Basic Financial Statements and Report of Independent Certified Public Accountants

City of Dallas, Texas
Airport Revenues Fund
(An Enterprise Fund of the City of Dallas)

September 30, 2019

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Mayor and Members of City Council
City of Dallas, Texas

Report on the financial statements
We have audited the accompanying statement of net position of the Airport Revenues Fund (the "Fund"), an Enterprise Fund of the City of Dallas, Texas (the "City") as of September 30, 2019 and the related statements of revenues, expenses and changes in fund net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Fund'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 Fund'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 Fund'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 Airport Revenues Fund of the City of Dallas, Texas as of September 30, 2019 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Airport Revenues Fund and do not purport to, and do not, present fairly the financial position of the City of Dallas, Texas, as of September 30, 2019, the changes in its financial position, or, where applicable, 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 3 through 9, the Schedule of Changes in the City's Net Pension Liability and Related Ratios, the Schedule of City Contributions to the Pension Plan, Notes to the Schedule of City Contributions to the Pension Plan, and the Schedule of Changes in the City’s Total OPEB Liability and Related Ratios - Other Postemployment Benefits on pages 56 through 61 be presented to supplement the basic financial statements. Such information, although not a required 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. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures 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.

Grant Thornton LLP

Dallas, Texas
April 15, 2020

City of Dallas, Texas
Airport Revenues Fund
(An Enterprise Fund of the City of Dallas)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

September 30, 2019
(Amounts in thousands)

As management of the Airport Revenues Fund (the "Fund"), an enterprise fund of the City of Dallas (the "City"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Fund (including the activities of a blended component unit, the Love Field Airport Modernization Corporation "the LFAMC") for the fiscal year ended September 30, 2019. The Fund's management's discussion and analysis is designed to (1) assist the reader in focusing on significant issues, (2) provide an overview of the fund's financial activity, (3) identify changes in the fund's financial position (its ability to address the next and subsequent year challenges), and (4) identify fund issues or concerns. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Fund exceeded its liabilities and deferred inflows of resources at September 30, 2019, by $615.2 million (net position). Of this amount, $2.9 million may be used to meet the Fund's on-going obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.

- The Fund's total net position increased by $33.9 million in fiscal year 2019 and increased by $16.9 million in fiscal year 2018. This represents an increase of $17.1 million in the change in net position from 2018 to 2019. This was primarily attributable to an increase of $28.5 million in total revenues, an increase of $19.6 million in total expenses and an increase of $8.2 million in capital contributions. Total revenue increased primarily due to an increase in rental fees, landing fees and concession revenues. Total expenses increased primarily due to increase in personnel services and contractual services.

- The total balance of the revenue obligation bonds outstanding was $240.6 million, including the premium of $18.4 million, at September 30, 2019.

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OVERVIEW OF THE FINANCIAL STATEMENTS

The Fund's basic financial statements are comprised of three components: 1) management's discussion and analysis, 2) financial statements, and 3) notes to the basic financial statements.

<u>Financial Statements</u>

The financial statements are designed to provide readers with a broad overview of the Fund's finances, in a manner similar to a private-sector business, and are made up of the statement of net position, statement of revenues, expenses, and changes in fund net position, and statement of cash flows. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The statement of net position presents information on all of the Fund's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Fund is improving or deteriorating.

The statement of revenues, expenses, and changes in fund net position presents information showing how the Fund's net position changed during the fiscal 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. revenues earned but unbilled and earned but unused compensated absences).

The statement of cash flows reflects changes to the beginning cash and cash equivalents balance. Cash flows are categorized into operating, non-capital financing, capital and related financing, and investing activities.

<u>Notes to the Basic Financial Statements</u>

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found immediately following the financial statements.

FINANCIAL ANALYSIS

The Fund's combined net position was $615.2 million as of September 30, 2019. This analysis focuses on the assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position (Table 1) and changes in fund net position (Table 2) of the Fund's activities.

Table 1
Condensed Statements of Net Position
(In thousands)

	2019	2018*
Current and other non-current assets	$ 230,038	$ 212,871
Capital assets, net	1,204,192	1,186,859
Deferred outflows of resources	33,505	7,810
Total assets and deferred outflows of resources	1,467,735	1,407,540
Current liabilities	54,734	46,109
Long-term liabilities	789,905	760,962
Deferred inflows of resources	7,871	19,184
Total liabilities and deferred inflows of resources	852,510	826,255
Net Position:		
Net investment in capital assets	494,336	479,735
Restricted	117,957	87,465
Unrestricted	2,932	14,085
Net position	$ 615,225	$ 581,285

* On the Fund's Condensed Statement of Net Position for September 30, 2018, $19.3 million of net position has been reclassified from restricted net position to net investment in capital assets to conform with the September 30, 2019 presentation.

The largest portion of the Fund's net position reflects its investments in capital assets (e.g., land, buildings, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The Fund uses these capital assets to provide services to citizens, and consequently they are not available for future spending. Although the Fund's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities. Net position increased by $ 33.9 million. Unrestricted net position is approximately $2.9 million at September 30, 2019.

FINANCIAL ANALYSIS - Continued

During fiscal year 2019, the Fund's current and other noncurrent assets increased $17.2 million, primarily as a result of an overall increase in cash and cash equivalents for passenger facility charges, and increase in cash and cash equivalents for payments on outstanding debt, and offset mainly by a decrease in other investment for payments on construction projects.

As of the end of fiscal year 2019, the Fund's long-term liabilities increased $28.9 million primarily due to an increase in net pension liability, and an increase in other postemployment benefits liability, offset mainly by principal payments of obligation for revenue credit agreement and revenue bonds.

Analysis of the Operations of the Airport Revenues Fund

The following table provides a summary of the Fund's operations for the year ended September 30, 2019.

Table 2
Changes in Fund Net Position
(In thousands)

	2019	2018
Revenues:		
Operating revenues	$154,344	$128,251
Passenger Facility Charges (PFC)	29,404	29,150
Investment income	4,885	2,714
Gain on property disposal	1	-
Total revenues	188,634	160,115
Expenses:		
Personnel services	32,327	21,147
Supplies and materials	7,979	7,736
Contractual and other services	51,249	46,066
Depreciation and amortization	37,123	32,521
Interest on bonds and notes	34,573	36,227
Total expenses	163,251	143,697
Income before capital contributions and transfers	25,383	16,418
Capital contributions	8,966	777
Transfers in from other city funds	-	7
Transfers out to other city funds	(409)	(327)
Change in net position	33,940	16,875
Net position, beginning of year	581,285	564,410
Net position, end of year	$615,225	$581,285

FINANCIAL ANALYSIS - Continued

Net position increased $33.9 million in 2019, which represents an increase of $17.1 million from the increase in net position for 2018. This was primarily attributable to an increase in operating revenues, an increase in capital contributions, and offset with an increase in total expenses. The Fund's operating revenues increased $26.1 million, primarily due to an increase in terminal rental fee, an increase in landing fee, and an increase in concession revenues. Capital contributions increased $8.2 million, primarily due to higher amounts spent on construction by outside developers.

Total expenses increased $19.6 million. The Fund's personnel service increased by $11.2 million due to an increase in pension expenses. Contractual services increased $5.2 million, primarily due to an increase in professional service expenses, contractor service expenses and custodial service expenses. Additionally, the Fund's depreciation expense increased $4.6 million, and offset by a decrease of $1.7 million in interest expense.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2019, the Fund had $1.2 billion invested in a broad range of capital assets, net of accumulated depreciation. (See Table 3)

Table 3
Capital Assets
(Net of Accumulated Depreciation)
(In thousands)

	2019	2018
Land	$ 131,184	$ 131,184
Works of art	3,402	3,396
Construction in progress	75,198	43,229
Buildings	700,126	712,542
Improvements other than buildings	246,180	248,774
Infrastructure assets	1,537	1,631
Equipment	46,565	46,103
Totals	$1,204,192	$1,186,859

CAPITAL ASSET AND DEBT ADMINISTRATION - Continued

During fiscal year 2019, the Fund's capital assets (net of accumulated depreciation) increased $17.3 million primarily from the following major addition: Construction in progress, buildings, improvements other than buildings and equipment.

During fiscal year 2019, the net increase in construction in progress of $32.0 million resulted primarily from the following additions of construction projects: rehabilitation of taxiway B runway, Dallas executive airport fuel facility, police hanger and apron at Dallas executive airport, and rehabilitation of taxiway phase IV.

More detailed information about the Fund's capital assets is presented in Note 3 to the financial statements.

Debt

During fiscal year 2019, the Fund had $660.6 million in long-term debt and accretion outstanding, compared to $675.3 million in the prior fiscal year, as shown in Table 4. Outstanding debt at year end is primarily attributable to LFAMC issued obligations. During fiscal years 2015 and 2017, the LFAMC issued General Airport Revenue Bonds, Series 2015 and Series 2017, respectively. The outstanding balance of the revenue bonds was $240.6 million including the premium of $18.4 million at September 30, 2019. During fiscal year 2011, the LFAMC entered into a revenue credit agreement with an airline carrier, resulting in an obligation, which is reported in the financial statements as a liability. The balance of the obligation for the revenue credit agreement including the premium/discount was $411.1 million at September 30, 2019 and $419.3 million at September 30, 2018.

Table 4
Outstanding Debt at Year End
(In thousands)

	2019	2018
General Airport Revenue Bonds	$240,626	$246,931
Pension obligation bonds including premium, discount, and accretion	8,903	9,072
Obligation for revenue credit agreement	411,064	419,305
	$660,593	$675,308

More detailed information about the Fund's long-term liabilities is presented in Note 5 to the financial statements.

FUTURE ECONOMIC FACTORS

The FY 2019-20 budget and FY 2020-21 planned budget for AVI will support continued service to Dallas residents, visitors, and airport partners by providing safe, clean, and aesthetically appealing facilities for air travel. The FY 2019-20 budget includes 22 additional positions to enhance the goal of 24/7 Dallas Love Field operations and maintenance. To maintain current service levels for the traveling public, the FY 2019-20 budget also includes additional funding for custodial supplies and services, landscaping, repairs and maintenance of aging pavement, and updated ramp lighting. Also, the addition of a new paramedics team will enhance the security and safety of Dallas Love Field.

