Dallas Fort Worth International Airport
Continuing Disclosure Statements

DFW

For the Fiscal Year Ended September 30, 2018

Finance Department
P.O. Box 619428
DFW Airport, Texas 75261-9428

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For The Fiscal Year Ended September 30, 2018

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Required Tables

Table 1
Dallas Fort Worth International Airport
Aircraft Operations (Unaudited, in thousands)

	Fiscal Year Ended, September 30									
	2018		2017		2016		2015		2014	
	Ops	%	Ops	%	Ops	%	Ops	%	Ops	%
Domestic Passenger	550	83%	543	83%	571	84%	585	86%	579	86%
International Passenger	68	10%	71	11%	68	10%	66	10%	64	10%
Total Passenger	618	93%	614	94%	639	94%	651	96%	643	96%
Cargo Aircraft	18	3%	25	4%	23	4%	21	3%	19	3%
General Aviation Aircraft	26	4%	15	2%	13	2%	11	1%	9	1%
Total Annual Operations	662		654		675		683		671	

Source: DFW Airport Finance Department, based on flight activity reports provided by airlines.

Table 2
Dallas Fort Worth International Airport
Domestic Markets
(Unaudited)

Monthly Frequencies				Monthly Seats			
Rank	Market	Total Market	Largest Market Carrier	Rank	Market	Total Market	Largest Market Carrier
1	LAX	649	AA	**1**	LAX	106,158	AA
2	ORD	648	AA	**2**	ORD	105,732	AA
3	ATL	583	DL	**3**	ATL	87,985	DL
4	LGA	511	AA	**4**	DEN	76,067	AA
5	IAH	499	AA	**5**	LGA	74,854	AA
6	DEN	475	AA	**6**	LAS	72,145	AA
7	LAS	393	AA	**7**	PHX	66,339	AA
8	PHX	385	AA	**8**	IAH	63,506	AA
9	SFO	377	AA	**9**	SEA	60,107	AA
10	MSP	376	DL	**10**	SFO	60,079	AA
11	SEA	341	AA	**11**	MCO	59,348	AA
12	DTW	335	DL	**12**	MIA	59,340	AA
13	MCO	333	AA	**13**	CLT	56,370	AA
14	AUS	322	AA	**14**	AUS	54,375	AA
15	CLT	317	AA	**15**	PHL	53,752	AA
16	SLC	317	AA	**16**	SAT	51,463	AA
17	SAT	314	AA	**17**	SAN	49,245	AA
18	MIA	313	AA	**18**	MSP	47,489	AA
19	PHL	302	AA	**19**	BOS	44,251	AA
20	EWR	285	UA	**20**	SLC	44,018	AA

Source - DFW Global Strategy & Development Department

Table 3
Dallas Fort Worth International Airport
Total Domestic and International Enplanements Statistics (Unaudited, in millions)

	Fiscal Year Ended, September 30									
Passengers	2018		2017		2016		2015 *		2014	
	Pass	%	Pass	%	Pass	%	Pass	%	Pass	%
Domestic/International										
Domestic	30.2	88	28.8	87	28.7	88	28.5	88	27.9	89
International	4.3	12	4.3	13	4.1	12	4.0	12	3.5	11
Total Enplanements	34.5	100	33.1	100	32.8	100	32.5	100	31.4	100
O&D/Connecting										
Origination (O)	8.1	23	7.6	23	7.5	22	7.2	22	7.0	22
Destination (D)	6.4	19	6.1	18	6.1	19	6.6	20	6.5	21
Connecting	20.0	58	19.4	59	19.2	59	18.7	58	17.9	57
Total Enplanements	34.5	100	33.1	100	32.8	100	32.5	100	31.4	100
By Airline										
American	23.6	68	22.6	68	22.3	68	21.7	67	22.1	70
American Eagle (Envoy Air)	5.5	16	5.5	17	5.5	17	4.9	15	3.7	12
US Airways[(1)]	-	0	-	0	-	0	0.9	3	1.0	3
Delta	1.3	4	1.2	4	1.3	4	1.3	4	1.2	4
United	1.2	4	1.1	3	1.0	3	1.0	3	0.8	3
Spirit Airlines	1.4	4	1.2	4	1.3	4	1.3	4	1.2	4
Emirates	0.1	0	0.1	0	0.1	0	0.1	0	0.1	0
Qantas Airways	0.1	0	0.1	0	0.1	0	0.1	0	0.1	0
Qatar Airways	0.1	0	0.1	0	0.1	0	0.1	0	-	0
Sun Country Airlines	0.1	0	0.1	0	0.1	0	0.1	0	0.1	0
Other	1.1	4	1.1	4	1.0	4	1.0	4	1.1	4
Total Enplanements	34.5	100	33.1	100	32.8	100	32.5	100	31.4	100

Source: DFW Airport Finance Department, most current data available, based on flight activity reports provided by airlines
[(1)] As of October 2015, US Airways and American Airlines began operating under a single certificate.
'* Final FY 2015 Enplaned Passengers adjusted from 31.8 to 32.5 due to change in airline reporting practices.

Table 4
Dallas Fort Worth International Airport
Total Domestic and International Enplanements
(Unaudited, in thousands)

	2018	2017	2016	2015*	2014
October	2,917	2,794	2,808	2,707	2,593
November	2,714	2,593	2,603	2,432	2,353
December	2,825	2,671	2,684	2,685	2,417
January	2,601	2,528	2,530	2,489	2,445
February	2,466	2,366	2,417	2,176	2,214
March	2,896	2,814	2,780	2,700	2,643
April	2,788	2,635	2,625	2,655	2,566
May	3,015	2,909	2,835	2,769	2,760
June	3,275	3,051	2,969	3,023	2,939
July	3,281	3,116	3,056	3,170	3,021
August	3,087	2,956	2,802	2,962	2,856
September	2,647	2,696	2,728	2,687	2,612
Total	34,512	33,131	32,837	32,455	31,419
Increase (Decrease) over Prior Period	4.2%	0.9%	1.2%	3.3%	4.3%

Source: DFW Airport Finance Department, most current data available, based on flight activity reports provided by airlines

* Final FY 2015 Enplaned Passengers adjusted from 31,759 to 32,455 due to change in airline reporting practices.

Table 5
Dallas Fort Worth International Airport
Landed Weights and Cargo Tonnage (Unaudited, in billions of pounds)

	Fiscal Year Ended, September 30									
	2018		2017		2016		2015		2014	
	Weight.	%	Weight.	%	Weight.	%	Weight.	%	Weight.	%
By Carrier Type										
Domestic Passenger Airlines	37.6	86	37.1	87	36.5	88	36.3	89	35.2	89
International Pass. Airlines	1.9	4	1.7	4	1.4	3	1.1	3	1.0	3
Cargo/Integrator Airlines	4.3	10	4.0	9	3.8	9	3.3	8	3.2	8
Total Landed Weights	43.8	100	42.8	100	41.7	100	40.7	100	39.4	100
By Major Airline										
American	26.1	60	25.6	60	25.0	60	24.5	60	25.0	64
American Eagle (Envoy Air)	6.7	15	6.7	16	6.6	16	5.3	13	4.2	11
US Airways [(1)]	-	0	-	0	-	0	1.1	3	1.1	3
UPS	1.3	3	1.2	3	1.1	3	1.0	2	0.9	2
Delta	1.4	3	1.4	3	1.4	3	1.5	4	1.4	4
Spirit Airlines	1.4	3	1.2	3	1.4	3	1.4	3	1.2	3
Federal Express	0.6	1	0.6	1	0.6	2	0.6	1	0.6	1
United	1.4	3	1.3	3	1.2	3	1.1	3	1.0	3
British Airways	0.2	1	0.2	1	0.2	1	0.2	1	0.2	1
Korean Air Lines	0.1	0	0.1	0	0.1	0	0.1	0	0.2	0
Lufthansa German Airlines	0.1	0	0.1	0	0.1	0	0.1	0	0.1	0
Emirates	0.2	1	0.2	0	0.2	1	0.3	1	0.2	0
Etihad Airways	0.1	0	0.1	1	0.1	0	0.1	1	0.0	0
Qantas	0.3	2	0.3	1	0.2	1	0.3	1	0.2	1
Qatar Airways	0.2	1	0.2	1	0.1	0	0.2	0	0.0	0
Sun Country Airlines	0.1	1	0.1	1	0.1	0	0.1	0	0.1	0
Other	3.6	6	3.5	6	3.3	8	2.8	7	3.0	8
Total Landed Weights	43.8	100	42.8	100	41.7	100	40.7	100	39.4	100
Cargo Tonnage	911		886		795		733		687 *	

Source: DFW Finance Department, based on flight activity reports provided by airlines.

[(1)] As of October 2015, US Airways and American Airlines began operating under a single certificate.

* Final FY 2014 Cargo Tons adjusted from 682 to 687.

Table 6
Dallas Fort Worth International Airport
Average Signatory Landing Fee and Terminal Rentals Rates (Unaudited)

	Fiscal Year Ended, September 30				
	2018	2017	2016	2015	2014
Average Landing Fee Rates*					
Final Rates at the True-up	$ 3.09	$ 2.44	$ 2.05	$ 2.47	$ 2.71
Budgeted [1]	$ 3.57	$ 2.40	$ 2.56	$ 2.69	$ 2.82
Average Terminal Rental Rates					
Final Rates at the True-up	$ 271.62	$ 229.01	$ 204.69	$ 164.02	$ 135.77
Budgeted [1]	$ 274.93	$ 258.98	$ 209.83	$ 184.80	$ 145.75

Source - DFW Finance Department.
* Per 1,000 pounds
[1] For the purposes of Continuing Disclosure, the Budgeted rate is what was formerly called the Interim Rate.

Table 7
Dallas Fort Worth International Airport
Airline Cost and Passenger Airline Cost Per Enplanement (CPE)
(Unaudited)

	Fiscal Year Ended, September 30				
	2018	2017	2016	2015	2014
Airline Cost (millions)					
Final Rates at the True-up	$ 458.7	$ 383.2 [2]	$ 319.6	$ 286.0	$ 245.3
Budgeted [1]	$ 482.8	$ 401.5	$ 340.5	$ 299.1	$ 253.1
Cost per Enplanement					
Final Rates at the True-up	$ 12.90 [2]	$ 11.28 [2]	$ 9.50	$ 8.75	$ 7.53
Budgeted [1]	$ 13.87	$ 11.59	$ 10.32	$ 9.29	$ 8.04

Source - DFW Finance Department.

[1] For the purposes of Continuing Disclosure, the Budgeted rate is what was formerly called the Interim Rate.

[2] ASIP not reflected in FY 2018, restated FY 2017 as $385.6 and $11.35.

Table 8
Dallas Fort Worth International Airport
Summary of Key Parking Financial and Operational Information (Unaudited)

	Fiscal Year Ended, September 30				
	2018	2017	2016	2015	2014
Parking Revenues (millions)					
Terminal/Infield	$ 89.1	$ 85.3	$ 82.7	$ 78.8	$ 73.2
Express/Remote	29.8	31.3	30.8	29.2	29.3
Drop Off/Meeter-Greeter	18.2	18.4	18.9	17.1	12.7
Pass-Through	4.0	4.2	3.3	3.1	2.4
Other	10.7	5.8	6.6	7.0	7.6
Total Revenues	$ 151.8	$ 145.0	$ 142.3	$ 135.2	$ 125.2
Parking Transactions (millions)					
Terminal/Infield	1.86	1.85	1.92	1.85	1.91
Express/Remote	0.64	0.67	0.73	0.71	0.69
Drop Off/Meeter-Greeter	12.34	11.27	10.36	8.85	8.55
Pass-Through	1.09	1.14	1.69	2.06	1.95
Total Transactions	15.93	14.93	14.70	13.47	13.10
Average Length of Stay (Days)					
Terminal	2.00	1.92	1.96	2.03	2.05
Express	3.71	3.80	3.83	3.67	3.95
Remote	4.11	4.11	4.17	4.22	4.33
Weighted Average	2.43	2.46	2.52	2.55	2.60
Parking Revenue per Originating Passenger *	$ 8.49	$ 8.86	$ 8.75	$ 8.89	$ 8.24

Source: DFW Finance and Parking Departments

* Does not include Pass-Through revenue.

Table 9
Dallas Fort Worth International Airport
Summary of Key Terminal and Non-Terminal Concessions Financial and Operational Information
(Unaudited)

	Fiscal Year Ended, September 30				
	2018	2017	2016	2015 **	2014
Number of concessions locations	237	224	230	233	225
Leased sq. ft. as of September 30 (000s)	275	249	240	232	224
Concessions Sales-Terminal (millions):					
Food and beverage	$ 240.0	$ 223.0	$ 220.1	$ 211.5	$ 202.9
Retail and duty free	123.9	113.9	113.8	112.3	110.9
Other In Terminal	30.7	22.6	16.5	19.6	23.5
Total concessions sales	$ 394.6	$ 359.5	$ 350.4	$ 343.4	$ 337.4
Concessions sales/enplanement	$ 11.44	$ 10.86	$ 10.67	$ 10.58	$ 10.74
Concession sales per sq. ft.	$ 1,433	$ 1,445	$ 1,463	$ 1,480	$ 1,503
Concessions Income to DFW-Terminal (millions):					
Food and beverage	$ 35.6	$ 32.9	$ 30.9	$ 27.8	$ 26.0
Retail and duty free	23.9	22.6	21.1	19.4	18.3
Other In Terminal	24.8	24.1	19.1	19.1	22.6
Income-Terminal Subtotal	$ 84.3	$ 79.6	$ 71.1	$ 66.3	$ 66.9
Concessions income/enplanement	$ 2.44	$ 2.40	$ 2.17	$ 2.09	$ 2.13
Concessions income per sq. ft.	$ 306	$ 320	$ 297	$ 286	$ 298
Concessions - Not In Terminal*	9.2	8.7	8.0	7.7	6.4
Total Concessions income to DFW	$ 93.5	$ 88.3	$ 79.1	$ 74.0	$ 73.3

Source: DFW Finance and Concessions Departments, from concessionaire on-line reporting.

* Non-passenger/non-terminal income. Includes reimbursable services. Not included in ratios.

** In FY 2015 Concessions for enplanement was adjusted from $10.81 to $10.58 due to change in airline reporting practices.

Table 10
Dallas Fort Worth International Airport
Summary of Key Rental Car Financial and Operational Information (Unaudited)

	Fiscal Year Ended, September 30				
	2018	2017	2016	2015	2014
Transaction days (millions)	5.5	5.4	5.6	5.2	5.2
Rental car sales (millions)	$ 273.5	$ 269.3	$ 279.9	$ 265.6	$ 267.2
Income to DFW (millions)	$ 33.1	$ 32.6	$ 33.6	$ 31.8	$ 32.4
Income/destination passenger	$ 2.58	$ 2.67	$ 2.76	$ 2.46	$ 2.50

Source: DFW Finance and Concessions Departments, from rental car companies self-reporting.

Table 11
Dallas Fort Worth International Airport
Summary of Key Commercial Development Financial and Operational Information
(Unaudited)

	Fiscal Year Ended, September 30				
	2018	2017	2016	2015	2014
Ground Lease Revs. (millions)	$ 45.8	$ 44.1	$ 39.8	$ 37.6	$ 37.3
Acres Leased (end of period)	1,597	1,592	1,455	1,415	1,284
Average Lease Rate per Acre	$28,662	$27,714	$27,365	$26,603	$29,023

Source: DFW Finance and Commercial Development Departments.

Table 12
Dallas Fort Worth International Airport
Summary of Key Natural Gas Financial and Operational Information
(Unaudited)

	Fiscal Year Ended, September 30				
	2018	2017	2016	2015	2014
Revenues (millions)					
Royalties *	$ 2.3	$ 10.2	$ 2.0	$ 3.6	$ 6.2
Surface use and other revenues	0.1	0.1	0.1	0.1	0.1
Total Natural Gas Revenues	$ 2.4	$ 10.3	$ 2.1	$ 3.7	$ 6.3
Operational Information					
Wells in production	58	59	70	74	98
Production (MMcf)	3.4	3.4	4.4	5.6	6.8
Average price paid to DFW	$ 2.66	$ 2.46	$ 1.81	$ 2.74	$ 3.71

Source: DFW Finance and Commercial Development Departments, production data from Chesapeake Energy.

* In addition to the annual royalties from the natural gas lease, DFW received a one-time partial settlement payment of $8.2M in FY 2017.

Table 13
Actual/Proforma PFIC Cash Flows and Coverage
Fiscal Year Ended September 30, 2018
(Unaudited in millions)

	Grand Hyatt	RAC - CFC *	Hyatt Place	Total
Revenues	$ 42.9	$ 22.2	$ 6.5	$ 71.6
Less:				
Expenses	26.2	-	3.9	30.1
Net Available for Debt Service	16.7	22.2	2.6	41.5
Debt Service	$ 4.8	$ 14.3	$ -	$ 19.1
Coverage Ratio	3.48	1.56	-	2.17

* Customer Facility Charge

Table 14
Dallas Fort Worth International Airport
Cash and Investment Balances (Unaudited, in millions)

	As of September 30 (Fiscal Year End)				
	2018	2017	2016	2015	2014
Unrestricted Cash and Investments					
Operating revenue and expense fund	$ 326	$ 306	$ 283	$ 248	$ 211
Capital improvement fund	428	446	444	422	419
PFIC	113	106	88	75	76
Total unrestricted cash/investments	867	858	815	745	706
Restricted Cash and Investments					
Passenger facility charges	21	18	31	34	22
Bond/construction funds	492	400	746	971	1,505
Debt Service Fund	292	253	219	207	200
Debt Service Reserve Fund	331	328	330	326	325
PFIC	20	15	13	13	11
Other	2	2	2	2	1
Total restricted cash/investments	1,158	1,016	1,341	1,553	2,064
Total DFW cash/investments	2,025	1,874	2,156	2,298	2,770
Operating Expenses	$ 527	$ 499	$ 489	$ 439	$ 424
Unrestricted Cash and Investments/Ops Exps - Days	600	628	608	620	607

Source: DFW Airport Finance Department records.

