

Dallas Fort Worth International Airport  
Continuing Disclosure Statements  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016



**Dallas Fort Worth International Airport  
Continuing Disclosure Statements  
For The Fiscal Year Ended September 30, 2016**

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## Required Tables

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

	Fiscal Year Ended, September 30									
	2016		2015		2014		2013		2012	
	Ops	%	Ops	%	Ops	%	Ops	%	Ops	%
Domestic Passenger	571	84%	585	86%	579	86%	589	87%	565	88%
International Passenger	68	10%	66	10%	64	10%	59	9%	51	8%
Total Passenger	<u>639</u>	<u>94%</u>	<u>651</u>	<u>96%</u>	<u>643</u>	<u>96%</u>	<u>648</u>	<u>96%</u>	<u>616</u>	<u>96%</u>
Cargo Aircraft	23	4%	21	3%	19	3%	19	3%	21	3%
General Aviation Aircraft	14	2%	11	1%	9	1%	8	1%	7	1%
Total Annual Operations	<u><u>676</u></u>		<u><u>683</u></u>		<u><u>671</u></u>		<u><u>675</u></u>		<u><u>644</u></u>	

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

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

<b>Monthly Frequencies</b>				<b>Monthly Seats</b>			
<b>Rank</b>	<b>Market</b>	<b>Total Market</b>	<b>Largest Market Carrier</b>	<b>Rank</b>	<b>Market</b>	<b>Total Market</b>	<b>Largest Market Carrier</b>
<b>1</b>	ORD	742	AA	<b>1</b>	LAX	111,576	AA
<b>2</b>	LAX	705	AA	<b>2</b>	ORD	104,755	AA
<b>3</b>	ATL	598	DL	<b>3</b>	ATL	88,924	DL
<b>4</b>	DEN	552	AA	<b>4</b>	DEN	82,145	AA
<b>5</b>	LGA	544	AA	<b>5</b>	LGA	74,764	AA
<b>6</b>	IAH	542	AA	<b>6</b>	PHX	69,302	AA
<b>7</b>	MSP	416	DL	<b>7</b>	MIA	66,442	AA
<b>8</b>	SFO	409	AA	<b>8</b>	LAS	66,102	AA
<b>9</b>	AUS	394	AA	<b>9</b>	SFO	62,826	AA
<b>10</b>	SAT	392	AA	<b>10</b>	CLT	62,184	AA
<b>11</b>	PHX	385	AA	<b>11</b>	AUS	59,683	AA
<b>12</b>	LAS	376	AA	<b>12</b>	MCO	58,130	AA
<b>13</b>	CLT	348	AA	<b>13</b>	SAT	57,415	AA
<b>14</b>	DTW	343	AA	<b>14</b>	IAH	57,127	AA
<b>15</b>	MIA	343	AA	<b>15</b>	SEA	55,888	AA
<b>16</b>	MCO	334	AA	<b>16</b>	SAN	52,547	AA
<b>17</b>	SEA	328	AA	<b>17</b>	PHL	51,770	AA
<b>18</b>	EWR	310	AA	<b>18</b>	MSP	49,765	AA
<b>19</b>	PHL	306	AA	<b>19</b>	BOS	45,507	AA
<b>20</b>	SLC	306	AA	<b>20</b>	DCA	45,360	AA

Source - DFW Global Strategy & Development Department

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

Passengers	Fiscal Year Ended, September 30									
	2016		2015 *		2014		2013		2012	
	Pass	%	Pass	%	Pass	%	Pass	%	Pass	%
<u>Domestic/International</u>										
Domestic	28.7	88	28.5	88	27.9	89	26.8	89	26.1	90
International	4.1	12	4.0	12	3.5	11	3.3	11	3.0	10
Total Enplanements	<u>32.8</u>	<u>100</u>	<u>32.5</u>	<u>100</u>	<u>31.4</u>	<u>100</u>	<u>30.1</u>	<u>100</u>	<u>29.1</u>	<u>100</u>
<u>O&amp;D/Connecting</u>										
Origination (O)	7.5	22	7.2	22	7.0	22	6.7	22	6.5	22
Destination (D)	6.1	19	6.6	20	6.5	21	6.1	20	6.0	21
Connecting	19.2	59	18.7	58	17.9	57	17.3	58	16.6	57
Total Enplanements	<u>32.8</u>	<u>100</u>	<u>32.5</u>	<u>100</u>	<u>31.4</u>	<u>100</u>	<u>30.1</u>	<u>100</u>	<u>29.1</u>	<u>100</u>
<u>By Airline</u>										
American	22.3	68	21.7	67	22.1	70	21.4	71	21.2	73
American Eagle (Envoy Air)	5.5	17	4.9	15	3.7	12	3.4	11	3.3	11
US Airways <sup>(1)</sup>	-	0	0.9	3	1.0	3	0.9	3	0.8	3
Delta	1.3	4	1.3	4	1.2	4	1.4	5	1.2	4
United	1.0	3	1.0	3	0.8	3	0.8	3	0.5	2
Spirit Airlines	1.3	4	1.3	4	1.2	4	1.1	4	0.5	2
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	-	0	-	0
Sun Country Airlines	0.1	0	0.1	0	0.1	0	0.1	0	0.1	0
AirTran	-	0	-	0	-	0	-	0	0.0	0
Other	1.0	4	1.0	4	1.1	4	0.8	3	1.3	5
Total Enplanements	<u>32.8</u>	<u>100</u>	<u>32.5</u>	<u>100</u>	<u>31.4</u>	<u>100</u>	<u>30.1</u>	<u>100</u>	<u>29.1</u>	<u>100</u>

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

<sup>(1)</sup> 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)**

	<u>2016</u>	<u>2015*</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
October	2,808	2,707	2,593	2,485	2,497
November	2,603	2,432	2,353	2,385	2,326
December	2,684	2,685	2,417	2,435	2,332
January	2,530	2,489	2,445	2,314	2,173
February	2,417	2,176	2,214	2,187	2,126
March	2,780	2,700	2,643	2,555	2,498
April	2,625	2,655	2,566	2,457	2,321
May	2,835	2,769	2,760	2,636	2,597
June	2,969	3,023	2,939	2,766	2,675
July	3,056	3,170	3,021	2,838	2,711
August	2,802	2,962	2,856	2,695	2,583
September	2,728	2,687	2,612	2,375	2,288
<b>Total</b>	<u><u>32,837</u></u>	<u><u>32,455</u></u>	<u><u>31,419</u></u>	<u><u>30,128</u></u>	<u><u>29,127</u></u>
Increase (Decrease) over Prior Period	1.2%	3.3%	4.3%	3.4%	0.9%

\* 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									
	2016		2015		2014		2013		2012	
	Weight.	%	Weight.	%	Weight.	%	Weight.	%	Weight.	%
<u>By Carrier Type</u>										
Domestic Passenger Airlines	36.5	88	36.3	89	35.2	89	35.0	91	32.8	90
International Pass. Airlines	1.4	3	1.1	3	1.0	3	0.6	2	0.6	2
Cargo/Integrator Airlines	3.8	9	3.3	8	3.2	8	2.7	7	3.1	8
<b>Total Landed Weights</b>	<b>41.7</b>	<b>100</b>	<b>40.7</b>	<b>100</b>	<b>39.4</b>	<b>100</b>	<b>38.3</b>	<b>100</b>	<b>36.5</b>	<b>100</b>
<u>By Major Airline</u>										
American	25.0	60	24.5	60	25.0	64	24.5	64	23.6	65
American Eagle (Envoy Air)	6.6	16	5.3	13	4.2	11	4.0	10	3.8	11
US Airways <sup>(1)</sup>	-	0	1.1	3	1.1	3	1.0	3	0.9	3
UPS	1.1	3	1.0	2	0.9	2	0.9	2	0.8	2
Delta <sup>(2)</sup>	1.4	3	1.5	4	1.4	4	1.4	4	0.8	2
Spirit Airlines	1.4	3	1.4	3	1.2	3	1.2	3	0.6	2
Federal Express	0.6	2	0.6	1	0.6	1	0.5	1	0.5	1
United <sup>(3)</sup>	1.2	3	1.1	3	1.0	3	1.1	3	0.6	2
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	0.2	0	0.1	0	0.1	0
Lufthansa German Airlines	0.1	0	0.1	0	0.1	0	0.1	0	0.1	0
Emirates	0.2	1	0.3	1	0.2	0	0.2	0	0.1	0
Etihad Airways	0.1	0	0.1	1	0.0	0	0.0	0	0.0	0
Qantas	0.2	1	0.3	1	0.2	1	0.2	1	0.2	1
Qatar Airways	0.1	0	0.2	0	0.0	0	0.0	0	0.0	0
Sun Country Airlines	0.1	0	0.1	0	0.1	0	0.1	0	0.1	0
AirTran	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Other	3.3	8	2.8	7	3.0	8	2.8	8	4.1	10
<b>Total Landed Weights</b>	<b>41.7</b>	<b>100</b>	<b>40.7</b>	<b>100</b>	<b>39.4</b>	<b>100</b>	<b>38.3</b>	<b>100</b>	<b>36.5</b>	<b>100</b>
<b>Cargo Tonnage</b>	<b>795</b>		<b>733</b>		<b>687</b>	*	<b>647</b>		<b>660</b>	

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

<sup>(1)</sup> As of October 2015, US Airways and American Airlines began operating under a single certificate.

<sup>(2)</sup> As of December 2009, Delta and Northwest Airlines began operating under a single certificate.

<sup>(3)</sup> As of November 2011, United and Continental 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				
	2016	2015	2014	2013	2012
<b>Average Landing Fee Rates*</b>					
Final Rates at the True-up	\$ 2.05	\$ 2.47	\$ 2.71	\$ 2.72	\$ 2.98
Budgeted <sup>(1)</sup>	\$ 2.56	\$ 2.69	\$ 2.82	\$ 3.21	\$ 3.33
<b>Average Terminal Rental Rates**</b>					
Final Rates at the True-up	\$ 204.69	\$ 164.02	\$ 135.77	\$ 115.73	\$ 103.30
Budgeted <sup>(1)</sup>	\$ 209.83	\$ 184.80	\$ 145.75	\$ 128.13	\$ 106.80

Source - DFW Finance Department.

\* Per 1,000 pounds

\*\* Per square foot, not available prior to FY 2011 as terminal costs were calculated differently under old Use Agreement before credits

<sup>(1)</sup> 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				
	2016	2015	2014	2013	2012
<b>Airline Cost (millions)*</b>					
Final Rates at the True-up	\$ 319.6	\$ 286.0	\$ 245.3	\$ 225.3	\$ 200.1
Budgeted <sup>(1)</sup>	\$ 340.5	\$ 299.1	\$ 253.1	\$ 243.8	\$ 203.4
<b>Cost per Enplanement*</b>					
Final Rates at the True-up	\$ 9.50	\$ 8.75	\$ 7.53	\$ 7.20	\$ 6.54
Budgeted <sup>(1)</sup>	\$ 10.32	\$ 9.29	\$ 8.04	\$ 7.91	\$ 6.72

Source - DFW Finance Department.

\* Includes Air Service Incentive rebates from DFW Capital Account beginning in FY11

<sup>(1)</sup> For the purposes of Continuing Disclosure, the Budgeted rate is what was formerly called the Interim Rate.