In late December 2019, the Novel Coronavirus or COVID-19, was identified in Wuhan, China. In late January 2020, the United States had its first confirmed case of the virus in Washington State. On January 30, 2020, the World Health Organization declared a "public health emergency of international concern." Throughout this time period, City management has been monitoring world, national, and local events and preparing for cases in the Dallas area.

On March 12, 2020, in response to the increasing concerns regarding COVID-19 across the nation, City of Dallas officials declared a "local state of disaster." Local officials announced the declaration to proactively increase preventative measures and put in place mitigation plans for events in the City. It is too early to identify the full impact of this virus on the Dallas economy or the Fund's financial position.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Fund's finances and to show the Fund's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the City Controller's Office at City of Dallas, 1500 Marilla, Room 2BS, and Dallas, Texas 75201.

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City of Dallas, Texas
Airport Revenues Fund
(An Enterprise Fund of the City of Dallas)

STATEMENT OF NET POSITION

September 30, 2019
(Amounts in thousands)

ASSETS	
Current assets	
Pooled cash and cash equivalents	$ 62,512
Receivables	
Accounts, net of allowance for doubtful accounts ($20)	6,929
Accrued interest	209
Due from other governments	2,121
Inventories, at cost	1,564
Prepaid expenses	434
Customer assessments receivable	50
Total current assets	73,819
Capital assets	
Nondepreciable	209,784
Depreciable, net of accumulated depreciation	994,408
Total capital assets, net	1,204,192
Other noncurrent assets	
Restricted assets	
Cash and cash equivalents held for construction purposes	1,602
Cash and cash equivalents held for future debt service	12,560
Cash and cash equivalents held for emergency repairs and replacements	5,000
Cash and cash equivalents held for operation and maintenance expenses	13,608
Cash and cash equivalents held for passenger facility charges	88,745
Other investments held for construction purposes	3,852
Other investments held for future debt service	30,852
Total other noncurrent assets	156,219
Total assets	1,434,230
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	10
Deferred outflows of resources related to other postemployment benefits	1,550
Deferred outflows of resource related to pensions	31,945
Total deferred outflows of resources	33,505
Total assets and deferred outflows of resources	$1,467,735

See accompanying notes to basic financial statements.

City of Dallas, Texas
Airport Revenues Fund
(An Enterprise Fund of the City of Dallas)

STATEMENT OF NET POSITION - Continued

September 30, 2019
(Amounts in thousands)

LIABILITIES	
Current liabilities	
Accrued payroll	$ 309
Accounts payable	5,577
Due to other governments	219
Compensated absences	974
Unearned revenue	3,682
Pension obligation bonds	151
Capital leases payable	1,225
General airport revenue bonds	8,230
Obligation for revenue credit agreement	8,500
Pollution remediation	30
Construction accounts payable	12,353
Accrued interest payable on bonds	13,484
Total current liabilities	54,734
Noncurrent liabilities	
Pension obligation bonds	5,906
Capital leases payable	69,386
General airport revenue bonds	232,396
Accreted interest on capital appreciation bonds	2,846
Obligation for revenue credit agreement	402,564
Pollution remediation	529
Compensated absences	915
Other post-employment benefits	10,975
Net pension liability	64,388
Total noncurrent liabilities	789,905
Total liabilities	844,639
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to other postemployment benefits	1,080
Deferred inflows of resources related to pensions	6,791
Total liabilities and deferred inflows of resources	852,510
NET POSITION	
Net investment in capital assets	494,336
Restricted	
Debt service	10,604
Emergency repairs and replacement	5,000
Operation and maintenance expenses	13,608
Passenger facility charges	88,745
Unrestricted	2,932
Total net position	$615,225

See accompanying notes to basic financial statements.

City of Dallas, Texas
Airport Revenues Fund
(An Enterprise Fund of the City of Dallas)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

September 30, 2019
(Amounts in thousands)

Operating revenues	
Concession fees	$ 63,002
Rental fees	57,656
Landing fees	27,211
Charges for services	4,278
Fuel flow fees	453
Licenses and permits	418
Intergovernmental	855
Other	471
Total operating revenues	154,344
Operating expenses	
Personnel services	32,327
Supplies and materials	7,979
Contractual and other services	51,249
Depreciation and amortization	37,123
Total operating expenses	128,678
Operating income	25,666
Non-operating income (expenses)	
Passenger Facility Charges (PFC)	29,404
Investment income	4,885
Gain on property disposal	1
Interest on bonds and notes	(34,573)
Total non-operating expenses	(283)
Income before capital contributions and transfers	25,383
Capital contributions	8,966
Transfers out to other city funds	(409)
Change in net position	33,940
Net position, beginning of year	581,285
Net position, end of year	$615,225

See accompanying notes to basic financial statements.

City of Dallas, Texas
Airport Revenues Fund
(An Enterprise Fund of the City of Dallas)

STATEMENT OF CASH FLOWS

Year ended September 30, 2019
(Amounts in thousands)

Cash flows from operating activities	
Cash received from customers	$ 158,882
Cash payments to suppliers for goods and services	(6,734)
Cash payments to employees for service	(19,687)
Cash payments for contractual services	(51,599)
Other operating cash receipts	418
Net cash provided by operating activities	81,280
Cash flows from non-capital financing activities	
Principal paid on pension obligation bonds	(152)
Interest paid on pension obligation bonds	(479)
Transfers to other funds	(409)
Net cash used in non-capital financing activities	(1,040)
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(43,169)
Proceeds from sale of fixed assets	2
Principal paid on revenue bonds	(3,885)
Principal paid on notes payable and other obligations	(9,170)
Interest paid on bonds, notes and other obligations	(37,144)
Passenger facility charges	29,553
Net cash used in capital and related financing activities	(63,813)
Cash flows from investing activities	
Purchase of investments	(39,758)
Maturity of investment	46,589
Investment income	5,026
Net cash provided by investing activities	11,857
Net increase in cash and cash equivalents	28,284
Cash and cash equivalents, beginning of year	155,743
Cash and cash equivalents, end of year	$ 184,027

See accompanying notes to basic financial statements.

City of Dallas, Texas
Airport Revenues Fund
(An Enterprise Fund of the City of Dallas)

STATEMENT OF CASH FLOWS - CONTINUED

Year ended September 30, 2019
(Amounts in thousands)

Reconciliation of operating income to net cash provided by operating activities	
Operating Income	$ 25,666
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	37,123
Change in assets and liabilities	
Decrease in accounts and other receivables	4,339
Increase in customer assessments receivable	(6)
Increase in inventories	(328)
Decrease in due from other governments	219
Increase in deferred outflows related to other post-employment benefits	(1,439)
Increase in deferred outflows related to pensions	(24,259)
Increase in accounts payable	1,573
Increase in accrued payroll	102
Increase in compensated absences	147
Decrease in allowance for doubtful accounts	(10)
Increase in unearned revenue	633
Increase in other post-employment benefits	1,204
Increase in net pension liability	48,198
Decrease in other liabilities	(569)
Increase in deferred inflows related to other post-employment benefits	642
Decrease in deferred inflows related to pensions	(11,955)
Total adjustments	55,614
Net cash provided by operating activities	$ 81,280
Cash and cash equivalents	
Pooled cash and cash equivalents	$ 62,512
Restricted cash and cash equivalents held for construction purposes	1,602
Restricted cash and cash equivalents held for debt service	12,560
Restricted cash and cash equivalents for emergency repairs and replacements	5,000
Restricted cash and cash equivalents for operation and maintenance expenses	13,608
Restricted cash and cash equivalents for passenger facility charges	88,745
Total cash and cash equivalents end of year	$184,027
Noncash investing, capital, and financing activities	
Capital contributions	$ 8,966
Premium/discount amortization	2,631
Accretion on capital appreciation bonds	48
Amortization of deferred gain/loss on refunding	3

See accompanying notes to basic financial statements.

NOTE 1 - FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Dallas, Texas (the "City") is a municipal corporation incorporated under Article XI, Section 5 of the Constitution of the State of Texas (Home Rule Amendment). The City operates under the Council-Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the City and its inhabitants.

The accompanying financial statements present only the financial position, changes in financial position, and cash flows of the Airport Revenues Fund (the "Fund") including a blended component unit, the Love Field Airport Modernization Corporation (the "LFAMC"), which is an enterprise fund of the City, and are not intended to and do not present the financial position and changes in financial position, or where applicable, the cash flows of the City. The City also administers other departments, whose operations are reflected in the Comprehensive Annual Financial Report of the City. However, certain disclosures are for the City as a whole, since such information is not available for the Fund on a separate fund basis (see notes 6, 7, 8, 9, and 10).

Blended Component Units

The criteria considered in determining component unit activities to be reported within the Fund's basic financial statements include whether: the organization is legally separate (can sue and be sued in their own name), the City appoints a voting majority of the organization's board, the City is able to impose its will on the organization, the organization has the potential to impose a financial benefit/burden on the City, or there is fiscal dependency by the organization on the City.

Blended component units, although legally separate entities, are included as part of the primary government because they meet the above criteria as well as serve or benefit the City exclusively. The City created the LFAMC, a Texas nonprofit local government corporation organized under Subchapter D of Chapter 431 of the Texas Transportation Code. The Corporation was formed to serve as a conduit financing entity for the purpose of issuing bonds to promote the development of the geographic area of the City included at or in the vicinity of Love Field Airport to promote, develop, and maintain the employment, commerce, aviation activity, tourism, and economic development in the city. The LFAMC was created to serve the City exclusively and its activity is included in the Fund's financial statements and information reported for the LFAMC is as of September 30, 2019.

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NOTE 1 - FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation

The Fund accounts for all activities in connection with the operations of the Dallas Love Field Airport, Dallas Executive Airport, and Heliport. These activities include, but are not limited to, administration, operation, maintenance, financing, and the related debt service, billing, and collection. This proprietary fund provides services that are intended to be financed primarily through user charges, or activities where periodic determination of net income is appropriate. The Fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Fund's principal ongoing operations. The principal operating revenues of the Fund are charges to customers for utilization of airport facilities while operating expenses include personnel services, contractual and other services, supplies and materials, and depreciation on capital assets.