Table 15
Dallas Fort Worth International Airport
Joint Revenue Debt Service Requirements[1]
(Unaudited)

	Principal	Interest	Total	Capitalized Interest	Net Debt Service
11/1/2018	180,775,000	299,526,396	480,301,396	(4,083,690)	476,217,705
11/1/2019	214,405,000	293,863,265	508,268,265	(1,800,359)	506,467,906
11/1/2020	223,915,000	286,231,205	510,146,205	(752,152)	509,394,053
11/1/2021	239,345,000	278,093,841	517,438,841		517,438,841
11/1/2022	234,040,000	269,311,269	503,351,269		503,351,269
11/1/2023	243,305,000	260,241,797	503,546,797		503,546,797
11/1/2024	253,015,000	250,531,006	503,546,006		503,546,006
11/1/2025	176,560,000	240,163,888	416,723,888		416,723,888
11/1/2026	180,075,000	231,211,688	411,286,688		411,286,688
11/1/2027	187,360,000	222,120,288	409,480,288		409,480,288
11/1/2028	202,155,000	212,758,081	414,913,081		414,913,081
11/1/2029	215,270,000	202,653,094	417,923,094		417,923,094
11/1/2030	230,730,000	191,709,006	422,439,006		422,439,006
11/1/2031	247,890,000	179,985,069	427,875,069		427,875,069
11/1/2032	258,975,000	167,575,244	426,550,244		426,550,244
11/1/2033	276,835,000	154,681,488	431,516,488		431,516,488
11/1/2034	297,625,000	140,773,150	438,398,150		438,398,150
11/1/2035	319,885,000	126,047,588	445,932,588		445,932,588
11/1/2036	171,310,000	110,290,244	281,600,244		281,600,244
11/1/2037	179,760,000	101,866,881	281,626,881		281,626,881
11/1/2038	193,645,000	92,961,913	286,606,913		286,606,913
11/1/2039	212,115,000	83,309,038	295,424,038		295,424,038
11/1/2040	223,275,000	73,003,344	296,278,344		296,278,344
11/1/2041	234,140,000	61,857,344	295,997,344		295,997,344
11/1/2042	245,815,000	50,168,794	295,983,794		295,983,794
11/1/2043	248,990,000	37,897,056	286,887,056		286,887,056
11/1/2044	248,515,000	25,593,688	274,108,688		274,108,688
11/1/2045	260,675,000	13,419,975	274,094,975		274,094,975
11/1/2046	5,000,000	1,031,250	6,031,250		6,031,250
11/1/2047	5,000,000	825,000	5,825,000		5,825,000
11/1/2048	5,000,000	618,750	5,618,750		5,618,750
11/1/2049	5,000,000	412,500	5,412,500		5,412,500
11/1/2050	5,000,000	206,250	5,206,250		5,206,250
Totals	$ 6,425,400,000	$ 4,660,939,384	$ 11,086,339,384	$ (6,636,201)	$ 11,079,703,183

[1] May not add due to rounding

Table 16
Dallas/Fort Worth International Airport
Debt Service Coverage
(Unaudited, in millions)

	Fiscal Year Ended September 30				
	2018	2017	2016	2015	2014
Coverage Calculation - Gross Revenues					
Operating Revenues					
Airfield cost center	$ 196.9	$ 166.2	$ 151.5	$ 149.4	$ 146.2
Terminal cost center	347.5	306.4	272.1	225.4	180.0
DFW cost center (non-airline revenues)	322.4	306.3	289.3	273.6	268.3
Total Operating Revenues	$ 866.8	$ 778.9	$ 712.9	$ 648.4	$ 594.5
Non-operating Revenues	148.1	158.4	148.7	141.8	129.2
Rolling coverage	116.8	103.8	90.0	78.5	68.6
Total Gross Revenues	$ 1,131.7	$ 1,041.1	$ 951.6	$ 868.7	$ 792.3
Less Operating Expenses	(464.1)	(438.2)	(416.7)	(392.1)	(376.9)
Gross Revenues available for debt service	$ 667.6	$ 602.9	$ 534.9	$ 476.6	$ 415.4
Debt Service	$ 467.3	$ 415.1	$ 359.9	$ 314.0	$ 274.5
Coverage ratio - Gross Revenues	1.42	1.45	1.49	1.52	1.51
Coverage Calculation - Current Gross Revenues					
Gross Revenues available for debt service	$ 667.6	$ 602.9	$ 534.9	$ 476.6	$ 415.4
Less: Transfers and Rolling Coverage	(116.8)	(107.8)	(98.0)	(90.5)	(84.6)
Current Gross Revenues available for debt service	$ 550.8	$ 495.1	$ 437.0	$ 386.1	$ 330.8
Debt Service	$ 467.3	$ 415.1	$ 359.9	$ 314.0	$ 274.5
Coverage ratio - Current Gross Revenues	1.17	1.19	1.21	1.23	1.21
Coverage Calculation - All Revenues Sources					
Current Gross Revenues available for debt service	$ 550.8	$ 495.1	$ 437.0	$ 386.1	$ 330.8
Natural Gas Royalties, Interest Income, Other	11.4	17.9	14.6	19.0	21.6
PFIC	26.2	25.8	23.8	15.5	24.7
All Current Revenues available for debt service	$ 588.3	$ 538.8	$ 475.4	$ 420.6	$ 377.1
Debt Service	$ 467.3	$ 415.1	$ 359.9	$ 314.0	$ 274.5
Coverage ratio - All Current Revenues	1.26	1.30	1.32	1.34	1.37
Coverage ratio - All Current Revenues plus Capital Transfers and Rolling Coverage	1.51	1.56	1.59	1.63	1.68

* Non-operating revenues include PFC revenues from the current year plus amounts transferred from the PFC amount to pay eligible debt service.

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Dallas/Fort Worth International Airport

Independent Auditor's Report,

Management's Discussion and Analysis

and

Basic Financial Statements

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INDEPENDENT AUDITORS' REPORT

Members of the Board of Directors
Dallas Fort Worth International Airport:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Dallas Fort Worth International Airport Board ("Airport") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements.

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.

Auditors' Responsibility

Our responsibility is to express opinions 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 Airport'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 Airport'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Airport as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedules of changes in the net pension liability and related ratios, the schedules of contributions, the schedule of changes in the net OPEB liability and related ratios, schedule of contributions—OPEB, and OPEB schedule of investment returns be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte & Touche LLP

February 21, 2019

Dallas Fort Worth International Airport
Financial Table of Contents
For The Fiscal Year Ended September 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance and activity of the Dallas Fort Worth International Airport ("DFW" or "the Airport") provides an introduction and understanding of DFW's Basic Financial Statements for the fiscal year ended September 30, 2018. Also included are statements for DFW's fiduciary funds which have a December 31, 2017 year end. The Airport is a business-type activity. DFW's Basic Financial Statements consist of Management's Discussion and Analysis ("MD&A"); Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows. Also included are Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, and Notes to the Basic Financial Statements. DFW's Required Supplementary Information (RSI) includes Schedules of Changes in the Net Pension Liability and Related Ratios; Schedule of Contributions, Schedule of Changes in OPEB Liability and Related Ratios; and Schedule of Contribution-OPEB.

The MD&A has been prepared by management and should be read in conjunction with the Basic Financial Statements and the attached notes.

DFW's Controlling Documents

DFW was created by a Contract and Agreement between the Cities of Dallas and Fort Worth ("the Cities"), dated April 15, 1968, for the purpose of developing and operating an airport as a joint venture between the Cities. The 1968 Concurrent Bond Ordinance and the 30th Supplemental Bond Ordinance were amended and restated by the Master Bond Ordinance, and approved by the Cities on September 21, 2010 and September 22, 2010. The Master Bond Ordinance became effective on July 5, 2013 after the required approval of bondholders was obtained. Bonds are issued under provisions of the Master Bond Ordinance, Supplemental Bond Ordinances, as approved by the Cities, and Applicable Laws, including Chapter 22 of the Texas Transportation Code, and Chapter 1371 of the Texas Government Code, as amended. DFW is in compliance with all bond covenants. The Lease and Use Agreements ("Use Agreement") with the signatory airlines define DFW's rate setting methodology and business relationships with the airlines. DFW's current ten-year Use Agreement became effective October 1, 2010. Collectively, the aforementioned documents are referred to as the "Controlling Documents."

Each year, management prepares an Annual Budget (approved by the DFW Board and the Cities) of projected expenses for the Operating Revenue and Expense Fund. Management also prepares an annual Schedule of Charges which is the basis for charging the airlines, tenants, and other airport users for DFW services during the fiscal year.

The Use Agreement created three primary cost centers: "airfield", "terminal", and "dfw." The airfield and terminal cost centers are residual in nature. The airlines are responsible for paying the net cost to operate these cost centers (including debt service and coverage) primarily through landing fees and terminal rentals. The Use Agreement also allows for certain cash transfers from capital accounts to the Operating Revenue and Expense Fund each year.

DFW can generate net revenues or profits in the DFW cost center which includes non-airline business units such as concessions, parking, ground transportation, rental car, and commercial development. If DFW generates net revenues in excess of an "upper threshold" ($66.4 million in FY 2018), 75% of the excess is to be used to reduce landing fees. If the DFW cost center generates revenues below the "lower threshold" ($44.4 million in FY 2018), landing fees are increased so that the DFW cost center will achieve the "lower threshold". If net revenues from the DFW Cost Center are budgeted above the upper threshold, airline landing rates are reduced at the beginning of the fiscal year. Conversely, if net revenues are budgeted below the lower threshold, then the airlines are assessed incremental landing fee rates to achieve the lower threshold amount in the current fiscal year by adjusting rates at the beginning of the fiscal year. The upper threshold and lower threshold amounts are adjusted annually for inflation. At the end of each fiscal year, the airport computes a "true-up" for the airfield and terminal cost centers and applies any overcharge or undercharge to the following years' landing fee rate and/or terminal rental rate, respectively.

DFW's Capital Improvement Fund has three accounts: Joint Capital, DFW Capital and Rolling Coverage. The Joint Capital account generally requires approval from both DFW and the airlines prior to any expenditure of funds, while the DFW Capital account may be used at DFW's sole discretion for any legal purpose. The Joint Capital account is funded primarily from natural gas royalties, the sale of land and other assets, and interest income. The DFW Capital account is funded primarily from DFW Cost Center net revenues, subject to upper threshold limits discussed previously, and interest income. Both accounts can be supplemented with the issuance of debt.

The Rolling Coverage account was initially funded from the Capital Improvement Account when the Use Agreement was signed in 2010. The rolling coverage balance is transferred or "rolled" into the Operating Revenue and Expense Fund each year to fund debt service coverage requirements. It is then transferred back into the rolling coverage account at the end of the fiscal year. If additional coverage is required in any year, it is added to rates and charges and is collected during the fiscal year.

Although DFW uses the word "fund" to designate the source and prospective use of proceeds, DFW is an enterprise fund and does not utilize traditional "fund accounting" commonly used by government organizations. The following table summarizes the primary funds used by DFW and whether the related assets and liabilities are restricted or not restricted:

Fund Number	Fund Description	Primary Use	Restricted (R), Not Restricted (NR)
101	Net Investment in Capital Assets	Capital Assets, Bonds	R
102	Operating Revenues and Expenses	Operations	NR
104, 108, 110	Inventory, Rent-A-Car, Programs	Supplies, Operations	NR
105, 152-176	Department of Public Safety	Seized Funds	R
198	Concessionaire	Marketing Programs	R
252	Passenger Facility Charges	Collections, Debt Service	R
301-320	Joint Capital (non-JRB)	Capital Projects	NR
321-9, 332-5	Joint Capital (JRB)	Bond Proceeds	R
330-331	Joint Capital (JRB)	Construction	R
340	DFW (non-JRB)	Capital Projects	NR
341-344	DFW (JRB)	Bond Proceeds, Construction	R
350	Rolling Coverage	Rate Covenant	NR
500s	Debt Service Sinking	Principal and Interest	R
600s	Debt Service Reserve	Reserve Requirements	R
907	PFIC - Rent-A-Car Center	Facilities	NR
		Transportation	R
910	PFIC - Grand Hyatt Hotel	Operations, Capital	NR
		Working Capital, FFE	R
914	PFIC - Hyatt Place Hotel	Operations, Capital	NR
		Working Capital, FFE	R

JRB - Joint Revenue Bond
PFIC - Public Facility Improvement Corporation
FFE - Furniture, Fixtures and Equipment

The basic financial statements include all of DFW's funds. DFW manages its day-to-day airport operations primarily through the Operating Revenue and Expense Fund in accordance with the Controlling Documents. The Airport's financial statements include all of the transactions of the Public Facility Improvement Corporation ("PFIC"), which operates the Grand Hyatt and Hyatt Place hotels, and collects customer facility charges and customer transaction charges from the Rental Car companies. Although the PFIC is a legally separate entity, the financial transactions of the PFIC have been combined into the Airport's Enterprise Fund due to their nature and significance to the Airport. The PFIC is considered a blended component unit because the component units' governing bodies are substantively the same as DFW's, the primary government.

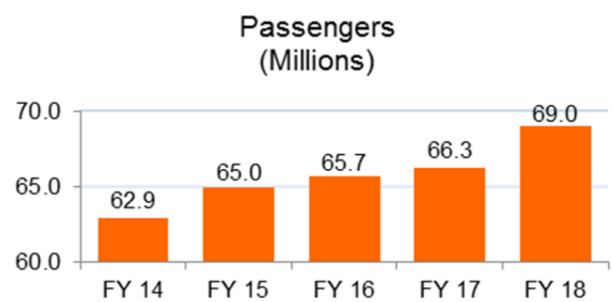
Operational and Financial Highlights

DFW utilizes a performance measurement process that is closely aligned with the Airport's Strategic Plan shown in the graphic below. Management believes that if it focuses on delivering the Key Results, it will be well positioned to achieve the Airport's mission and vision.

Key Performance Indicators

The following tables highlight changes in some of the Airport's operating and financial key performance indicators for FY 2018 and FY 2017. Additional detail can be found in the Statistical section of the CAFR in the Operating Information sub-section.

	For the Year Ended	
Key Operational Indicators	FY 2018	FY 2017
Total passengers (millions)	69.0	66.3
Total seats (millions)	79.7	77.7
Aircraft operations (000s)	662	654
Landed weight (millions of pounds)	43,839	42,803
International seats (millions)	10.8	10.5
Domestic destinations	176	168
International destinations	58	57
Cargo landed weight (millions of pounds)	4,352	4,145
Cargo tons (000s)	911	886



Total passengers for FY 2018 were 69.0 million, a 2.7 million (4.1%) increase from 66.3 million in FY 2017 driven by gains in both domestic and international passengers. International growth resulted from new service (e.g., American Airlines, Wow Air, and Icelandair services to Keflavik, Iceland); aircraft upgauge (e.g., AA's service to Amsterdam, Shanghai, and Santiago as well as Japan Airline's service to Tokyo); and annualization of the previous year's frequencies in various international markets. American Airline's (AA's) market share at DFW decreased from 85.0% in FY 2017 to 84.3% in FY 2018. DFW's next largest carriers in FY 2018 were Spirit Airlines at 4.1%, followed by Delta Airlines at 3.8% and United Airlines at 3.5%.

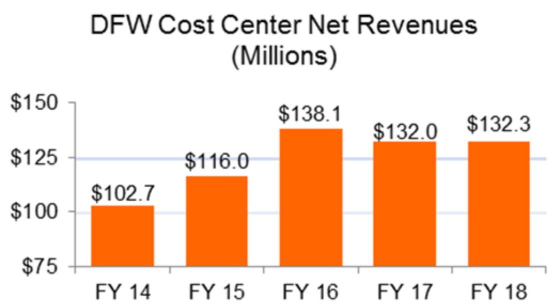
DFW ended the year with 58 active/ announced international destinations, up from 57 in the previous year. AA announced four new international destinations, with two starting in December 2018 (Aruba and Oaxaca, Mexico) and two in June 2019 (Munich and Dublin). Also, Air France announced its return to DFW in March 2019 serving Paris (CDG). DFW lost Etihad service to Abu Dhabi, as well as AA's services to Rio de Janeiro and Quito. Total FY 2018 international seats (capacity) were 10.8 million, a 0.3 million (2.9%) increase over FY 2017.

Aircraft operations increased 8,000 (1.2%) to 662,000 in FY 2018, driven by an increase in operations by AA, Spirit and United. Total seats increased 2.0 million (2.5%) from 77.7 million in FY 2017 to 79.7 million in FY 2018, primarily as a result of AA's up-gauging and seat densification of aircrafts, as well as significant growth in air service from Spirit, up 17.0% in seats in FY 2018.

Total landed weights increased 1.0 billion (2.3%) to 43.8 billion pounds in FY 2018, primarily due to newer/larger aircraft from AA and new flights from AA, Spirit, Japan Airlines, and United Airlines. AA's share of DFW's landed weights decreased from 75.4% in FY 2017 to 74.7% in FY 2018. Cargo tonnage increased 25,000 (2.8%) to 911,000 in FY 2018 due to increases in AA belly cargo, Amazon shipments on Air Transport Service Group (ATSG), and European freighters including Carlolux and Lufthansa Cargo.

Key Financial Indicators	For the Year Ended FY 2018	FY 2017
Airline Cost (millions)	$ 458.7	$ 385.6
Cost per Enplanement	$ 12.90	$ 11.28
DFW Cost Center Revenues (millions)	$ 375.9	$ 358.5
DFW Cost Center Net Revenues (millions)	$ 132.3	$ 132.0

Two industry metrics for cost competitiveness are airline cost and passenger airline cost per enplanement ("CPE"). Airline cost represents the fees paid by the airlines primarily for landing fees and terminal rentals. The airlines agreed to pay these higher costs when they approved the capital program as part of the Use Agreement. Airline cost was $458.7 million in FY 2018, a $73.1 million (18.9%) increase over FY 2017, and CPE increased from $11.28 in FY 2017 to $12.90 in FY 2018. Both metrics increased primarily due to increased operating expenses and debt service associated with DFW's Terminal Renewal and Improvement Program ("TRIP"). DFW remains competitively positioned compared to other large hub airports in North America, especially when considering other factors like delay and taxiing costs and fuel taxes which are not recorded on DFW's books.



DFW's non-airline business units (e.g., parking, concessions, ground transportation, rental car and commercial development) are part of the DFW Cost Center. In FY 2018, these five business units generated $348.4 million in revenues, a $19.8 million (6.0%) improvement over FY 2017, primarily driven by parking, ground transportation and concessions. DFW Cost Center net revenues (earnings) were $132.3 million in FY 2018, $0.3 million (0.2%) more than FY 2017 as increased revenues were offset by an increase in debt service requirements. Since net revenues were higher than the "Upper Threshold" as defined in the Airline Use Agreement, DFW shared $49.4 million of its earning to reduce landing fees. The remaining $82.9 million was transferred to the DFW Capital Account at the end of the fiscal year. FY 2016 Net Revenues included a one-time $10 million increase in revenues due to a lease of land.

Capital Programs and Airport Development Plan Update

DFW Airport completed the last phase of the Terminal Renewal and Improvement Program ("TRIP") when Terminal B – section B went into service in the first quarter of FY 2018. The objective of this $1.9 billion program is to renovate and improve three of DFW Airport's older domestic terminals by replacing end-of-life building systems and enhancing other major terminal functions, e.g., ticket halls, TSA security screening areas, baggage systems, and concessions. DFW is currently forecasting the final expenditures will be approximately $40 million to $50 million under budget for Terminals A, B, and E. The remaining design and start of construction for Terminal C remains on hold pending discussions with the airlines regarding future terminal plans.

DFW's next major capital program includes refurbishment of aging airfield, landside roads and bridges, and utilities. The infrastructure renewal program is based on condition assessments which provide guidance as to the timing and sequencing of needed reconstruction. As a result of these condition assessments, runway 17C and related airfield, were identified as critical near-term needs and are currently under construction. Other airfield rehabilitation efforts which are in design, or are about to begin design, include Taxiway "F" ($26.4 million), Runway 18R ($150 million), and Taxiway "A" ($200 million). Continuation of a major airfield expansion program is underway to enhance airfield safety and capacity via North and Southwest End-Around-Taxiways which reduce the risk of runway incursions and increases the airfield capacity. The estimated cost of these two taxiways is about $337 million over the next 5 years.

The majority of the airfield projects are eligible for Federal Aviation Administration (FAA) Airport Improvement Program (AIP) grant funding. DFW Airport has secured $383 million of grant funding to offset these costs, and is planning to request additional grant funding.

From a facilities standpoint, DFW Airport is expanding terminal gate capacity to meet demand with a $194.0 million expansion of four additional gates in a terminal extension to the south of Terminal D which will be capable of serving both international and domestic flights. Other terminal reconstruction and expansion is currently underway in the Terminal E Satellite. This $32.1 million project expands/ renovates the satellite, from 9 gates to 15 gates to meet AA's demand for additional gates. Similarly, Terminal B is being reconfigured to accommodate increased demand by converting 9 regional jet gates to 6 larger mainline aircraft gates for an estimated cost of $23.3 million.

DFW Airport is experiencing unprecedented demand for Commercial Development sites to meet increasing space demands for industrial warehousing, distribution, logistics, office, and operations providers. A number of sites involving civil infrastructure are in various stages of completion for expanding commercial development, including Passport Park for $42.8 million, which is a 300+ acre site at the southeast quadrant of the airport.

As of September 30, 2018, DFW had 297 approved capital projects in process with remaining project obligations totaling $1.5 billion, of which $331.0 million has been committed but not yet incurred, with the remaining $1.1 billion expected to be committed and incurred in the future, to complete current approved capital projects. During FY 2018, the airlines approved $233.8 million of new projects to be funded through the issuance of debt.

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Revenues, Expenses, and Change in Net Position:

The following table is a summary of Operating revenues, Operating expenses, Non-operating expenses, net, Capital contributions, and the Change in Net Position for the years ended September 30, 2018 and 2017. Detailed descriptions and variances of the components of revenues, expenses and net non-operating expenses are described in the following sections.

	For the Year Ended (000s)	
Change in Net Position	FY 2018	FY 2017
Operating revenues	$ 929,437	$ 840,899
Operating expenses	(815,922)	(771,771)
Operating (loss) Income	113,515	69,128
Non-operating expenses, net	(99,490)	(92,128)
Income (Loss) before capital contributions	14,025	(23,000)
Capital contributions	40,631	29,962
Total Increase (Decrease) in net position	$ 54,656	$ 6,962
Change in accounting principle	(8,856)	-
Total Change in Net Position	$ 45,800	$ 6,962

DFW's Controlling Documents require that DFW establish rates, fees and charges adequate to provide for the payment of operating costs (excluding depreciation and certain other expenses) and debt service (including principal, interest and coverage). On a Use Agreement basis, the Airport's rate setting methodology resulted in DFW exceeding its debt covenants in FY 2018 (see Liquidity section pg.17-18). DFW generated $409.9 million of net cash flow from operating activities.

