan – At the end of fiscal year 2020, the 360 Tollway Project Loan's outstanding principal was \$325,179,223 compared to \$311,922,516 in fiscal year 2019 (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, 2020, see page 23 (Note 4).

Table A-7

TxDOT SH 360 Loan - Outstanding Principal

Fiscal Years	2020	2019
2021	-	-
2022	-	-
2023	-	-
2024	-	-
2025		
2026-2030	13,940,205	13,940,205
2031-2035	40,376,943	40,376,943
2036-2040	49,718,012	49,718,012
2041-2045	61,220,105	61,220,105
2046-2050	75,383,169	75,383,169
2051-2053	53,361,566	53,361,566
Interest Accretion	31,179,223	17,922,516
Total	\$ 325,179,223	\$ 311,922,516

Economic Factors

The State of Texas declared a state of emergency in March 2020 due to the COVID-19 global pandemic. The 360 Tollway experienced a financial impact resulting from the effects of the COVID-19 outbreak primarily as a result of reduced revenue vehicle transactions. During this evolving situation, the Authority continues to analyze the impact on its financial position. North Texas Tollway Authority has instituted a phased financial response plan that includes expense reductions, delaying the start of certain capital projects and securing liquidity facilities.

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.



360 TOLLWAY
(An Enterprise Fund of the North Texas Tollway Authority)
Statement of Net Position
December 31, 2020

	Total
Assets	
Current assets:	
Investments (note 2)	\$ 27,770,222
Accrued interest receivable	3,471
Accounts receivable (net of allowance for uncollectibles) (note 8)	1,523,351
Intergovernmental receivable	91,136
Total current assets	29,388,180
Noncurrent assets:	
Capital assets:	
Nondepreciable (note 3)	315,808,649
Total noncurrent assets	315,808,649
Total assets	345,196,829
Liabilities	
Current liabilities:	
Accounts payable	457,131
Intergovernmental payable	1,303,237
Total current liabilities	1,760,368
Noncurrent liabilities:	
Loan payable - TxDOT (note 4)	325,179,223
Total noncurrent liabilities	325,179,223
Total liabilities	326,939,591
Net Position	
Net investment in capital assets	(9,370,574)
Restricted for:	
Debt service	27,627,812
Total net position	\$ 18,257,238

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, 2020

	Total
Operating revenues:	
Tolls	\$ 16,224,820
Other	1,408,888
Total operating revenues	17,633,708
Operating expenses:	
Operations and maintenance services	3,006,541
Tolling services	3,970,744
Total operating expenses	6,977,285
Operating income	10,656,423
Nonoperating expenses:	
Interest expense	(13,256,707)
Net nonoperating expenses	(13,256,707)
Loss before capital contributions, subsidies, and transfers	(2,600,284)
Change in net position	(2,600,284)
Beginning net position	20,857,522
Ending net position	\$ 18,257,238

See accompanying notes to basic financial statements

SH360 Tollway
(An Enterprise Fund of the North Texas Tollway Authority)
Statement of Cash Flows
Year Ended December 31, 2020

	Total
Cash flows from operating activities:	
Receipts from customers and users	\$ 17,565,841
Payments to contractors and suppliers	(6,042,240)
Net cash provided by operating activities	11,523,601
 Cash flows from investing activities:	
Purchase of investments	(17,582,706)
Proceeds from sales and maturities of investments	6,059,105
Net cash provided used by investing activities	(11,523,601)
 Net increase (decrease) in cash and cash equivalents	-
 Cash and cash equivalents, beginning of the year	-
Cash and cash equivalents, end of the year	\$ <u><u>-</u></u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	10,656,423
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts receivable	(67,867)
Increase in accounts payable	935,045
Total adjustments	867,178
Net cash provided by operating activities	\$ 11,523,601
 Noncash financing activities:	
Interest accretion on loan payable	13,256,707

See accompanying notes to basic financial statements.



360 TOLLWAY
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NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2020

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NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2020

(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, 2020

(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. The 360 Tollway has implemented 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. This statement had no effect on the 360 Tollway financial statements.

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.

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.

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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. 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.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting For Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

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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 March, 2020. 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 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.

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, 2020.

(b) Investments

As of December 31, 2020 the maturity values were as follows:

Description	2020			WAM(*)
	Maturity Value (in Yrs)			
	Fair Value	Less Than 1 Yr	1 Yr or More	
Government Pool	27,770,222	27,770,222	-	1
Total Investments	\$ 27,770,222	\$ 27,770,222	\$ -	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, 2020 was 0.15% in comparison to 1.56% in 2019. The weighted average maturity in days was 1 day for 2020, compared to 1 day for 2019. 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, 2020, 360 Tollway was invested 100% in AAAM rated State and Local Government Pool, LOGIC, which carries investments at amortized cost. JPMorgan Investment Management, Inc. and Hilltop Securities, Inc. serve as co-administrators for LOGIC under an agreement with the LOGIC 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. LOGIC 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. LOGIC 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, 2020, 100% of the total portfolio was invested in LOGIC.