Basis of Accounting

The accounting policies of the Fund, as reflected in the accompanying accrual-basis financial statements, conform to accounting principles generally accepted in the United States of America (GAAP) for local government enterprises as prescribed by the Governmental Accounting Standards Board (GASB). The Fund is accounted for using the economic resources measurement focus. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flow.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

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NOTE 1 - FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash, Deposits and Investments

In accordance with City policies, the Fund participates in the City's pooled cash and investment program which is administered by the City Controller's Office. A significant portion of cash and investments held by the City is pooled. The pooled cash and investment program of the City is operated under the provisions of City ordinance and a specific City investment policy. The policy states that the City shall invest cash balances over the anticipated amount needed to meet operating requirements. Investments are stated at fair value. The balance reported as "Cash and Cash Equivalents" represents the equity of the Fund in the pooled cash and investments of the City. The Fund's share of the interest earnings of the pooled investments is determined by allocating interest to each of the participating funds based on average daily balances.

Long-term pooled investments are reported as investments on the statement of net position. Investments in U.S. government obligations and other investments are recorded at fair value based on quoted market prices (Note 2).

Inventory

Inventory consists of construction and operating materials, which are valued at average cost and is recorded as an expense when consumed.

Prepaid Items

Prepaid items are payments made to vendors for services that will benefit periods beyond September 30, 2019. Prepaid items are recorded using the consumption method.

Restricted Assets

Proceeds of revenue bonds and other financing arrangements, as well as resources set aside for revenue bond repayment, are classified as restricted assets on the balance sheet when their use is limited by applicable covenants.

The assets restricted for revenue bond future debt service are used to report resources set aside to fulfill revenue bond debt reserve requirements. Other restricted assets include funds restricted for construction from revenue bond proceeds, contractual obligation debt service funds, and unspent grant proceeds. Assets restricted for a specific purpose are utilized before the use of unrestricted assets to pay related obligations when authorized to do so.

NOTE 1 - FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets

Capital assets include property, plant, equipment and improvements/infrastructure assets. Generally, equipment with an individual cost of at least $5 thousand, infrastructure with a cost of at least $25 thousand and buildings with a cost of at least $50 thousand and an estimated useful life of more than one year, are capitalized. Purchased or constructed capital assets are stated at cost or at estimated historical cost if original cost is not available. Assets acquired by donation are recorded at acquisition value on the date received. To the extent the construction is performed by the City, the capitalized cost includes direct payroll, payroll related costs, and certain general and administrative overhead expenses. Maintenance and repairs are charged to operations as incurred, whereas improvements and betterments that extend the useful lives of capital assets are capitalized.

Depreciation, which includes amortization of assets under capital leases, is computed using the straight-line method over the estimated useful or service lives of the related assets beginning on the date of acquisition or the date placed in service.

The estimated useful lives of the Fund's assets are as follows:

	Useful Life
Buildings	10-50 years
Infrastructure	50-100 years
Improvements other than buildings and runways	10-100 years
Equipment	3-25 years

Artwork is capitalized but not depreciated. These assets are maintained for public exhibition, education, or research and are being preserved for future generations. The proceeds from sales of any pieces of the collection are used to purchase other items for the collection.

Contributions of funds from federal, state, or local grants for the purpose of purchasing or constructing capital assets are recorded as capital contributions revenue as soon as all applicable eligibility requirements have been met.

NOTE 1 - FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Compensated Absences

The City's employees earn vacation, sick, and attendance incentive leave which may be used or accumulated up to certain amounts. Unused vacation and attendance incentive leave is paid upon death, retirement, or termination. Unused sick leave is reduced to a specified limit when paid upon retirement, certain terminations, or death.

In accordance with the criteria established in the Codification of Governmental Accounting Standards, Section C60, "Compensated Absences," a liability is recorded for vacation leave earned by employees attributable to past service and sick leave earned by employees attributable to past service only to the extent it is probable that such leave will result in termination pay. In addition, a liability has been recorded for certain salary related payments associated with the payment of accrued vacation and sick leave.

In the Fund's statement of net position, all compensated absence liabilities incurred are recorded as liabilities. At September 30, 2019, liabilities relating to vacation, attendance incentive leave, and sick leave were $1,889.

Risk Management

The City is self-funded for workers' compensation, employee health insurance, most property damage and the majority of tort liability exposures. Commercial insurance is used where it is legally required, contractually required, or judged to be the most effective way to finance risk. Indemnity and insurance protection are also required for all City contractors, vendors, lessees, and permit holders. Claims and judgments are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The recorded estimated liability for claims and judgments includes a provision for Incurred but Not Reported (IBNR) liabilities for workers' compensation, tort cases, and employee health insurance.

NOTE 1 - FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Fund has the following items that qualify for reporting in this category:

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – The pension contributions made from the measurement date of the pension plan to the current fiscal year end are deferred and will be recognized in the subsequent fiscal year.
- Difference in projected and actual earnings on pension assets and difference between estimated and actual experience related to pensions – These are amortized as a component of pension expense over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees) determined as of the beginning of the measurement period.
- Difference between estimated and actual experience related to other postemployment benefits (OPEB) - These are amortized as a component of OPEB expense over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period.
- Changes in assumptions related to pensions and OPEB – These are amortized as a component of pension and OPEB expense over a closed period of five years.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Fund has two items that qualify in this category These items qualify as deferred inflows of resources related to pensions and OPEB. A deferred inflow is recorded in the Fund's statement of net position for the difference in expected and actual experience in the actuarial measurement of the total pension and OPEB liabilities not recognized in the current year. The differences are amortized over the average remaining service life of all participants in the respective pension and OPEB plans and recorded as a component of pension expense beginning with the period in which they are incurred.

Also, changes in assumptions are amortized as a component of pension and OPEB expense over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions and benefits through the pension and OPEB plans (active employees and inactive employees) determined as of the beginning of the measurement period.

NOTE 1 - FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Bond Premiums, Discounts, and Issuance Costs

In the Fund's financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount. Issuance costs, except any portion related to prepaid insurance costs (if applicable), are recognized as an expense in the period incurred.

Transactions with Other City Departments

Transactions that would be recorded as revenues or expenses if they involved organizations external to the Fund are similarly treated when involving other funds of the City. These transactions include charges for administrative services, building rental, risk management services, vehicle maintenance and motor pool services, inventory, and office services and retirees' healthcare.

Net Position

In the Fund's financial statements, the net position is reported in three components: (1) net investment in capital assets; (2) restricted; and (3) unrestricted. Net investment in capital assets represents the Fund's total investment in capital assets, net of depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Statement of Cash Flows

For the purpose of the Statement of Cash Flows, the Fund considers pooled cash and cash equivalents and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

New Accounting Pronouncements

During fiscal year 2019, the City adopted the following Governmental Accounting Standard Board (GASB) Statements:

GASB Statement No. 83, "Certain Asset Retirement Obligations," was implemented as required by GASB during the fiscal year ending September 30, 2019. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The implementation of this statement did not result in any changes to the financial statements.

NOTE 1 - FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES – Continued

GASB Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements," was implemented as required by GASB during the fiscal year ending September 30, 2019. The objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of this statement did not have a material impact on the City's financial statements and related notes.

The GASB has issued the following statements which will be effective in future years as described below:

GASB Statement No. 84, "Fiduciary Activities," will be implemented as required by GASB during the fiscal year ending September 30, 2020. This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

GASB Statement No. 87, "Leases," will be implemented as required by GASB during the fiscal year ending September 30, 2021. 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 foundation principle that leases are financings of the right to use an underlying asset. The City is currently evaluating potential changes to the financial statements as a result of implementation of this Statement.

GASB Statement No. 90, "Majority Equity Interest – an amendment of GASB Statements No. 14 and No. 61," will be implemented as required by GASB during the fiscal year ending September 30, 2020. The objective of this statement is 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. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engage only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments: or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The City is currently evaluating potential changes to the financial statements as a result of implementation of this Statement.

(Amounts in thousands except where indicated)

NOTE 1 - FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES – Continued

GASB Statement No. 91, "Conduit Debt Obligations," will be implemented as required by GASB during the fiscal year ending September 30, 2022. The primary objectives of the 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 not disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving require not disclosures. The City is currently evaluating potential changes to the financial statements as a result of implementation of this Statement.

GASB State No. 92, "Omnibus 2020," will be implemented as required by GASB during fiscal year ending September 30, 2021, except for the requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The objectives of the Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

NOTE 2 - CASH, DEPOSITS, AND INVESTMENTS

A summary of the carrying amount of cash on hand, deposits, and investments at September 30, 2019 is as follows:

	Cash and Pooled Investments with City Treasury
Deposits	$ 20,438
Investments – cash and cash equivalents	42,074
Investments – restricted cash and cash equivalents	156,219
Total	$218,731

The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

(Amounts in thousands except where indicated)

NOTE 2 - CASH, DEPOSITS, AND INVESTMENTS - Continued

At September 30, 2019, the investments held for the Fund's General and Investment Pool Programs are as follows:

		Fair Value Measurement Using	
	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level2)
Investments by Fair Value Level			
Federal Agricultural Mortgage Corporation Notes	$ 11,387	$ -	$ 11,387
Federal Farm Credit Bank Notes	9,756	-	9,756
Federal Home Loan Bank Notes	42,881	-	42,881
Federal Home Loan Mortgage Corporation Notes	1,168	-	1,168
Federal National Mortgage Association Notes	6,229	-	6,229
Total Investments by Fair Value Level	$ 71,421	$ -	$ 71,421
Investments Measured at Fair Value			
Local Government Investment Pools	22,332		
Investments Measured at Net Asset Value (NAV)			
Money Market Mutual Funds	31,436		
Investments Measured at Amortized Cost			
Local Government Investment Pools	50,118		
Other Investments Measured at Purchase Cost			
Repurchase Agreements	22,986		
Total Investments	$ 198,293		

NOTE 2 - CASH, DEPOSITS, AND INVESTMENTS - Continued

The City invests in LOGIC, TexSTAR, Texas CLASS, TexPool, and Texas TERM, which are Local Government Investment Pools (LGIP) created under the Interlocal Cooperation Act, Texas Government Code Chapter 791, and the Public Funds Investment Act, Texas Government Code Chapter 2256. These two acts provide for the creation of LGIP's and authorize eligible governmental entities to invest their public funds and funds under their control through the investment pools. The LGIP's follow all requirements of the Public Funds Investment Act, including being rated by a nationally recognized rating agency, using amortized cost valuation, and, to the extent reasonably possible, stabilize at a $1 net asset value.