DFW has a negative net investment in Capital assets because of DFW's debt restructuring plan implemented ten years ago which deferred principal and debt service to save the airlines money during the global financial crisis. This caused depreciation to exceed debt principal reductions by a significant amount. In FY 2016 and FY 2018, DFW issued debt with five-year and seven-year maturities respectively, resulting in increasing principal payments each year. This drove higher airline revenues and an increase in net investment in FY 2018 of $54.7 million before the change in accounting principle.

The Change in accounting principle of $8.9 million is the result of implementing Governmental Accounting Standards Board (GASB), Statement No. 75 related to the recognition of the net Other post-employment benefits (OPEB) liability in the Statement of Net Position.

Use Agreement and Generally Accepted Accounting Principles (GAAP):

The DFW Use Agreement varies from GAAP when measuring net income. For government entities the "Change in Net Position" is used for net income while the Use Agreement uses "Net to DFW Capital Account." These two measurements differ in three major categories: Accounting differences related to the timing and categorization of revenues and expenses, Capital fund sources and uses, and items Not in the Use Agreement. The following table describes the key underlying differences between GAAP and Use Agreement accounting.

	Line Item	GAAP	Use Agreement (Operating Fund)
Accounting	Capital recovery	Depreciation	Bond principal paid
	Interest expense	Net of premium/discount, refunding costs	Accrued interest only
	Capitalized interest	Offset to interest expense, measured as project costs incurred not when borrowed	Recovered through principal after date of beneficial occupancy
	Asbestos removal	Expense immediately	Included in borrowed project costs
	Defined benefit pension costs	Expense per GASB	Contribution cost
	Passenger facility charges	Revenue recognized	Funds applied allowing for two months reserve
	Operating reserve	No expense	Reserve requirement
	Interest income	GASB market adjustment	Unrealized gain/loss not recognized
Capital Funds	Revenue (transfer)	Intercompany elimination	Revenue received and debt service paid from other DFW sources
	Debt service	Debt service sinking fund	
	Expenses	Actual incurred	Not included
	Air service incentives	Actual incurred	
Not in Use Agreement (Operating Fund)	Public facility corporation	Hyatt hotel and Rental car facility funds	Not recognized
	Grants	Government reimbursements for project related costs	
	Natural gas	Special fund for royalties	
	Non-operating interest income	Non-operating income	
	Other revenues and expenses	Non-operating funds	

The schedule below is a summary of the Accounting, Capital, and Not in Use Agreement differences reconciling the Change in Net Position to the Change in DFW capital account per the Use Agreement for the year ended September 30, 2018.

GAAP-Use Agreement	For the Year Ended (millions) FY 2018
Change in net position	$ 45.8
Accounting	111.7
Capital	29.3
Not in use agreement	(103.9)
Transfer to DFW Capital account	82.9
Reduction to airline rates	49.4
DFW Cost Center net revenues	$ 132.3

The Accounting category amount of $111.7 million is primarily due to depreciation greater than bond principal paid, and unrealized interest losses on investments. The Capital category amount of $29.3 million is primarily due to expenses in capital funds and debt service offsets. The Not in use agreement category of ($103.9) million is primarily due to interest earnings, PFIC income, and capital grants.

Operating Revenues:

The following table highlights the major components of operating revenues for the fiscal years ended September 30, 2018 and 2017. Significant variances are explained below.

	For the Year Ended (000s)	
Operating Revenues	FY 2018	FY 2017
Terminal rent and use fees	$ 307,211	$ 265,614
Landing fees	132,922	103,383
Federal Inspection Services (FIS)	26,147	24,097
Airfield and other airline	192	263
Total airline revenue	466,472	393,357
Parking	151,859	144,969
Ground transportation	24,139	18,653
Concessions	93,539	88,299
Grand Hyatt and Hyatt Place hotels	49,407	47,831
Ground and facilities leases	45,772	44,121
Rent-A-Car lease and rentals	33,095	32,604
Employee transportation	17,545	17,822
Rent-A-Car customer transportation charges	13,839	13,456
Other non-airline	33,770	39,787
Total non-airline revenue	462,965	447,542
Total Operating Revenues	$ 929,437	$ 840,899

Total airline revenue consists of fees paid by the airlines for the use of the airfield and terminals at DFW based on DFW's net cost to provide these related facilities as defined in the Use Agreement.

Terminal rents and use fees ("Terminal Revenues") include terminal rent from gates leased by airlines and gate use fees from DFW-owned gates. Terminal revenues increased $41.6 million (15.7%) from $265.6 million in FY 2017 to $307.2 million in FY 2018, primarily due to an increase in rates necessary to cover the higher debt service and higher operating costs.

Landing fees for passenger and cargo carriers are assessed per 1,000 pounds of maximum approved landed weight for each specific aircraft as certified by the FAA. Landing fees (including passenger and cargo fees) increased $29.5 million (28.5%) from $103.4 million in FY 2017 to $132.9 million in FY 2018 primarily due to an increase in rates necessary to cover higher debt service.

Federal Inspection Service ("FIS") fees per departing international passenger in Terminal D increased $2.0 million (8.3%), from $24.1 million in FY 2017 to $26.1 million in FY 2018 due to higher international passenger traffic and higher rates.

Parking fees are charged based on the length of stay and parking product. DFW's primary parking products include Terminal ($24 per day), Express ($12-15 per day) and Remote ($10 per day). Parking also includes Meeter/Greeter, Drop-off and Pass-through drivers. Parking revenues increased $6.9 million (4.8%) from $145.0 million in FY 2017 to $151.9 million in FY 2018. Toll tag and credit card fees classified as an offset to Parking revenues in FY 2017 accounted for $5.3 million of the increase. The additional $1.6 million increase was primarily due to an increase in originating passengers. Terminal parking revenues accounted for 58.7% and 59.0% of total parking revenues in FY 2018 and FY 2017, respectively.

Ground transportation revenues represent the access, decal, and application fees charged to taxicab, limousine, pre-arranged ride, shared ride, transportation network companies (e.g., Uber and Lyft), and courtesy vehicle companies and providers. Revenues increased $5.4 million (28.9%), from $18.7

million in FY 2017 to $24.1 million in FY 2018 primarily due to increased transactions from transportation network companies partially offset by lower taxicab and limousine access fees.

Concession revenues increased $5.2 million (5.9%), from $88.3 million in FY 2017 to $93.5 million in FY 2018 primarily due to an increase in food and beverage, retail sales, and passenger services.

Grand Hyatt and Hyatt Place hotel revenues include room rental, sale of food and beverage, and other hotel related activities. Revenues increased $1.6 million (3.3%), from $47.8 million in FY 2017 to $49.4 million in FY 2018, primarily due to Grand Hyatt's room rates and food and beverage sales.

Ground and facility lease revenues, also referred to as Commercial Development, consist primarily of ground and facility leases of Airport property. Ground and facility lease revenue increased $1.7 million (3.9%) from $44.1 million in FY 2017 to $45.8 million in FY 2018 primarily due to slightly higher lease rates and an increase in rental income at the International Commerce Park property.

Rent-a-car ("RAC") lease and rentals revenue consists of ground leases plus a percentage rent based on gross revenues. RAC revenues increased $0.5 million (1.5%), from $32.6 million in FY 2017 to $33.1 million in FY 2018, primarily due to higher rental car transaction days. Percentage rent accounted for 83.7% of the total RAC rental revenues in FY 2018 and 83.9% in FY 2017.

Employee transportation revenues are derived primarily from a monthly fee paid by airlines and other tenants to recover the cost of employee transportation services between remote parking lots and the terminals. Employee transportation revenues decreased $0.3 million (-1.7%) from $17.8 million in FY 2017 to $17.5 million in FY 2018, primarily due to lower operating costs.

RAC customer transportation ("CTC") revenue is derived from a transaction fee of $2.50 per rental day. The proceeds of this fee are used to fund the operation and maintenance of the bus fleet that transports passengers between the airport terminals and the RAC. CTC revenue increased $0.3 million (2.2%) from $13.5 million in FY 2017 million to $13.8 million in FY 2018, primarily due to an increase in transaction days.

Other non-airline revenue is comprised of fuel farm operations; corporate aviation; non-airline utilities; trash removal; badging services; pass-through/reimbursable revenues from airlines, government entities, and other tenants; permit fees; natural gas royalties; and other miscellaneous revenues. Other revenue decreased $6.0 million (-15.1%) from $39.8 million in FY 2017 to $33.8 million in FY 2018, primarily as a result of lower natural gas royalties.

Operating Expenses:

The following table highlights the major components of operating expenses for the fiscal years ended September 30, 2018 and 2017. Significant variance explanations follow.

	For the Year Ended (000s)	
Operating Expenses	FY 2018	FY 2017
Salaries, wages, and benefits	$ 222,892	$ 217,441
Contract services	207,935	187,200
Grand Hyatt and Hyatt Place hotels	30,079	29,074
Equipment and supplies	25,873	25,534
Utilities	26,721	25,524
Insurance	5,024	5,092
General, administrative and other charges	7,910	9,613
Depreciation and amortization	289,488	272,293
Total Operating Expenses	$ 815,922	$ 771,771

Salaries, wages and benefits increased $5.5 million (2.5%) from $217.4 million in FY 2017 to $222.9 million in FY 2018 primarily due to more employees, annual wage increases, higher overtime and healthcare costs offset partially by lower pension expenses. DFW employed 1,985 and 1,943 full time employees as of September 30, 2018 and 2017, respectively.

Contract services include grounds and facility maintenance, custodial, busing services, financial and legal services, software and hardware maintenance, advertising, planning, and other professional services. Contract services increased $20.7 million (11.1%), from $187.2 million in FY 2017 to $207.9 million in FY 2018, primarily due to increased higher information technology and facility maintenance costs, and toll tag and credit card fees previously classified as an offset to Parking and Ground Transportation.

Hotel operations include room, food and beverage and other expenses. Grand Hyatt and Hyatt Place operating costs increased $1.0 million (3.5%) from $29.1 million in FY 2017 to $30.1 million in FY 2018 primarily due to higher repair and maintenance.

Equipment and supplies primarily consists of non-capitalized equipment, materials, fuel for vehicles, and supplies used to maintain and operate the Airport. Equipment and supplies increased $0.4 million (1.6%), from $25.5 million in FY 2017 to $25.9 million in FY 2018 primarily due to increased computer and maintenance costs partially offset by decreased fuel charges.

Utilities represent the cost of electricity, natural gas, potable water, trash removal, and telecommunications services. Utilities increased $1.2 million (4.7%) from $25.5 million in FY 2017 to $26.7 in FY 2018 primarily due to an increase in natural gas, sewer and solid waste, partially offset by decreased telecommunications.

General, administrative and other charges decreased $1.7 million (-17.7%), from $9.6 million in FY 2017 to $7.9 million in FY 2018. DFW incurred a one-time legal judgment in 2017. All other costs remained relatively flat from year to year.

Depreciation and amortization increased $17.2 million (6.3%), from $272.3 million in FY 2017 to $289.5 million in FY 2018, primarily due to higher depreciable base as a result of TRIP and other Capital additions.

Non-Operating Revenues and Expenses:

The following table highlights non-operating revenues and expenses for the fiscal years ended September 30, 2018 and 2017.

Non-Operating Revenues (Expenses)	For the Year Ended (000s) FY 2018	FY 2017
Passenger facility charges	$ 131,763	$ 126,774
RAC customer facility charges	22,213	21,602
Interest income	14,291	13,710
Interest expense on revenue bonds	(265,697)	(257,417)
Other, net	(2,060)	3,203
Total Non-Operating Expenses	$ (99,490)	$ (92,128)

Congress established the Passenger Facility Charge ("PFC") as part of the Aviation Safety and Capacity Expansion Act of 1990. DFW currently collects a $4.50 PFC from enplaned passengers to repay debt service issued to build projects like Terminal D and Skylink. PFC's are not levied on "non-revenue" passengers. PFC's are applied only on the first two legs of a connecting flight. DFW estimates that 87.0% of all enplaned passengers were required to pay PFC's in FY 2018 as opposed to 87.2% in FY 2017. PFC collections are recorded as revenue when earned, then used to pay eligible debt service costs. PFC's increased $5.0 million (3.9%) from $126.8 million in FY 2017 to $131.8 million in FY 2018 due to higher passenger traffic.

RAC customers pay a $4.00 facility charge for each transaction day to pay for the debt service, buses, and capital improvements to the RAC facility. The RAC customer facility charge ("CFC") revenue increased $0.6 million (2.8%) from $21.6 million in FY 2017 to $22.2 million in FY 2018, primarily due to an increase in the number rental car transaction days.

Other, net, non-operating revenues (expenses) are comprised primarily of net book value losses on retired capital assets, sales of surplus property, insurance proceeds, and other miscellaneous receipts and payments. In 2018, Other, net, decreased by $5.3 million primarily due to asset retirements offset by proceeds related to the sale of land (in the form of a permanent easement) for the Fort Worth TEXRail project.

Capital Contributions:

The following table highlights capital contributions for the fiscal years ended September 30, 2018 and 2017.

Capital Contributions	For the Year Ended (000s) FY 2018	FY 2017
Federal grant reimbursements	$ 40,631	$ 29,962
Total Capital Contributions	$ 40,631	$ 29,962

DFW receives Airport Improvement Program and other grants through the Federal Aviation Administration and other Federal and State agencies. The timing of Airport grant reimbursements are related to the timing of grant-funded capital projects. During FY 2018, DFW's largest draw-down on grants were for runway rehabilitation, a new end-around taxiway, ramp expansion and lighting, and taxiway bridge rehabilitation.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position:

The following table provides a condensed summary of DFW's net position and change in net position as of and for fiscal years ended September 30, 2018 and 2017. A discussion of significant items follows.

	As of September 30 (000s)	
Summary of Net Position	FY 2018	FY 2017
Assets:		
Current and other assets	$ 2,125,512	$ 1,955,788
Capital assets	5,444,209	5,396,101
Total assets	7,569,721	7,351,889
Deferred outflows of resources	27,771	64,324
Total assets and deferred outflows of resources	7,597,492	7,416,213
Liabilities:		
Current and other liabilities, excluding debt	342,309	313,623
Non-current liabilities	22,927	23,322
Long-term debt outstanding:		
due within one year	180,775	140,085
due in more than one year	6,550,137	6,455,731
Net pension and OPEB liabilities	137,802	176,027
Total liabilities	7,233,950	7,108,788
Deferred inflows of resources	24,092	13,775
Total liabilities and deferred inflows of resources	7,258,042	7,122,563
Total Net Position	$ 339,450	$ 293,650
Total revenues	$ 1,138,335	$ 1,036,151
Total expenses	(1,083,679)	(1,029,189)
Change in net position	$ 54,656	$ 6,962
Change in accounting principle	(8,856)	-
Total Change in Net Position	$ 45,800	$ 6,962

Total current and other assets increased $169.7 million from FY 2017 to FY 2018 primarily due the bond proceeds awaiting use for capital projects. Total capital assets increased $48.1 million primarily due to the completion of additional facilities and other capital projects net of depreciation (See Note 5).

Deferred outflows of resources decreased $36.6 million from $64.3 million in FY 2017 to $27.8 million in FY 2018 primarily due to higher pension investment earnings. See Note 1(q).

Debt due within one year increased $40.7 million based on the bond principal payment schedule and debt due in more than one year increased due to the issuance on the 2017A joint revenue bond (See Note 6). The Net pension and OPEB liabilities decreased $38.2 million primarily due to higher investment income.

Deferred inflows of resources increased $10.3 million primarily due to higher pension and OPEB investment income.
The following table summarizes DFW's net position as of September 30, 2018 and 2017.

	As of September 30 (000s)	
Net Position	FY 2018	FY 2017
Net investment in capital assets	$ (310,719)	$ (361,739)
Restricted net position:		
PFIC	21,858	18,837
Passenger facility charges	31,480	28,455
Public safety and other	1,777	1,585
Total restricted	55,115	48,877
Unrestricted net position	595,054	606,512
Total Net Position	$ 339,450	$ 293,650

DFW has a negative net investment in capital assets because of DFW's debt restructuring plan implemented ten years ago which deferred principal and debt service to save the airlines money during the global financial crisis. This caused depreciation to exceed debt principal reductions by a significant amount. In FY 2016 and FY 2018, DFW issued debt with five-year and seven-year maturities respectively, resulting in increasing principal payments each year. This drove higher airline revenues and an increase in net investment of $45.8 million, from $293.7 million in FY 2017 to $339.5 million in FY 2018.

The restricted net position for passenger facility charges represents the cash and investments held from the collection of fees that will be used in the future to pay eligible debt service. PFCs paid approximately 27.6% and 33.7% of the total debt service in FY 2018 and FY 2017, respectively. The PFC balance increased $3.0 million in FY 2018, primarily due to PFC collections exceeding debt service paid with PFCs.

The restricted net position for public safety and other represents cash obtained during seizures and arrests. These funds may only be used for public safety and security purposes as defined by Federal law. Also included in this amount are funds collected from concessionaires to operate joint marketing programs and maintain grease removal systems. See Note 8, Restricted Net Position, for more details.

Unrestricted net position decreased $11.4 million from $606.5 million in FY 2017 to $595.1 million in FY 2018 primarily due to the implementation of GASB statement No.75 resulting in the recognition of the net OPEB liability and the de-recognition of the net OPEB asset.

<u>Liquidity and Financing</u>

As of September, 30, 2018, DFW had total cash and investments of $2.0 billion, of which $866.7 million was unrestricted. Unrestricted cash and investments may be used for any lawful airport purpose, including capital expenditures, the payment of operation and maintenance expenses, and the payment of debt service if the debt service revenue fund should ever be inadequate. The unrestricted cash and investments in FY 2018 are sufficient to cover 600 days of operating expenses as compared to 628 days in FY 2017.

As of September 30, 2018, DFW has $6.6 billion of fixed rate joint revenue bonds payable including unamortized premium of $305.5 million and adjusted for $180.8 million of fixed rate bonds payable within one year (current portion). DFW has no swaps or variable rate debt.

DFW funds major renewal projects like the TRIP or runway improvements and expansion projects through the issuance of debt, net of available FAA discretionary funding. The issuance of additional debt requires airline approval, with some exceptions for commercial development and public safety. Minor renewals and replacements are generally funded out of the DFW capital account. As part of the Use Agreement, the Airlines approved the issuance of bonds to fund the TRIP and $220 million of other capital projects. Subsequent to the Use Agreement, the Airlines have approved $1.08 billion for non-TRIP projects. DFW constantly monitors the cash flow and contracting requirements for the TRIP and other approved projects.

In FY 2018, DFW issued $302.4 million in joint revenue bonds, Series 2017A, for Non-TRIP related projects (Reference the Capital Programs and Airport Development Plan Update).

Generally, DFW borrows funds to pay interest on major capital programs like the TRIP between the time of debt issuance and date of beneficial occupancy. DFW uses PFCs to pay a portion of eligible debt service on outstanding debt. The remaining debt service is paid through rates, fees and charges. Additional information on long-term capital asset activity and debt activity are disclosed in Notes 5 and 6 to the financial statements.

The Controlling Documents require DFW to annually adopt a Schedule of Charges that is: (1) reasonably estimated to produce Gross Revenues in an amount sufficient to at least pay Operation and Maintenance Expenses plus 1.25 times Accrued Aggregate Debt Service and (2) reasonably estimated to at least produce Current Gross Revenues in an amount sufficient to pay Operation and Maintenance Expenses plus 1.00 times Accrued Aggregate Debt Service. Gross revenues are defined as including transfers from capital and the PFC funds. Current gross revenues do not include these transfers. DFW's Gross Revenues coverage ratios were 1.45 and 1.42 for the fiscal years September 30, 2017 and September 30, 2018, respectively; while Current Gross Revenues coverage ratios were 1.19 and 1.17 for the same periods, respectively. See Debt Service Coverage schedule in the Statistical Tables section.

DFW is currently rated A+ (stable outlook) by Fitch; A+ (stable outlook) by Standard and Poor's, and AA- (stable outlook) by Kroll. Fitch upgraded DFW one notch on May 31, 2018 from A to A+. Standard & Poor's and Kroll ratings remained the same throughout FY2018. Moody's maintains a surveillance rating of A1 (stable outlook) on bonds originally rated by Moody's issued prior to 2014.

Request for Information

This financial report is designed to provide a general overview of the Airport's finances for all those with an interest. Questions concerning any of the information presented in this report or requests for additional information should be addressed to the Office of the Executive Vice President and Chief Financial Officer, 2400 Aviation Drive, P.O. Box 619428, DFW Airport, Texas 75261-9428.