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

	Fiscal Year Ended, September 30				
	2016	2015	2014	2013	2012
Parking Revenues (millions)					
Terminal/Infield	\$ 82.7	\$ 78.8	\$ 73.2	\$ 71.7	\$ 69.6
Express/Remote	30.8	29.2	29.3	26.0	22.9
Drop Off/Meeter-Greeter	18.9	17.1	12.7	8.6	8.6
Pass-Through	3.3	3.1	2.4	2.3	4.0
Other	6.6	7.0	7.6	7.5	5.7
Total Revenues	<u>\$ 142.3</u>	<u>\$ 135.2</u>	<u>\$ 125.2</u>	<u>\$ 116.1</u>	<u>\$ 110.8</u>
Parking Transactions (millions)					
Terminal/Infield	1.92	1.85	1.91	2.04	1.80
Express/Remote	0.73	0.71	0.69	0.64	0.65
Drop Off/Meeter-Greeter	10.36	8.85	8.55	6.69	7.58
Pass-Through	1.69	2.06	1.95	1.68	3.23
Total Transactions	<u>14.70</u>	<u>13.47</u>	<u>13.10</u>	<u>11.05</u>	<u>13.26</u>
Average Length of Stay (Days)					
Terminal	1.96	2.03	2.05	1.83	2.09
Express	3.83	3.67	3.95	4.19	3.60
Remote	4.17	4.22	4.33	4.07	4.00
Weighted Average	<u>2.52</u>	<u>2.55</u>	<u>2.60</u>	<u>2.38</u>	<u>2.50</u>
Parking Revenue per Originating Passenger *	\$ 8.75	\$ 8.89	\$ 8.24	\$ 7.98	\$ 7.75

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				
	2016	2015 **	2014	2013	2012
Number of concessions locations	230	233	225	226	207
Leased sq. ft. as of September 30 (000s)	240	232	224	254	223
Concessions Sales-Terminal (millions):					
Food and beverage	\$ 220.1	\$ 211.5	\$ 202.9	\$ 184.6	\$ 171.4
Retail and duty free	113.8	112.3	110.9	111.0	103.8
Other In Terminal	16.5	19.6	23.5	23.3	19.7
Total concessions sales	<u>\$ 350.4</u>	<u>\$ 343.4</u>	<u>\$ 337.4</u>	<u>\$ 318.9</u>	<u>\$ 294.9</u>
Concessions sales/enplanement	<u>\$ 10.67</u>	<u>\$ 10.58</u>	<u>\$ 10.74</u>	<u>\$ 10.59</u>	<u>\$ 10.12</u>
Concession sales per sq. ft.	<u>\$ 1,463</u>	<u>\$ 1,480</u>	<u>\$ 1,503</u>	<u>\$ 1,254</u>	<u>\$ 1,320</u>
Concessions Income to DFW-Terminal (millions):					
Food and beverage	\$ 30.9	\$ 27.8	\$ 26.0	\$ 24.0	\$ 21.5
Retail and duty free	21.1	19.4	18.3	17.8	17.2
Other In Terminal	19.1	19.1	22.6	20.4	20.7
Income-Terminal Subtotal	<u>\$ 71.1</u>	<u>\$ 66.3</u>	<u>\$ 66.9</u>	<u>\$ 62.2</u>	<u>\$ 59.4</u>
Concessions income/enplanement	<u>\$ 2.17</u>	<u>\$ 2.09</u>	<u>\$ 2.13</u>	<u>\$ 2.07</u>	<u>\$ 2.04</u>
Concessions income per sq. ft.	<u>\$ 297</u>	<u>\$ 286</u>	<u>\$ 298</u>	<u>\$ 245</u>	<u>\$ 266</u>
Concessions - Not In Terminal*	8.0	7.7	6.4	6.0	6.3
Total Concessions income to DFW	<u>\$ 79.1</u>	<u>\$ 74.0</u>	<u>\$ 73.3</u>	<u>\$ 68.2</u>	<u>\$ 65.7</u>

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				
	2016	2015	2014	2013	2012
Transaction days (millions)	5.6	5.2	5.2	5.0	4.9
Rental car sales (millions)	\$ 279.9	\$ 265.6	\$ 267.2	\$ 256.9	\$ 240.5
Income to DFW (millions)	\$ 33.6	\$ 31.8	\$ 32.4	\$ 31.4	\$ 27.7
Income/destination passenger	\$ 2.76	\$ 2.46	\$ 2.50	\$ 2.56	\$ 2.32

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				
	2016	2015	2014	2013	2012
Ground Lease Revs. (millions)	\$ 39.8	\$ 37.6	\$ 37.3	\$ 34.3	\$ 33.5
Acres Leased (end of period)	1,455	1,415	1,284	1,247	1,166
Average Lease Rate per Acre	\$27,365	\$26,603	\$29,023	\$27,502	\$28,737

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				
	2016	2015	2014	2013	2012
Revenues (millions)					
Royalties	\$ 2.0	\$ 3.6	\$ 6.2	\$ 6.2	\$ 7.7
Surface use and other revenues	0.1	0.1	0.1	2.3	1.0
Bonus	n/a	n/a	n/a	n/a	n/a
Total Natural Gas Revenues	<u>\$ 2.1</u>	<u>\$ 3.7</u>	<u>\$ 6.3</u>	<u>\$ 8.5</u>	<u>\$ 8.7</u>
Operational Information					
Wells in production	<u>70</u>	<u>74</u>	<u>98</u>	<u>98</u>	<u>98</u>
Production (MMcf)	<u>4.4</u>	<u>5.6</u>	<u>6.8</u>	<u>7.8</u>	<u>9.8</u>
Average price paid to DFW	<u>\$ 1.81</u>	<u>\$ 2.74</u>	<u>\$ 3.71</u>	<u>\$ 3.19</u>	<u>\$ 2.10</u>

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

**Table 13**  
**Actual/Proforma PFIC Cash Flows and Coverage**  
**Fiscal Year Ended September 30, 2016**  
**(Unaudited in millions)**

	Grand Hyatt	RAC - CFC *	Hyatt Place	Total
Revenues	\$ 40.7	\$ 22.2	\$ 3.6	\$ 66.5
Less:				
Expenses	25.4	-	2.3	27.7
Net Available for Debt Service	15.3	22.2	1.3	38.8
Debt Service	\$ 4.0	\$ 14.3	\$ -	\$ 18.4
Coverage Ratio	3.83	1.55	-	2.11

\* Customer Facility Charge



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

	As of September 30 (Fiscal Year End)				
	2016	2015	2014	2013	2012
<b>Unrestricted Cash and Investments</b>					
Operating revenue and expense fund	\$ 283	\$ 248	\$ 211	\$ 214	\$ 202
Capital improvement fund	444	422	419	407	400
PFIC	88	75	76	66	59
Total unrestricted cash/investments	<u>815</u>	<u>745</u>	<u>706</u>	<u>686</u>	<u>661</u>
<b>Restricted Cash and Investments</b>					
Passenger facility charges	31	34	22	11	32
Bond/construction funds	746	971	1,505	1,631	593
Debt Service Fund	219	207	200	186	145
Debt Service Reserve Fund	330	326	325	287	170
PFIC	13	13	11	9	12
Other	2	2	1	5	10
Total restricted cash/investments	<u>1,341</u>	<u>1,553</u>	<u>2,064</u>	<u>2,128</u>	<u>962</u>
Total DFW cash/investments	<u>2,156</u>	<u>2,298</u>	<u>2,770</u>	<u>2,815</u>	<u>1,623</u>
Operating Expenses	<u>\$ 489</u>	<u>\$ 439</u>	<u>\$ 424</u>	<u>\$ 410</u>	<u>\$ 363</u>
Unrestricted Cash and Investments/Ops Exps - Days	<u>608</u>	<u>620</u>	<u>607</u>	<u>611</u>	<u>663</u>

Source: DFW Airport Finance Department records.

**Table 15**  
**Dallas Fort Worth International Airport**  
**Joint Revenue Debt Service Requirements<sup>(1)</sup>**  
**(Unaudited)**

	Principal	Interest	Total	Capitalized Interest	Net Debt Service
11/1/2016	\$ 102,920,000	\$ 150,074,262	\$ 252,994,262	\$ (7,471,399)	\$ 245,522,863
11/1/2017	140,085,000	299,685,219	439,770,219	(2,666,583)	437,103,636
11/1/2018	180,775,000	293,943,220	474,718,220	-	474,718,220
11/1/2019	214,405,000	287,522,750	501,927,750	-	501,927,750
11/1/2020	223,915,000	279,890,690	503,805,690	-	503,805,690
11/1/2021	198,715,000	271,753,327	470,468,327	-	470,468,327
11/1/2022	145,945,000	263,746,788	409,691,788	-	409,691,788
11/1/2023	156,070,000	256,448,025	412,518,025	-	412,518,025
11/1/2024	166,605,000	248,604,063	415,209,063	-	415,209,063
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
<b>Totals</b>	<b>\$ 6,366,035,000</b>	<b>\$ 5,074,808,949</b>	<b>\$ 11,440,843,949</b>	<b>\$ (10,137,982)</b>	<b>\$ 11,430,705,967</b>

<sup>(1)</sup> May not add due to rounding.

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

	Fiscal Year Ended September 30				
	2016	2015	2014	2013	2012
<b>Coverage Calculation - Gross Revenues</b>					
Operating Revenues					
Airfield cost center	\$ 151.5	\$ 149.4	\$ 146.2	\$ 140.1	\$ 131.0
Terminal cost center	272.1	225.4	180.0	164.3	138.2
DFW cost center (non-airline revenues)	289.3	273.6	268.3	252.7	246.5
Total Operating Revenues	<u>\$ 712.9</u>	<u>\$ 648.4</u>	<u>\$ 594.5</u>	<u>\$ 557.1</u>	<u>\$ 515.7</u>
Non-operating Revenues	148.7	141.8	129.2	156.7	144.4
Rolling coverage	90.0	78.5	68.6	70.2	61.8
Total Gross Revenues	<u>\$ 951.6</u>	<u>\$ 868.7</u>	<u>\$ 792.3</u>	<u>\$ 784.0</u>	<u>\$ 721.9</u>
Less Operating Expenses	<u>(416.7)</u>	<u>(392.1)</u>	<u>(376.9)</u>	<u>(352.9)</u>	<u>(344.0)</u>
Gross Revenues available for debt service	<u>\$ 534.9</u>	<u>\$ 476.6</u>	<u>\$ 415.4</u>	<u>\$ 431.1</u>	<u>\$ 377.9</u>
Debt Service	<u>\$ 359.9</u>	<u>\$ 314.0</u>	<u>\$ 274.5</u>	<u>\$ 280.9</u>	<u>\$ 247.2</u>
Coverage ratio - Gross Revenues	<u>1.49</u>	<u>1.52</u>	<u>1.51</u>	<u>1.53</u>	<u>1.52</u>
<b>Coverage Calculation - Current Gross Revenues</b>					
Gross Revenues available for debt service	\$ 534.9	\$ 476.6	\$ 415.4	\$ 431.1	\$ 377.9
Less: Transfers and Rolling Coverage	<u>(98.0)</u>	<u>(90.5)</u>	<u>(84.6)</u>	<u>(90.2)</u>	<u>(85.8)</u>
Current Gross Revenues available for debt service	<u>\$ 437.0</u>	<u>\$ 386.1</u>	<u>\$ 330.8</u>	<u>\$ 340.9</u>	<u>\$ 292.1</u>
Debt Service	<u>\$ 359.9</u>	<u>\$ 314.0</u>	<u>\$ 274.5</u>	<u>\$ 280.9</u>	<u>\$ 247.2</u>
Coverage ratio - Current Gross Revenues	<u>1.21</u>	<u>1.23</u>	<u>1.21</u>	<u>1.21</u>	<u>1.18</u>
<b>Coverage Calculation - All Revenues Sources</b>					
Current Gross Revenues available for debt service	\$ 437.0	\$ 386.1	\$ 330.8	\$ 340.9	\$ 292.1
Natural Gas Royalties, Interest Income, Other	14.6	19.0	21.6	13.7	9.9
PFIC	23.8	15.5	24.7	20.8	21.2
All Current Revenues available for debt service	<u>\$ 475.4</u>	<u>\$ 420.6</u>	<u>\$ 377.1</u>	<u>\$ 375.4</u>	<u>\$ 323.2</u>
Debt Service	<u>\$ 359.9</u>	<u>\$ 314.0</u>	<u>\$ 274.5</u>	<u>\$ 280.9</u>	<u>\$ 247.2</u>
Coverage ratio - All Current Revenues	<u>1.32</u>	<u>1.34</u>	<u>1.37</u>	<u>1.34</u>	<u>1.31</u>
Coverage ratio - All Current Revenues plus Capital Transfers and Rolling Coverage	<u>1.59</u>	<u>1.63</u>	<u>1.68</u>	<u>1.66</u>	<u>1.65</u>

\* 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

## **INDEPENDENT AUDITORS' REPORT**

Members of the Board of Directors  
Dallas Fort Worth International Airport

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, 2016, 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.