J.P. Morgan Investment Management Inc. and First Southwest Company (a division of Hilltop Securities) serve as co-administrators for the TexSTAR & LOGIC programs under agreements with each pool's respective board of directors. The TexSTAR governing board is a five-member Board consisting of three representatives of employees, officers or elected officials of participating government entities, and one member designated by each of the co-administrators. In addition, TexSTAR has an Advisory Board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool. The governing body of LOGIC is a five-member board of directors comprised of employees, officers or elected officials of participating government entities, or individuals who do not have a business relationship with LOGIC and are qualified to advise the pool. A maximum of two Advisory Board members represent the co-administrators of LOGIC.

Public Trust Advisors, LLC provides investment advisory services and administration and marketing services to Texas CLASS. Texas CLASS Board of Trustees oversees Texas CLASS. The Board is comprised of active members of the pool and elected by the Participants, guided by the Advisory Board. The Board is responsible for selecting the Administrator and Investment Advisors.

The Comptroller of Public Accounts for the State of Texas is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool and TexPool Prime. Pursuant to the TexPool Participation Agreement, administrative and investment services to the TexPool Portfolios are provided by Federated Investors, Inc., under an agreement with the State Comptroller, acting on behalf of the Trust Company. In addition, TexPool has an Advisory Board composed equally of participants in the TexPool Portfolios and other persons who do not have a business relationship with the TexPool Portfolios who are qualified to advise the TexPool Portfolios.

PFM Asset Management LLC serves as Investment Advisor and Administrator of TexasTERM. An Advisory Board is responsible for the overall management of the pool, including formation and implementation of its investment and operating policies. The members of the Advisory Board are local government officials elected by Texas TERM's investors.

(Amounts in thousands except where indicated)

NOTE 2 - CASH, DEPOSITS, AND INVESTMENTS - Continued

Deposit and Investment Risk Disclosures of Funds with the City Treasurer

GASB Statement No. 40, "Deposit and Investment Risk Disclosures", requires disclosure information related to common risks inherent in deposit and investment transactions. Investments are subject to certain types of risks, including custodial credit risk, concentration of credit risk, credit risk and interest rate risk and foreign currency risk. Exposure of deposited funds and investment risk are disclosed in the following sections of this note.

Custodial Credit Risk

Custodial credit risk is the risk that, in event of the failure of the counterparty, the Fund will not be able to recover the value of its deposit or collateral securities that are in the possession of an outside party. As of September 30, 2019, $20,438 was fully collateralized and insured by United States Federal Agency securities and the Federal Deposit Insurance Corporation. The collateral pledged to the City is held in the City's name at the Bank of New York Mellon. The FDIC insures demand accounts up to $250 thousand in the aggregate. At September 30, 2019, all deposits were either insured or collateralized.

Safekeeping of investment securities is provided by the City's depository and trust institutions. Securities are held in street name with the bank as nominee. As of September 30, 2019, the City's investments held by the counterparty, and not insured, are as follows:

Security type	Fair value
U.S. Agency Securities	$ 71,421

Texas statutes and City policy authorize operating, capital projects, bond reserve, and trust monies to be deposited in demand deposits, time deposits, or certificates of deposit. Texas statutes and City policy require all uninsured collected deposits to be fully collateralized.

(Amounts in thousands except where indicated)

NOTE 2 - CASH, DEPOSITS, AND INVESTMENTS - Continued

Concentration of Credit Risk

The Fund's concentration of credit risk for investments is shown below. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded.

Agency and Securities by Issuer	Fair value	Percent of Total Portfolio
Federal Agricultural Mortgage Corporation Notes	$ 11,387	15.94%
Federal Farm Credit Bank Notes	9,756	13.66%
Federal Home Loan Bank Notes	42,881	60.04%
Federal Home Loan Mortgage Corporation Notes	1,168	1.64%
Federal National Mortgage Association Notes	6,229	8.72%
Total	$ 71,421	100.00%

Credit Risk

The Public Funds Investment Act requires that investments shall be made in accordance with written policies approved at least annually by the governing body. Investment policies must address safety of principal, liquidity and yield, with primary emphasis on safety of principal. In accordance with this Policy, the City may invest in direct or guaranteed obligations of the U.S. Treasury, certain U.S. agencies and instrumentalities, and direct obligations of states and local governments with a credit rating no less than Aa3 or its equivalent; fully collateralized certificates of deposit and repurchase agreements; no-load money market mutual funds and local government investment pools with credit ratings no less than Aaa or its equivalent.

(Amounts in thousands except where indicated)

NOTE 2 - CASH, DEPOSITS, AND INVESTMENTS - Continued

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Money market mutual funds and local government investment pools in the City's portfolio are rated AAA by Standard & Poor's and/or Aaa by Moody's. U.S. Treasury Notes and Bills are obligations of the U.S. government and are not considered to have credit risk and thus are not rated (NR). Long-term bond ratings are used for the U.S. Government Agencies except for Federal Agricultural Mortgage Corporation (FAMC) Notes. U.S. Government Agencies are direct obligations of the United States agencies, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States agencies. Ratings for the City's portfolio are listed on the following table.

Security Type	Fair value	% of Total portfolio	S&P/Moody's ratings
Money market mutual funds and investment pools	$ 103,886	59.26%	AAAm/Aaa
Federal Agricultural Mortgage Corporation Notes	11,387	6.50%	Not Rated
U.S. Agency securities	60,034	34.24%	AA+/Aaa
Total Portfolio	$ 175,307	100.00%	
Repurchase Agreements	22,986		
Total Investments	$ 198,293		

Interest Rate Risk

In order to ensure the ability of the City to meet obligations and to minimize potential liquidation losses, the dollar-weighted average stated maturity of the Investment Pool shall not exceed 1.5 years. The weighted average maturity of the securities held in the City's portfolio at September 30, 2019 is as follows:

Security Type	Fair value	Weighted average maturity (days)
Money market mutual funds	$ 31,436	27
Local Government Investment Pools	72,450	41
U.S. Agency securities	71,421	80
Total Portfolio	175,307	54
Repurchase Agreements	22,986	
Total Investments	$198,293	

(Amounts in thousands except where indicated)

NOTE 3 - CAPITAL ASSETS

The Fund's capital asset activity for the year ended September 30, 2019 is as follows:

	Balance, beginning of year	Additions	Transfers and Retirements	Balance, end of year
Capital assets, not being depreciated:				
Land	$ 131,184	$ -	$ -	$ 131,184
Works of art	3,396	6	-	3,402
Construction in progress	43,229	48,014	(16,045)	75,198
Total capital assets, not being depreciated	177,809	48,020	(16,045)	209,784
Capital assets, being depreciated:				
Buildings	880,755	5,210	-	885,965
Improvements other than buildings	353,487	10,835	-	364,322
Infrastructure	4,896	-	-	4,896
Equipment	85,477	6,437	(33)	91,881
Total capital assets, being depreciated	1,324,615	22,482	(33)	1,347,064
Less accumulated depreciation for:				
Buildings	(168,213)	(17,626)	-	(185,839)
Improvements other than buildings	(104,713)	(13,429)	-	(118,142)
Infrastructure	(3,265)	(94)	-	(3,359)
Equipment	(39,374)	(5,974)	32	(45,316)
Total accumulated depreciation and amortization	(315,565)	(37,123)	32	(352,656)
Total capital assets being depreciated, net	1,009,050	(14,641)	(1)	994,408
Total capital assets, net	$1,186,859	$ 33,379	$(16,046)	$1,204,192

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City of Dallas, Texas
Airport Revenues Fund
(An Enterprise Fund of the City of Dallas)

NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019
(Amounts in thousands except where indicated)

NOTE 4 - LONG-TERM DEBT

The changes in the Fund's long-term liabilities for the year ended September 30, 2019 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
General Airport Revenue Bonds 2015	$ 109,235	$ -	$ 3,885	$ 105,350	$ 4,075
General Airport Revenue Bonds 2017	116,850	-	-	116,850	4,155
Add: Net premium/discount	20,846	-	2,420	18,426	-
Total Airport Revenue Bonds	246,931	-	6,305	240,626	8,230
Pension Obligation Bonds	4,376	-	152	4,224	151
Add: Net premium/discount	1,898	-	65	1,833	-
Add: Accretion	2,798	363	315	2,846	-
Total Airport Bonds	256,003	363	6,837	249,529	8,381
Direct Borrowings					
Capital leases payable	71,770	-	1,159	70,611	1,225
Obligation for revenue credit obligation	424,055	-	8,095	415,960	8,500
Add: net premium/discount	(4,750)	294	440	(4,896)	-
Total Direct Borrowings	491,075	294	9,694	481,675	9,725
Other Long-Term Liabilities					
Compensated absences	1,742	1,126	979	1,889	974
Pollution Remediation	1,128	114	683	559	30
Other post-employment benefits	9,771	2,587	1,383	10,975	-
Net pension liability	16,190	51,983	3,785	64,388	-
Total Other Long-Term Liabilities	28,831	55,810	6,830	77,811	1,004
Total Long-Term Liabilities	$ 775,909	$ 56,467	$ 23,361	$ 809,015	$ 19,110

(Amounts in thousands except where indicated)

NOTE 4 - LONG-TERM DEBT - Continued

General Airport Revenue Bonds

During December 2016, the LFAMC issued $116.85 million in General Airport Revenue Bonds, Series 2017 with a premium of $13.6 million. The stated rate on the bonds is 5 percent with a final maturity on November 1, 2036. Proceeds from the sale of the Bonds will be used to complete the design and construction costs of an approximately 5,000 space parking garage and related improvements to increase public parking capacity at Love Field Airport, fund approximately 22 months of capitalized interest, which is intended to cover the period commencing with the date of issuance of the Bonds through 12 months following substantial completion of construction of the project, fund a bond debt service reserve fund; and pay cost of issuance.

In a previous year, the LFAMC issued $109.2 million in General Airport Revenue Bonds, Series 2015, with a premium of $13.6 million. The stated interest rate on the bonds is 5 percent with a final maturity on November 1, 2035. Proceeds from the sale of the Bonds will be used to fund design and construction costs of an approximately 5,000 space parking garage and related improvements to increase public parking capacity at Love Field Airport, fund approximately 27 months of capitalized interest (which is intended to cover the period commencing with the date of issuance of the Bonds through 12 months following substantial completion of construction of the parking garage), fund a bond debt service reserve fund, and pay cost of issuance for the bonds.