Dallas Fort Worth International Airport
Statement of Net Position
As of September 30, 2018
(Amounts in Thousands)

Assets	
Current assets	
Cash and cash equivalents (notes 1, 2)	$ 154,176
Restricted cash and cash equivalents (notes 1, 2, 8)	101,599
Investments (notes 1, 2)	286,323
Restricted investments (notes 1, 2, 8)	260,590
Accounts receivable, net of allowance for doubtful account of $0.9 (note 1)	48,196
Inventory and other current assets (note 1)	13,886
Total current assets	864,770
Non-current assets	
Restricted cash and cash equivalents (notes 1, 2, 8)	129,113
Investments (notes 1, 2)	426,213
Restricted investments (notes 1, 2, 8)	666,914
Capital assets, net (notes 1, 5)	
Non-depreciable	610,481
Depreciable, net	4,833,728
Total capital assets, net	5,444,209
Other restricted assets (note 8)	38,502
Total non-current assets	6,704,951
Total assets	7,569,721
Deferred outflows of resources (notes 1, 9)	27,771
Total assets and deferred outflows of resources	7,597,492
Liabilities	
Current liabilities	
Accounts payable and other current liabilities (note 4)	160,895
Current payable from restricted assets (notes 1, 8)	181,414
Current portion of joint revenue bonds payable (notes 1, 6)	180,775
Total current liabilities	523,084
Long-term liabilities	
Long-term liabilities (note 15)	22,759
Long-term liabilities payable from restricted assets (note 15)	168
Net pension and other post-employment benefit liabilities (notes 9, 10)	137,802
Joint revenue bonds payable (note 6)	6,550,137
Total long-term liabilities	6,710,866
Total liabilities	7,233,950
Deferred inflows of resources (notes 1, 9, 10)	24,092
Total liabilities and deferred inflows of resources	7,258,042
Net Position	
Net investment in capital assets (note 7)	(310,719)
Restricted for:	
PFIC (notes 6, 8, 11)	21,858
Passenger facility charges (notes 1, 6)	31,480
Public safety and other (notes 1, 6)	1,777
Total restricted	55,115
Unrestricted	595,054
Total Net Position	$ 339,450

See accompanying notes to the basic financial statements.

Dallas Fort Worth International Airport
Statement of Revenues, Expenses and Changes in Net Position
For The Year Ended September 30, 2018
(Amounts in Thousands)

Operating revenues		
Terminal rent and use fees (note 1)	$	307,211
Landing fees (note 1)		132,922
Federal Inspection Services (note 1)		26,147
Other airline		192
Total airline revenue		466,472
Parking		151,859
Concessions		93,539
Hotels		49,407
Ground and facilities leases		45,772
Rent-A-Car (RAC)		33,095
Employee transportation		17,545
Ground transportation		24,139
Rent-A-Car customer transportation charges		13,839
Other non-airline		33,770
Total non-airline revenue		462,965
Total operating revenues		929,437
Operating expenses		
Salaries, w ages and benefits		222,892
Contract services		207,935
Hotels		30,079
Utilities		26,721
Equipment and supplies		25,873
Insurance		5,024
General, administrative and other		7,910
Depreciation and amortization (note 5)		289,488
Total operating expenses		815,922
Operating income		113,515
Non-operating revenues (expenses)		
Passenger facility charges		131,763
RAC customer facility charges		22,213
Interest income		14,291
Interest expense on joint revenue bonds		(265,697)
Other, net		(2,060)
Total non-operating expenses, net		(99,490)
Gain before capital contributions		14,025
Capital contributions		
Federal grant reimbursements		40,631
Total capital contributions		40,631
Net Position		
Increase in net position		54,656
Net position - October 1, as previously stated		293,650
Change in accounting principle (note 1)		(8,856)
Net position - October 1, restated		284,794
Total net position, end of year	$	339,450

See accompanying notes to the basic financial statements.

Dallas Fort Worth International Airport
Statement of Cash Flows
For The Year Ended September 30, 2018
(Amounts in Thousands)

Cash flows from operating activities:		
Cash received from operations	$	924,032
Cash paid to outside vendors		(295,535)
Cash paid to employees		(218,619)
Net cash provided by operating activities		409,878
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets		(325,554)
Sale of land		7,642
Proceeds from sale of revenue bonds		302,370
Underwriter's discount and fees, bond issuance costs		(658)
Principal paid on revenue bonds		(140,085)
Interest paid on revenue bonds		(299,001)
Capital grants		27,705
Passenger facility charges		131,345
RAC customer facility charges		22,506
Net cash used in capital and related financing activities		(273,730)
Cash flows from investing activities:		
Interest received on investments		28,311
Purchase of investments		(1,353,850)
Sale of investments		1,242,633
Net cash used by investing activities		(82,906)
Net increase in cash and cash equivalents		53,242
Cash and cash equivalents, beginning of year		331,646
Cash and cash equivalents, end of the period	$	384,888
Unrestricted cash and cash equivalents		154,176
Restricted cash and cash equivalents		230,712
Cash and cash equivalents, end of the period	$	384,888
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	113,515
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization		289,488
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable		(9,342)
Materials, supplies, inventories, other assets		2,661
Unearned revenues		3,486
Payroll liabilities		2,442
Accounts payable and other liabilities		7,628
Net cash provided by operating activities	$	409,878
Supplemental disclosure of non-cash activities		
Amortization of bond premium/discount	$	(27,189)
Bond defeasement loss		628
Capitalized interest expense		(7,839)
Capital grants/contributions receivable		(12,927)
Unpaid purchases of capital assets in accounts payable and accrued liabilities		54,155
Unrealized loss on investments		14,994

See accompanying notes to the basic financial statements

Dallas Fort Worth International Airport
Statement of Fiduciary Net Position
As Of December 31, 2017
(Amounts in Thousands)

		Pension (and other Employee benefit) Trust Funds
Assets		
Investment held in Master Trust at fair value	$	705,250
Prepaid Administrative fees		274
Receivables		
Due from broker for securities sold		474
Accrued interest and dividends		442
Total assets		706,440
Liabilities		
Due to broker for securities purchased		359
Accrued management fees		127
Claims/premiums payable		324
Accrued administrative fees		167
Total liabilities		977
Fiduciary net position restricted for pensions and OPEB	$	705,463

See accompanying notes to the basic financial statements.

Dallas Fort Worth International Airport
Statement of Changes in Fiduciary Net Position
For the year ended December 31, 2017
(Amounts in Thousands)

		Pension (and other Employee benefit) Trust Funds
Additions		
Contributions		
Plan members contributions	$	2,041
Employer contributions		31,828
Stop loss reimbursement		83
Total contributions		33,952
Plans' interest in Master Trust Investment gain		82,678
Dividends		444
Interest		15
Less: Investment fees		(1,734)
Total investment income		81,403
Total additions		115,355
Deductions		
Benefits paid to plan members and beneficiaries		31,408
Administrative fees		1,060
Total deductons		32,468
Net increase in Fiduciary net position		82,887
Fiduciary net position restricted for pensions and OPEB		
At beginning of the year		622,576
At end of the year	$	705,463

See accompanying notes to the basic financial statements.

Dallas Fort Worth International Airport
Notes To The Basic Financial Statements
September 30, 2018

Footnote Reference

(1) SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

(a) Reporting Entity

The Dallas Fort Worth International Airport ("DFW" or "the Airport") was created by the Contract and Agreement between the City of Dallas, Texas, and the City of Fort Worth, Texas, effective April 15, 1968 ("Contract and Agreement"), for the purpose of developing and operating an airport as a joint venture of the Cities of Dallas and Fort Worth ("the Cities") in accordance with the Contract and Agreement. The initial capital was contributed by the Cities. The Cities approve DFW's annual budget and all bond sales, but have no responsibility for DFW's debt service requirements.

The DFW Airport Board of Directors ("the Board") is composed of twelve members, eleven of whom are voting members (seven of which are appointed by Dallas and four by Fort Worth) in accordance with each city's ownership interest in the Airport. The 12^{th} position rotates between the Airport's host cities of Irving, Grapevine, Euless or Coppell and is non-voting. The Board is a semi-autonomous body charged with governing the Airport and may enter into contracts without approval of the City Councils.

The Board appoints the Chief Executive Officer, who is charged with the day-to-day operations of the Airport. The Chief Executive Officer hires a management team to assist in that responsibility.

DFW's financial statements include all of the transactions of the Dallas Fort Worth Airport Public Facility Improvement Corporation ("PFIC"). The PFIC operates the Grand Hyatt and Hyatt Place hotels, and the Rent-a-car facility ("RAC"). Grand Hyatt and Hyatt Place net proceeds are primarily derived from room rentals and the sale of related hotel goods and services. The RAC collects customer facility and customer transportation charges from rental car customers and oversees facility improvements and transportation services.

Although the PFIC is a legally separate entity, the financial transactions of PFIC have been included in the Airport's Enterprise Fund due to their nature and significance to the Airport and to comply with Governmental Accounting Standards Board ("GASB"): Statement No. 14, *"The Financial Reporting Entity"* as amended. The PFIC is considered a blended component unit because the component unit's governing body is substantively the same as DFW's, the primary government. The Airport as the primary government, exercises substantial control over the PFIC. In addition, the component unit provides direct benefits exclusively or almost exclusively to the Airport, through the transfer of funds necessary to pay Airport debt.

DFW's Facility Improvement Corporation ("FIC") is also a legally separate entity, formed for the primary purpose of issuing conduit debt and has no assets or liabilities as September 30, 2018. If there were any financial transactions for the FIC, these would have been included in the Airport's Enterprise Fund due to their nature and significance to the Airport and to comply with GASB Statement No. 14, *"The Financial Reporting Entity"* as amended. The FIC is considered a blended component unit because the component unit's governing body consists of members of the Airport staff, appointed by the Airport Board. The Airport as the primary government, exercises substantial control over the FIC. See footnotes 6(b) and 11 for a further discussion of the FIC and PFIC.

The Fiduciary activities represent two fiduciary pension plans covering substantially all DFW employees with the plans' year ended December 31, 2017: the Retirement Plans for Employees ("Employee Plan") and for DPS ("Department of Public Safety") Covered Employees ("DPS Plan") of the Dallas Fort Worth International Airport ("Retirement Plans", collectively). DFW closed the Employee Plan for employees hired after December 31, 2009. DFW began to offer a deferred compensation plan 401(a) for employees hired on or after January 1, 2010 (excludes Department of Public Safety employees).

The Fiduciary activities also include a single-employer defined Other Post-Employment Benefit Plan ("OPEB") providing retiree health care for qualified retired employees ages 65 or younger with the plan year ended December 31, 2017.

(b) Basis of Accounting

The accounts of the Airport are organized into an Enterprise Fund which represents the business-type activities; and two Pension Trust Funds and one OPEB Trust Fund which represent the fiduciary activities. The Airport uses a separate set of self-balancing accounts for each fund including: assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. The Airport includes its fiduciary pension and OPEB plans, as separate schedules, in the "Other Supplementary information" section.

The Basic Financial Statements and Required Supplementary Information ("RSI") of the Airport consist of Management's Discussion and Analysis; Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Cash Flows; Statement of Fiduciary Net Position; Statement of Changes in Fiduciary Net Position; Notes to the Basic Financial Statements; for the pension trust funds: Schedule of Changes in the Net Pension Liability and Related Ratios; and Schedule of Contributions; and for the OPEB trust fund: Schedule of Changes in the Net Pension Liability and Related Ratios; and Schedule of Contributions. The two generic fund types are categorized as follows:

Enterprise Fund – The financial statements of the Enterprise Fund use the economic resource measurement focus and are presented on the accrual basis of accounting. Revenues are recorded when earned. DFW's operating revenues are derived from fees paid by airlines, tenants, concessionaires, patrons who park at DFW, natural gas royalties, hotel transactions, and others. The fees are based on usage rates established by DFW and/or methodologies established in the Use Agreement.

Expenses are recognized when incurred. The Airport constructs facilities to provide services to others, which are financed in part by the issuance of its joint revenue bonds. Airline users generally contract to pay amounts equal to the Airport's operating and maintenance expenses (excluding depreciation), debt service and coverage requirements, and any other obligations payable from the revenues of the Airport.

Fiduciary Funds – The financial statements of the Fiduciary Funds use the economic resource measurement focus and are presented on the accrual basis of accounting. The Fiduciary Funds are maintained to account for assets held by the Airport in a trustee capacity for active and retired employees. Contributions are recognized in the period in which the contributions are due.

Benefits, refunds, claims and premiums are recognized when due and payable in accordance with the terms of each plan. The Fiduciary Funds' fiscal year end is December 31 of each year. The amounts presented in these financial statements are as of and for the year ended December 31, 2017.

(c) Basis of Presentation

Adoption of Current GASB Statements

The GASB has issued Statement No. 74, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans."* This statement replaces Statement No. 43, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,"* as amended, and Statement No. 57, *"OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans."* It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *"Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,"* as amended, Statement No. 43, and Statement No. 50, *"Pension Disclosures."* Effective for financial statements for fiscal years beginning after June 15, 2016, this statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The GASB has issued Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."* This statement replaces Statement No. 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," as amended,* and Statement No. 57, *"OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans."* Effective for financial statements for fiscal years beginning after June 15, 2017, Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement also establishes the standard for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

The adoption of Statement No. 75 resulted in the following changes on October 1, 2017:

1. Elimination of DFW's net OPEB asset for $2.7 million
2. Recognition of a net OPEB liability for $6.2 million

DFW also recognized the following deferred inflows and outflows of resources due to the adoption of Statement No. 75:

1. Deferred inflows of resources of $3.9 million for the difference between expected and actual experience
2. Deferred inflows of resources of $1.8 million for the difference between projected and actual earnings
3. Deferred outflows of resources of $1.0 million for the assumption changes

The GASB has issued Statement No. 81, *"Irrevocable Split-Interest Agreements."* Effective for financial statements for fiscal periods beginning after December 15, 2016, this statement requires that a government that receives resources pursuant to a split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Statement No. 81 had no impact on DFW's financial statements.

The GASB has issued Statement No. 85, *"Omnibus 2017."* Effective for financial statements for fiscal periods beginning after June 15, 2017, this statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits. Statement No. 85 had no impact on DFW's financial statements.

The GASB has issued Statement No. 86, *"Certain Debt Extinguishment."* Effective for financial statements for fiscal periods beginning after June 15, 2017, this statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. Statement No. 86 had no impact on DFW's financial statements.

Future GASB Statements

The GASB has issued Statement No. 83, *"Certain Asset Retirement Obligations."* Effective for financial statements beginning after June 15, 2018, this statement requires the recognition of a liability when certain legal obligations exist to perform future asset retirement activities. DFW is evaluating the effect that Statement No. 83 will have on its financial statements.

The GASB has issued Statement No. 84, *"Fiduciary Activities."* Effective for financial statements beginning after December 15, 2018, this statement improves guidance regarding the identification of fiduciary activities. DFW is evaluating the effect that Statement No. 84 will have on its financial statements.

The GASB has issued Statement No. 87, *"Leases."* Effective for financial statements for fiscal periods beginning after December 15, 2019, this statement increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. DFW is evaluating the effect that Statement No. 87 will have on its financial statements.

The GASB has issued Statement No. 88, *"Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements."* Effective for financial statements for fiscal periods beginning after June 15, 2018, this statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. DFW is evaluating the effect that Statement No. 88 will have on its financial statements.

The GASB has issued Statement No. 89, *"Accounting for Interest Cost Incurred before the End of a Construction Period."* Effective for financial statements for fiscal periods beginning after December 15, 2019, this statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5−22 of Statement No. 62, *"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements"*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. DFW is evaluating the effect that Statement No. 89 will have on its financial statements.

The GASB has issued Statement No. 90, *"Majority Equity Interests."* Effective for financial statements for fiscal periods beginning after December 15, 2018, this statement 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 engaged 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. DFW is evaluating the effect that Statement No. 90 will have on its financial statements.

Operating and Non-Operating Revenues

The Airport distinguishes between operating revenues and non-operating revenues based on the nature of revenues and expenses. In general, revenues and related expenses resulting from providing services such as aircraft landing, parking, hotel transactions, terminal rental, ground rental and natural gas leases are considered operating. These revenues result from exchange transactions in which each party receives and gives up essentially equal values. Revenues are reported net of Air Service Incentive Program ("ASIP") reimbursements of $2.5 million for Landing Fees.

Non-operating revenues, such as interest income, passenger facility charges and customer facility charges, result from non-exchange transactions or ancillary activities. Non-operating expenses primarily consist of the interest expense on joint revenue bonds. Capital grants are recorded as capital contributions.

(d) Cash, Cash Equivalents, and Investments

Cash and cash equivalents

For purposes of the statements of cash flows, the Airport considers cash on hand, money market funds, and investments with an original maturity of three months or less, when originally purchased, to be cash equivalents, whether unrestricted or restricted. All bank balances are moved to collateralized overnight sweep accounts.

Investments

Investments are stated at fair value. Fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of securities are recorded on a trade-date basis. Investments with a maturity of one year or less from the date of purchase are reported at amortized cost. Per the Texas Public Fund Investment Act, the Airport may only invest in obligations of the United States or its agencies, obligations of the State of Texas or its agencies, and certificates of deposits; municipal obligations and repurchase agreements having a rating not less than A; and certain bankers' acceptances, commercial paper, Securities Exchange Commission ("SEC") regulated money market mutual funds, local government investment pools, and guaranteed investment contracts. Under the current investment policy, the fiduciary funds may invest in money market funds, domestic equities, international equities, private equity funds, real assets, real estate funds, private credit funds, and fixed income instruments.

(e) Accounts Receivable (unrestricted)

Receivables are reported at their gross value when earned. The Airport's collection terms are 25 days. The allowance for uncollectible accounts is based on a weighted aging calculation. As a customer's balance is deemed uncollectible, the receivable is cleared and the amount is written off. If the balance is subsequently collected, such payments are applied to the allowance account. The allowance for doubtful accounts was $0.9 million as of September 30, 2018. This allowance is netted against the Accounts Receivable balance.

(f) Materials and Supplies Inventories

Inventories are valued at the lower of average cost or market and consist primarily of expendable parts and supplies held for consumption within the next year.

(g) Capital Assets

All capital assets are stated at historical cost or, if donated, at the fair value on the date donated. The capitalization threshold for both real and personal property is generally $50,000, with some minor exceptions, with a useful life greater than 1 year. Depreciation is calculated on the straight-line method over the following estimated useful lives:

Buildings	10 - 50 years
Improvements other than buildings	10 - 50 years
Vehicles	2 - 20 years
Other machinery and equipment	3 - 30 years

Repairs and maintenance are charged to operations as incurred unless they have the effect of improving or extending the life of the asset, in which case they are capitalized as part of the cost of the asset. Construction-in-progress is composed of costs attributable to construction of taxiways, roads, terminal improvements, systems installation and conversion, and various other projects.

(h) Capitalized Interest

Interest is capitalized on assets during construction. The total capitalized interest was $7.8 million in FY 2018.

(i) Grants and Federal Reimbursements

Grants and Federal reimbursements are recorded as revenue in the accounting period in which eligibility requirements have been met to receive reimbursement of federal funds.

(j) Passenger Facilities Charges ("PFC")

The PFC program is authorized by federal legislation and allows an airport to impose a fee for use of its facilities up to $4.50 on revenue enplaning passengers. PFC's may only be used for FAA approved projects. DFW collects PFC's at the $4.50 level allowed by regulations. PFC's are collected by the air carriers when the ticket is purchased and remitted to the airport on a monthly basis by the airlines. As of September 30, 2018, the FAA has approved ten applications for the Airport for a total collection authority of $5.7 billion through October 2038. The remaining collection authority is $3.2 billion. DFW is currently collecting and expending PFC's under PFC Application 10; applications 1 – 9 are closed.

(k) Deferred Compensation Plans

The Airport offers a deferred compensation plan, created in accordance with Internal Revenue Code "(IRC") Section 457, to all Airport employees to allow them to defer a portion of their salaries up to IRC limits.

The 457 Deferred Compensation Plan (the "457 Plan") balances totaling $94.7 million for 2018 are not reported in the assets or liabilities of the Airport in accordance with GASB Statement No. 32, "*Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans."*

Beginning January 2010, DFW requires employees, excluding Public Safety Officers, hired after January 1, 2010 to participate in a deferred compensation plan, created in accordance with Internal Revenue Code Section 401(a), in which employees are required to defer 1% to 3% of their salaries, based on tenure. All new employees are also eligible to participate in the 457 Plan for employees hired after January 1, 2010. DFW will match 100% of employees' contributions up to 7% of an employee's salary to both the 401(a) and 457 plans.