### **Auditor's 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, 2016, 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 net pension liability and related ratios, the schedule of contributions, and schedule of funding progress for other post-employment benefits 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 10, 2017

**Dallas Fort Worth International Airport  
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For The Fiscal Year Ended September 30, 2016**

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## 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, 2016. Also included are statements for DFW's fiduciary funds which have a December 31, 2015 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 the following fiduciary fund information: Schedule of Changes in the Net Position Liability and Related Ratios; Schedule of Contributions; as well as the Schedule of Funding Progress.

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 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 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 abovementioned 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 (commonly referred to as the "102 Operating 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. Per Federal Aviation Administration ("FAA") regulations, DFW can only charge the airlines for the net cost to operate these cost centers (including debt service and coverage) primarily through landing fees and terminal rentals. The Use Agreement also requires certain cash transfers from capital accounts to the 102 Fund each year through FY 2017.

DFW can generate net revenues or profits in the DFW cost center which includes non-airline business units such as concessions, parking, rental car, commercial development, and transportation (e.g. employee busing). If DFW generates net revenues in excess of the "upper threshold" (\$64.6 million in FY 2016), 75% of the excess is to be used to reduce landing fees. If the DFW cost center generates revenues below the lower threshold (\$43.1 million), 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 and lease agreement was signed in 2010. The rolling coverage balance is transferred or “rolled” into the 102 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	Inventory, Rent-A-Car Center	Supplies, Operations	NR
105, 152-176	Department of Public Safety	Seized Funds	R
252	Passenger Facility Charges	Collections, Debt Service	R
301-320	Joint Capital (non-JRB)	Capital Projects	NR
321-9, 332-4	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 102 Operating 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 newly opened 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.

**Vision**

Travel. Transformed.



**Mission**

We provide an exceptional Airport experience for our customers and connect our community to the world.

**Key Results**



CUSTOMER EXPERIENCE

BUSINESS PERFORMANCE    EMPLOYEE ENGAGEMENT    OPERATIONAL EXCELLENCE    COMMUNITY ENGAGEMENT

SAFE AND SECURE

**Beliefs**



YOU'RE IMPORTANT    OWNING IT    STEPPING UP    REACHING OUT    INNOVATING WINS

DFW management believes that if it focuses on achieving its Key Results, it will be well positioned to achieve DFW Airport’s mission.

Operations Overview

The following table highlights changes in the Airport’s key operating statistics for FY 2016 and FY 2015.

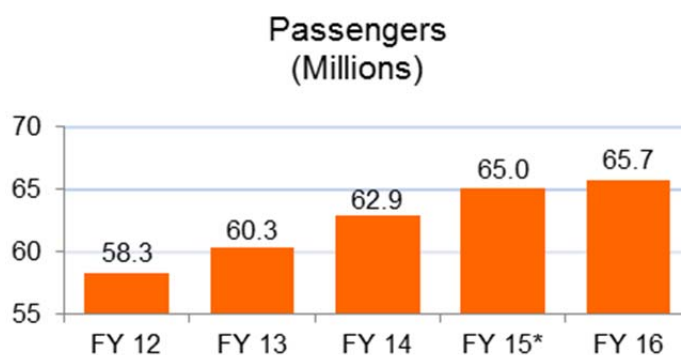
Key Operating Information	For the Year Ended	
	FY 2016	FY 2015
Total passengers (millions)	65.7	65.0 *
Total seats (millions)	76.9	77.0
International seats (millions)	10.0	9.8
International destinations	56	57
Aircraft operations (000s)	675	682
Landed weight (millions of pounds)	41,721	40,696
Cargo landed weight (millions of pounds)	3,796	3,302
Cargo tons (000s)	795	733

\* Final FY 2015 Total Passengers adjusted from 63.6 to 65.0 due to change in airline reporting practices.

Passengers, seats, operations, landed weights and cargo tons are key airport activity indicators. Refer to the “Business Performance” narrative in the following section of the MD&A for explanations regarding changes in key operating information from year to year. Additional detail can be found in the Statistical section of the CAFR in the Operating Information sub-section.

Business Performance

Total passengers for FY 2016 were 65.7 million, a 0.7 million (1.1%) increase over the 65.0 million passengers reported in FY 2015, primarily driven by new and increased air service by hub carrier American Airlines (“AA”), Air Canada, Interjet, Japan Airlines, Qantas, Qatar, and Volaris. The market share for AA increased slightly from 84.5% in FY 2015 to 84.8% in FY 2016. DFW’s second largest carrier for FY 2016 was Spirit at a 3.9% market share of total passengers followed by Delta at 3.9% and United at 3.2%. Total seats increased 0.4 million (0.5%) from 77.0 million in FY 2015 to 77.4 million in FY 2016 as a result of new service, equipment up-gauges, and increases in frequency by Air Canada, Etihad, Interjet, JetBlue, Japan Airlines, United, Qantas, Qatar and Volaris. These increases were offset by a down-gauge by Emirates from the A380 to 773 aircraft, and discontinued service by KLM.

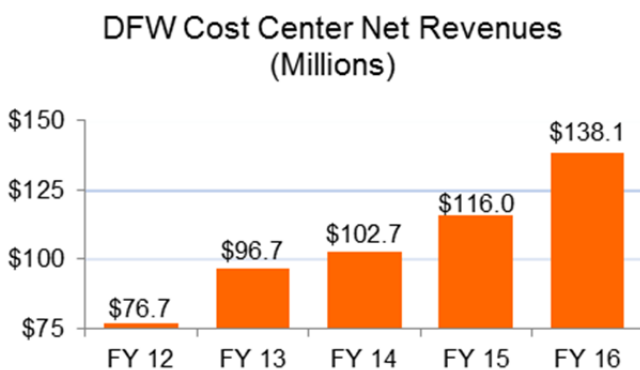


DFW ended the year with 56 active/announced international destinations, down from 57 in the previous year as AA discontinued service to Panama City, Panama. Current destinations include Merida, Mexico; Rome, Italy; and Amsterdam, Netherlands which either started or were announced in FY 2016. Total international seats (capacity) grew 0.2 million (2.2%) from 9.8 million in FY 2015 to 10.0 million in FY 2016.

Aircraft operations decreased by 7,000 (-1.0%) to 675,000 in FY 2016 driven by a decrease in operations by AA, partially offset by new flights by Interjet and Japan Airlines, and increased frequency by Qantas and Volaris. Total landed weights increased 1.0 billion (2.5%) to 41.7 billion pounds in FY 2016 primarily due to newer/heavier aircraft from AA and new and/or additional flights from Air Canada, Interjet, Japan Airlines, Qantas and Volaris. AA's share of DFW's landed weights decreased slightly from 76.0% in FY 2015 to 75.7% in FY 2016.

Cargo tonnage increased by 62,000 (8.5%) from 733,000 in FY 2015 to 795,000 in FY 2016. Increases in tonnage are the result of increased capacity in AA's belly cargo, increased activity by integrator services Airborne Express (DHL), Air Transport Services Group (ATI/BAX), FedEx and UPS, new dedicated freighter service by Air Canada, Qantas Cargo, and Qatar Cargo, in addition to increased frequency and tonnage by Air China and Air Bridge Cargo.

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. Both of these metrics will increase in the future as DFW issues bonds to finance its Terminal Renewal and Improvement Program ("TRIP"). The airlines agreed to pay these higher costs when they approved the capital program as part of the Use Agreement. Airline cost was \$328.2 million in FY 2016, a \$30.0 million (10.0%) increase over FY 2015, and CPE increased from \$8.75 in FY 2015 to \$9.50 in FY 2016 primarily due to increased debt service and operating costs. Despite these increases, DFW is competitively positioned, being one of the lower cost 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.



To help keep airline costs low and maximize discretionary capital funds, DFW works to increase the net revenues, or profit, from its non-airline business units (i.e., parking, concessions, rental car and commercial development). In FY 2016, these four business units generated \$294.8 million in revenues, a \$15.8 million (5.7%) improvement over the prior year of \$278.6 million, primarily due to higher parking activity and increased passenger traffic. DFW Cost Center net revenues were \$138.1 million in FY

2016, \$22.1 million (19.1%) better than FY 2015 and \$73.5 million higher than the "Upper Threshold" of \$64.6 million. This allowed DFW to share \$55.2 million, 75% of the excess amount, with the airlines to reduce landing fees. The remaining \$82.9 million was transferred to the DFW Capital Account at the end of the fiscal year.

### Customer Experience

DFW measures customer satisfaction through an internally developed customer survey program using a 5 point scale. DFW surpassed the customer survey objective with an overall satisfaction score of 4.46, exceeding the FY 2015 score of 4.41 while also achieving the DFW survey terminal cleanliness goal of 4.12. Reflected in the scores is management's focus on the customer experience basics of clean, working, and friendly.

Working closely with both the U.S. Transportation Security Administration and Customs and Border Protection to improve passenger processing times, DFW gained TSA approval to install up to 10 new enhanced TSA screening lanes ("innovation lanes") in FY 2017; and upgraded APC kiosks to print a

second receipt for international connecting passengers allowing them to use TSA preCheck. This has reduced facilitation time allowing passengers more time to make connections and to shop and dine at DFW concessions.

DFW completed TRIP Terminal A, phase 3 (including gates A38 and A39 ahead of schedule); Terminal E, phase 3; Terminal B, phase 2; and the Terminal E parking garage, phase 1 during the fiscal year. In Terminal A, the baggage claim and concessions locations were opened early to enhance the customer experience.

DFW opened 24 new concessions locations in Terminal D during FY 2016 plus an additional 32 in the other terminals for a total of 56 new locations. Some of the new locations include Wolfgang Puck Italian Kitchen, Cru, Stampede 66, and KR' Whitetail Bistro, as well as high-end retail brands such as Coach, LongChamp, three Duty Free locations and Estée Lauder boutiques. These openings bring to the total number of new concessions locations since TRIP began to 144.

### Operational Excellence

Operational Excellence reflects the effectiveness and efficiency of DFW's key processes. The Airport has hundreds of operational excellence metrics, most of which are monitored at the department level. Highlights and significant accomplishments in FY 2016 include the following:

DFW reduced power outages impacting the central terminal area from thirteen in FY 2015 to two in FY 2016. DFW worked closely with Oncor, its power provider, to coordinate electrical distribution system feeder cable replacements, activation of a new utility substation, and the installation of a new electrical duct bank; resulting in the lower incidences.

DFW exceeded the airport's aspirational goals for procurement and concessions, achieving 64% for MBE (goal of 25%), 35% for DBE (goal of 28%), and 43% for ACDBE (goal of 34%).

In regards to sustainability, DFW achieved Carbon Neutrality, Airport Carbon Accreditation Level 3+ Certification, becoming the first North American airport and first airport outside of Europe to receive this recognition.

### Safe and Secure

DFW implemented the FBI Rap Back Program. This pilot program was developed in collaboration with the TSA and FBI. It provides continuous monitoring of badge holder criminal history records and immediately notifies DFW of badge holder criminal offenses when law enforcement agencies update the FBI's National Crime Information Center database. TSA is rolling the program out to other airports nationwide due to the success of the pilot program.

Runway incursions were reduced from 3 last year to 1 this year. This has been an area of increased focus for management. DFW achieved zero notices of regulatory enforcement violations.

Phase 2 of the ITS disaster recovery program was completed in FY 2016. This phase includes the initial documentation of 133 disaster recovery plans (31 were complete in FY 2015) for ITS most critical systems. The next step will be to test these plans in FY 2018, and update the documentation accordingly. DFW also completed installation of redundant systems in its second data center and tested its off-site "cloud" backup system.

DFW became Payment Card Industry (PCI) compliant for credit card transactions for the parking control system in September 2016. This was a critical accomplishment for limiting DFW's financial responsibility for theft of credit card information on parking transactions.