Operating revenues from Airport operations and interest earned on the cash balance in the debt service fund are pledged for repayment of both issues of the General Airport Revenue Bonds. Revenues are transferred from the Airport Revenues operating fund to the Airport Revenues debt service fund to meet the annual principal and interest obligations. Net revenues, as defined in the bond documents, for each year are expected to be at least equal to 1.25 times the average principal and interest requirements of all outstanding previously issue bonds and additional bonds for the year. Events of default include nonpayment events and noncompliance with covenants. In the event of default, registered owners may seek a writ of mandamus to compel officials of the City to carry out their legally imposed duties with respect to the bonds.

	General Airport Revenue Bonds		
	Principal	Interest	Total
2020	$ 8,230	$ 10,904	$ 19,134
2021	8,640	10,483	19,123
2022	9,075	10,040	19,115
2023	9,530	9,575	19,105
2024	10,005	9,086	19,091
2025-2029	58,045	37,207	95,252
2030-2034	74,080	20,770	94,850
2035-2036	44,595	2,965	47,560
	$222,200	$111,030	$333,230

(Amounts in thousands except where indicated)

NOTE 4 - LONG-TERM DEBT - Continued

Pension Obligation Bonds

The pension obligation bonds are allocated between the City's governmental and enterprise funds. The numbers presented above include the Fund's portion of the total issue. Of the total issue, 1.76 percent is allocated to the Fund.

The Fund's pension obligation bonds outstanding as of September 30, 2019 are as follows:

	Maturity	Rates	Amount
Series 600	2035	3.24% to 5.19%	$1,985
Series 601	2035	4.10% to 5.48%	899
Series 632	2024	0.295% to 4.66%	1,340
Total outstanding			$4,224

The following is a summary of the future principal and interest requirements for the Fund's pension obligation bonds at September 30, 2019:

	Pension Obligation Bonds		
	Principal	Interest	Total
2020	$ 151	$ 499	$ 650
2021	521	148	669
2022	570	120	690
2023	626	91	717
2024	679	62	741
2025-2029	707	3,488	4,195
2030-2034	707	4,171	4,878
2035-2036	263	802	1,065
Total principal and interest	$4,224	$9,381	$13,605

Pension Obligation Bonds are paid through increased contributions to the City's Debt service fund. Operating revenues from Airport operations and interest earned on the cash balance in the City's debt service fund are pledged for repayment of the debt. Revenues are transferred from the Airport Revenues fund to the City's debt service fund to meet annual principal and interest obligations.

NOTE 4 - LONG-TERM DEBT - Continued

Airport Revenues Conduit Debt and Revenue Credit Agreement (Direct Borrowing)

The Love Field Airport Modernization Corporation (LFAMC), a Texas non-profit "local government corporation" and blended component unit of the City, issued $310 million in Special Facilities Revenue Bonds during November 2010, and $146.26 million in May 2012. The bonds were issued to finance the acquisition, construction, expansion, installation and equipping of certain capital improvements at Dallas Love Field Airport. Major construction commenced during fiscal year 2010 and was substantially completed during fiscal year 2015.

Prior to the issuance of the bonds, the City entered into two separate funding agreements with an airline carrier: (1) a "Facilities Agreement" pursuant to which the airline carrier is obligated to make debt service payments on the principal and interest amounts associated with the bonds (Facilities Payments), less other sources of funds the City may apply to the repayment of the bonds (including, but not limited to, passenger facility charges collected from passengers originating from Love Field Airport); and (2) a "Revenue Credit Agreement" pursuant to which the City will reimburse the airline carrier for the Facilities Payments made by the carrier.

In the event the airline carrier fails to make payments under the Facilities Agreement the City is no longer obligated to make any further payments under the Revenue Credit Agreement, and that agreement shall terminate.

A majority of the monies transferred from the City to the airline carrier under the Revenue Credit Agreement are expected to originate from a reimbursement account created in a "Use and Lease Agreement" between the City and the airline carrier. The Use and Lease Agreement is a 20-year agreement providing for, among other things, the lease of space at the Airport from the City. The remainder of such monies transferred from the City to the airline carrier under the Revenue Credit Agreement is expected to originate from (1) use and lease agreements with other airlines, (2) various concession agreements, and (3) other miscellaneous revenues generated at Love Field Airport.

All of the assets ultimately acquired by the bonds belong to the City at the time of acquisition pursuant to an Agreement for Donation and Assignment entered into between the City and the airline carrier. The bonds are a special obligation for which the airline carrier has guaranteed the principal and interest payments on the bonds, payable solely from the facilities payments to be made pursuant to the terms of the Special Facilities Agreement and other funds constituting the trust estate under the indenture, including any amounts received under the guaranty. The bonds do not constitute a debt or pledge of the faith and credit of the LFAMC, the City, the County, or the State of Texas, and accordingly have not been reported in the accompanying financial statements. At September 30, 2019, the Special Facilities Revenue Bonds outstanding was $411 million.

NOTE 4 - LONG-TERM DEBT - Continued

Airport Revenues Obligation for Revenue Credit Agreement

The Revenue Credit Agreement entered into between the City and the airline carrier was made possible as a result of the rate making provisions of the Airport Use and Lease Agreement which provide for the annual calculation of airline rates and charges sufficient to recover among other things, debt service on the bonds. While the crediting back of money to the airline carrier under the Revenue Credit Agreement will be done pursuant to a contractual agreement between the City and the airline carrier, such revenue credits are not pledged to the payment of debt service on the Bonds. The City has determined the obligation under the Revenue Credit Agreement to be a liability, and accordingly has recorded the obligation in the accompanying financial statements. The interest rates for the obligation range between 4.39 percent to 5.48 percent, and the obligation will be amortized over a period of 30 years. The balance of the obligation for the Revenue Credit Agreement was $416 million less the net discount of $5 million for a total balance of $411 million, at September 30, 2019. The schedule of principal and interest payments required for the obligation is provided below (in thousands):

	Airport Revenue LFAMC Obligation for Revenue Credit Agreement		
Fiscal Year	Principal	Interest	Total
2020	$ 8,500	$ 21,318	$ 29,818
2021	8,840	20,927	29,767
2022	9,280	20,474	29,754
2023	9,745	19,998	29,743
2024	10,230	19,499	29,729
2025-2029	62,745	88,996	151,741
2030-2034	105,440	67,215	172,655
2035-2039	136,175	35,668	171,843
2040-2041	65,005	3,456	68,461
Total principal and interest	$415,960	$297,551	$713,511

Airport Parking Capital Leases (Direct Borrowings)

During a prior fiscal year, the City entered into capital leases for two parking lots near Love Field Airport. The leased property serves as collateral for non-payment. Events of default under the lease agreements include nonpayment events and covenant noncompliance. In the event of default, the Lessor has the right to terminate the leases and/or recover all damages associated with the default.

For more information on capital leases, please refer to Note 5.

(Amounts in thousands except where indicated)

NOTE 5 - LEASES

A. As Lessee

In fiscal year 2016, the Fund entered into a capital lease agreement for land to be used as a parking lot. The monthly lease payments are $258 thousand per month with an interest rate of 5.65 percent for a period of 360 months. The Fund will retain title to the property after the end of the lease term.

In fiscal year 2015, the Fund entered into a capital lease agreement for land to be used as a parking lot. The monthly lease payments are $174 thousand per month with an interest rate of 5.65 percent for a period of 360 months. The Fund will retain title to the property after the end of the lease term.

The outstanding lease balance for Dallas Love Field as of September 30, 2019 is $70.6 million.

Future minimum lease payments for capital leases including interest and principal are as follows:

Fiscal Year	Total Rental Payments
2020	$ 5,184
2021	5,184
2022	5,184
2023	5,184
2024	5,184
2025-2029	25,917
2030-2034	25,917
Thereafter	57,269
Total minimum future lease payments	135,023
Less: Amount representing interest	(64,412)
Present value of net minimum lease payments	$ 70,611

The following schedule provides an analysis of the Airport's Revenues Fund investment in capital assets under capital lease arrangements as of September 30, 2019.

Land	$75,270

(Amounts in thousands except where indicated)

NOTE 5 - LEASES - Continued

B. As Lessor

The Fund is under numerous lease agreements as lessor whereby it receives revenues from leasing airport terminal space, hangars, parking spaces, ramps, land, and office space to air carriers and other tenants. These revenue leases are considered for accounting purposes to be operating leases. Lease revenue for fiscal year ended September 30, 2019 was $79.7 million, which is reflected in concessions and rental fees. The following is a schedule of minimum future rentals on noncancelable operating leases as of September 30, 2019:

Year ending September 30,	Rental Payments
2020	$ 67,871
2021	67,309
2022	62,733
2023	61,089
2024	53,057
2025 – 2029	210,506
2030 – 2034	10,889
Thereafter	27,849
Minimum future rentals	$561,303

The above amounts do not include contingent rentals of the Airport Revenues fund, which may be received under certain leases; such contingent rentals received totaled $615 thousand in fiscal year 2019.

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NOTE 6 - PENSION PLAN

Plan Description

Employees' Retirement Fund (ERF): All full-time Airport Revenues Fund's employees participate in the contributory City Employees' Retirement Fund, a defined benefit, single employer pension plan ("the Plan"). The legal authority for this plan is Chapter 40A of the Dallas City Code. The fund is for the benefit of all eligible employees of the City, excluding firefighters and police officers. The fund is administered by a seven member board of trustees consisting of three persons appointed by the City Council who may be council members, three employees from different departments of the City who are elected by members of the retirement fund and who are members of the retirement fund, and the City Auditor. The ERF issues a stand-alone financial report which is available at: www.dallaserf.org/recent-publications.

Benefits Provided

ERF provides retirement, disability, and death benefits to its members in accordance with Chapter 40A of the Dallas City Code. All employees of the City are members except police officers, firefighters, elected officers, non-salaried appointee members of boards or commissions, part-time employees working less than one-half time, temporary employees, individuals working under contract, and individuals whose salaries are paid in part by another government agency. The plan consists of Tier A and Tier B members.