The 401(a) Deferred Compensation Plan balances totaling $15.2 million for 2018 are not reported in the assets or liabilities of the Airport in accordance with GASB Statement No. 32, *"Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans".*

The deferred compensation under these plans are not available to employees until termination, retirement, death, or an unforeseeable emergency. Amounts are held in trust for the benefit of the Airport's employees and are not subject to claims of the Airport's general creditors. The Airport is not the trustee of the 401(a) and 457 plans.

(l) Retirement Plans

Based on the retirement plans' funding policy, DFW contributes an amount approximately equal to the actuarially determined pension cost for each fiscal year. In FY 2018, DFW made contributions of $29.9 million: $21.2 million to the Employee plan; $8.7 million to Department of Public Safety (DPS) plan. In FY18, DFW committed to fund an additional $3.0 million in excess of FY 2019 actuarial requirements: $2.1 million to the Employee plan; $0.9 million to DPS plan.

The retirement plans are accounted in accordance with GASB Statement No. 67, *"Financial Reporting for Pension Plans."*

Investments are stated at fair value. Fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plans' gains and losses on investments bought and sold as well as held during the year. Investments are valued at fair value based on quoted market values when available.

(m) Other Post-Employment Benefits ("OPEB") Plan

Based on the OPEB plans' funding policy, DFW contributes an amount approximately equal to the actuarially determined OPEB cost for each fiscal year. In FY 2018, DFW made contributions of $1.9 million. GASB Statement No. 75 eliminated the previously reported Net OPEB Asset resulting in a decrease in net position of $2.7 million.

In the 2017 plan year, the Plan adopted Statement No. 74, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans."* This statement replaces Statement No. 43, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,"* as amended, and Statement No. 57, *"OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans."* It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *"Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,"* as amended, Statement No. 43, and Statement No. 50, *"Pension Disclosures."* Effective for financial statements for fiscal years beginning after June 15, 2016, this statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

Investments are stated at fair value. Fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plans' gains and losses on investments bought and sold as well as held during the year. Investments are valued at fair value based on quoted market values when available.

(n) Restricted Assets and Liabilities

Restricted assets consist of cash, investments, and other resources that are legally restricted by third parties to certain uses. Capital funds are restricted to pay the costs of certain capital projects as defined in various supplemental bond ordinances. PFC program funds are restricted to pay the cost of FAA approved capital projects and any debt incurred to finance those projects. Debt service funds are restricted to make payments for principal and interest as required by the specific bond ordinances. Public safety funds obtained from seizures are restricted to specified security or public safety uses. Concessionaires' fund pay grease system maintenance cost and joint marketing programs. PFIC working capital; operating; and furniture, fixture and equipment funds are classified as restricted.

Liabilities payable from restricted assets are the accounts payable, accrued interest, and the current portion of long-term debt associated with the purchase and construction of the capital projects funded by the restricted assets.

(o) Compensated Absences

DFW employees earn 12 days of sick leave per year with a maximum accrual of 130 days. Unused sick leave for terminated employees is not paid and, therefore, not accrued. DFW employees are granted Time Off with Pay ("TOP") at rates of 15 to 30 days per year depending on length of employment and position. Employees may accumulate up to a maximum of two times their annual accrual rate. Upon termination, employees are paid for any unused TOP. The accumulated TOP is recorded as a liability when earned and is reflected in the accounts payable. Estimated TOP usage due within one year is expected to remain at the same level.

The calculation of the liability is based on the pay or salary rates in effect as of the end of the fiscal year (in thousands):

Balance as of September 30, 2017	$9,877
TOP used during the year	(10,926)
TOP earned during the year	11,615
Balance as of September 30, 2018	$10,566

(p) Use of Estimates

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

(q) Deferred Outflows/Inflows of Resources

DFW's Statement of Net Position includes a separate section for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net assets that is applicable to a future reporting period.

DFW has four qualifying deferred outflows of resources. The first relates to refunding of debt. When a bond is refunded, a deferred outflow of resources results when, the reacquisition price exceeds the net carrying value of the original debt. This amount is deferred and amortized over the term of the new bonds or refunded bonds, whichever is shorter, using the straight-line method. The second is a result of economic or demographic assumption changes made to the actuarial valuation of the pension plans. This amount is amortized over multiple years according to actuarial schedules. The third is a result of economic or demographic assumption changes made to the actuarial valuation of the OPEB plans. The fourth relates to the difference between expected and actual experience in the measurement of the net pension liability. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions.

As of September 30, 2018, the combined balance of deferred outflows of resources is as follows (in thousands):

Deferred outflows of resources		2018
Refunding of debt	$	15,962
Pension:		
Change in assumptions		10,724
Differences between expected and actual experience		207
OPEB:		
Change in assumptions		878
Total deferred outflows of resources	$	27,771

The Statement of Net Position include a separate section for deferred inflows of resources applying to a future period(s) inflow of resources (revenue). DFW has four qualifying deferred inflow of resources. The first and second related to the difference between expected and actual experience in the measurement of the net pension liability and net OPEB liability. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with these benefits. The third and fourth relate to the difference between projected and actual earnings on pension and OPEB plan investments. These amounts are amortized over a closed five-year period.

As of September 30, 2018, the combined balance of deferred inflows of resources is as follows (in thousands):

Deferred inflows of resources		2018
Pension:		
Differences between projected and actual investment earnings		10,120
Differences between expected and actual experience		8,986
OPEB:		
Differences between projected and actual investment earnings		1,432
Differences between expected and actual experience		3,554
Total deferred inflows of resources	$	24,092

(r) Leases

DFW leases property to a variety of Airport tenants. These leases are classified as "operating" and, in general, are cancelable by DFW at any time.

(2) DEPOSITS AND INVESTMENTS

(a) Deposits - DFW

As of September 30, 2018, DFW's cash balance (including amounts under restricted assets – see Note 8) represents $384.9 million of cash and cash equivalents. The bank balances for the cash and cash equivalents accounts were approximately $367.5 million on September 30, 2018. The balance of cash and cash equivalents is kept in money market accounts, high yield savings accounts, or in deposit accounts swept nightly. The money market accounts are collateralized by the assets of the funds. The sweep accounts, deposits and high yield savings are collateralized by pledged securities.

Money Market Funds are regulated by the Securities and Exchange Commission (SEC) under the Investment Company Act of 1940. These funds are pooled monies from investors to purchase short-term investments, such as Treasury bills, certificates of deposit, and short-term bonds (known as commercial paper) issued by large corporations, that meet certain standards set forth by the SEC for credit quality, liquidity, and diversification. The risk ratings for DFW's money market funds are AAAm by Standard and Poor's, Aaa by Moody's and AAAmmf by Fitch. Money market funds are valued at the cost plus accrued interest adjusted to a net asset value of $1.00.

DFW investments in money market funds are included as cash equivalents for FY 2018 as follows (in thousands):

Description	2018
Cash	$ 22,056
Cash: interest bearing	10,000
Money market funds	352,832
Total cash and cash equivalents	$ 384,888

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(b) Investments – DFW

As of September 30, 2018 DFW's investment values and associated credit ratings from Standard and Poor's (S&P) are as follows (in thousands):

		2018			
Investments by Sector	S&P Rating	Amount	Percent of Total Investment	Maturities (in years) < 1 year	1 - 5 years
Investments measured at Fair Value					
U.S. Agencies and Instrumentalities	AA+	$ 909,904	45.9%	173,673	$ 736,231
	Not Rated [1]	199,746	10.0%	49,064	150,682
Municipals	AAA	12,734	0.6%	2,857	9,877
	AA+	9,470	0.5%	6,511	2,959
	AA	6,230	0.3%	-	6,230
	AA-	2,927	0.1%	0	2,927
	A+	5,218	0.3%	2,494	2,724
Total Investments measured at Fair Value		1,146,230	57.6%	234,600	911,629
Investments measured at Amortized Cost					
U.S. Agencies and Instrumentalities	AA+	251,227	12.6%	251,227	-
	Not Rated [1]	54,000	2.7%	54,000	-
Commercial Paper	A-1+	49,572	2.5%	49,572	-
	A-1	54,884	2.8%	54,884	-
Municipals	A-1	4,977	0.3%	4,977	-
	A-1+	23,970	1.2%	23,970	-
Certificate of Deposit	AAAm	50,000	2.5%	50,000	-
Total Investments measured at Amortized Cost		488,629	24.6%	488,629	-
Total Investments					
U.S. Agencies and Instrumentalities		1,414,877	71.2%	527,964	886,913
Commercial Paper		104,455	5.2%	104,455	-
Municipals		65,527	3.3%	40,810	24,717
Certificate of Deposit		50,000	2.5%	50,000	-
Total Investments		$ 1,634,859	82.2%	$ 723,229	$ 911,629
Money Market Funds		352,832	17.8%	352,832	-
Total Investments with Money Market Funds		$ 1,987,691	100.0%	$ 1,076,061	$ 911,629
Total Investments without Money Market Funds		$ 1,634,859			
Accrued Investment Earnings		5,181			
Book value of investments		$ 1,640,040			

[1] Per the Texas Public Funds Investment Act, no rating is required for government sponsored enterprises' bonds.

(c) Interest Rate Risk – DFW

Investment portfolios are designed with the objectives of preserving capital while attaining the best possible rate of return commensurate with DFW's investment risk constraints and the cash flow characteristics of each portfolio. Return on investment, although important, is subordinate to the safety and liquidity objectives.

In accordance with DFW's investment policy, two strategies are employed when market conditions vary. In markets where time risk is rewarded, investments are for longer terms. In markets where time risk is not rewarded, investments are for shorter terms and allow for flexibility to reinvest funds when markets improve.

DFW has identified various purposes for the use of investments and has established maximum maturities for each of these purposes.

The following table summarizes by purpose the maximum investment maturities.

2018

Purpose	Maximum Maturity
Interest and Sinking	1 year
Operating	1 year
Passenger Facility Charges	1 year
PFIC - Hotel Operating and Furniture Fixture and Equipment	1 year
PFIC - CTC	1 year
PFIC - CFC	$25 million - 5 years and Remainder - 2 years
Bond	3 years
DFW Capital Account	3 years
PFIC - Hotel Capital Account	3 years
Joint Capital Account	5 years
Debt Service Reserve	75%-5 years and 25% 10 years
Operating Reserve	75%-5 years and 25% 10 years
Rolling Coverage	75%-5 years and 25% 10 years

The following table summarizes the DFW total investments (excluding Money Market Funds) as a percentage of maturities.

	2018
Maturity	% of Investment
Less than one year	44%
One to five years	56%

(d) Credit Risk – DFW

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. DFW's investment policy provides for the following types of investments with ratings for each investment type.

Investment Type	Minimum Ratings	Maximum Sector Percentage	Maximum Issuer Percentage
U.S. Treasury Notes and Bills	N/A	100%	100%
U.S. Agencies and Instrumentalities	N/A	100%	30%
Texas Agencies and Instrumentalities	N/A	100%	100%
Certificates of Deposit	N/A	100%	20%
Banker's Acceptances	Short-Term A1/P1	20%	5%
Municipals (Bonds, Obligations)	A or equivalent by one nationally recognized ratings agency	30%	10%
Repurchase Agreements	A or equivalent by one nationally recognized ratings agency	100%	25%
Guaranteed Investment Contract	A or equivalent by one nationally recognized ratings agency	100%	25%
Money Market Mutual Funds	AAA by one recognized ratings agency	20%	10%
Money Market Funds & Local Government Pools	AAA or AAAm by one recognized ratings agency	55%	100%
Commercial Paper	A1/P1 by two recognized ratings agencies	25%	10%

(e) Concentration of Credit Risk – DFW

DFW limits the amounts that can be invested in any individual investment unless the investment is fully collateralized or guaranteed by the federal government. Money market funds are reported as cash in the financial statements but are considered investments by DFW policy. As of September 30, 2018, DFW was in compliance with its investment policy. DFW's investments that exceed 5% of total investments are as follows:

Description	Percent of Total Investments
Federal Home Loan Bank	21.4%
Federal Home Loan Mortgage Corp	15.2%
Federal Agricultural Mortgage Corporation	12.8%
Federal National Mortgage Association	9.4%
Federal Farm Credit Bank	5.4%
	64.2%

(f) Custodial Risk – DFW

For deposits, custodial risk is the risk that in the event of financial institution failure, DFW would not be able to recover its deposit. DFW's deposits are either federally insured and/or collateralized. For investments, custodial risk is the risk that in the event of a failure of the outside party (holder of the investment), DFW would not be able to recover the value of the investment or collateral securities. DFW's investments are held in DFW's name.

(g) Fair Value Measurements - DFW

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market based measurement, not an entity specific measurement.

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels. These three levels are as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities in active markets that a government can access at the measurement date. An *active market* for the asset or liability is a market in which transactions for an asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Accordingly, a quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. If an asset or liability has a specified term to maturity, then to qualify for Level 2 designation, an input must be observable for substantially the full term to maturity of the asset or liability.

Level 2 inputs include the following: (a) Quoted prices for similar assets or liabilities in active markets; (b) Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers (for example, some brokered markets), or in which little information is released publicly (for example, a principal-to-principal market); (c) Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, implied volatilities, prepayment speeds, loss severities, credit risks, and default rates); (d) Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level 3 – Inputs that are unobservable for an asset or liability.

<u>U.S. Agencies and Instrumentalities</u>

U.S. Agency Securities and Instrumentalities, such as agency issued debt and mortgage pass-throughs, are categorized differently depending on the call feature of the security and trading activity.

Non-callable agency issued debt securities and to-be announced "TBA" securities are generally valued using quoted market prices. Therefore, <u>actively</u> traded non-callable agency issued debt securities and TBA securities can be categorized in Level 1 of the fair value hierarchy. DFW non-callable agency investments were not actively traded and thus were classified as Level 2.

Callable agency/instrumentality issued debt securities and mortgage pass-through pools are valued by benchmarking model-derived prices and therefore are categorized in Level 2 of the fair value hierarchy.

Municipal Securities
Other illiquid or less actively traded investments such as municipal securities (bonds, obligations) that do not have actively quoted prices are categorized as Level 2 in the fair value hierarchy.

As of September 30, 2018, DFW investments, measured at fair value, are categorized in the three levels as follows (in thousands):

Investments	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total
U.S. Agencies and instrumentalities	$ -	$ 1,109,651	$ -	$ 1,109,651
Municipal bonds	-	36,579	-	36,579
Total: Levels 1-3	$ -	$ 1,146,230	$ -	$ 1,146,230

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(h) Investments – DFW's Fiduciary Pension Plans

DFW has contracted with JP Morgan Chase Bank ("Trustee") for custody and safekeeping of investments, accounting for transactions based on the instructions of investment managers, and payment of benefits to participants, subject to the policies and guidelines established by DFW. The funds of the Pension Plans are invested in accordance with Texas Public Investment Act.

The Retirement Plans' assets are carried at fair value and net asset value. As of December 31, 2017 include investments of (in thousands):

Investments by Value		
Investments measured at Fair Value		
Common stocks	$	144,763
U.S. Treasury and Agency securities		43,401
Corporate bonds		36,009
ADR/Foreign stocks		2,349
Asset/Commercial mortgage backed bonds		2,540
Total Investments measured at Fair Value	$	229,062
Investments measured at Net Asset Value		
Limited partnerships	$	288,148
Mutual funds		29,765
Commingled funds		121,982
Money market funds		10,094
Total Investments measured at Net Asset Value	$	449,989
Total Investments	$	679,051

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The As of December 31, 2017, Retirement Plan's investments, measured at fair value, are categorized in the three levels as follows (in thousands):

Investments	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total
Common stocks	$ 144,763	$ -	$ -	$ 144,763
ADR/Foreign stocks	2,349	-	-	2,349
U.S. Treasury and Agency securities	-	43,401	-	43,401
Corporate bonds	-	36,009	-	36,009
Asset/Commerical mortgage backed bonds	-	2,540	-	2,540
Total investments at fair value	$ 147,112	$ 81,950	$ -	$ 229,062

(i) Interest Rate Risk – DFW's Fiduciary Pension Plans

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater sensitivity of its fair value to changes in market interest rates. The investment strategy of the Plans is to emphasize total return in the form of aggregate return from capital appreciation, dividend, and interest income. The primary objectives over a five year period for the plan assets are to maintain the purchasing power of the current assets and all future contributions by producing positive real rates of return on the plan assets, meet or exceed the actuarially assumed rate of return, and provide an acceptable level of volatility in both the long and short-term periods. As of December 31, 2017, the maturity values are as follows (in thousands):

	Maturity (in years)				
Investment	0-5	6-10	11-15	16+	Total
U.S. government securities	$ 22,412	$ 6,569	$ -	$ 6,169	$ 35,150
Mortgage backed securities	590	2,583	342	4,736	8,251
Total governmental	$ 23,002	$ 9,152	$ 342	$ 10,905	$ 43,401
Asset backed bonds	$ 1,635	$ -	$ -	$ -	$ 1,635
Commercial mortgage backed bonds	-	-	-	905	905
Corporate bonds	24,225	11,453	331	-	36,009
Total non-governmental	$ 25,860	$ 11,453	$ 331	$ 905	$ 38,549

(j) Credit Risk – DFW's Fiduciary Pension Plans

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This risk is measured by the assignment of rating by nationally recognized rating agencies such as S&P and Moody's. The following tables show the rating of the Plans' investments as of December 31, 2017 (in thousands):

	Rating					
Investment Types	AAA	AA+ AA AA-	A+ A A-	BBB+ BBB BBB-	No Rating	Total
Debt Securities						
U.S. government securities	$ 27,950	$ 7,200	$ -	$ -	$ -	$ 35,150
Mortgage backed securities	-		178	-	8,073	8,251
Total governmental	$ 27,950	$ 7,200	$ 178	$ -	$ 8,073	$ 43,401
Asset backed bonds	$ 1,635	$ -	$ -	$ -	$ -	$ 1,635
Commercial mortgage backed bonds	905	-	-	-	-	905
Corporate bonds	494	3,726	18,994	12,635	160	36,009
Total non-governmental	$ 3,034	$ 3,726	$ 18,994	$ 12,635	$ 160	$ 38,549
Other Investments						
Common stocks	$ -	$ -	$ -	$ -	$ 144,763	$ 144,763
Money market funds	-	-	-	-	10,094	10,094
ADR/Foreign stocks	-	-	-	-	2,349	2,349
Commingled funds	-	-	-	-	121,982	121,982
Mutual funds	-	-	-	-	29,765	29,765
Limited partnerships	-	-	-	-	288,148	288,148
Total Other Investments	$ -	$ -	$ -	$ -	$ 597,101	$ 597,101
Total Investments	$ 30,984	$ 10,926	$ 19,172	$ 12,635	$ 605,334	$ 679,051

(k) Concentration of Credit Risk – DFW's Fiduciary Pension Plans

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investments in a single user. DFW has approved the following guidelines for assets allocation for the Plans:

Asset Class	Minimum	Maximum	Target	Actual
Domestic equity	15.0%	25.0%	20.0%	20.5%
International / Global equity	12.5%	27.5%	17.5%	18.0%
Core fixed income	7.5%	17.5%	12.5%	12.2%
Cash / Cash equivalents	0.0%	5.0%	2.5%	1.0%
Non-core fixed income	10.0%	20.0%	15.0%	13.2%
Real estate	5.0%	15.0%	10.0%	13.5%
Private equity	7.5%	17.5%	12.5%	13.4%
Real assets, ETF/ETN (MLP)	5.0%	15.0%	10.0%	8.2%

As of December 31, 2017, there were no investments exceeding the category parameters of the investment guidelines.

(l) Custodial Risk – DFW's Fiduciary Pension Plans

All investments are held in DFW's Retirement Plans name.

(m) Investments – DFW's Fiduciary OPEB Plan

DFW has contracted with JP Morgan Chase Bank ("Trustee") for custody and safekeeping of investments, accounting for transactions based on the instructions of investment managers, and payment of benefits to participants, subject to the policies and guidelines established by DFW. The OPEB Plan trust fund is invested in accordance with Texas Public Investment Act.

Based on the short-term liquidity requirement of the OPEB funds and the small amount held in the trust fund, DFW has determined that the use of an indexed equity mutual fund and an indexed intermediate bond mutual fund are appropriate investments.

The OPEB Plan assets maintained in two mutual funds are valued at the daily closing price as reported by the fund. These mutual funds are open-ended funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value, transact at that price, and are redeemable by DFW upon request.