## Employee Engagement

DFW measures employee engagement through an independently managed and confidential survey. Engagement measures the likelihood that an employee is motivated to give the extra effort it takes to perform his/her job and support DFW's mission. DFW achieved an engagement score of 77% compared to the USA norm of 67% for other employers who participated in the survey.

## Capital Programs and Airport Development Plan Update

The Terminal Renewal and Improvement Program ("TRIP") is the largest component of DFW's capital program with a budget of \$2.7 billion. TRIP provides renovation and renewal of the Airport's four oldest domestic terminals (A, B, C, and E) that were constructed between 35 and 40 years ago. Approximately two-thirds of the TRIP budget is being used for the replacement of original end-of-life building systems such as electrical, plumbing, heating and cooling, security, fire safety, conveyances, telecommunications, lighting, information technology systems, and jet-bridges in Terminals A and C. The majority of the remaining budget is being used to upgrade ticket halls, TSA security areas, certain baggage systems, and concessions villages. TRIP also includes improvements to the terminal exteriors, entrances, and certain parking structures not being replaced.

The final section of Terminal A was substantially completed by the end of FY 2016. The last sections of Terminal B and E are currently under construction. The combined budget for Terminal A, B, and E remains at \$1.9 billion. As of September 30, 2016, DFW has spent approximately 80.7% of this budget with an additional 13.9% under contract for a total of 94.6% spent and committed. The final scheduled opening dates are March 2017 for Terminal B Phase 3A (December 2017 for Phase 3B), and July 2017 for Terminal E. Management is currently forecasting that these terminals will be completed approximately \$28.0 million under budget. Terminal C has a budget of \$816.7 million, with \$65.3 million spent as of September 30, 2016. Approximately 35% of the design has been completed on Terminal C. The remaining design and start of construction for Terminal C remains on temporary hold pending a review of DFW's future capital plans.

Excluding TRIP, as of September 30, 2016, DFW had 213 approved capital projects in process for a total estimated cost of \$1.4 billion through completion. As of September 30, 2016, \$800.4 million of this total had been expended and an additional \$202.9 million was under contract and committed; leaving approximately \$364.6 million remaining to be committed and spent. The more significant projects include Terminal E Enhanced Parking Garage and Roadway (\$165.1 million), reconstruction of Taxiway "L" (\$51.1 million), Terminal F ramp expansion (\$51.0 million), Airfield Snow and Ice Removal Equipment (\$31.0 million), DPS Headquarters Facility Reconstruction (\$63.4 million), Taxiway "Y" Bridge Reinforcement (\$14.5 million), and FY14 – FY16 Rehabilitation of Airfield Pavements and Lighting (\$65.2 million). During FY 2016, the airlines approved \$164.6 million of new projects to be funded through the issuance of debt.

For a comprehensive review of DFW's capital programs and funding plan, please see a copy of the DFW Financial Plan, available on DFW's web page under the Investors/financials tab at [www.dfwairport.com](http://www.dfwairport.com).

## Revenues, Expenses, and Change in Net Position:

The following table is a summary of Operating revenues, Operating expenses, Non-operating expenses, net, Capital contributions, Special items, and the Change in Net Position for the years ended September 30, 2016 and 2015. Detailed descriptions and variances of the components of revenues, expenses and net non-operating expenses are described in the following sections.

<b>Change in Net Position</b>	<b>For the Year Ended (000s)</b>	
	<b>FY2016</b>	<b>FY2015</b>
Operating revenues	\$ 745,562	\$ 679,240
Operating expenses	(750,198)	(702,140)
Operating loss	(4,636)	(22,900)
Non-operating expenses, net	(89,319)	(98,095)
Loss before capital contributions and special item	(93,955)	(120,995)
Capital contributions	5,222	13,773
Special item	-	(41,761)
(Decrease) in net position before change in accounting principle	(88,733)	(148,983)
Change in accounting principle	-	(176,548)
<b>Total Change in Net Position</b>	<b>\$ (88,733)</b>	<b>\$ (325,531)</b>

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 2016 (see Liquidity section pg.18-19). DFW generated \$313.4 million of net cash flow provided by operating activities.

DFW's Net Position decreased \$88.7 million in FY 2016 compared to a decrease of \$325.5 million in FY 2015. In FY 2015, DFW implemented GASB 68 which resulted in a \$176.5 million write-down of net pension assets and the recognition of a net pension liability. There was no change in accounting principle in FY 2016.

Special item charges are related to asbestos removal costs incurred during TRIP construction. For FY 2015 these costs amounted to \$41.8 million. In FY 2016 asbestos removal, totaling \$15.1 million, was classified as operating expense due to the continuing nature of the costs.

In years when depreciation is greater than debt principal payments, as in FY 2016 and FY 2015, DFW's Net Position decreases on a GAAP basis. This situation exists because DFW's debt portfolio was restructured in past years to lower airline rates during the financial crisis. Management has taken two key steps in FY 2016 to reverse this situation. First, the Joint Revenue Bond issued in September for \$280.4 million was structured with a five year principal payoff term as opposed to other DFW bonds that are normally issued with a 30 year term. Second, depreciation periods for certain assets were increased within their existing range to better match their functional lives.



## Operating Revenues:

The following table highlights the major components of operating revenues for the fiscal years ended September 30, 2016 and 2015. Significant variances are explained below.

<u>Operating Revenues</u>	<u>For the Year Ended (000s)</u>	
	<u>FY 2016</u>	<u>FY 2015</u>
Terminal rent and use fees	\$ 227,166	\$ 180,667
Landing fees	82,677	96,010
Federal Inspection Services (FIS)	20,327	18,499
Other airline	159	260
<b>Total airline revenue</b>	<b>330,329</b>	<b>295,436</b>
Parking	142,273	135,163
Concessions	79,124	73,963
Grand Hyatt and Hyatt Place hotels	44,259	37,735
Ground and facilities leases	39,816	37,643
Rent-A-Car lease and rentals	33,590	31,781
Employee transportation	19,322	16,619
Ground transportation	14,362	9,422
Rent-A-Car customer transportation charges	13,424	11,406
Other non-airline	29,063	30,072
<b>Total non-airline revenue</b>	<b>415,233</b>	<b>383,804</b>
<b>Total Operating Revenues</b>	<b>\$ 745,562</b>	<b>\$ 679,240</b>

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 \$46.5 million (25.7%) from \$180.7 million in FY 2015 to \$227.2 million in FY 2016 primarily due to an increase in rates necessary to cover the increased debt service incurred for TRIP 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) decreased \$13.3 million (-13.9%) from \$96.0 million in FY 2015 to \$82.7 million in FY 2016 primarily due to a larger DFW cost center threshold adjustment partially offset by higher airfield operating costs.

Federal Inspection Service ("FIS") fees per departing international passenger in Terminal D increased \$1.8 million (9.7%), from \$18.5 million in FY 2015 to \$20.3 million in FY 2016 primarily due to higher international passenger traffic.

Parking fees are charged based on the length of stay and parking product. DFW's primary parking products include Terminal (\$22 per day), Express (\$11-13 per day) and Remote (\$9 per day). Parking revenues increased \$7.1 million (5.3%) from \$135.2 million in FY 2015 to \$142.3 million in FY 2016 primarily due to higher Terminal, Express and Remote transactions. Combined Drop-off and Meeter/Greeter activity was also higher from year to year. Terminal parking revenues accounted for 58.6% and 58.4% of total parking revenues in FY 2016 and FY 2015, respectively.

Concession revenues increased \$5.1 million (6.9%), from \$74.0 million in FY 2015 to \$79.1 million in FY 2016, primarily due to an increase in food and beverage and retail sales associated with new concession locations.

Grand Hyatt and Hyatt Place hotel revenues include room rental, sale of food and beverage, and other hotel related activities. Revenues increased \$6.6 million (17.5%), from \$37.7 million in FY 2015 to \$44.3 million in FY 2016. In FY 2016, the Hyatt Place hotel began operations and generated \$3.6 million of revenues. The other \$3.0 million increase was primarily driven by the Grand Hyatt's higher average room rates, increased occupancy and improved food and beverage sales.

Ground and facility lease revenues, also referred to as Commercial Development, consist primarily of ground leases of Airport property, facility leases, Hyatt Regency Hotel, Bear Creek golf course, and various other leases such as right of ways and easements. Ground and facility lease revenue increased \$2.2 million (5.9%) from \$37.6 million in FY 2015 to \$39.8 million in FY 2016 primarily due to an increase in leased acreage, higher rental rates, and percent rent on hotel and golf course sales.

Rent-a-car ("RAC") lease and rentals revenue consists of ground leases plus a percentage rent based on gross revenues. RAC revenues increased \$1.8 million (5.7%), from \$31.8 million in FY 2015 to \$33.6 million in FY 2016, primarily due to higher rental car transaction days partially offset by lower daily rental rates. Percentage rent accounted for 92.0% of the total RAC rental revenues in FY 2016 and 84.4% in FY 2015.

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 increased \$2.7 million (16.3%) from \$16.6 million in FY 2015 to \$19.3 million in FY 2016 primarily due to the addition of buses required to handle an increase in employees.

Ground transportation revenues represent the access, decal, and application fees charged to taxicab, limousine, pre-arranged ride, shared ride, transportation network, and courtesy vehicle companies and providers. Revenues increased \$5.0 million (53.2%), from \$9.4 million in FY 2015 to \$14.4 million in FY 2016 primarily due to pre-arranged ride activity partially offset by lower taxicab and limousine access fees.

RAC customer transportation ("CTC") revenue is derived from a per rental day transaction fee. In FY 2016, this fee was increased from \$2.20 to \$2.50. 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 \$2.0 million (17.5%) from \$11.4 million in FY 2015 to \$13.4 million in FY 2016 due to the fee increase and an increase in the number of rental car transaction days.

Other non-airline revenue is comprised of Corporate aviation fees related to fueling and aircraft service; fuel farm fees paid by the airlines to pay the debt incurred to construct the fueling system and operating costs; non-airline utilities; trash removal; facility maintenance; public safety and badging services; pass-through/reimbursable revenues from airline and tenants; building code, standards and permit fees; Natural gas royalties and property and surface use fees resulting from drilling; and other miscellaneous revenues offset by non-airline bad debt. Other revenue decreased \$1.0 million (3.3%) from \$30.1 million in FY 2015 to \$29.1 million in FY 2016, primarily as a result of lower facility maintenance and natural gas revenues offset partially by higher permit fees, non-airline utilities, trash removal, public safety and badging services.

## **Operating Expenses:**

The following table highlights the major components of operating expenses for the fiscal years ended September 30, 2016 and 2015. Significant variance explanations follow.

<b><u>Operating Expenses</u></b>	<b><u>For the Year Ended (000s)</u></b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>
Salaries, wages, and benefits	\$ 204,971	\$ 184,662
Contract services	193,316	162,500
Grand Hyatt and Hyatt Place hotels	27,719	24,702
Equipment and supplies	23,956	23,654
Utilities	25,115	27,722
Insurance	5,164	5,329
General, administrative and other charges	8,921	10,353
Depreciation and amortization	261,036	263,218
<b>Total Operating Expenses</b>	<b>\$ 750,198</b>	<b>\$ 702,140</b>

Salaries, wages and benefits increased \$20.3 million (11.0%) from \$184.7 million in FY 2015 to \$205.0 million in FY 2016 primarily due to higher pension costs, more employees, and annual wage increases partially offset by decreased overtime. DFW employed 1,848 and 1,794 full time employees as of September 30, 2016 and 2015, respectively.

Contract services include grounds and facility maintenance, busing services, financial and legal services, software and hardware maintenance, advertising, planning, and other professional services. In FY 2016, DFW incurred \$15.1 million of asbestos removal related costs (recorded as a Special item in previous years). Contract services (not including asbestos removal) increased an additional \$15.7 million (9.7%), from \$162.5 million in FY 2015 to \$178.2 million in FY 2016, primarily due to increased information technology consulting, busing, facility maintenance and custodial, planning and airfield foam injection costs.