(3) Capital Assets

Capital assets are summarized as follows:

	January 1, 2020	Additions	Disposal	Depreciation	Adjustments (transfers, etc.)	December 31, 2020
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, 2020 are as follows:

360 Tollway Loan Payable			
Fiscal Years	Principal amount	Interest amount	Total
2021	\$ -	\$ -	\$ -
2022	-	-	-
2023	-	-	-
2024	-	6,538,912	6,538,912
2025	-	15,385,676	15,385,676
2026-2030	13,940,205	78,317,844	92,258,049
2031-2035	40,376,943	74,289,523	114,666,467
2036-2040	49,718,012	63,957,817	113,675,828
2041-2045	61,220,105	51,235,906	112,456,011
2046-2050	75,383,169	35,570,825	110,953,994
2051-2053	53,361,566	12,348,452	65,710,018
Interest Accretion	31,179,223	-	31,179,223
Total principal and interest	\$ 325,179,223	\$ 337,644,955	\$ 662,824,178

The following schedule summarizes the 360 Tollway loan outstanding balance as of December 31, 2020:

Description	Balance beginning of year	Increases	Decreases	Balance end of year	Due within one year
360 Tollway Loan	\$ 311,922,516	13,256,707	-	\$ 325,179,223	-

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

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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.

(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 \$1,523,351 as of December 31, 2020. The unrestricted balance consists of \$1,246,652 for billed video tolls (net of allowance for doubtful accounts of \$3,378,983) and \$276,699 for unbilled video tolls (net of allowance for doubtful accounts of \$299,011).

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 73.05% 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

The \$446,045,000 North Texas Tollway Authority System Second Tier Revenue and Refunding Bonds, Series 2021B (the "Series 2021B Bonds") will be issued by NTTA as fully registered bonds, without coupons, in denominations of \$5,000 or any integral multiple thereof within a maturity and will be dated their date of delivery. The Series 2021B Bonds will be issued for the purpose of (i) refunding all of NTTA's outstanding commercial paper notes issued pursuant to NTTA's commercial paper note program, (ii) refinancing the 360 Tollway Project Loan with the Texas Department of Transportation ("TxDOT"), (iii) making a deposit to the Shared Second Tier Debt Service Reserve Fund and (iv) paying costs of issuance of the Series 2021B Bonds. At the time of issuance of the Bonds and application of the proceeds thereof to refinance the 360 Tollway Project Loan, the 360 Tollway will be transferred to and become part of the NTTA System. It is expected that delivery of the Bonds will be made through DTC, New York, New York on or about May 25, 2021.

(10) Financial Impact of COVID-19

The Pandemic is ongoing, and its dynamic nature leads to uncertainties, including the ultimate geographic spread of the virus, the severity of the disease, the duration of the Pandemic, and actions that may be taken by governmental authorities to treat the disease or contain the outbreak such as continuing or imposing additional restrictions due to a resurgence of COVID-19. The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may continue to reduce or adversely affect the 360 Tollway traffic volume and resulting revenues. It is unclear at this time what effect COVID-19 and resulting economic disruption may have on future traffic volume and resulting revenues.

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Required Supplementary Information

December 31, 2020

Modified Approach - Infrastructure

The Authority has elected to use the Modified Approach to account for maintenance of the 360 Tollway (360T) infrastructure assets. In September 2020, 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 360T 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 360T: 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. The facility inspection focused on the interior and exterior maintenance of facilities located on the 360T.

Inspections were conducted in accordance with NTTA's Project Delivery Department's Quality Management System (QMS) Manual Procedure GEC-01 (Appendix B) 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 360T 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

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Condition Assessment and Inventory

A comprehensive condition assessment on all the 360T assets was conducted in September 2020. 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 2020 GASB rating for the 360T is 9.1 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 9.1 for all of the assets combined. The following table shows the Condition Index rating for the years 2019 through 2020.

Condition Index Table		
Condition Index		
Fiscal Year	Current	Goal
2020	9.1	8.0
2019	9.3	8.0



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Budget and Actual Revenues and Expenses

Year ended December 31, 2020

(Unaudited)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Toll revenues	19,033,000	16,224,820 (*)	(2,808,180)
Interest revenue	-	120,894	120,894
Other revenues	1,145,232	1,287,994	142,762
Operating revenues	<u>20,178,232</u>	<u>17,633,708</u>	<u>(2,544,524)</u>
Operating expenses:			
Administration:			
O&M services	3,632,407	3,006,541	(625,866)
Tolling services	4,139,260	3,970,744	(168,516)
Operating expenses	<u>7,771,667</u>	<u>6,977,285</u>	<u>(794,382)</u>
Net revenues available	<u>12,406,565</u>	<u>10,656,423</u>	<u>(1,750,142)</u>

(*) net of uncollectible of \$2,912,726

See accompanying independent auditors' report.