The following investments are valued as of December 31, 2017 (in thousands):

Investments measured at Net Asset Value	2017
Indexed Equity Mutual Fund	$ 17,268
Indexed Intermediate Bond Mutual Fund	5,641
Total Investments measured at Net Asset Value	$ 22,909

(n) Interest Rate Risk – DFW's Fiduciary OPEB Plan

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater sensitivity of its fair value to changes in market interest rates. The investment strategy of the OPEB Plan is to emphasize total return in the form of aggregate return from capital appreciation, dividend, and interest income. The primary objectives over a five year period for the plan assets are to maintain the purchasing power of the current assets and all future contributions by producing positive real rates of return on the plan assets, meet or exceed the actuarially assumed rate of return, and provide an acceptable level of volatility in both the long and short-term periods. As of December 31, 2017, the OPEB Plan had no investments that are exposed to interest rate risk.

(o) Credit Risk – DFW's Fiduciary OPEB Plan

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This risk is measured by the assignment of rating by nationally recognized rating agencies such as S&P and Moody's. As of December 31, 2017, the OPEB Plan had no investments that are exposed to credit risk.

(p) Concentration of Credit Risk – DFW's Fiduciary OPEB Plan

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investments in a single user. DFW has approved the following guidelines of assets allocation for the OPEB Plan:

Investment	Minimum	Maximum	Target	Actual
Indexed Equity Mutual Fund	40.0%	60.0%	50.0%	75.0%
Intermediate Bond Fund	40.0%	60.0%	50.0%	25.0%

In 2017, the total contributed amount of $3.2 million was held in cash and the remainder amount of $22.9 million was invested into Vanguard Total Bond Index (25.0%) and Vanguard Institutional Index (75.0%) funds through the Trustee.

(q) Custodial Risk – DFW's Fiduciary OPEB Plan

All investments are held in the OPEB Plan's name.

(r) Annual Money-Weighted Rate of Return – DFW's Fiduciary OPEB Plan

The annual money-weighted rate of return on pension plan investments is calculated as the internal rate of return on pension plan assets, net of pension plan investment expense. The money-weighted rate of return expresses investment performance adjusted for the changing amounts actually invested. Pension plan investment expense is measured on an accrual basis of accounting. Inputs to the internal rate of return are determined monthly. For the year ended December 31, 2017, the money-weighted rate of return for the Plans' investments was 15.1%.

(s) Real Rate of Return for the Asset Portfolio – DFW's Fiduciary OPEB Plan

The table below provides real rates of return and expected rates of return by asset class. The long-term expected rate of return on pension plan assets was determined using a building block method in which best-estimate range of expected future real rates of return (expected returns, net of inflation) 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 rates by the target asset allocation percentage and by adding the expected inflation. The target allocation and the best estimates of the arithmetic real rates of return for each major asset class are summarized in the following table:

	Target Allocation	**Arithmetic Real Return**	**Asset Class Return**
Domestic Equity	50.0%	6.25%	3.12%
Core Fixed Income	50.0%	1.20%	0.60%
Total	100.0%		3.72%
Inflation			2.75%
Arithmetic nominal return before adverse experience			6.47%
Margin for favorable experience			0.28%
Expected arithmetic nominal return			6.75%

(3) RELATED-PARTY TRANSACTIONS

DFW makes certain payments routinely to the Cities. Payments to the City of Fort Worth, primarily for legal services and water purchases for the year ended September 30, 2018 were approximately $2.0 million. Payments to the City of Dallas, primarily for legal services and water purchases for the year ended September 30, 2018 were approximately $2.1 million.

(4) ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES (unrestricted)

A detail of the unrestricted accounts payable and other current liabilities as of September 30, 2018 are as follows (in thousands):

	FY 2018
Accrued expenditures	$ 50,231
Unearned revenue	45,192
Signatory airline refunds	14,511
Payroll and employee benefits	13,883
Accounts payable	12,303
Time off with pay	10,566
Insurance	3,887
Deposits	2,977
Other current and accrued liabilities	7,345
Total	$ 160,895

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(5) CAPITAL ASSETS

Capital assets activity during the year ended September 30, 2018 follows (in thousands):

	2018				
Description	Balance October 1, 2017	Additions to Existing Assets	Completed Projects and Additions	Less Retirements	Balance September 30, 2018
Capital assets not being depreciated					
Land	$ 294,916	$ -	$ -	$ (567)	$ 294,349
Construction in progress	367,810	279,988	(331,666)	-	316,132
Total capital assets not depreciated	662,726	279,988	(331,666)	(567)	610,481
Depreciable capital assets					
Buildings improvements	$ 3,652,313	-	219,322	(53,599)	3,818,036
Improvements other than buildings	2,991,708	-	112,344	(14,472)	3,089,580
Machinery and equipment	1,136,221	46,897	-	(26,715)	1,156,403
Vehicles	227,337	19,535	-	(23,023)	223,849
Total depreciable capital assets	8,007,579	66,432	331,666	(117,809)	8,287,868
Accumulated depreciation					
Buildings improvements	$ 1,036,983	124,037	-	(48,842)	1,112,178
Improvements other than buildings	1,385,780	90,376	-	(13,381)	1,462,775
Machinery and equipment	716,344	57,400	-	(24,329)	749,415
Vehicles	135,097	17,675	-	(23,000)	129,772
Total accumulated depreciation	3,274,204	289,488	-	(109,552)	3,454,140
Total, net capital assets	$ 5,396,101	$ 56,932	$ -	$ (8,824)	$ 5,444,209

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(6) DEBT

A summary of bond indebtedness changes during the year ended September 30, 2018 follows (in thousands):

Series: Maturity (Due) : Interest Rate	Original Issue Amount	Beginning Balance	Additions	Reduction	Ending Balance	Amounts Due Within One Year
Gross DFW Debt Payable						
Airport - Joint Revenue Bonds - (JRB)						
2009A: Due 11/10-11/24: 3.000 - 5.000%	$ 281,005	$ 34,405	$ -	$ (25,660)	$ 8,745	$ 4,265
2010A: Due 11/11-11/45: 5.000 - 5.250%	304,395	304,395	-	-	304,395	-
2011A: Due 11/11-11/21: 0.350 - 4.442%	111,355	63,355	-	(11,795)	51,560	12,175
2011C: Due 11/11-11/35: 1.000 - 5.000%	151,840	146,205	-	-	146,205	-
2011D: Due 11/12-11/24: 2.000 - 5.000%	221,750	213,265	-	(1,000)	212,265	3,380
2011E: Due 11/12-11/18: 0.900 - 3.120%	106,240	35,845	-	(17,665)	18,180	18,180
2012B: Due 11/12-11/35: 5.000 - 5.000%	433,770	407,640	-	-	407,640	11,195
2012C: Due 11/12-11/45: 3.250 - 5.250%	274,925	271,055	-	(1,445)	269,610	2,135
2012D: Due 11/12-11/42: 5.000 - 5.000%	475,000	475,000	-	-	475,000	-
2012E: Due 11/13-11/35: 1.000 - 5.000%	300,495	297,310	-	-	297,310	-
2012F: Due 11/13-11/35: 3.000 - 5.000%	270,535	260,690	-	-	260,690	9,615
2012G: Due 11/13-11/35: 2.000 - 5.000%	294,080	285,180	-	(1,355)	283,825	1,275
2012H: Due 11/25-11/45: 4.156 - 5.000%	480,000	480,000	-	-	480,000	-
2013A: Due 11/26-11/45: 5.000 - 5.000%	372,240	372,240	-	-	372,240	-
2013B: Due 11/26-11/50: 4.000 - 5.000%	450,000	450,000	-	-	450,000	-
2013C: Due 11/34-11/45: 4.750 - 5.000%	242,000	242,000	-	-	242,000	-
2013D: Due 11/14-11/33: 2.000 - 5.250%	416,315	390,285	-	(25,055)	365,230	17,165
2013E: Due 11/14-11/33: 4.000 - 5.500%	225,310	190,685	-	(17,940)	172,745	24,490
2013F: Due 11/14-11/33: 3.000 - 5.250%	251,960	245,900	-	(1,445)	244,455	7,880
2013G: Due 11/14-11/43: 4.125 - 5.250%	109,060	109,060	-	-	109,060	4,490
2014A: Due 11/14-11/32: 1.000 - 5.250%	201,515	197,125	-	(185)	196,940	190
2014B: Due 11/14-11/45: 4.650 - 5.000%	222,910	222,910	-	-	222,910	-
2014C: Due 11/14-11/45: 4.125 - 5.000%	124,285	124,285	-	-	124,285	2,220
2014D: Due 11/14-11/27: 1.000 - 5.000%	78,430	72,130	-	(5,430)	66,700	5,705
2014E: Due 11/14-11/27: 4.000 - 5.000%	97,315	91,720	-	(6,110)	85,610	6,415
2016: Due 11/17-11/21: 0.870 - 1.600%	280,430	280,430	-	(25,000)	255,430	50,000
2017A: Due 11/18-11/24: 1.910 - 2.230%	302,370	-	302,370	-	302,370	-
Total Gross DFW Debt Payable	$7,079,530	6,263,115	302,370	(140,085)	6,425,400	180,775
Unamortized Premium (Discount), net		332,701	-	(27,189)	305,512	-
DFW Net Debt Payable		**$6,595,816**	**$ 302,370**	**$ (167,274)**	**$ 6,730,912**	**$ 180,775**

The Airport frequently issues bonds for capital construction projects. These bonds are subject to the arbitrage regulations. As of September 30, 2018, there was no liability for rebate of arbitrage.

(a) Joint Revenue Bonds

DFW was created by a Contract and Agreement between the Cities of Dallas and Fort Worth ("the Cities"), dated April 15, 1968, for the purpose of developing and operating an airport as a joint venture between the Cities. The 1968 Concurrent Bond Ordinance and the 30th Supplemental Bond Ordinance were amended and restated by the Master Bond Ordinance, and approved by the Cities of Fort Worth and Dallas on September 21, 2010 and September 22, 2010, respectively. The Master Bond Ordinance became effective on July 5, 2013 after the required approval of bondholders was obtained. Bonds are issued under provisions of the Master Bond Ordinance, Supplemental Bond Ordinances, as approved by the Cities of Fort Worth and Dallas, and Applicable Laws, including Chapter 22 of the Texas Transportation Code, and Chapter 1371 of the Texas Government Code, as amended. DFW is in compliance with all bond covenants. The Lease and Use Agreements ("Use Agreement") with the signatory airlines (the "Airlines") define DFW's rate setting methodology and business relationships. DFW's current ten-year Use Agreement expires September 30, 2020. Collectively, the abovementioned documents are referred to as the "Controlling Documents."

Revenues derived from the ownership and operations of the Airport are pledged to meet debt service requirements of the bonds issued pursuant to the Controlling Documents. The Controlling Documents require DFW to annually adopt a Schedule of Charges that is: (1) reasonably estimated to produce Gross Revenues in an amount at least sufficient to pay Operation and Maintenance Expenses plus 1.25 times Accrued Aggregate Debt Service, and (2) reasonably estimated to at least produce Current Gross Revenues in an amount at least sufficient to pay Operation and Maintenance Expenses plus 1.00 times Accrued Aggregate Debt Service. The Use Agreement provides for certain transfers of cash from DFW Capital Account Fund to the Operating Revenue and Expense Fund. These annual transfers are considered part of Gross Revenues, but not Current Gross Revenues.

At the end of each fiscal year, any excess funds in the Operating Revenue and Expense Fund are transferred to the Capital Improvement Fund. Funds transferred to the Capital Improvement Fund are allocated among three accounts, as provided in the Use and Lease Agreement. The Joint Capital Account generally requires approval from both DFW and the Airlines prior to any expenditure of funds. The DFW Capital Account may be used at the discretion of the Airport. The Rolling Coverage Account is funded by excess revenues from the Rolling Coverage sub-cost center, which, unless used during the fiscal year, is equal to the amount transferred at the beginning of the fiscal year, plus any incremental coverage collected during the fiscal year to ensure that rolling coverage is equal to 1.25 times Accrued Aggregate Debt Service.

Effective July 1, 2011, PFC Application 11-10-C-00-DFW authorized the collection and use of $4.2 billion for the purpose of paying debt service on 14 approved PFC projects. PFC collections are approved at the $4.50 level. PFC's remitted to the Airport by the airlines are deposited into a separate fund, and to the extent available, transferred monthly to the Operating Fund in an amount sufficient to pay eligible debt service. These transferred funds are considered Gross Revenues of the Airport for the purpose of meeting its rate covenants. However, PFC's may only be used for the purpose of paying eligible debt service on approved PFC projects.

All outstanding DFW bonds are senior lien parity bonds. As such, they are supported by a pledge of Gross Revenues, which includes PFC's. Failure to collect PFC revenues in an amount sufficient to pay eligible debt service on PFC approved projects would increase net debt services costs recovered through DFW's rate base (i.e., higher landing fees and terminal rents).

In addition, PFC revenue is pledged to pay debt service to the extent that debt service is eligible and funds are available. Total principal and interest remaining to be paid on the bonds is $11.0 billion, with annual requirements over the next five years ranging from $477.9 million to $513.0 million. Revenue bond principal is due annually on November 1st, while interest is due semi-annually on November 1st and May 1st.

(b) Facility Improvement Corporation Revenue Bonds – conduit financing

The Facility Improvement Corporation (“FIC”) is a duly incorporated nonprofit public instrumentality of the State of Texas, created by the Airport’s owner cities, pursuant to Chapter 22 of the Texas Transportation Code for the purpose of providing tax exempt conduit financing for airlines and other qualified tenants within the boundaries of the Airport. Bonds are issued by the FIC on behalf of the beneficial party, and pursuant to a facility agreement are payable solely by the beneficial party. Neither DFW nor the FIC has any obligation for the repayment of these bonds. As of September 30, 2018, the outstanding balance of conduit bonds was $60.2 million.

(c) Fiscal Year 2018 Debt Issuance

In December 2017, DFW issued $302.4 million of fixed rate joint revenue improvement bonds (Series 2017A) for the purpose of primarily funding non-TRIP programs.

(d) Debt Service Requirement

Annual debt service requirements to maturity for bonds are as follows (in thousands):

Year ending September 30	Joint Revenue Bonds (JRB)		
	Principal	Interest	Total
2019	$ 180,775	$ 297,073	$ 477,848
2020	214,405	290,047	504,452
2021	223,915	282,163	506,078
2022	239,345	273,703	513,048
2023	234,040	264,777	498,817
2024 - 2028	1,040,315	1,180,527	2,220,842
2029 - 2033	1,155,020	925,642	2,080,662
2034 - 2038	1,245,415	602,800	1,848,215
2039 - 2043	1,108,990	333,768	1,442,758
2044 - 2048	768,180	60,128	828,308
2049 - 2051	15,000	928	15,928
TOTAL	**$ 6,425,400**	**$ 4,511,555**	**$ 10,936,955**

(e) Debt Service Reserve and Sinking Funds

As of September 30, 2018, the Airport held approximately $622.9 million in reserve funds and interest and sinking funds for use in payment of the above debt service requirements. Certain amounts of the joint revenue bonds may be redeemed at a premium at various dates at the option of the Cities.

(7) NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets are comprised of the following amounts at September 30, 2018 (in thousands):

	2018
Capital assets	$ 5,444,209
Less: long-term debt payable, portion used for capital activities, and capital related payables	(5,754,928)
Total net investment in capital assets	$ (310,719)

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(8) RESTRICTED NET POSITION

The following table details assets and liabilities payable from restricted assets and the calculation of restricted net position reported in the financial statements at September 30, 2018 (in thousands):

Description	Public Safety and Other	PFIC	Capital	Debt Service	Passenger Facility Charges	Total
Assets:						
Current						
Cash and cash equivalents	$ 58	$ 5,678	$ 50,350	$ 45,513	$ -	$ 101,599
Investments	-	-	-	260,590	-	260,590
Total currrent assets	58	5,678	50,350	306,103	-	362,189
Non-current						
Cash and cash equivalents	1,651	14,554	101,918	-	10,990	129,113
Investments	-	13	340,185	316,754	9,962	666,914
Other restriicted assets	126	7,291	20,557	-	10,528	38,502
Total non-current assets	1,777	21,858	462,660	316,754	31,480	834,529
Total current and non-current assets	1,835	27,536	513,010	622,857	31,480	1,196,718
Payable from restricted assets:						
Current						
Accounts payable	58	5,678	50,350	210	-	56,296
Accrued interest on revenue bonds	-	-	-	125,118	-	125,118
Long-term liabilities due w ithin one year	-	-	-	180,775	-	180,775
Total current payable from restricted assets	58	5,678	50,350	306,103	-	362,189
Non-current						
Unearned revenue, other long-term	-	-	168	-	-	168
Total non-current payable from restricted assets	-	-	168	-	-	168
Total current and non-current liabilities	58	5,678	50,518	306,103	-	362,357
Restricted assets less liabilities	1,777	21,858	462,492	316,754	31,480	834,361
Reclass to investment in capital assets						
Less: Long-term debt associated w ith reserves and financing charges	-	-	(512,842)	(316,754)	-	(829,596)
Add: Accounts payable, retainage for capital projects	-	-	50,350	-	-	50,350
Net position, restricted	$ 1,777	$ 21,858	$ -	$ -	$ 31,480	$ 55,115
Summary						
Restricted cash and cash equivalents	$ 1,709	$ 20,232	$ 152,268	$ 45,513	$ 10,990	$ 230,712
Restricted investments	-	13	340,185	577,344	9,962	927,504
Restricted cash and cash equivalents and Investments	1,709	20,245	492,453	622,857	20,952	1,158,216
Accounts payable and accrued Interest from restricted assets	58	5,678	50,350	125,328	-	181,414

(9) RETIREMENT PLANS

(a) *Plan Descriptions*

DFW has two fiduciary defined-benefit pension plans covering substantially all DFW employees: the employees of Dallas Fort Worth International Airport Retirement Plan ("Employee Plan") and the Department of Public Safety Retirement Plan ("DPS Plan") that were established by Board resolution. Both plans ("Retirement Plans", collectively) are single-employer public employee retirement system plans in which the assets are held in an investment trust. Employees vest after five years of service and are eligible for early retirement at ages 55-61 and full retirement benefits at age 62 and after. Pension benefits increase by a cost of living adjustment each January 1.

The Board has the authority to establish and amend the Retirement Plans' benefit terms and contribution requirements. The Executive Vice President of Administration and Diversity and the Vice President of Human Resources serve as the "Plan Administrators". The management of the assets of the Retirement Plans is the responsibility of the DFW Board's Retirement/Investment Committee, the Executive Vice President/CFO and the Vice President of Treasury Management.

The fiscal year-end for the Retirement Plans is December 31. Copies of the Retirement Plans' annual report may be obtained on DFW's web site at www.dfwairport.com/investors.

<u>Employee Plan</u> - All regular employees who commenced employment prior to January 1, 2010, other than DPS officers, are covered by the Employee Plan. Benefits vest after five years of service. DFW employees who retire are entitled to an annual retirement benefit, payable monthly for life in an amount equal to a percentage of final average monthly compensation times credited service (number of years) plus an annual cost of living adjustment (as defined by the Employee Plan). Employees can also elect a limited lump-sum distribution. The Employee Plan also provides early retirement, death, and disability benefits. As of January 1, 2010, the Employee Plan was closed to new employees.

<u>DPS Plan</u> - The DPS Plan was established effective October 1, 1999, when the assets and liabilities accrued by public safety officers eligible for the DPS Plan prior to October 1, 1999 were transferred from the Employee Plan to the DPS Plan in compliance with the requirements of IRS Code Section 414(1). The public safety officers who retired or terminated employment prior to October 1, 1999, were not eligible for the DPS Plan and will continue to receive their benefits, if any, from the Employee Plan.

The DPS Plan permits early retirement at ages 55 to 61, or upon satisfaction of the "Rule of 80" or the "25 and out" rule. The "Rule of 80" is the attainment of age 50 and the completion of the number of years of benefit service that when added to the participant's age equals the sum of 80. The "25 and out" rule is the attainment of twenty-five (25) years of benefit service in a DPS covered position. DPS covered employees receive pension benefits in the form of a qualified joint and survivor annuity; however, an employee may request optional forms of pension benefit payments upon written request to the Plan Administrator. Other forms of payment of accumulated plan benefits include lump-sum distribution upon retirement or termination or equal monthly payments for life.