Members hired prior to January 1, 2017 (Tier A) have vested rights to retirement benefits after five years of service or to survivor benefits after two years of service. Benefits are based on credited service and the average monthly earnings for the three highest paid calendar years. Members of the Tier A are entitled to normal retirement pension at age 60; early retirement pension at age 55 if employed prior to May 9, 1972 or age 50 and age plus years of service total 78; service retirement pension at any age after 30 years of credited service and disability retirement pension as determined by the board of trustees. Cost of living adjustments for retirees are made each year on January 1 by adjusting the pension base by the percentage change of the consumer price index, not to exceed 5 percent.

Members hired after December 31, 2016 (Tier B) have vested rights to retirement benefits after five years of service or to survivor benefits after two years of service. Benefits are based on credited service and the average monthly earnings for the five highest paid calendar years. Members of Tier B are entitled to normal retirement pension at age 65; early retirement pension with a reduced benefit prior to age 65 and age plus years of service total 80 and; service retirement pension at any age after 40 years of credited service and disability retirement pension as determined by the board of trustees. Cost of living adjustments for retirees are made each year on January 1 by adjusting the pension base by the percentage change of the consumer price index, not to exceed 3 percent.

Amendments to Chapter 40A of the Dallas City Code, other than provisions required to comply with federal law, may only be made by a proposal initiated by either the board of trustees of the ERF or the City Council which results in an ordinance approved by the board, adopted by the City Council, and approved by a majority of the voters voting at a general or special election.

(Amounts in thousands except where indicated)

NOTE 6 - PENSION PLAN - Continued

Employees covered by benefit terms

At December 31, 2018, the following numbers of employees were covered by the benefit terms:

Membership data at December 31, 2018

	ERF
Retirees and beneficiaries currently receiving benefits	7,224
Inactive members entitled to benefits but not yet receiving them	1,492
Current members	7,584
Total	16,300

Contributions

ERF: Chapter 40A of the Dallas City Code establishes contribution requirements. Changes to the contribution formula may only be made by a proposal initiated by either the board of trustees of the ERF or the City Council which results in an ordinance approved by the board, adopted by the City Council, and approved by a majority of the voters voting at a general or special election.

The City contributes 63 percent of the required contribution and the membership contributes 37 percent. The City's contribution rate covers both the debt service tied to the pension obligation bonds and the contributions to the Employees' Retirement Fund. Although the total contribution is actuarially determined each year, it is adjusted based on the following requirements of Chapter 40A: (1) the maximum contribution percentage of covered wages is 36 percent; (2) the maximum increase or decrease from one year to the next is 10 percent; and (3) the contribution rate changes only if the actuarial valuation develops a rate which differs from the prior rate by more than 300 basis points. The adjusted contribution as a result of Chapter 40A is the Current Adjusted Total Obligation Rate (CATOR). Contribution rates are 13.32 percent of covered wages for employees and 22.68 percent for the City for the City's fiscal year ended September 30, 2019. The City's contribution of 22.68 percent is divided into 14.39 percent cash to the Plan and 8.29 percent for debt service payments on the pension obligation bonds. For fiscal year 2019, the City contribution was $62 million

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(Amounts in thousands except where indicated)

NOTE 6 - PENSION PLAN - Continued

Actuarial Assumptions

The total ERF pension liabilities in the December 31, 2018 actuarial valuations were determined using the following actuarial assumptions for the plan, applied to all periods included in the measurement:

	Description
Inflation	2.75%
Salary Increases	3.25% to 6.25%, including inflation
Investment Rate of Return	7.75%
Mortality	**For actives:** Males – RP-2000 Employee Mortality Table for male employees, set forward 4 years. Females – RP-2000 Employee Mortality Table for female employees, set back 5 years. **For healthy retirees:** Males – RP-2000 Combined with Blue Collar Adjustment for male annuitants, with a 109% multiplier and fully generational mortality using improvement Scale BB. Females - RP2000 Blue Collar Mortality Table for female annuitants, with a 103% multiplier and fully generational mortality using improvement Scale BB. **For all disabled lives:** RP-2000 Disabled Mortality Table for male annuitants, set forward one year.
Cost of Living Adjustments	The percentage of change in the price index for October of the current year over October of the previous year, or the percentage of annual average change in the price index for the 12-month period ending with the effective date of the adjustment. The maximum COLA for Tier A retirees is 5 percent, and the maximum for Tier B retirees is 3%.
Long-term expected rate of return	Estimated using a building block methodology in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real return rates by the target asset allocation percentage and by adding expected inflation.

(Amounts in thousands except where indicated)

NOTE 6 - PENSION PLAN - Continued

The target allocation and best estimates of arithmetic real rates of return (RROR) for the plan, by major asset class, are summarized in the following table:

	ERF	
Asset Class	Target Allocations	Long-term BROR
Domestic equity	15.0%	6.25%
Global equity	7.5%	6.45%
Global equity low volatility	10.0%	6.45%
Global fixed income	15.0%	4.95%
High yield fixed income	10.0%	4.95%
International equity	15.0%	6.45%
MLP's	7.5%	9.60%
Credit Opportunities	5.0%	5.75%
Private equity	5.0%	8.75%
Real assets	5.0%	5.65%
REITS	5.0%	5.40%
Total	100.0%	

Discount Rate

ERF: The discount rate used to measure the total pension liability was 5.98 percent. This single discount rate was based on the expected rate of return on pension plan investments of 7.75 percent and the municipal bond rate of 3.71 percent. The projection of cash flows used to determine the discount rate assumed that that (1) plan member contributions and City contributions will be made at the projected future contribution rates outlined in Chapter 40A of the Dallas City Code, under which employees contribute 37 percent of the CATOR; the City contributes 63 percent of the CATOR, reduced by the amount required to pay current debt service on the 2005 pension obligation bonds; (2) the ERF annually earns 7.75 percent on its market value of assets; and (3) the number of active members remains constant in the future. Based on those assumptions and the ERF's funding policy, the last year in the single discount rate projection period for which projected benefit payments were fully funded was 2048, and the resulting single discount rate is 5.98 percent.

(Amounts in thousands except where indicated)

NOTE 6 - PENSION PLAN - Continued

Changes in the Net Pension Liability

The following table shows the net pension liability as of December 31, 2018:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Employees' Retirement Fund			
Balances at December 31, 2017	$ 4,377,847	$3,612,261	$ 765,586
Changes for the year:			
Service cost	84,842	-	84,842
Interest	332,010	-	332,010
Changes of assumptions	1,020,968	-	1,020,968
Differences between expected and actual experience	4,793	-	4,793
Contributions - City	-	60,924	(60,924)
Contributions - Employee	-	56,771	(56,771)
Net investment income	-	(167,783)	167,783
Benefit payments, including refunds of employee contributions	(272,496)	(272,496)	-
Administrative expense	-	(7,485)	7,485
Other changes	-	121	(121)
Net changes	1,170,117	(329,948)	1,500,065
Balances at December 31, 2018	$ 5,547,964	$3,282,313	$ 2,265,651

The amount of net pension liability allocated to Airport Revenues was $64,388.

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(Amounts in thousands except where indicated)

NOTE 6 - PENSION PLAN - Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability of the City, calculated using the discount rates of 5.98 percent for ERF, as well as what the City's net pension liability would be if were calculated using discount rates that are 1-percentage-point lower (4.98 percent) or 1-percentage-point higher (6.98 percent) than the current rates:

	1% Decrease	Current Discount Rate	1% Increase
ERF	$ 3,006,846	$ 2,265,651	$ 1,653,805

Pension Plan Fiduciary Net Position

Detailed information about the fiduciary net position of the pension plan is available in the separately issued financial reports.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2019, the City also reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	ERF	
	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	$ 3,689	$ 43,261
Changes of assumptions	839,367	353,794
Net difference between project and actual earnings on pension plan investments	303,442	-
Contributions subsequent to the measurement date	46,954	-
Total	$1,193,452	$397,055

NOTE 6 - PENSION PLAN - Continued

Deferred outflows of resources in the amount of $46,954 related to pension contributions in the ERF made subsequent to the measurement date will be recognized as a reduction of the net pension liability during the fiscal year ended September 30, 2019. Deferred outflows and inflows of resources in the amount of $749,443 related to the pension will be recognized in pension expense as follows:

Year Ending December 31:

2020	$ 85,646
2021	204,965
2022	289,490
2023	169,342
Total	$ 749,443

At September 30, 2019, Airport Revenues recognized pension expense of $11,984, deferred outflows of resource related to pensions of $31,945, and deferred inflows of resource related to pensions of $6,791.

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS

Plan Description

In addition to pension benefits, the City provides certain healthcare and life insurance benefits for retired employees through various Council resolutions. The postemployment benefit plan is a single-employer plan administered by Cigna (pre-65 retirees) and UHC (post-65 retirees utilizing Medicare). Employees who are permanent, full-time employees are eligible to participate in the benefits at retirement. The City is self-insured for these programs. The City eliminated subsidization of the plan for individuals hired on or after January 1, 2010. No assets are accumulated in a trust that meets the criteria in GASB Statement 75.

Benefits Provided

For retired employees hired before January 1, 2010, the City pays on average $561 (not in thousands) per month. The plan is closed to employees hired January 1, 2010 and thereafter. For pre-Medicare retirees who qualify and choose the City health plan, the City pays approximately 50 percent of the actuarial cost and the retiree pays the other 50 percent. There were 4,423 retired participants and surviving spouses in the health plan at September 30, 2019, the latest data used for this evaluation. Post-Medicare retirees are offered several Medicare supplement plans along with a Medicare Part D prescription drug plan. The City subsidizes the Medicare supplement plans for the retirees.