Hotel operations include room, food and beverage and other expenses. Grand Hyatt and Hyatt Place operating costs increased \$3.0 million (12.1%) from \$24.7 million in FY 2015 to \$27.7 million in FY 2016. This increase was primarily due to \$2.3 million of new costs related to the opening of the Hyatt Place in FY 2016.

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 \$0.3 million (0.1%), from \$23.7 million in FY 2015 to \$24.0 million in FY 2016 primarily due to increased operating and maintenance purchases partially offset by a decrease in the need for de-icing and inclement weather supplies.

Utilities represent the cost of electricity, natural gas, potable water, trash removal, and telecommunications services. Utilities decreased \$2.6 million (9.4%) from \$27.7 million in FY 2015 to \$25.1 in FY 2016 primarily due to a decrease in electricity, water, sewer, and natural gas charges.

General, administrative and other charges decreased \$1.5 million (-14.4%), from \$10.4 million in FY 2015 to \$8.9 million in FY 2016, primarily due to lower Air Service Incentive Program reimbursements for marketing related programs partially offset by an increase in fingerprinting costs.

Depreciation and amortization decreased \$2.2 million (0.1%), from \$263.2 million in FY 2015 to \$261.0 million in FY 2016 primarily due to the increase in depreciable lives on certain assets and less accelerated depreciation as TRIP and other construction activities near completion.

### **Non-Operating Revenues and Expenses:**

The following table highlights non-operating revenues and expenses for the fiscal years ended September 30, 2016 and 2015.

<b><u>Non-Operating Revenues (Expenses)</u></b>	<b><u>For the Year Ended (000s)</u></b>	
	<b><u>FY 2016</u></b>	<b><u>FY 2015</u></b>
Passenger facility charge	\$ 126,642	\$ 128,810
RAC customer facility charges	22,239	20,759
Interest income	14,920	16,979
Interest expense on revenue bonds	(255,929)	(257,348)
Other, net	2,809	(7,295)
<b>Total Non-Operating Expenses</b>	<b>\$ (89,319)</b>	<b>\$ (98,095)</b>

Congress established the Passenger Facility Charge (“PFC”) in 1990 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 such projects as 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 87.9% of all enplaned passengers were required to pay PFCs in FY 2016 as opposed to 90.3% in FY 2015 (recalculated from 93.4% with the restatement of passengers to 65.0 million, see page 7) primarily due to a higher percentage of “non-revenue” passengers. PFC collections are recorded as revenue when earned and deposited in the 252 PFC Fund, then used to pay eligible debt service costs. PFC revenues decreased \$2.2 million (1.7%), from \$128.8 million in FY 2015 to \$126.6 million in FY 2016 as a result of a lower percentage of passengers paying PFC’s.

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 \$1.4 million (6.7%) from \$20.8 million in FY 2015 to \$22.2 million in FY 2016 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. Other, net increased \$10.1 million (138.4%) from (\$7.3) million in FY 2015 to \$2.8 million in FY 2016 primarily due to higher insurance proceeds and lower net book value losses on retired assets.

**Capital Contributions:**

The following table highlights capital contributions for the fiscal years ended September 30, 2016 and 2015.

	<b>For the Year Ended (000s)</b>	
	<b>FY 2016</b>	<b>FY 2015</b>
<b>Capital Contributions</b>		
Federal grant reimbursements	\$ 5,222	\$ 13,773
<b>Total Capital Contributions</b>	<b>\$ 5,222</b>	<b>\$ 13,773</b>

DFW receives Airport Improvement Program (“AIP”) and other grants through the Federal Aviation Administration and other Federal and State agencies. The timing of Airport grant reimbursements are driven by DFW drawdown requests. These reimbursements decreased \$8.6 million (-62.3%) from \$13.8 million in FY 2015 to \$5.2 million in FY 2016 due to smaller program drawdowns resulting from the timing of associated capital projects.

**Special Item/Operating Expenses:**

Beginning in FY 2016 asbestos removal costs incurred in conjunction with TRIP are being classified as an Operating expense. This was a \$26.7 million (63.9%) decrease from the \$41.8 million recorded in FY 2015 primarily due to a decreased level of new renovation activity in 2016. The FY 2015 asbestos costs were classified as a Special Item, immediately recognized for GAAP purposes but being financed as part of TRIP.

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## **Assets, Deferred Outflows, Liabilities, and Net Position:**

The following table provides a condensed summary of DFW's net position and change in net position as of September 30, 2016 and 2015. A discussion of significant items follows.

<b>Summary of Net Position</b>	<b>As of September 30 (000s)</b>	
	<b>2016</b>	<b>2015</b>
Assets:		
Current and other assets	\$ 2,223,515	\$ 2,354,710
Capital assets	5,263,382	5,093,745
Total assets	<u>7,486,897</u>	<u>7,448,455</u>
Deferred outflows of resources	<u>88,201</u>	<u>31,724</u>
Total assets and deferred outflows of resources	<u>7,575,098</u>	<u>7,480,179</u>
Liabilities:		
Current and other liabilities, excluding debt	335,312	325,229
Non-current liabilities	23,604	24,859
Long-term debt outstanding:		-
due within one year	102,920	86,785
due in more than one year	6,624,814	6,539,465
Net pension liability	190,851	124,815
Total liabilities	<u>7,277,501</u>	<u>7,101,153</u>
Deferred inflow of resources	<u>10,909</u>	<u>3,605</u>
Total liabilities and deferred inflows of resources	<u>7,288,410</u>	<u>7,104,758</u>
<b>Total Net Position</b>	<b><u>\$ 286,688</u></b>	<b><u>\$ 375,421</u></b>
Total revenues	\$ 917,394	\$ 859,560
Total expenses	(1,006,127)	(1,008,543)
Change in net position	<u>\$ (88,733)</u>	<u>\$ (148,983)</u>
Change in accounting principle	-	(176,548)
<b>Total Change in Net Position</b>	<b><u>\$ (88,733)</u></b>	<b><u>\$ (325,531)</u></b>

Total current and other assets decreased \$131.2 million from FY 2015 to FY 2016 primarily due the use of cash and investments for TRIP and other capital projects.

Total capital assets increased \$169.7 million primarily due to increased construction-in-progress and the completion of additional TRIP facilities and other capital projects.

Deferred outflows of resources increased \$56.5 million from \$31.7 million in FY 2015 to \$88.2 million in FY 2016 due to increased deferred pension costs related to a change in actuarial assumptions and lower pension investment earnings. See Note 1(q).

Total liabilities increased \$194.3 million from FY 2015 to FY 2016 primarily due to a larger net pension liability caused by a change in actuarial assumptions, higher current and accrued liabilities driven by larger unearned revenue balances, and increased long-term debt related to the issuance of an additional \$280.4 million in joint revenue bonds partially offset by \$60.4 million of refunding, resulting in \$220 million of new debt.

The following table summarizes DFW's net position as of September 30, 2016 and 2015.

<b>Net Position</b>	<b>As of September 30 (000s)</b>	
	<b>2016</b>	<b>2015</b>
Net investment in capital assets	\$ (345,889)	\$ (230,711)
Restricted net position:		
PFIC	16,208	14,641
Passenger facility charges	41,448	45,094
Public safety and other	1,801	2,129
Total restricted	59,457	61,864
Unrestricted net position	573,120	544,268
<b>Total Net Position</b>	<b>\$ 286,688</b>	<b>\$ 375,421</b>

Net investment in capital assets decreased \$115.2 million primarily due to depreciation greater than bond principal payments. See Note 7.

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 36.2% and 39.4% of the total debt service in FY 2016 and FY 2015, respectively. The PFC balance decreased \$3.6 million in FY 2016 as the PFC amount used to pay the eligible debt service exceeded revenues.

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 increased \$28.8 million primarily due to higher net operating income before depreciation.

### **Liquidity and Financing**

As of September, 30, 2016, DFW had total cash and investments of \$2.2 billion, of which \$815.4 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 2016 are sufficient to cover 608 days of operating expenses as compared to 620 days in FY 2015.

As of September 30, 2016, DFW has \$6.6 billion of fixed rate joint revenue bonds outstanding adjusted for unamortized premium and \$102.9 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 \$504.6 million

for non-TRIP projects. DFW constantly monitors the cash flow and contracting requirements for the TRIP and other approved projects.

In FY 2016, DFW issued \$280.4 million in joint revenue refunding and improvement bonds, Series 2016. DFW achieved \$13.3 million in net present value savings and \$18.0 million in actual savings from the partial refunding (\$60.4 million) of the 2009A series bonds.

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 4 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. DFW's Gross Revenues coverage ratios were 1.52 and 1.49 for the fiscal years September 30, 2015 and September 30, 2016, respectively; while Current Gross Revenues coverage ratios were 1.23 and 1.21 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. The Fitch, Standard and Poor's and Kroll ratings remained the same throughout FY 2015 and FY 2016. Additionally, Moody's upgraded DFW to A1 (stable outlook) during FY 2016.

### **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, 2016**  
**(Amounts in Thousands)**

**Assets**

Current assets	
Cash and cash equivalents (notes 1, 2)	\$ 164,406
Restricted cash and cash equivalents (notes 1, 2, 8)	147,955
Investments (notes 1, 2)	221,449
Restricted investments (notes 1, 2, 8)	140,214
Accounts receivable, net of allowance for doubtful account of \$0.9 (note 1)	33,922
Inventory and other current assets (note 1)	12,627
Total current assets	720,573
Non-current assets	
Restricted cash and cash equivalents (notes 1, 2, 8)	143,412
Investments (notes 1, 2)	429,533
Restricted investments (notes 1, 2, 8)	909,269
Capital assets, net (notes 1, 5)	
Non-depreciable	618,572
Depreciable, net	4,644,810
Total capital assets, net	5,263,382
Other post employment benefit assets (note 10)	2,663
Other restricted assets (note 8)	18,065
Total non-current assets	6,766,324
<b>Total assets</b>	<b>7,486,897</b>

**Deferred outflows of resources**

Refundings of debt (note 1)	16,999
Pension (notes 1, 9)	71,202
<b>Total assets and deferred outflows of resources</b>	<b>7,575,098</b>

**Liabilities**

Current liabilities	
Accounts payable and other current liabilities (note 4)	150,063
Current payable from restricted assets (notes 1, 8)	185,249
Current portion of joint revenue bonds payable (notes 1, 6)	102,920
Total current liabilities	438,232
Long-term liabilities	
Long-term liabilities (note 15)	10,860
Long-term liabilities payable from restricted assets (note 15)	12,744
Net pension liability (note 9)	190,851
Joint revenue bonds payable (note 6)	6,624,814
Total long-term liabilities	6,839,269
<b>Total liabilities</b>	<b>7,277,501</b>
<b>Deferred inflow of resources:</b> Pension (notes 1, 9)	10,909
<b>Total liabilities and deferred inflows of resources</b>	<b>7,288,410</b>

**Net Position**

Net investment in capital assets (note 7)	(345,889)
Restricted for:	
PFIC (notes 6, 8, 11)	16,208
Passenger facility charges (notes 1, 6)	41,448
Public safety and other (notes 1, 6)	1,801
Total restricted	59,457
Unrestricted	573,120
<b>Total Net Position</b>	<b>\$ 286,688</b>

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, 2016**  
**(Amounts in Thousands)**

<b>Operating revenues</b>	
Terminal rent and use fees (note 1)	\$ 227,166
Landing fees (note 1)	82,677
Federal Inspection Services (FIS) (note 1)	20,327
Other airline	159
<b>Total airline revenue</b>	<u>330,329</u>
Parking	142,273
Concessions	79,124
Grand Hyatt and Hyatt Place Hotels	44,259
Ground and facilities leases	39,816
Rent-A-Car rental	33,590
Employee transportation	19,322
Ground transportation	14,362
Rent-A-Car customer transportation charges	13,424
Other non-airline	29,063
<b>Total non-airline revenue</b>	<u>415,233</u>
<b>Total operating revenues</b>	<u>745,562</u>
<b>Operating expenses</b>	
Salaries, wages and benefits	204,971
Contract services	193,316
Grand Hyatt and Hyatt Place Hotels	27,719
Utilities	25,115
Equipment and supplies	23,956
Insurance	5,164
General, administrative and other	8,921
Depreciation and amortization	261,036
<b>Total operating expenses</b>	<u>750,198</u>
<b>Operating loss</b>	<u>(4,636)</u>
<b>Non-operating revenues (expenses)</b>	
Passenger facility charge	126,642
RAC customer facility charges	22,239
Interest income	14,920
Interest expense on revenue bonds	(255,929)
Other, net	2,809
<b>Total non-operating expenses, net</b>	<u>(89,319)</u>
<b>Loss before capital contributions</b>	(93,955)
<b>Capital contributions</b>	
Federal grant reimbursements	5,222
<b>Total capital contributions</b>	<u>5,222</u>
<b>Net Position</b>	
Decrease in net position	(88,733)
Net position - October 1	375,421
<b>Total net position, end of year</b>	<u>\$ 286,688</u>

See accompanying notes to the basic financial statements.