Membership - The number of participants covered by the Plans according to current membership classification at January 1, 2018 was as follows:

	Employee	DPS	Total
Inactive plan members or beneficiaries currently receiving benefits	1,228	181	1,409
Inactive plan members entitled to but not yet receiving benefits	467	34	501
Active plan members	742	367	1,109
Total plan members	2,437	582	3,019

(b) Funding Policies

DFW determines each Retirement Plans' funding policy. In general, DFW contributes an amount approximately equal to the actuarially determined contribution for the year. In some years, however, DFW funds additional contributions to help retire the unfunded pension obligation sooner. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the actuarial accrued liability.

Both pension plans provide that employees with five or more years of service are entitled to annual pension benefits, beginning at normal retirement age of 62, equal to a certain percentage of their final average monthly compensation for each year of credited service. The final average monthly compensation is determined by utilizing the average monthly rate of compensation of the last 36 completed months immediately prior to the date of service determination.

Employer contributions are generally made annually, in the fiscal year following the Retirement Plans' calendar year, and recognized as additions in the period in which employee services are performed. Employee contributions are required for the DPS Plan, but not permitted for the Employee Plan.

DFW's actuarially determined contribution and contributions for fiscal year 2018 are as follows (in thousands):

	Employee	DPS	Total
Actuarially determined contribution	$ 21,153	$ 8,731	$ 29,884
Contributions in relation to the actuarially determined contribution	21,153	8,731	29,884
Contribution deficiency (excess)	-	-	-

(c) Actuarial Assumptions: Contributions, Net Pension Liability

The annual actuarial valuation is performed to determine the adequacy of current contribution rates, to describe the current financial condition of the Plans, and to analyze changes in the Plans' condition.

The actuarially determined contribution requirements for the DFW's fiscal years are computed through an actuarial valuation performed as of January 1, of each year for payment in the following fiscal year. DFW's net pension liability was measured as of January 1, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Significant actuarial assumptions for valuations performed January 1, 2018, are as follows:

Significant Actuarial Assumptions :	Employee Plan	DPS Plan
Valuation date	For the year beginning January 1, 2018.	For the year beginning January 1, 2018.
Actuarially assumed investment return	7.25% per annum compounded annually, net of investment expenses. Administrative expenses are added to the annual Actuarially Determined Contribution.	7.25% per annum compounded annually, net of investment expenses. Administrative expenses are added to the annual Actuarially Determined Contribution.
Mortality rates for males and females	Experience-based table of rates that are specific to the class of employee. Last updated for the 2016 valuation pursuant to an experience study of a 5-year period from January 1, 2011 through December 31, 2015.	Experience-based table of rates that are specific to the class of employee. Last updated for the 2016 valuation pursuant to an experience study of a 5-year period from January 1, 2011 through December 31, 2015.
a. Retirees: Non-Disabled (Healthy)	Retirement Plans RP-2014 Combined Healthy Mortality Tables with Blue Collar adjustments. Projected with Scale BB from 2014.	Retirement Plans RP-2014 Combined Healthy Mortality Tables with Blue Collar adjustments. Projected with Scale BB from 2014.
b. Retirees: Disabled	Retirement Plans RP-2014 Combined Healthy Mortality Tables with Blue Collar adjustments. Projected with Scale BB from 2014, set forward 3 years with a minimum 3.00% rate.	Retirement Plans RP-2014 Combined Healthy Mortality Tables with Blue Collar adjustments. Projected with Scale BB from 2014, set forward 3 years with a minimum 3.00% rate.
c. Pre-retirement (Active)	Retirement Plans RP-2014 Combined Healthy Mortality Tables. Projected with Scale BB from 2014.	Retirement Plans RP-2014 Combined Healthy Mortality Tables. Projected with Scale BB from 2014.
Retirement, disablement and separation rate	Graduated rates based on age or years of employment (detailed in actuary's report).	Graduated rates based on age or years of employment (detailed in actuary's report).
Actuarial cost method	Entry Age Normal Level Percentage of Pay.	Entry Age Normal Level Percentage of Pay.
Cost of living adjustment (at core inflation rate)	2.75% per annum.	2.75% per annum.
Projected salary increase	Variable Rate (3.75% to 6.25%) of increase based on years of services which includes inflation rate (2.75%).	Variable Rate (3.75% to 13.25%) of increase based on years of services which includes inflation rate (2.75%).
Asset valuation method: Net pension liability	Fair value.	Fair value.
Asset valuation method: Actuarially determined contribution	Actuarial Value of Assets equals the Fair Value of Assets (FVA) adjusted to reflect 100% of any gains or losses from the current year against prior years' deferred gains or losses. Any remaining amount is recognized at a rate of at least 20% per year with each base being recognized over a period of no more than 5 years, but subject to the constraint that the result cannot be less than 67% or greater than 133% of the FVA.	1. Actuarial Value of Assets equals the Fair Value of Assets (FVA) adjusted to reflect 100% of any gains or losses from the current year against prior years' deferred gains or losses. Any remaining amount is recognized at a rate of at least 20% per year with each base being recognized over a period of no more than 5 years, but subject to the constraint that the result cannot be less than 67% or greater than 133% of the FVA.
Employee contribution rate	Not applicable.	7.0% of compensation.

The table below provides real rates of return and expected rates of return by asset class. The long-term expected rate of return on pension plan assets was determined using a building block method in which best-estimate range of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) 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 rates by the target asset allocation percentage and by adding the expected inflation. The target allocation and the best estimates of the arithmetic real rates of return for each major asset class, net of investment expenses, are summarized in the following table:

	Target Allocation	Arithmetic Real Return	Asset Class Return
Domestic Equity	20.0%	6.25%	1.25%
International / Global Equity	17.5%	7.79%	1.36%
Core Fixed Income	12.5%	1.20%	0.15%
Non-Core Fixed Income	15.0%	2.94%	0.44%
Real Estate	10.0%	4.43%	0.43%
Private Equity	12.5%	8.78%	1.10%
Real Assets, ETF / ENT (MLP)	10.0%	5.06%	0.51%
Cash	2.5%	0.25%	0.01%
Total	100.0%		5.25%
Inflation			2.75%
Arithmetic nominal return before adverse experience			8.00%
Margin for adverse experience			(0.75%)
Expected arithmetic nominal return			7.25%

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that DFW contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Retirement Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the net pension liability of DFW, calculated using the discount rate of 7.25%, as well as what the DFW's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

Plan	1% Decrease from 7.25% to 6.25%	Current Discount Rate 7.25%	1% Increase from 7.25% to 8.25%
Employee	$ 171,074	$ 89,560	$ 22,246
DPS	81,888	46,814	18,299
Total DFW plans	$ 252,962	$ 136,374	$ 40,545

(d) Changes in Net Pension Liability

Changes in DFW's net pension liability for its Employee and DPS plans for DFW's fiscal year 2018 are as follows (in thousands):

Employee Plan	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2017	$ 559,299	$ 439,738	$ 119,561
Changes for the year:			
Service cost	9,097		9,097
Interest	40,063		40,063
Differences between expected and actual experience	(1,710)		(1,710)
Contributions - employer		21,153	(21,153)
Net investment income		57,051	(57,051)
Assumption changes - mortality rates			-
Benefit payments, including refunds of employee contributions	(22,353)	(22,353)	-
Administrative expense		(753)	753
Net changes	25,097	55,098	(30,001)
Balances at September 30, 2018	$ 584,396	$ 494,836	$ 89,560

DPS Plan	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2017	$ 217,411	$ 160,945	$ 56,466
Changes for the year:			
Service cost	6,200		6,200
Interest	15,702		15,702
Differences between expected and actual experience	-		-
Contributions - employer		8,730	(8,730)
Contributions - employee		2,041	(2,041)
Net investment income		21,061	(21,061)
Assumption changes - mortality rates	-		-
Benefit payments, including refunds of employee contributions	(7,748)	(7,748)	-
Administrative expense		(278)	278
Net changes	14,154	23,806	(9,652)
Balances at September 30, 2018	$ 231,565	$ 184,751	$ 46,814

Total	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2017	$ 776,710	$ 600,683	$ 176,027
Changes for the year:			
Service cost	15,297		15,297
Interest	55,765		55,765
Differences between expected and actual experience	(1,710)		(1,710)
Contributions - employer	-	29,883	(29,883)
Contributions - employee	-	2,041	(2,041)
Net investment income	-	78,112	(78,112)
Assumption changes - mortality rates	-	-	-
Benefit payments, including refunds of employee contributions	(30,101)	(30,101)	-
Administrative expense		(1,031)	1,031
Net changes	39,251	78,904	(39,653)
Balances at September 30, 2018	$ 815,961	$ 679,587	$ 136,374

(e) Pension Expense

For the year ended September 30, 2018, DFW recognized pension expense as follows (in thousands):

	Employee	DPS	Total
Pension Expenses	$ 22,477	$ 9,888	$ 32,365

(f) Deferred Inflows and Outflows of Resources

At September 30, 2018, DFW reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Employee		DPS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 6,755	$ 207	$ 2,231	$ 207	$ 8,986
Net difference between projected and actual earnings on pension plan investments	-	7,257	-	2,863	-	10,120
Assumption Changes	6,204	-	4,520	-	10,724	-
Total	$ 6,204	$ 14,012	$ 4,727	$ 5,094	$ 10,931	$ 19,106

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ending, September 30:	Employee	DPS	Total
2019	$ 4,231	$ 1,351	$ 5,582
2020	(982)	634	(348)
2021	(5,929)	(1,754)	(7,683)
2022	(5,128)	(1,490)	(6,618)
2023	-	401	401
Thereafter	-	491	491
Total	$ (7,808)	$ (367)	$ (8,175)

(10) OTHER POST-EMPLOYMENT BENEFITS (OPEB)

(a) *Plan Descriptions*

General

The DFW OPEB Plan is a single-employer defined benefit other than pension plan covering qualified retirees of DFW. The OPEB Plan was established and derives its authority from a DFW resolution effective September 2007. The OPEB Plan is administered by the DFW Board with the Executive Vice President of Administration and Diversity and the Vice President of Human Resources serving as the "Plan Administrators." The management of the assets and any amendments of the OPEB Plan are the responsibility of the DFW Board's Retirement Committee, the Executive Vice President - CFO and the Vice President of Treasury Management.

The fiscal year-end for the OPEB Plan is December 31. Copies of the OPEB annual report may be obtained on the DFW website at www.dfwairport.com/investors.

OPEB Plan Eligibility

The OPEB Plan provides retiree health care for qualified retired employees ages 65 or younger and their eligible dependents when required criteria are met. To be eligible as a retiree, an employee must be enrolled in one of DFW's medical plans and be eligible for retirement under one of DFW's retirement plans. Failure to immediately draw retirement benefits will result in loss of eligibility for medical coverage.To be eligible as a retiree's dependent, dependent(s) must be either a legal spouse/domestic partner; child under the age of 26, and enrolled in one of DFW's medical plans.

Health Care Benefit

The health care coverage offered to active employees is available to retirees (under age 65) and their eligible dependents. The benefit includes medical, prescription drug, and vision coverage.

Insurance Premiums

OPEB plan participants pay the full DFW employee insurance premium. As of January 1, 2003, DFW provides a subsidy to eligible employees. The subsidy offers a credit of $20 per month of completed years of service up to a maximum benefit of $400 per month. These credits have no cash value and can only be used toward reducing the insurance premium. Retirees pay the total amount charged to DFW, less the retiree's subsidy.

To be eligible for the subsidy, retirees must have retired after January 1, 2003, have 10 or more years of service, have been enrolled continuously in a DFW medical plan, and immediately draw retirement benefits.

Medicare Supplement Plan

DFW offers a PPO Medicare Supplement Plan for retirees and/or their spouses age 65 or older. The retiree and/or spouse must transfer to the Medicare Supplement Plan by the first of the month following their 65th birthday if they choose to remain on the DFW Plan. Retirees pay the total amount charged to DFW.

Effective January 1, 2010, Medicare eligible retirees are no longer eligible for prescription drug coverage under the DFW Retiree Medical Plan. To be eligible for the Medicare Supplement Plan, a retiree or spouse must be 65 years of age and currently enrolled in a DFW medical plan, have applied for the Medicare Supplement Plan two months prior to turning age 65, and transition to a Medicare Supplement Plan the first of the month following their 65th birthday.

Membership

The number of participants covered by the Plans according to current membership classification at January 1, 2018 was as follows:

	FY 2018
Inactive plan members or beneficiaries currently receiving benefits	154
Active plan members	1,964
Total plan members	2,118

(b) ***Funding Policies***

DFW determines the OPEB Plan funding policy. In general, DFW contributes an amount approximately equal to the OPEB Actuarially Determined Contribution (“ADC”) for the year. In some years, however, DFW funds additional contributions to help retire the unfunded liability sooner. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the actuarial accrued liability.

Employer contributions are generally made annually and recognized as additions in the period in which employee services are performed. Employee contributions are not permitted.

The actuarially determined contribution requirements for the DFW’s fiscal years are computed through an annual actuarial valuation performed as of January 1. The annual actuarial valuation is performed to determine the adequacy of current contribution rates, to describe the current financial condition of OPEB Plan, and to analyze changes in condition.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on the plan and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between DFW and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

DFW's actuarially determined contribution and contributions for fiscal year 2018 are as follows (in thousands):

	FY 2018
Actuarially determined contribution	$ 1,943
Actual contribution	1,943
Contribution deficiency (excess)	-

(c) *Actuarial Assumptions: Contributions, Net OPEB Liability*

The annual actuarial valuation is performed to determine the adequacy of current contribution rates, to describe the current financial condition of the Plan, and to analyze changes in the Plan's condition. The actuarially determined contribution requirements for the DFW's fiscal years are computed through an actuarial valuation performed as of January 1, of each year for payment in the following fiscal year. DFW's net OPEB liability was measured as of January 1, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Significant actuarial assumptions for valuations performed January 1, 2018, are as follows:

OPEB Plan	
Valuation date	January 1, 2018.
Actuarially assumed investment return	6.75% per annum compounded annually.
Mortality rates for males and females	RP-2014 Combined Healthy Mortality tables with Blue Collar Adjustments, with no set back for males or females. Generational mortality improvements in accordance with Scale BB from the table's base year of 2014.
Retirement, disablement and separation rate	Graduated rates based on age (detailed in actuary's report).
Actuarial cost method	Individual Entry Age Actuarial Cost Method.
General inflation	2.75% per annum.
Payroll growth rate	3.75% per annum.
Salary increase rate	6.25% graduating to 3.75% after 17 years for Employees and 13.25% graduating to 3.75% after 17 years for DPS employees.
Health cost trend rates	Initial rates of 7.30%, declining to a rate of 4.50% after 14 years.
Method used for determining actuarial value of assets	Fair value of assets.
Unfunded Actuarial Accrued Liabilities (UAAL) Amortization method	Level percent-of-payroll contributions, closed.
Remaining UAAL amortization	19 years.

The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that DFW contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the net OPEB liability of DFW, calculated using the discount rate of 6.75%, as well as what the DFW's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease from 6.75% to 5.75%	Current Discount Rate 6.75%	1% Increase from 6.75% to 7.75%
Net OPEB Liability	$ 3,236	$ 1,428	$ (264)

Regarding the sensitivity of the net OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Net OPEB Liability	$ (593)	$ 1,428	$ 3,764

(d) ***Changes in Net OPEB Liability***

Changes in DFW's net OPEB liability for fiscal year 2018 as follows (in thousands):

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at September 30, 2017	$ 28,082	$ 21,893	$ 6,189
Changes for the year:			
Service cost	1,500		1,500
Interest	1,905		1,905
Differences between expected and actual experience	(3,932)		(3,932)
Employer contributions		1,943	(1,943)
Net investment income		3,291	(3,291)
Assumption changes	971		971
Benefit payments	(1,223)	(1,223)	-
Administrative expense		(29)	29
Net changes	(779)	3,982	(4,761)
Balances at September 30, 2018	$ 27,303	$ 25,875	$ 1,428

OPEB plan's fiduciary net position as a percentage of the total OPEB liability for fiscal year 2018 was 94.77%.

(e) *OPEB Expense*

For the year ended September 30, 2018, DFW recognized OPEB expense as follows (in thousands):

OPEB Expenses	$	1,291

(f) *Deferred Inflows and Outflows of Resources*

At September 30, 2018, DFW reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	$	-	$	3,554
Difference between projected and actual earnings on OPEB plan investments		-		1,432
Assumption Changes		878		-
Total	$	878	$	4,986

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

Year ending, September 30:		FY 2018
2019	$	(642)
2020		(642)
2021		(642)
2022		(642)
2023		(283)
Thereafter		(1,257)
Total	$	(4,108)

(11) PFIC BACKGROUND AND FINANCIAL INFORMATION

The Public Facility Improvement Corporation (“PFIC”) is a duly incorporated public instrumentality of the State of Texas, created on December 14, 2000 by the Airport’s owner cities. The PFIC was created pursuant to Chapter 22 of the Texas Transportation Code for the purpose of financing, equipping and operating one or more public facilities within the boundaries of the Airport. PFIC projects require approval of the Owner Cities. Active PFIC projects are described below.

Grand Hyatt Hotel

In 2001, the PFIC issued approximately $75 million of Hotel Revenue Bonds (Series 2001) for the construction of a 298 room Grand Hyatt Hotel which opened in 2005 (located in Terminal D). The hotel was constructed by the Airport under the terms of a Hotel Development Agreement, entered into between the Airport and the PFIC. The hotel is owned by DFW and leased to the PFIC which operates the hotel on behalf of the Airport. The PFIC entered into a fixed fee management agreement with Hyatt Corporation. All hotel revenues are remitted to the PFIC which then reimburses Hyatt for all operating expenses of the hotel. In 2012, DFW issued joint revenue bonds for the purpose of refunding the outstanding Hotel Revenue Bonds. DFW and the PFIC also entered into a facility agreement whereby the PFIC transfers the amount of accrued debt service and coverage relating to the refunding bonds to the Airport each month. The PFIC also makes monthly contributions to a furniture, fixtures, and equipment account and a capital account for the continual renewal and improvement of the hotel. Any excess funds are held by the PFIC and may be used for improvements to the hotel, granted to the Airport, or for other projects approved by the Owner Cities.

Hyatt Place Hotel

In early 2016, DFW opened a new 137 room limited service Hyatt Place Hotel in the Southgate Development area near the Rent-A-Car(“RAC”) facility. The hotel was constructed with PFIC cash. The hotel is owned by the Airport and leased to the PFIC which operates the hotel on behalf of the Airport. The PFIC entered into a fixed fee management agreement with Hyatt Corporation. All hotel revenues are remitted to the PFIC which then reimburses the Hyatt for all operating expenses of the hotel. The PFIC also makes monthly contributions to a furniture, fixtures and equipment account and a capital account for the continual renewal and improvement of the hotel. Any excess funds are held by the PFIC and may be used for improvements to the Hyatt Place Hotel, granted to the Airport, or for other projects approved by the Owner Cities.

Consolidated Rent-A-Car Facility

In 1998 and 1999, the Facility Improvement Corporation (FIC) issued approximately $160 million of bonds for construction of a consolidated rental car facility (RAC). These bonds were secured by a facility agreement between the FIC and the Rent-A-Car companies, which provided that the RAC companies would collect and remit to a trustee a Customer Facility Charge (“CFC”) for each rent-a-car transaction day.

In FY 2011, DFW issued the 2011A Joint Revenue Bonds for the purpose of refunding all of the outstanding Rent-A-Car bonds. In 2012, the Owner Cities approved the RAC Facility as an authorized PFIC Project and approved the transfer of all RAC assets, liabilities, and responsibilities from the FIC to the PFIC. DFW and the PFIC also entered into a Facility Agreement whereby the PFIC transfers the amount of accrued debt service and coverage relating to the 2011A Bonds to the Airport each month.

The CFC is currently $4.00 per transaction day and the PFIC Board has the authority to change the CFC rate at any time. The RAC companies also collect a Customer Transportation Charge ("CTC"), currently $2.50, which is remitted directly to the PFIC to pay for the costs of operating and maintaining the RAC bus fleet.

Any excess funds are held by the PFIC and may be used for improvements to the RAC Facility, to purchase buses, granted to the Airport, or for other projects approved by the Owner Cities.