Employees Covered by Benefit Terms

At September 30, 2019, membership was as follows:

Inactive employees or beneficiaries currently receiving benefit payments	4,423
Active employees	5,317
Total active participants	9,740

(Amounts in thousands except where indicated)

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS - Continued

Total Other Post Employment Benefit Liability

The City's total OPEB liability of $565,370 was measured as of September 30, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liabilities in the September 30 , 2019 actuarial valuations were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless other specified:

	Description
Inflation	2.75%
Salary Increases	**Police:** 5.20% in service year 1 decreasing to 3.0% in service years 12 and beyond **Fire:** 5.20% in service year 1 decreasing to 3.0% in service years 16 and beyond **Non-Uniformed:** 6.25% in service year 1 decreasing to 3.25% in service years 19 and beyond
Discount Rate	2.75%, based on the 20-year yield for tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher
Mortality	**Uniform (pre-retirement):** RP-2014 Employee Mortality Table for male employees, set back 2 years, and projected using Scale MP-2015 **Uniform (health annuitants):** RP-2017 Blue Collar Healthy Annuitant Mortality Table, set back 2 years for females, and projected using Scale MP-2015 **Non-Uniform (pre-retirement):** RP-2000 Healthy Mortality Table, males set forward 4 years, females back 5 years; no improvement projection. **Non-Uniform (post-retirement):** RP-2000 Blue Collar Healthy Mortality Table with 109% multiplier for males and 103% multiplier for females; projected improvement using Scale BB.
Healthcare Cost Trend Rates	**Pre-65 Trend:** 7.20% for fiscal year 2019 (from SegalSurvey) and trending down to an ultimate 4.29% using the Getzen model. **Pre-65 Trend:** 5.40% for fiscal year 2019 (from SegalSurvey) and trending down to an ultimate 4.29% using the Getzen model.

(Amounts in thousands except where indicated)

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS - Continued

The actuarial assumptions used in the September 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 to December 31, 2014, plus assumption changes included in the September 30, 2019 valuation.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at September 20, 2018	$ 511,120
Changes for the year:	
Service cost	14,005
Interest	19,813
Difference between expected and actual experience	(42,693)
Change of assumptions	82,662
Benefit payments	(19,537)
Net Changes	54,250
Balance at September 20, 2019	$ 565,370

Changes of assumptions reflect a change in salary scales for uniform police and fire employees and a decrease in the discount rate from 3.83 percent to 2.75 percent.

The amount of Total OPEB liability allocated to Airport Revenues was $10,975.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table presents the total OPEB liability of the City, calculated using the discount rate of 2.75 percent, as well as what the City's total OPEB liability would be if it were calculated using discount rates that are 1-percentage-point lower (1.75 percent) or 1-percentage-point higher (3.75 percent) than the current rates:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	$ 664,353	$ 565,370	$ 487,171

(Amounts in thousands except where indicated)

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS – Continued

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table presents the total OPEB liability of the City, calculated using the healthcare cost trend rate of 8.2 percent decreasing to 4.3 percent, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost rates that are 1-percentage-point lower (7.2 percent decreasing to 3.3 percent) or 1-percentage-point higher (9.2 percent decreasing to 5.3 percent) than the current rates:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	$ 479,552	$ 563,370	$ 675,732

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended September 30, 2019, Airport Revenues recognized OPEB expense of $408. At September 30, 2019, the City also reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	$ 4,001	$ 34,154
Changes of assumptions	66,130	15,746
Total deferred outflows/inflows	$ 70,131	$ 49,900

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	
2019	$ 4,079
2020	4,079
2021	4,079
2022	7,994
Total	$ 20,231

The amount of deferred outflows of resources related to OPEB allocated to Airport Revenues was $1,550, and the amount of deferred inflows of resources related to OPEB allocated to Airport Revenues was $1,080.

NOTE 8 - DEFERRED COMPENSATION

There are three deferred compensation plans. Two of these plans are voluntary for City employees who participate in the City's pension plans. The third plan is mandatory for all employees and council members who are not covered by the City's pension plans. These plans comply with sections 401(k) and 457(b) of the Internal Revenue Code.

Participants in the City's voluntary 457(b) and 401(k) plans have full discretion to choose investments from a list of standard plan options, a linked brokerage account, and a commingled pool managed by Fidelity Management Trust Company. The list of standard plan options includes mutual funds with varying styles and levels of investment risk. All the account balances in the mandatory 457 plan are invested in the same commingled pool. All contributions to these plans are deferred by plan participants from their compensation and all the earnings are allocated to each participant's account. Distributions from all the deferred compensation plans are available after termination of employment. Additionally, participants in the City's voluntary plans may also take out loans and may receive hardship withdrawals in accordance with federal regulations. The assets held in these plans are not included in the Fund's or City's financial statements and cannot be used for purposes other than the exclusive benefit of the participants or their beneficiaries or to pay the reasonable expenses of plan administration.

NOTE 9 - RISK MANAGEMENT-ESTIMATED CLAIMS AND JUDGEMENT PAYABLE

The City is self-insured for all third-party general liability claims. Claims adjusting services are provided by the City's internal staff. Interfund premiums are based primarily upon the insured funds' claims experience and exposure and are reported as cost reimbursement interfund transactions. The liability for unpaid claims includes the effects of specific incremental claims, adjustment expenses and if probable and material, salvage and subrogation.

All known City property, primarily buildings and contents, is insured through commercial insurance policies, subject to a $750 thousand deductible per loss occurrence. The amount of settlements have not exceeded the deductible loss per occurrence during the past three years.

The City is self-insured for workers' compensation claims that occurred prior to October 1, 1999. Effective October 1, 1999 through January 31, 2013, the City was insured for workers' compensation losses in excess of $750 per occurrence. Effective February 1, 2013, the City was insured for workers' compensation losses in excess of $1 million per occurrence. Effective February 1, 2016, the City is insured for workers' compensation losses in excess of $1.5 million per occurrence. Claims adjusting services are provided by an independent "administrative services" contractor. Workers' compensation premiums are based primarily upon the insured funds' claims experience and exposure and are reported as cost reimbursement interfund transactions. The amount paid by Airport Revenues was $70 thousand in fiscal year 2019.

(Amounts in thousands except where indicated)

NOTE 9 - RISK MANAGEMENT-ESTIMATED CLAIMS AND JUDGEMENT PAYABLE – Continued

All workers' compensation losses are accumulated in a clearing fund which is being reimbursed by the premiums collected. When losses exceed premiums, the deficiencies are prorated and supplemented by the various applicable funds. Accrued workers' compensation liability consists of incurred but not reported as well as unpaid reported claims of which $41.6 million at September 30, 2019 is recorded in the risk funds. Of this amount, $7.7 million is estimated to be payable in the next fiscal year.

The City maintains a group health insurance plan for employees and dependents which is self-insured by the City. The City also offers enrollment in one health maintenance organization as an alternative. Premiums are determined based on the annual budget. The City also maintains a group life insurance plan which offers term-life and accidental death and dismemberment for employees and dependents. The City is fully insured for employee term-life. Health claims and claims incurred but not reported that are probable and reasonably estimated are accrued at September 30, 2019, in the amount of $7.7 million in the risk funds.

At September 30, 2019, the City estimates its general liability at $11.8 million, of which $4.3 million is estimated to be payable in the next fiscal year. The general liability includes $7.5 million for automobile and $4.3 million for probable claims and lawsuits.

Changes in the balances of claims liabilities during the past fiscal year are as follows:

	Workers' Compensation		Health		General Liability	
	2019	2018	2019	2018	2019	2018
Unpaid claims, beginning of year	$ 37,374	$ 36,486	$ 8,312	$ 7,817	$ 190,003	$ 79,754
Incurred claims, including Incurred but not reported claims (IBNRs) and changes in estimates	15,146	11,222	88,028	84,941	3,554	176,516
Claim payments	(11,470)	(10,373)	(94,016)	(83,010)	(177,771)	(66,944)
Changes to prior year estimates (IBNR)	545	39	5,359	(1,436)	(3,922)	677
Unpaid claims, end of year	$ 41,595	$ 37,374	$ 7,683	$ 8,312	$ 11,794	$ 190,003

NOTE 10 - COMMITMENTS AND CONTINGENT LIABILITIES

Federal and State Grant Commitments

The Department of Aviation has received Airport Improvement Program (AIP) Grant Funds and a number of other federal and state grants for specific purposes. These AIP and other grants are subject to audit, which may result in requests for reimbursements to granting agencies for expenditures disallowed under the terms of the grants. Based on prior experience and current knowledge, City management believes that such disallowances, if any, will not be material.

Pending Lawsuits and Claims

Various claims and lawsuits are pending against the City and its officers and employees acting in their official capacities (hereafter collectively "City" for purposes of Note 10). Those lawsuits and claims, excluding condemnation proceedings, which are considered "probable" and estimable are accrued as a liability, while those claims and judgments, excluding condemnation proceedings, which are considered "reasonably possible" are disclosed but not accrued.

At September 30, 2019, approximately $4.3 million has been accrued in the Risk Fund as a liability for pending material claims and lawsuits, excluding condemnation proceedings, considered to be probable. In the opinion of the City Attorney, this is the total amount of all such pending claims and lawsuits which represent probable loss to the City.

In the opinion of the City Attorney, the potential loss resulting from all material pending lawsuits and claims, excluding condemnations proceedings, which are considered reasonably possible and estimable, is approximately $1.2 billion as of September 30, 2019

NOTE 11 - POLLUTION REMEDIATION

The Fund is responsible for following all applicable environmental rules when managing sites with environmental clean-up or management requirements. The Texas Commission on Environmental Quality (TCEQ) is the State regulatory agency that regulates all projects being reported. The method used to calculate the liability is the current value of outlays to remediate the properties – the amount that would be paid if all equipment, facilities, and services included in the estimate were acquired during the current period. The liability is an estimate and is subject to revision because of price increases or reductions, changes in technology, or changes in applicable laws or regulations. As of September 30, 2019, the total environmental remediation liability for the Fund $559 thousand and $ 30 thousand is estimated to be paid in fiscal year 2019. At this time, the Fund is unable to estimate any recoveries to reduce the liability. The specific issues related to the City's remediation efforts include.

NOTE 11 - POLLUTION REMEDIATION – Continued

The Fund is managing 4 sites that are regulated by the Texas Risk Reduction Program, Texas Administrative Code (TAC) Ch. 350:

- For the Dalfort Land site, the City conducted pre-demolition environmental investigation in the building including testing for metals dust, asbestos containing material, lead, and mold and investigation of the subsurface at an Aviation property with a new tenant; obtained conditional closure from TCEQ and performed oversight of development activities by the tenant in the building and subsurface and obtained TCEQ approval of activities. During the reporting period, ongoing oversight of development activities by the tenant of the subsurface including environmental monitoring, soil management, disposal of waste soil, review of abatement auditing completed for the building and reporting. Activities in the current period include ongoing soil management activities including environmental monitoring, soil management, disposal of waste soil and regulatory reporting. The estimated cost for this project is $533 thousand and $30 thousand is expected to be paid in fiscal year 2020.