**Dallas Fort Worth International Airport  
Statement of Cash Flows  
For The Year Ended September 30, 2016  
(Amounts in Thousands)**

<b>Cash flows from operating activities:</b>	
Cash received from operations	\$ 759,233
Cash paid to outside vendors	(254,908)
Cash paid to employees	(190,956)
Net cash provided by operating activities	<u>313,369</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition and construction of capital assets	(450,864)
Proceeds from sale of revenue bonds	280,430
Payments to escrow agent	(60,355)
Bond issuance costs	(592)
Principal paid on revenue bonds	(86,785)
Interest paid on revenue bonds	(306,290)
Capital grants	5,409
Passenger facility charges	126,779
RAC customer facility charges	22,288
Net cash used in capital and related financing activities	<u>(469,980)</u>
<b>Cash flows from investing activities:</b>	
Interest received on investments	16,095
Purchase of investments	(1,790,113)
Sale of investments	1,911,194
Net cash provided by investing activities	<u>137,176</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(19,435)</b>
Cash and cash equivalents, beginning of year	475,208
Cash and cash equivalents, end of the period	<u>\$ 455,773</u>
Unrestricted cash and cash equivalents	164,406
Restricted cash and cash equivalents	291,367
Cash and cash equivalents, end of the period	<u>\$ 455,773</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (4,636)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	261,036
Changes in assets and liabilities:	
Accounts receivable	(7,084)
Materials, supplies, inventories, other assets	(2,860)
Unearned revenues	21,960
Payroll liabilities	891
Accounts payable and other liabilities	44,062
Net cash provided by operating activities	<u>\$ 313,369</u>
Supplemental disclosure of non-cash activities	
Amortization of bond premium/discount	\$ (29,160)
Amortization of bond defeasement loss	1,216
Capitalized interest expense	(20,194)
Pension expense	39,485
Unpaid purchases of capital assets in accounts payable and accrued liabilities	46,399
Unrealized loss on investments	1,088

See accompanying notes to the basic financial statements.

**Dallas Fort Worth International Airport  
Statement of Fiduciary Net Position  
As Of December 31, 2015  
(Amounts in Thousands)**

<b>Assets</b>	
Cash	\$ (94)
Investment in Master Trust at fair value	576,749
Receivables	
Due from broker for securities sold	516
Accrued interest and dividends	393
Stop-loss recovery	153
<b>Total assets</b>	<u><u>577,717</u></u>
<b>Liabilities</b>	
Due to broker for securities purchased	4,191
Accrued management fees	100
Claims/premiums payable	431
Accrued transaction fees	339
<b>Total liabilities</b>	<u><u>5,061</u></u>
<b>Fiduciary net position restricted for pensions and OPEB</b>	<u><u>\$ 572,656</u></u>

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, 2015  
(Amounts in Thousands)**

**Additions**

Contributions	
Plan members contributions	\$ 1,872
Employer contributions	28,324
Stop loss recovery	635
Total contributions	<u>30,831</u>

Plans' interest in Master Trust Investment loss	(3,245)
Dividends	433
Less: Investment fees	(2,403)
Total investment income	<u>(5,215)</u>

<b>Total additions</b>	<u>25,616</u>
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**Deductions**

Benefits paid to plan members and beneficiaries	27,499
Administrative fees	418
<b>Total deductors</b>	<u>27,917</u>

<b>Net decrease in Fiduciary net position</b>	<b>(2,301)</b>
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**Fiduciary net position restricted for pensions and OPEB**

At beginning of the year	<u>574,957</u>
<b>At end of the year</b>	<b><u>\$ 572,656</u></b>

See accompanying notes to the basic financial statements.

**Dallas Fort Worth International Airport  
Notes To The Basic Financial Statements  
September 30, 2016**

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**(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<sup>th</sup> 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 (opened in the Spring of 2016) 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 by Statement No. 39, “*Determining whether Certain Organizations are Component Units*”, and Statement No. 61, “*The Financial Reporting Entity.*” The PFIC 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 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, 2016. 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 by Statement No. 39, “*Determining whether Certain Organizations are Component Units*”, and Statement No. 61, “*The Financial Reporting Entity.*” 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.

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The Fiduciary activities represent two fiduciary pension plans covering substantially all DFW employees with the plans' year ended December 31, 2015: 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 Board ("Retirement Plans", collectively). DFW offers 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, 2015.

**(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 plans, as separate schedules, in its financial statements 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; and for the pension trust funds: Schedule of Changes in the Net Pension Liability and Related Ratios; and Schedule of Contributions; as well as the Schedule of Funding Progress for the Other Post-Employment Benefit trust fund. 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 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, 2015.



**Dallas Fort Worth International Airport  
Notes To The Basic Financial Statements  
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**(c) Basis of Presentation**

Adoption of Current GASB Statements

The GASB issued Statement No. 72, *“Fair Value Measurement and Application.”* Effective for financial statements for fiscal years beginning after June 15, 2015, this statement addresses accounting and financial reporting issues related to fair value measurements. This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. This Statement also requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Statement No. 72 had no material impact on the valuation of DFW’s investments or the financial statements.

The GASB issued Statement No. 73, *“Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68.”* The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. Statement No. 73 had no impact on DFW’s financial statements.

The GASB issued Statement No. 76, *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.”* This Statement supersedes Statement No. 55, *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.”* The requirements of Statement No. 76 are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Statement No. 76 had no impact on DFW’s financial statements.

The GASB has issued Statement No. 77, *“Tax Abatement Disclosures.”* Effective for financial statements for fiscal years beginning after December 15, 2015, this statement requires governments that enter into tax abatement agreements to disclose the information about the agreements. Statement No. 77 had no impact on DFW’s financial statements.

The GASB has issued Statement No. 78, *“Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.”* Effective for financial statements for fiscal years beginning after December 15, 2015, Statement No. 78 amends the scope and applicability of Statement No. 68 to exclude certain cost-sharing multiple-employer defined benefit pension plans. Statement No.78 had no impact on DFW’s financial statements.

The GASB has issued Statement No. 79, *“Certain External Investment Pools and Pool Participants.”* This statement is effective for financial statements for fiscal years beginning after June 15, 2015, except for certain provision on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for fiscal years beginning after December 15, 2015. Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost. Statement No. 79 had no impact on DFW’s financial statements.

Future 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*

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*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. DFW is evaluating the effect that Statement No. 74 will have on its financial statements. 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. DFW is evaluating the effect that Statement No. 75 will have on its financial statements.

The GASB has issued Statement No. 80, *“Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14.”* Effective for financial statements for fiscal periods beginning after June 15, 2016, this statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. DFW is evaluating the effect that Statement No. 80 will have on its financial statements. 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. DFW is evaluating the effect that Statement No. 81 will have on its financial statements.

The GASB has issued Statement No. 82, *“Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73.”* Effective for financial statements for fiscal periods beginning after June 15, 2017, this statement addresses (1) the presentation of payroll-related measures in required supplementary information, (2) the selection assumptions and the treatment of deviations, (3) the classification of payments made by employers to satisfy employee contribution requirements. DFW is evaluating the effect that Statement No. 82 will have on its financial 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. 83 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”) costs of \$6.8 million (Landing Fees \$3.2 million, and Federal Inspection Service \$3.6 million).

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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. The Airport may 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 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, 2016. 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

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The estimated useful life range of the “Buildings” and “Other machinery and equipment” categories remained the same in FY 2016. The useful life of certain assets in these categories changed within the range to better reflect DFW’s experience with these assets. The net decrease in depreciation expense resulting from this change is \$6.7 million.

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 \$20.2 million in FY 2016.

**(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 Charge (“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. As of September 30, 2016, 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 \$3.5 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 deferred compensation is 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 Deferred Compensation Plan.

The 457 Deferred Compensation Plan (the “457 Plan”) balances totaling \$71.1 million for 2016 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 up to 7% of employee contributions to both the 401(a) and 457 plans.

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The deferred compensation is 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 Plan.

The 401(a) Deferred Compensation Plan balances totaling \$7.8 million for 2016 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".

**(l) Retirement Plans**

It is the policy of the Airport to fund the pension costs of its two retirement plans annually. Pension costs are comprised of normal cost and amortization, unfunded actuarial accrued liability, and unfunded prior service cost.

In FY 2016 DFW made contributions of \$26.4 million: \$19.3 million to the Employee plan; \$7.1 million to the DPS plan. In prior years, DFW has funded its pension plans in excess of the actuarial requirements because it currently has an unfunded actuarial accrued liability.

In the 2014 plan year, the Plans adopted GASB Statement No. 67, "Financial Reporting for Pension Plans." This Statement replaces many of the requirements of Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans", and Statement No. 50, "Pension Disclosures – An Amendment of GASB Statements No. 25 and No. 27", as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. This Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in the 10-year historical RSI schedules.

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**

It is the policy of the Airport to fund the OPEB cost annually. OPEB costs are comprised of normal cost and amortization of the unfunded actuarial accrued liability. The Airport currently carries a Net OPEB Asset of \$2.7 million as of September 30, 2016, which is the cumulative difference between the annual OPEB costs and contribution made to the OPEB Plan. DFW made a contribution of \$2.0 million in FY 2016.

The OPEB plan is accounted for in accordance with GASB Statement No. 43, "Financial Reporting for Post-employment Benefit Plans Other than Pension Plans" and GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other



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*than Pensions.*” Claims and premiums are recognized when due and payable. Investments are stated at fair value.

**(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 pay grease system maintenance costs and a fee to support 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, 2015	\$8,951
TOP used during the year	(10,140)
TOP earned during the year	10,539
Balance as of September 30, 2016	\$9,350

**(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. 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.

DFW has three 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

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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 relates to the difference between projected and actual earnings on pension plan investments. This amount is amortized over a closed five-year period. The third 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. As of September 30, 2016, the combined balance of deferred outflows of resources was \$88.2 million: (1) Refunding of debt, \$17.0 million after current year amortization of \$1.2 million; (2) Pension plan investment earnings, \$44.5 million after current year amortization of \$11.8 million; (3) Change in pension assumptions of \$26.7 million after a first year charge of \$8.0 million.

The Statement of Net Position may include a separate section for deferred inflows of resources applying to a future period(s) inflow of resources (revenue). DFW has one qualifying deferred inflow of resources related to the difference between expected and actual experience in the measurement of the total pension liability. This amount is amortized over multiple years according to actuarial schedules. As of September 30, 2016, the balance of deferred inflow of resources was \$10.9 million after current year amortization of \$3.4 million.

**(r) Leases**

DFW leases property to a variety of Airport tenants. These leases are classified as “operating” and are cancellable by DFW at any time.