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Condensed PFIC financial statements are as follows (in thousands):

	PFIC	Airport	DFW
Current assets	$ 118,499	$ 746,271	$ 864,770
Capital assets	-	5,444,209	5,444,209
Other assets	21,858	1,238,884	1,260,742
Total assets	140,357	7,429,364	7,569,721
Deferred outflows of resources	-	27,771	27,771
Total assets and deferred outflows of resources	140,357	7,457,135	7,597,492
Current liabilities	5,678	517,406	523,084
Long-term liabilities	-	6,710,866	6,710,866
Total liabilities	5,678	7,228,272	7,233,950
Deferred inflow of resources	-	24,092	24,092
Total liabilities and deferred inflows of resources	5,678	7,252,364	7,258,042
Net Investment in capital assets	-	(310,719)	(310,719)
Restricted net position	21,858	33,257	55,115
Unrestricted net position	112,821	482,233	595,054
Net position	$ 134,679	$ 204,771	$ 339,450
PFIC	$ 63,246	$ -	$ 63,246
Airport	-	866,190	866,191
Total operating revenues	63,246	866,190	929,437
PFIC	42,966	-	42,966
Airport	-	483,468	483,468
Depreciation and amortization	-	289,488	289,488
Total operating expenses	42,966	772,957	815,922
Operating income	20,280	93,236	113,515
Non-operating revenues (expenses)	23,671	(123,161)	(99,490)
Transfers for debt service	(19,124)	19,124	-
Transfers for capital assets	(15,385)	15,385	-
Capital contributions	-	40,631	40,631
Increase in net position	9,442	45,214	54,656
Net position - October 1 (as restated, note 1)	125,237	159,557	284,794
Total net position, end of year	134,679	204,771	339,450
Net cash provided by operating activities	$ 22,311	$ 387,567	$ 409,878
Net cash used for capital and related financing activities	(11,928)	(261,802)	(273,730)
Net cash used for investing activities	(2,390)	(80,516)	(82,906)
Net increase in cash and cash equivalents	7,993	45,249	53,242
Cash and cash equivalents, beginning of year	30,859	300,787	331,646
Cash and cash equivalents, end of year	$ 38,852	$ 346,036	$ 384,888

(12) COMMITMENTS AND CONTINGENCIES

a) Contingencies

In the ordinary course of its business, the Airport is involved in various minor legal proceedings involving general contractual and employment relationships, personal injury claims, and a variety of other matters. The Airport does not believe there are any pending legal proceedings that will have a material impact on the Airport's financial position.

b) Federal Grants

The Airport has received Federal grants for specific purposes including Department of Homeland Security (DHS) and Airport Improvement Program (AIP) that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. In the opinion of management of the Airport, disallowed costs, if any, would not be material.

c) Personal Injury liability

A number of suits have been filed against the Airport related to accidents on Airport property. The Board is fully insured to the extent of the statutory limit under the tort claims act.

d) Construction and Other Projects

As of September 30, 2018 the Airport had remaining project obligations totaling $1.5 billion, of which $331.0 million has been committed but not yet incurred, with the remaining $1.1 billion expected to be committed and incurred in the future, to complete current approved capital projects.

(13) SELF-INSURANCE/RISK MANAGEMENT

DFW maintains self-insured liability for employee medical and workers' compensation claims. DFW utilizes a third-party company to provide stop loss coverage on individual health claims and a third-party administrator to manage workers compensation claims in accordance with Texas state statutes and limits. DFW accrues the estimated cost of self-insurance liabilities based on annual actuarial reviews. Changes in liabilities in FY 2018 and FY 2017 for Airport self-insured programs are detailed below (in thousands).

Description	FY 2018	FY 2017
Beginning balance	$ 3,717	$ 3,701
Plus: Current year claims and changes in estimates	28,828	27,197
Less: Payments	(28,657)	(27,181)
Ending balance	$ 3,888	$ 3,717

DFW is exposed to various risks of loss related to torts, injuries to employees, theft, damage to and destruction of assets, and natural disasters for which DFW carries commercial insurance. Specific details regarding deductibles and coverage can be found in the statistical section. Any settlement payments covered by commercial insurance did not exceed coverage for the last three years.

(14) CONCENTRATION OF CREDIT RISK

DFW's customers are principally concentrated within the airline industry. DFW periodically evaluates the financial condition of its customers and typically does not require collateral. DFW received approximately $375.6 million (40.4%) of its revenues during FY 2018 from American Airlines Group (including American, American Eagle and US Airways). In FY 2018, American Airlines Group comprised 84.5% of all passengers and 74.7% of total landed weights at DFW.

(15) LONG-TERM LIABILITIES

a) Pollution Remediation

The Central Terminal Area ("CTA") at DFW is currently under an Agreed Order by the Texas Commission on Environmental Quality ("TCEQ") for remediation of a jet fuel leak in the underground pipelines. This Agreed Order ("AO") was issued in 1999 and an Affected Property Assessment Report (APAR) dated September 2002, identified the primary areas of concern ("AOCs") as Terminals B, C, and to a lesser extent, A. A comprehensive Response Action Plan ("RAP") dated December 2002 was developed recommending remedial actions for each AOC including engineered remediation systems at Terminals B & C and Mobile Dual Phase Extraction ("MDPE") at the remaining areas within the CTA. Mitigation continues in Terminals A and B and at Terminal C, as needed . As these efforts are on-going, the estimated liability as of September 30, 2018 is $1.7 million.

DFW's Northwest Cargo Voluntary Cleanup Program ("VCP") is an area encompassing approximately 418.485 acres including multiple AOCs representing chlorinated solvent groundwater and soil as well as jet fuel contamination. To date, approximately 230.61 acres have been granted a Conditional Certificate of Completion by TCEQ. The RAP outlining the remediation strategies for the remaining 187.875 acres dated December 5, 2011, was approved by TCEQ. The Response Action strategies included in the approved RAP are currently being re-evaluated in conjunction with future development plans within the Northwest Cargo areas to identify the most cost-effective and efficient approaches to achieve regulatory closure. As of September 30, 2018, the total liability of $10.0 million remains a reasonable estimate but will be reviewed and updated as new information becomes available. There is no change from the previous year's estimate.

Environmental liabilities include an accrual for asbestos removal incurred in conjunction with the TRIP. The majority of the Asbestos Containing Material is in the form of fire proofing materials originally sprayed onto the ceiling of the terminal roofs for fire proofing purposes, which is governed by Federal law. As part of the 1970 Federal Clean Air Act, the U.S. Environmental Protection Agency set standards known as National Emissions Standards for Hazardous Air Pollutants which require the mitigation of this risk. The extent and cost has been estimated through facility testing by DFW Airport's Environmental Affairs Department in conjunction with DFW's Airport Design, Code & Construction and TRIP team. The estimates and assumptions used for these forecasts were based on a number of factors including actual asbestos findings and removal costs from terminal sections recently completed.

In FY 2018, DFW estimated and recorded a contract services expense (in previous years classified as a special item) of $0.2 million. The expense and associated liability are recognized in accordance with GASB Statement No. 49, "*Accounting and Financial Reporting for Pollution Remediation Obligations*", upon occurrence of an obligating event defined as the commencement of the respective sections of the Terminal renovations on that specific area undergoing renovation. Actual remediation expenditures were $0.6 million in FY 2018. As of September 30, 2018, the asbestos remediation liability was $0.2 million.

b) Unearned Revenue

As of September 30, 2018, DFW had unearned revenue of $10.0 million from American Airlines and $1.9 million from other tenants.

(16) SUBSEQUENT EVENTS

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On January 31, 2019, DFW received $40.0 million from a west side Airport property tenant, executing an early buy-out of a long-term lease. The PFIC will recognize receipt of the payment and manage future leases of this property recently renamed to DFW Campus West.

End of Notes

REQUIRED SUPPLEMENTARY INFORMATION

Dallas Fort Worth International Airport
Schedule of Changes in the Net Pension Liability and Related Ratios
December 31, 2017
(Amounts in Thousands)
(Unaudited)

Employee and DPS	2017	2016	2015	2014
Total Pension Liability				
Service cost	$ 15,297	$ 15,778	$ 15,567	$ 15,569
Interest on the Total Pension Liability	55,765	53,476	48,992	46,638
Difference between expected and actual experience of the Total Pension Liability	(1,710)	(8,560)	(10,748)	(4,672)
Assumption changes [1]	-	-	34,635	-
Benefit payments and refunds	(30,101)	(27,636)	(25,798)	(24,052)
Net change in Total Pension Liability	39,251	33,058	62,648	33,483
Total Pension Liability - beginning	776,710	743,652	681,004	647,521
Total Pension Liability - ending	$ 815,961	$ 776,710	$ 743,652	$ 681,004
Plan Fiduciary Net Position				
Contributions - employer	$ 29,883	$ 30,548	$ 26,349	$ 31,460
Contributions - member	2,041	1,926	1,872	1,870
Net investment income	78,112	44,105	(5,119)	23,614
Benefit payments, including member refunds	(30,101)	(27,636)	(25,798)	(24,052)
Administrative expense	(1,031)	(1,062)	(692)	(372)
Net change in Plan Fiduciary Net Position	78,904	47,881	(3,388)	32,520
Plan Fiduciary Net Position - beginning	600,683	552,802	556,190	523,670
Plan Fiduciary Net Position - ending	$ 679,587	$ 600,683	$ 552,802	$ 556,190
Net Pension Liability - ending	$ 136,374	$ 176,027	$ 190,850	$ 124,814
Plan Fiduciary Net Position as a percentage of the total pension liability	83.29%	77.34%	74.34%	81.67%
Covered payroll	$ 83,689	$ 86,350	$ 89,486	$ 89,476
Net pension liability as a percentage of covered payroll	162.95%	203.85%	213.27%	139.49%

Notes to Schedule:

Four year history based on data availability.

[1] Experience study completed in 2015. See Schedule of Contributions for assumption details.

Dallas Fort Worth International Airport
Schedule of Changes in the Net Pension Liability and Related Ratios
December 31, 2017
(Amounts in Thousands)
(Unaudited)

Employee	2017	2016	2015	2014
Total Pension Liability				
Service cost	$ 9,097	$ 9,813	$ 10,030	$ 10,231
Interest on the Total Pension Liability	40,063	38,764	35,483	33,944
Difference between expected and actual experience of the Total Pension Liability	(1,710)	(8,823)	(7,991)	(3,967)
Assumption changes [(1)]	-	-	27,843	-
Benefit payments and refunds	(22,353)	(20,625)	(19,367)	(18,225)
Net change in Total Pension Liability	25,097	19,129	45,998	21,983
Total Pension Liability - beginning	559,299	540,170	494,172	472,189
Total Pension Liability - ending	$ 584,396	$ 559,299	$ 540,170	$ 494,172
Plan Fiduciary Net Position				
Contributions - employer	$ 21,153	$ 22,292	$ 19,294	$ 23,510
Net investment income	57,051	32,346	(3,756)	17,484
Benefit payments, including member refunds	(22,353)	(20,625)	(19,367)	(18,225)
Administrative expense	(753)	(779)	(509)	(275)
Net change in Plan Fiduciary Net Position	55,099	33,234	(4,338)	22,494
Plan Fiduciary Net Position - beginning	439,738	406,504	410,842	388,348
Plan Fiduciary Net Position - ending	$ 494,837	$ 439,738	$ 406,504	$ 410,842
Net Pension Liability - ending	$ 89,560	$ 119,561	$ 133,666	$ 83,330
Plan Fiduciary Net Position as a percentage of the total pension liability	84.68%	78.62%	75.25%	83.14%
Covered payroll	$ 55,850	$ 59,467	$ 63,294	$ 64,184
Net pension liability as a percentage of covered payroll	160.36%	201.05%	211.18%	129.83%

Notes to Schedule:

Four year history based on data availability.

[(1)] Experience study completed in 2015. See Schedule of Contributions for assumption details.

Dallas Fort Worth International Airport
Schedule of Changes in the Net Pension Liability and Related Ratios
December 31, 2017
(Amounts in Thousands)
(Unaudited)

DPS	2017	2016	2015	2014
Total Pension Liability				
Service cost	$ 6,200	$ 5,965	$ 5,537	$ 5,338
Interest on the Total Pension Liability	15,702	14,712	13,509	12,694
Difference between expected and actual experience of the Total Pension Liability	$ -	263	(2,757)	(705)
Assumption changes [1]	-	-	6,792	-
Benefit payments and refunds	(7,748)	(7,011)	(6,431)	(5,827)
Net change in Total Pension Liability	14,154	13,929	16,650	11,500
Total Pension Liability - beginning	217,411	203,482	186,832	175,332
Total Pension Liability - ending	$ 231,565	$ 217,411	$ 203,482	$ 186,832
Plan Fiduciary Net Position				
Contributions - employer	$ 8,730	$ 8,256	$ 7,055	$ 7,950
Contributions - member	2,041	1,926	1,872	1,870
Net investment income	21,061	11,759	(1,363)	6,130
Benefit payments, including member refunds	(7,748)	(7,011)	(6,431)	(5,827)
Administrative expense	(278)	(283)	(183)	(97)
Net change in Plan Fiduciary Net Position	23,806	14,647	950	10,026
Plan Fiduciary Net Position - beginning	160,945	146,298	145,348	135,322
Plan Fiduciary Net Position - ending	$ 184,751	$ 160,945	$ 146,298	$ 145,348
Net Pension Liability - ending	$ 46,814	$ 56,466	$ 57,184	$ 41,484
Plan Fiduciary Net Position as a percentage of the total pension liability	79.78%	74.03%	71.90%	77.80%
Covered payroll	$ 27,840	$ 26,883	$ 26,192	$ 25,292
Net pension liability as a percentage of covered payroll	168.15%	210.05%	218.33%	164.02%

Notes to Schedule:

Four year history based on data availability.

[1] Experience study completed in 2015. See Schedule of Contributions for assumption details.

Dallas Fort Worth International Airport
Schedule of Contributions
September 30, 2018
(Amounts in Thousands)
(Unaudited)

Employee	2018	2017	2016	2015
Actuarially determined contribution	$ 21,153	$ 22,292	$ 19,294	$ 20,784
Contributions in relation to the actuarially determined contribution	21,153	22,292	19,294	23,510
Contribution deficiency (excess)	-	-	-	$ (2,726)
Covered payroll	$ 51,414	$ 59,467	$ 63,294	$ 64,184
Contributions as a percentage of covered payroll	41.14%	37.49%	30.48%	36.63%

Notes to Schedule:

Four year history based on data availability. There were no benefit changes during the year.

Valuation date:	Actuarially determined contribution amounts are calculated as of January 1st.

Methods and assumptions used to determine contribution rates:

Remaining amortization period	17 years from December 31, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Retirement age	Experience-based table of rates that are specific to the class of employee. Last updated for the 2015 valuation pursuant to an experience study of the 5-year period from January 1, 2011 to December 31, 2015; and remaining the same based on the experience study for the 5-year period January 1, 2011 to December 31, 2015.

2017 - 2018	
Investment rate of return	7.25%, net of investment expenses. Administrative expenses are added to the actuarial determined
Asset valuation method	Actuarial Value of Assets equals the Fair Value of Assets (FVA) adjusted to reflect 100% of any gains or losses from the current year against prior years' deferred gains or losses. Any remaining amount is recognized at a rate of at least 20% per year with each base being recognized over a period of no more than 5 years, but subject to the constraint that the result cannot be less than 67% or greater than 133% of the FVA.
Wage inflation (Core 2.75%, Wage 1.00%)	3.75%
Salary increases	3.75% to 6.25%
Mortality	Experience-based table of rates that are specific to the class of employee. Last updated for the 2016 valuation pursuant to an experience study of a 5-year period from Retirement Plans RP-2014 Combined Healthy Mortality Tables with Blue Collar adjustments. Projected with Scale BB from 2014.

2015-2016	
Investment rate of return	7.25%, net of investment and administrative expenses
Asset valuation method	5-year moving average
Wage inflation (Core 3.0%, Wage 0.75%)	3.75%
Salary increases	3.75% to 6.25%
Mortality	RP 2000 Combined Healthy Mortality with no setback for males or females, projected to 2011 using Mortality Improvement Scale AA.

Dallas Fort Worth International Airport
Schedule of Contributions
September 30, 2018
(Amounts in Thousands)
(Unaudited)

DPS	2018	2017	2016	2015
Actuarially determined contribution	$ 8,731	$ 8,256	$ 7,055	$ 7,076
Contributions in relation to the actuarially determined contribution	8,731	8,256	7,055	7,950
Contribution deficiency (excess)	-	-	-	$ (874)
Covered payroll	$ 29,949	$ 26,883	$ 26,192	$ 25,292
Contributions as a percentage of covered payroll	29.15%	30.71%	26.93%	31.43%

Notes to Schedule:

Four year history based on data availability. There were no benefit changes during the year.

Valuation date:	Actuarially determined contribution amounts are calculated as of January 1st.

Methods and assumptions used to determine contribution rates:

Remaining amortization period	17 years from December 31, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Retirement age	Experience-based table of rates that are specific to the class of employee. Last updated for the 2013 valuation pursuant to an experience study from the 5-year period from January 1, 2006 to December 31, 2010; and remaining the same based on the experience study for the 5-year period January 1, 2011 to December 31, 2015.

2017 - 2018	
Investment rate of return	7.25%, net of investment expenses. Administrative expenses are added to the actuarial determined
Asset valuation method	Actuarial Value of Assets equals the Fair Value of Assets (FVA) adjusted to reflect 100% of any gains or losses from the current year against prior years' deferred gains or losses. Any remaining amount is recognized at a rate of at least 20% per year with each base being recognized over a period of no more than 5 years, but subject to the constraint that the result cannot be less than 67% or greater than 133% of the FVA.
Wage inflation (Core 2.75%, Wage 1.00%)	3.75%
Salary increases	3.75% to 13.25%
Mortality	Experience-based table of rates that are specific to the class of employee. Last updated for the 2016 valuation pursuant to an experience study of a 5-year period from Retirement Plans RP-2014 Combined Healthy Mortality Tables with Blue Collar adjustments. Projected with Scale BB from 2014.

2015-2016	
Investment rate of return	7.25%, net of investment and administrative expenses
Asset valuation method	5-year moving average
Wage inflation (Core 3.0%, Wage 0.75%)	3.75%
Salary increases	3.75% to 11.50%
Mortality	RP 2000 Combined Healthy Mortality with no setback for males or females, projected to 2011 using Mortality Improvement Scale AA.

Dallas Fort Worth International Airport
Schedule of Changes in the Net OPEB Liability and Related Ratios
December 31, 2017
(Amounts in Thousands)
(Unaudited)

OPEB	2017
Total OPEB Liability	
Service cost	$ 1,501
Interest on the Total OPEB Liability	1,905
Difference between expected and actual experience of the Total OPEB Liability	(3,932)
Assumption changes	971
Benefit payments and refunds	(1,223)
Net change in Total OPEB Liability	(778)
Total OPEB Liability - beginning	28,082
Total OPEB Liability - ending	$ 27,304
Plan Fiduciary Net Position	
Contributions - employer	$ 1,943
Net investment income	3,291
Benefit payments, including member refunds	(1,223)
Administrative expense	(29)
Net change in Plan Fiduciary Net Position	3,982
Plan Fiduciary Net Position - beginning	21,893
Plan Fiduciary Net Position - ending	$ 25,875
Net OPEB Liability - ending	$ 1,429
Plan Fiduciary Net Position as a percentage of the total OPEB liability	94.77%
Covered - employee payroll	$ 145,204
Net OPEB liability as a percentage of covered payroll	0.98%

Notes to Schedule:
One year history based on data availability.

Dallas Fort Worth International Airport
Schedule of Contributions - OPEB
September 30, 2018
(Amounts in Thousands)
(Unaudited)

OPEB	**2017**
Actuarially determined contribution	$ 1,943
Contributions in relation to the actuarially determined contribution	1,943
Contribution deficiency (excess)	-
Covered - employee payroll	$ 129,387
Contributions as a percentage of covered payroll	1.50%

Notes to Schedule:

One year history based on data availability.

Valuation date:	The Actuarially determined contribution for DFW's fiscal year ending September 30, 2018 The ADC for the employer's fiscal year ending September 30, 2018 was contributed during the plan's fiscal year ending December 31, 2017.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Discount Rate	6.75%
Inflation	2.75%
Salary Increases	3.75 to 6.25% for General Employees and 3.75% to 13.25% for Public Safety, including inflation
Demographic Assumptions	Based on the December 31, 2015 experience study
Mortality	RP-2014 Combined Healthy Mortality tables with Blue Collar Adjustments, with no set back for males or females. Generational mortality improvements in accordance with Scale BB from the table's base year of 2014.
Participation Rates	Participation rates vary based on years of service: 30% for less than 10 years, 40% for 10-14 years, 50% for 15-19 years, and 85% for those with 20 or more years.
Healthcare cost trend rates	Initial rates of 7.30%, declining to a rate of 4.50% after 14 years.

Dallas Fort Worth International Airport
OPEB Schedule of Investment Returns
For the Year December 31, 2017
(Amounts in Thousands)

	2017
Annual money-weighted rate of return, net of investment expenses	15.1%

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