- For the Scarborough site, the City completed a Phase I and II ESA as part of due diligence prior to executing a lease to own agreement. Additional activities are expected to include additional investigation and reporting to TCEQ. No activities were completed in the reporting period and no activities are expected until after the property is occupied, which is still pending. The estimated cost for this project is $26 thousand and no costs are estimated for fiscal year 2020.

- For the 8020 Denton Drive site, the City completed a Phase I and II ESA as part of due diligence for this property within Love Field Airport, entered the property into VCP, submitted an Affected Property Assessment Report (APAR), and completed responses to TCEQ. During the reporting period, TCEQ provided a certificate of completion and TCEQ invoices were paid, existing monitor wells were destroyed; no plugging required. No additional activities expected to be completed in the current period and there are no additional costs expected for this project.

- For the Love Field E Concourse - GUB Area, the City completed and submitted an Affected Property Assessment Report (APAR) to TCEQ for property within Love Field that is managed in the TCEQ Corrective Action Program. Additional investigation was completed and an amended APAR was submitted to TCEQ. During the reporting period, response to TCEQ comments was completed and closure was obtained. No additional activities expected to be completed during the current period and there are no additional costs expected for this project.

(Amounts in thousands except where indicated)

NOTE 11 - POLLUTION REMEDIATION – Continued

	Balance, beginning of year	Additions	Deletions	Balance, End of year	Due within one year
Dalfort Land	$ 1,071	$ 112	$ 650	$ 533	$ 30
Scarborough	26	-	-	26	-
8020 Denton Drive	5	2	7	-	-
Love Field E Concourse – GUB Area	26	-	26	-	-
Total	$ 1,128	$ 114	$ 683	$ 559	$ 30

NOTE 12 – SUBSEQUENT EVENT – NOVEL CORONAVIRUS (COVID-19)

In late December 2019, the Novel Coronavirus or COVID-19, was identified in Wuhan, China. In late January 2020, the United States had its first confirmed case of the virus in Washington State. On January 30, 2020, the World Health Organization declared a "public health emergency of international concern." Throughout this time period, City management has been monitoring world, national, and local events and preparing for cases in the Dallas area.

On March 12, 2020, in response to the increasing concerns regarding COVID-19 across the nation, City of Dallas officials declared a "local state of disaster." Local officials announced the declaration to proactively increase preventative measures and put in place mitigation plans for events in the City. It is too early to identify the full impact of this virus on the Dallas economy or the Fund's financial position.

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City of Dallas, Texas
Airport Revenues Fund
(An Enterprise Fund of the City of Dallas)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
Last Four Fiscal Years
(Dollar amounts in thousands)

	ERF	
	2019	**2018**
Total Pension Liability		
Service cost	$ 84,843	$ 81,178
Interest	332,011	325,620
Changes of assumptions	1,020,969	-
Differences between expected and actual experience	4,793	(59,066)
Benefit payments, including refunds	(272,496)	(261,690)
Net change	1,170,120	86,042
Total Pension Liability, Beginning	4,377,847	4,291,805
Total Pension Liability, Ending[(a)]	5,547,967	4,377,847
Plan Fiduciary Net Position		
Contributions - City	60,924	58,966
Contributions - Employee	56,772	55,175
Net investment income (loss)	(167,783)	413,511
Benefit payments, including refunds	(272,496)	(261,690)
Administrative expense	(7,485)	(5,951)
Other changes	121	207
Net change	(329,947)	260,218
Plan Fiduciary Net Position, Beginning	3,612,261	3,352,043
Plan Fiduciary Net Position, Ending[(b)]	3,282,314	3,612,261
City's Net Pension Liability[(a)-(b)]	$ 2,265,653	$ 765,586
Plan Fiduciary Net Position as a percentage of Total Pension Liability	59%	83%
Covered-employee payroll	$ 423,723	$ 421,269
City's Net Pension Liability as a percentage of covered-employee payroll	535%	182%

	2017	2016
	$ 133,457	$ 78,020
	305,826	313,850
	(1,227,079)	1,238,431
	(38,327)	(26,829)
	(249,639)	(239,960)
	(1,075,762)	1,363,512
	5,367,567	4,004,055
	4,291,805	5,367,567
	56,130	50,721
	53,436	50,742
	294,918	(53,344)
	(249,639)	(239,960)
	(5,343)	(4,598)
	333	162
	149,835	(196,277)
	3,202,208	3,398,485
	3,352,043	3,202,208
	$ 939,762	$ 2,165,359
	78%	60%
	$ 409,433	$ 393,186
	230%	551%

City of Dallas, Texas
Airport Revenues Fund
(An Enterprise Fund of the City of Dallas)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS TO PENSION PLAN

Last Ten Fiscal Years
(Dollar amounts in thousands)

	2019	2018	2017	2016
Employees Retirement Fund				
Actuarially determined contribution	$ 85,945	$ 91,977	$ 88,547	$ 81,838
Contributions in relation to the actuarially Determined contribution	$ 62,462	$ 60,589	$ 58,045	$ 56,987
Contribution deficiency (excess)	$ 23,483	$ 31,388	$ 30,502	$ 24,851
Covered payroll	$ 434,064	$ 420,754	$ 405,062	$ 389,706
Contributions as a percentage of covered payroll	14%	14%	14%	15%

	2015	2014	2013	2012	2011	2010
	$ 68,100	$ 62,756	$ 54,289	$ 37,822	$ 32,865	$ 34,793
	$ 49,135	$ 44,816	$ 35,515	$ 28,917	$ 27,303	$ 27,668
	$ 18,965	$ 17,940	$ 18,774	$ 8,905	$ 5,562	$ 7,125
	$ 376,421	$ 357,887	$ 336,483	$ 317,551	$ 318,408	$ 345,819
	13%	13%	11%	9%	9%	8%

City of Dallas, Texas
Airport Revenues Fund
(An Enterprise Fund of the City of Dallas)

REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF CITY CONTRIBUTIONS TO PENSION PLAN
Last 10 Fiscal Years

Employees Retirement Fund

Valuation date	12/31/18	12/31/17	12/31/16	12/31/15	12/31/14	12/31/13	12/31/12	12/31/11	12/31/10	12/31/09
Timing	The actuarially determined contribution rate is effective October 1 after the valuation date.									
Actuarial cost method	Entry age normal.									
Amortization method	30-year open amortization period level percentage of payroll. The City ordinance authorizing the plan specifies that the rate may not change from year-to-year if the calculated rate is									
Asset valuation method	5-year smoothed market value of assets.									
Inflation	2.75%			3%						
Salary increases	3.25% to 6.25%, including inflation			3.5% to 7%, including inflation						
Discount rate	5.98%	7.75%		8.00%		8.25%				
Cost of Living Adjustment	The greater of (a) the percentage of change in the price index for October of the current year over October of the previous year, or (b) the percentage of annual average change in the price index for the 12-month period ending with the effective date of the adjustment. The maximum change per year is 5% for Tier A and 3% for Tier B members.			The greater of (a) the percentage of change in the price index for October of the current year over October of the previous year, up to 5%, or (b) the percentage of annual average change in the price index for the 12-month period ending with the effective date of the adjustment, up to 5%.						
Mortality	**For actives:** Males – RP-2000 Healthy Mortality Table for male employees, set forward 4 years. Females - RP2000 Healthy Mortality Table for female employees, set back 5 years. **For healthy retirees:** Males – RP-2000 Blue Collar Healthy Mortality Table for male annuitants, with a 109% multiplier and fully generational mortality using improvement scale BB Females – RP-2000 Blue Collar Healthy Mortality Table for Female annuitants, with a 109% multiplier and fully generational mortality using improvement scale BB **For all disabled lives:** RP-2000 Disabled Mortality Table for male annuitants, set forward one year.		**For actives:** Males - RP2000 Healthy Mortality Table for male employees, set forward 4 years. Females - RP2000 Healthy Mortality Table for female employees, set back 5 years. **For healthy retirees:** Males - RP2000 Healthy Mortality Table for male annuitants, projected to 2007 using mortality improvement scale BB, set forward two years. P2000 Healthy Mortality Table for female annuitants. **For all disabled lives:** RP2000 Disabled Mortality Table for male annuitants, set forward one year.			**For actives:** Males - RP2000 Healthy Mortality Table for male employees, set forward 4 years. Females - RP2000 Healthy Mortality Table for female employees, set back 5 years. **For healthy retirees:** Males - RP2000 Healthy Mortality Table for male annuitants, projected to 2007 using mortality improvement scale AA, set forward two years. P2000 Healthy Mortality Table for female annuitants. **For all disabled lives:** RP2000 Disabled Mortality Table for male annuitants, set forward one year.			**For actives:** Males - 1994 Uninsured Pension Mortality Table for males, base table rates multiplied by 87%. Females - 1994 Uninsured Pension Mortality Table for females, base table rates multiplied by 125%. **For healthy retirees:** Males - 1994 Uninsured Pension Mortality Table for males, set forward two years. Females - 1994 Uninsured Pension Mortality Table for females, base table rates multiplied by 125% for ages less than 85 and multiplied by 135% for ages 85 and up. **For all disabled lives:** 1965 Railroad Retirement Board Disabled Annuitants Mortality Table (without select rates). For females, the rates are multiplied by 60%.	

City of Dallas, Texas
Airport Revenues Fund
(An Enterprise Fund of the City of Dallas)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Other Postemployment Benefits
Last Two Fiscal Years
(Dollar amounts in thousands)

	2019	2018*
Total OPEB Liability		
Service cost	$ 14,006	$ 14,817
Interest	19,813	18,420
Changes of assumptions	82,662	(26,244)
Differences between expected and actual experience	(42,693)	6,669
Benefit payments, including refunds	(19,537)	(21,343)
Net change	54,251	(7,681)
Total OPEB Liability, Beginning	511,120	518,801
Total OPEB Liability, Ending	$ 565,371	$ 511,120
Covered payroll	$ 914,916	$ 877,768
Total OPEB Liability as a Percentage of Covered Employee Payroll	62%	58%

*Prior year information was not available.

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