**(2) DEPOSITS AND INVESTMENTS**

**(a) Deposits - DFW**

As of September 30, 2016, DFW's cash balance (including amounts under restricted assets – see Note 8) represents \$455.8 million of cash and cash equivalents. The bank balances for the cash and cash equivalents accounts were approximately \$466.6 million on September 30, 2016. 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. DFW investments in money market funds are included as cash equivalents for FY 2016 as follows (in thousands):

Description	2016
Cash	\$ 15,915
Cash: interest bearing	100,000
Money market funds	339,858
Total cash and cash equivalents	<u>\$ 455,773</u>

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**(b) Investments – DFW**

As of September 30, 2016 the fair market values and associated credit ratings from Standard and Poor's (S&P) of the DFW's investments are as follows (in thousands):

Investments by Sector	S&P Rating	Amount	2016		
			Percent of Total Investment	Maturities (in years)	
				< 1 year	1 - 5 years
<b>Investments measured at Fair Value</b>					
U.S. Agencies and Instrumentalities	AA+	\$ 1,013,365	49.7%	\$ 177,680	\$ 835,685
	Not Rated [1]	112,587	5.5%	34,026	78,561
Municipals	A+	1,250	0.1%	1,250	-
	AA	3,504	0.2%	3,504	-
	AA-	27,737	1.4%	1,906	25,831
	AA+	18,019	0.9%	7,589	10,430
	AAA	36,795	1.8%	-	36,795
Total Investments measured at Fair Value		\$ 1,213,257	59.6%	\$ 225,955	\$ 987,302
<b>Investments measured at Amortized Cost</b>					
U.S. Agencies and Instrumentalities	Not Rated [1]	\$ 64,957	3.2%	\$ 64,957	\$ -
Commercial Paper	A-1	148,108	7.3%	148,108	-
	A-1+	200,601	9.8%	200,601	-
Municipals	A-1+	57,062	2.8%	57,062	-
	AA-	13,506	0.7%	13,506	-
Total Investments measured at Amortized Cost		\$ 484,234	23.8%	\$ 484,234	\$ -
<b>Total Investments</b>					
U.S. Agencies and Instrumentalities		\$ 1,190,909	58.5%	\$ 276,663	\$ 914,246
Commercial Paper		348,709	17.1%	348,709	-
Municipals		157,873	7.7%	84,817	73,056
Total Investments		\$ 1,697,491	83.3%	\$ 710,189	\$ 987,302
Money Market Funds		339,858	16.7%	339,858	-
Total Investments with Money Market Funds		\$ 2,037,349	100.0%		
Total Investments without Money Market Funds		\$ 1,697,491			
Accrued Investment Earnings		2,974			
<b>Book value of investments</b>		<b>\$ 1,700,465</b>			

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



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**(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.

Purpose	2016 Maturity
Hotel Operating and FFE	1 year
Interest and Sinking	1 year
Operating	1 year
Passenger Facility Charges	1 year
RAC Funds-CTC	1 year
RAC Funds-CFC	\$25 million - 5 years and Remainder - 2 years
Bond Funds	3 years
DFW Capital	3 years
Hotel Capital	3 years
Joint Capital	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 as a percentage of maturities.

Maturity	2016 % of Investment
Less than one year	42%
One to five years	58%

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**(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 and 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, 2016, 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 Mortgage Corp	14.2%
Federal National Mortgage Corp	14.2%
Federal Farm Credit Banks	13.4%
Federal Agricultural Mortgage Corp	8.7%
Federal Home Loan Bank	7.9%
ING Funding LLC (US)	7.3%
	65.7%

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**(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.S. Agencies and Instrumentalities

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, actively 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.

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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, 2016, DFW investments, measured at fair value, are categorized in the three levels as follows (in thousands):

<b>Investments</b>	<b>Level 1: Quoted Prices in Active Markets for Identical Assets</b>	<b>Level 2: Significant Other Observable Inputs</b>	<b>Level 3: Significant Unobservable Inputs</b>	<b>Total</b>
U.S. Agencies and instrumentalities	\$ -	\$ 1,125,952	\$ -	\$ 1,125,952
Municipal bonds	-	87,305	-	87,305
<b>Total: Levels 1-3</b>	<b>\$ -</b>	<b>\$ 1,213,257</b>	<b>\$ -</b>	<b>\$ 1,213,257</b>

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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 as of December 31, 2015 include investments of (in thousands):

Investment	2015
Limited Partnerships	\$ 151,046
Common stocks	149,438
Commingled funds	83,765
Money market funds and notes	45,770
U.S. Treasury and agency securities	42,665
Mutual funds	33,616
Corporate bonds	23,992
ADR/Foreign stocks	12,104
MLP/ Exchange traded notes	10,236
Asset backed bonds	3,982
Total Investments	\$ 556,614

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**(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, 2015, the maturity values are as follows (in thousands):

<b>Investment</b>	<b>2015 Maturity (in years)</b>				<b>Total</b>
	<b>0-5</b>	<b>6-10</b>	<b>11-15</b>	<b>16+</b>	
U.S. government securities	\$ 14,193	\$ 13,031	\$ 5,323	\$ 765	\$ 33,312
Mortgage backed securities	86	-	1,177	8,090	9,353
<b>Total governmental</b>	<b>\$ 14,279</b>	<b>\$ 13,031</b>	<b>\$ 6,500</b>	<b>\$ 8,855</b>	<b>\$ 42,665</b>
Corporate bonds	\$ 13,347	\$ 10,645	\$ -	\$ -	\$ 23,992
Asset backed bonds	2,191	-	-	-	2,191
Commercial mortgage backed bonds	-	-	-	1,791	1,791
MLP/Exchange traded notes <sup>(1)</sup>	10,236	-	-	-	10,236
<b>Total non-governmental</b>	<b>\$ 25,774</b>	<b>\$ 10,645</b>	<b>\$ -</b>	<b>\$ 1,791</b>	<b>\$ 38,210</b>

<sup>(1)</sup> Master limited partnership

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**(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, 2015 (in thousands):

	Rating							Total
	AAA/ AA+	AA/ AA-	A+/ A/A-	BBB+/ BBB	BBB-/ BB+	BB/ BB-	No Rating/ Matured Bond	
<b>Long Term Bond Investments</b>								
U.S. government securities	\$ 33,312	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,312
Mortgage backed securities	-	-	-	-	-	-	9,353	9,353
<b>Total governmental</b>	<b>\$ 33,312</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,353</b>	<b>\$ 42,665</b>
Corporate bonds	\$ 548	\$ 301	\$ 9,066	\$ 10,475	\$ 2,780	\$ 335	\$ 487	\$ 23,992
Asset backed bonds	1,772	169	250	-	-	-	-	2,191
Commercial mortgage backed bonds	1,615	-	-	-	-	-	176	1,791
MLP/Exchange traded notes <sup>(1)</sup>	-	-	-	-	-	-	10,236	10,236
<b>Total non-governmental</b>	<b>\$ 3,935</b>	<b>\$ 470</b>	<b>\$ 9,316</b>	<b>\$ 10,475</b>	<b>\$ 2,780</b>	<b>\$ 335</b>	<b>\$ 10,899</b>	<b>\$ 38,210</b>
<b>Other Investments</b>								
Common stocks	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 149,438	\$ 149,438
Money market funds and notes	-	-	-	-	-	-	45,770	45,770
Mutual funds	-	-	-	-	-	-	12,104	12,104
ADR/Foreign stocks	-	-	-	-	-	-	83,765	83,765
Limited Partnerships	-	-	-	-	-	-	33,616	33,616
Commingled funds	-	-	-	-	-	-	151,046	151,046
<b>Total non-governmental</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 475,739</b>	<b>\$ 475,739</b>
<b>Total Investments</b>	<b>\$ 37,247</b>	<b>\$ 470</b>	<b>\$ 9,316</b>	<b>\$ 10,475</b>	<b>\$ 2,780</b>	<b>\$ 335</b>	<b>\$ 495,991</b>	<b>\$ 556,614</b>

<sup>(1)</sup> Master limited partnership

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**(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:

Investment	Minimum	Maximum	Target	Actual
Domestic equity	15.0%	35.0%	20.0%	32.8%
International global equity	10.0%	30.0%	17.5%	18.0%
Domestic fixed income	7.5%	25.0%	10.0%	8.8%
Treasury Inflation-Protected Securities (TIPS)	0.0%	10.0%	5.0%	4.1%
Non-core Fixed Income	5.0%	25.0%	15.0%	13.5%
Real estate	5.0%	15.0%	10.0%	10.2%
Private equity	5.0%	20.0%	12.5%	6.3%
Real Assets, MLPs	5.0%	15.0%	10.0%	6.3%

As of December 31, 2015, 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.

The OPEB Plan assets are carried at fair value as of December 31, 2015 and include the following investments (in thousands):

Investment	2015
Indexed Equity Mutual Fund	12,667
Intermediate Bond Fund	5,314
Total Investments	\$ 17,981
Money Market Fund	2,154
Total Investments with Money Market Fund	\$ 20,135



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**(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, 2015, 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, 2015, 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%	70.0%
Intermediate Bond Fund	40.0%	60.0%	50.0%	30.0%

DFW has determined that currently all securities purchased for the OPEB Plan have readily ascertainable market values and are readily marketable. In 2015, \$2.1 million was invested in a money market fund and the remaining amount of \$18.0 million was invested into Vanguard Total Bond Index (30.0%) and Vanguard Institutional Index (70.0%) funds through the Trustee.

**(q) Custodial Risk – DFW’s Fiduciary OPEB Plan**

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

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**(3) RELATED-PARTY TRANSACTIONS**

DFW makes certain payments routinely to the Cities. Payments to the City of Fort Worth, primarily for legal services, bond fees, water purchases, task force costs, and facilities rentals, for the year ended September 30, 2016 were approximately \$2.1 million. Payments to the City of Dallas, primarily for legal services, water purchases, task force costs, and bond fees, for the year ended September 30, 2016 were approximately \$1.8 million.

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

A detail of accounts payable and other current liabilities as of September 30, 2016 are as follows (in thousands):

	<b>FY 2016</b>
Accrued expenditures	\$ 43,492
Unearned revenue	49,061
Accounts payable	11,841
Signatory airline refunds	13,258
Time off with pay	9,350
Payroll and employee benefits	10,159
Insurance	3,701
Deposits	3,063
Other current liabilities	6,138
Total	<u>\$ 150,063</u>

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**(5) CAPITAL ASSETS**

Capital assets activity during the year ended September 30, 2016 follows (in thousands):

<b>2016</b>					
Description	Balance October 1, 2015	Additions to Existing Assets	Completed Projects and Additions	Less Retirements	Balance September 30, 2016
Capital assets not being depreciated					
Land	\$ 294,916	\$ -	\$ -	\$ -	\$ 294,916
Construction in progress	584,274	388,300	(648,918)	-	323,656
Total capital assets not depreciated	879,190	388,300	(648,918)	-	618,572
Depreciable capital assets					
Buildings improvements	\$ 3,050,548	-	549,361	(103,010)	3,496,899
Improvements other than buildings	2,835,040	-	99,557	(21,810)	2,912,787
Machinery and equipment	1,097,079	42,626	-	(5,744)	1,133,961
Vehicles	184,855	9,235	-	(2,972)	191,118
Total depreciable capital assets	7,167,522	51,861	648,918	(133,536)	7,734,765
Accumulated depreciation					
Buildings improvements	\$ 977,844	95,572	-	(96,586)	976,830
Improvements other than buildings	1,240,278	87,203	-	(19,831)	1,307,650
Machinery and equipment	629,581	61,812	-	(5,335)	686,058
Vehicles	105,264	17,121	-	(2,969)	119,416
Total accumulated depreciation	2,952,967	261,708	-	(124,721)	3,089,954
Total, net capital assets	\$ 5,093,745	\$ 178,453	\$ -	\$ (8,815)	\$ 5,263,383

During the fiscal year, the Airport recorded additional depreciation expense resulting from the acceleration of depreciation for assets being replaced or renovated. The ongoing TRIP resulted in the recording of additional depreciation for terminal buildings, elevators and escalators, and baggage handling systems in the amount of \$6.4 million.

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**(6) DEBT**

A summary of bond indebtedness changes during the year ended September 30, 2016 follows (in thousands):

<b>Series: Maturity (Due) : Interest Rate</b>	<b>Original Issue Amount</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reduction</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
<b>Gross DFW Debt Payable</b>						
<b>Airport - Joint Revenue Bonds - (JRB)</b>						
2009A: Due 11/10-11/24: 3.000 - 5.000%	\$ 281,005	\$ 156,045	-	\$ (92,020)	\$ 64,025	\$ 29,620
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	86,005	-	(11,190)	74,815	11,460
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	215,265	-	(1,000)	214,265	1,000
2011E: Due 11/12-11/18: 0.900 - 3.120%	106,240	69,900	-	(16,835)	53,065	17,220
2012B: Due 11/12-11/35: 5.000 - 5.000%	433,770	407,640	-	-	407,640	-
2012C: Due 11/12-11/45: 3.250 - 5.250%	274,925	273,365	-	(1,060)	272,305	1,250
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	262,225	-	(1,535)	260,690	-
2012G: Due 11/13-11/35: 2.000 - 5.000%	294,080	288,125	-	(2,945)	285,180	-
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	411,570	-	(6,815)	404,755	14,470
2013E: Due 11/14-11/33: 4.000 - 5.500%	225,310	218,195	-	(10,520)	207,675	16,990
2013F: Due 11/14-11/33: 3.000 - 5.250%	251,960	249,110	-	(3,045)	246,065	165
2013G: Due 11/14-11/43: 4.125 - 5.250%	109,060	109,060	-	-	109,060	-
2014A: Due 11/14-11/32: 1.000 - 5.250%	201,515	197,480	-	(175)	197,305	180
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	-
2014D: Due 11/14-11/27: 1.000 - 5.000%	78,430	77,100	-	-	77,100	4,970
2014E: Due 11/14-11/27: 4.000 - 5.000%	97,315	97,315	-	-	97,315	5,595
2016 : Due 11/17-11/21: 0.870 - 1.600%	280,430	-	280,430	-	280,430	-
<b>Total Gross DFW Debt Payable</b>	<b>\$ 6,777,160</b>	<b>6,232,745</b>	<b>280,430</b>	<b>(147,140)</b>	<b>6,366,035</b>	<b>102,920</b>
Unamortized Premium (Discount), net		393,505	-	(31,806)	361,699	-
<b>DFW Net Debt Payable</b>		<b>\$ 6,626,250</b>	<b>\$ 280,430</b>	<b>\$ (178,946)</b>	<b>\$ 6,727,734</b>	<b>\$ 102,920</b>

The Airport frequently issues bonds for capital construction projects. These bonds are subject to the arbitrage regulations. As of September 30, 2016, there was no liability for rebate of arbitrage.

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**(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 define DFW’s rate setting methodology and business relationships. DFW’s current ten-year Use Agreement became effective October 1, 2010. 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 Improvement Fund to the Operating Fund through FY 2017. 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 102 Operating 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.

Rolling Coverage 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 (e.g. higher landing fees and terminal rents).

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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 \$11.4 billion, with annual requirements over the next five years ranging from \$403.1 million to \$499.7 million. Principal on the Series 2004B, 2007, and 2012A bonds was fully paid in FY 2016. 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, 2016, the outstanding balance of conduit bonds was \$60.2 million.

**(c) Fiscal Year 2016 Debt Issuance**

In September 2016, DFW issued \$280.4 million of fixed rate joint revenue refunding and improvement bonds (Series 2016) for the purpose of primarily funding TRIP and Non-TRIP programs and partially refunding the Series 2009A bonds for \$60.4 million. Refunding proceeds were placed in escrow pending the call date. The refunding resulted in a gain of \$2.6 million included in the balance of deferred outflow of resources to be amortized in future years.

**(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
2017	\$ 102,920	\$ 300,143	\$ 403,063
2018	140,085	296,588	436,673
2019	180,775	290,733	471,508
2020	214,405	283,707	498,112
2021	223,915	275,822	499,737
2022 - 2026	843,895	1,260,445	2,104,340
2027 - 2031	1,015,590	1,034,839	2,050,429
2032 - 2036	1,401,210	734,215	2,135,425
2037 - 2041	980,105	437,215	1,417,320
2042 - 2046	1,238,135	158,524	1,396,659
2047 - 2050	25,000	2,578	27,578
<b>TOTAL</b>	<b>\$ 6,366,035</b>	<b>\$ 5,074,809</b>	<b>\$ 11,440,844</b>

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**(e) Debt Service Reserve and Sinking Funds**

As of September 30, 2016, the Airport held approximately \$549.1 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, 2016 (in thousands):

	<u>2016</u>
Capital assets	\$5,263,382
Less: long-term debt payable, portion used for capital activities, and capital related payables	<u>(5,609,271)</u>
Total net investment in capital assets	<u>\$ (345,889)</u>

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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, 2016 (in thousands):

Description	Public Safety and Other	PFIC	Capital	Debt Service	Passenger Facility Charges	Total
<b>Assets:</b>						
<b>Current</b>						
Cash and cash equivalents	\$ 195	\$ 4,255	\$ 54,918	\$ 88,587	\$ -	\$ 147,955
Investments	-	-	-	140,214	-	140,214
Total current assets	195	4,255	54,918	228,801	-	288,169
<b>Non-current</b>						
Cash and cash equivalents	1,690	2,830	129,191	-	9,701	143,412
Investments	-	6,007	561,768	320,327	21,167	909,269
Other restricted assets	111	7,374	-	-	10,580	18,065
Total non-current assets	1,801	16,211	690,959	320,327	41,448	1,070,746
Total current and non-current assets	1,996	20,466	745,877	549,128	41,448	1,358,915
<b>Payable from restricted assets:</b>						
<b>Current</b>						
Accounts payable	195	4,255	54,918	905	-	60,273
Accrued interest on revenue bonds	-	-	-	124,976	-	124,976
Long-term liabilities due within one year	-	-	-	102,920	-	102,920
Total current payable from restricted assets	195	4,255	54,918	228,801	-	288,169
<b>Non-current</b>						
Unearned revenue, other long-term	-	3	12,741	-	-	12,744
Total non-current payable from restricted assets	-	3	12,741	-	-	12,744
Total current and non-current liabilities	195	4,258	67,659	228,801	-	300,913
<b>Restricted assets less liabilities</b>	<b>1,801</b>	<b>16,208</b>	<b>678,218</b>	<b>320,327</b>	<b>41,448</b>	<b>1,058,002</b>
<b>Reclass to investment in capital assets</b>						
Less: Long-term debt associated with reserves and financing charges	-	-	(733,136)	(320,327)	-	(1,053,463)
Add: Accounts payable, retainage for capital projects	-	-	54,918	-	-	54,918
<b>Net Position, restricted</b>	<b>\$ 1,801</b>	<b>\$ 16,208</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 41,448</b>	<b>\$ 59,457</b>
<b>Summary</b>						
Restricted Cash	\$ 1,885	\$ 7,085	\$ 184,109	\$ 88,587	\$ 9,701	\$ 291,367
Restricted Investments	-	6,007	561,768	460,541	21,167	1,049,483
Restricted Cash and Investments	1,885	13,092	745,877	549,128	30,868	1,340,850
Accounts Payable and Accrued Interest from restricted assets	195	4,255	54,918	125,881	-	185,249



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**(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 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 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 by writing to the Finance Department, DFW Airport, Post Office Drawer 619428, DFW Airport, Texas 75261-9428.

Employee Plan - 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.

DPS Plan - 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.

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Membership - The number of participants covered by the Plans according to current membership classification at January 1, 2016 was as follows:

	<u>Employee</u>	<u>DPS</u>	<u>Total</u>
Inactive plan members or beneficiaries currently receiving benefits	1,127	153	1,280
Inactive plan members entitled to but not yet receiving benefits	484	29	513
Active plan members	866	348	1,214
Total plan members	<u>2,477</u>	<u>530</u>	<u>3,007</u>

**(b) Funding Policies**

DFW determines each Retirement Plans' funding policy. In general, DFW contributes an amount approximately equal to the actuarially determined pension cost 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.

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 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, contributions, and contribution rates are as follows (in thousands):

	<b>2016</b>		
	<u>Employee</u>	<u>DPS</u>	<u>Total</u>
Actuarially determined contribution	\$ 19,294	\$ 7,055	\$ 26,349
Contributions in relation to the actuarially determined contribution	19,294	7,055	26,349
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 63,294	\$ 26,192	\$ 89,486
Contributions as a percentage of covered-employee payroll	30.48%	26.93%	29.44%

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**(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, 2016, 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, 2016, are as follows:

Significant Actuarial Assumptions:	Employee Plan	DPS Plan
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. Non-Disabled	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. Disabled	Retirement Plans RP-2014 Combined Healthy Mortality Tables. Projected with Scale BB from 2014, set forward 3 years with a minimum 3.00% rate.	Retirement Plans RP-2014 Combined Healthy Mortality Tables. Projected with Scale BB from 2014, set forward 3 years with a minimum 3.00% rate.
c. Pre-retirement	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.
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 11.50%) of increase based on years of services which includes inflation rate (2.75%).
Asset valuation method: Net pension liability	Market value.	Market value.
Employee contribution rate	Not applicable	7.0% of compensation.

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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:

	<b>Target Allocation</b>	<b>Arithmetic Real Return</b>	<b>Asset Class Return</b>
Domestic Equity	20.0%	6.14%	1.23%
International / Global Equity	17.5%	7.47%	1.31%
Domestic Fixed Income	10.0%	1.23%	0.12%
Treasury Inflation-Protected Securities	5.0%	1.15%	0.06%
Non-Core Fixed Income	15.0%	2.09%	0.31%
Real Estate	10.0%	4.12%	0.41%
Private Equity	12.5%	8.56%	1.07%
Real Assets, MLP's	10.0%	4.29%	0.43%
Total	<u>100.0%</u>		<u>4.94%</u>
Inflation			<u>2.75%</u>
Arithmetic nominal return before adverse experience			<u>7.69%</u>
Margin for adverse experience			<u>(0.44%)</u>
Expected arithmetic nominal return			<u><u>7.25%</u></u>

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 pension 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:

<b>Plan</b>	<b>1% Decrease from 7.25% to 6.25%</b>	<b>Current Discount Rate 7.25%</b>	<b>1% Increase from 7.25% to 8.25%</b>
Employee	\$ 211,809	\$ 133,666	\$ 69,374
DPS	88,402	57,184	31,809
Total DFW plans	<u>\$ 300,211</u>	<u>\$ 190,850</u>	<u>\$ 101,183</u>

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

Changes in DFW's net pension liability for its Employee and DPS plans for DFW's fiscal year 2016 are as follows (in thousands):

<b>Employee Plan</b>	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
<b>Balances at 9/30/2015</b>	\$ 494,172	\$ 410,842	\$ 83,330
<b>Changes for the year:</b>			
Service cost	10,030		10,030
Interest	35,483		35,483
Differences between expected and actual experience	(7,991)		(7,991)
Contributions - employer		19,294	(19,294)
Net investment income		(3,756)	3,756
Assumption changes - mortality rates	27,843		27,843
Benefit payments, including refunds of employee contributions	(19,367)	(19,367)	-
Administrative expense		(509)	509
<b>Net changes</b>	<b>45,998</b>	<b>(4,338)</b>	<b>50,336</b>
<b>Balances at 9/30/2016</b>	<b>\$ 540,170</b>	<b>\$ 406,504</b>	<b>\$ 133,666</b>
<b>DPS Plan</b>	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
<b>Balances at 9/30/2015</b>	\$ 186,832	\$ 145,348	\$ 41,484
<b>Changes for the year:</b>			
Service cost	5,537		5,537
Interest	13,509		13,509
Differences between expected and actual experience	(2,757)		(2,757)
Contributions - employer		7,055	(7,055)
Contributions - employee	-	1,872	(1,872)
Net investment income		(1,363)	1,363
Assumption changes - mortality rates	6,792		6,792
Benefit payments, including refunds of employee contributions	(6,431)	(6,431)	-
Administrative expense		(183)	183
<b>Net changes</b>	<b>16,650</b>	<b>950</b>	<b>15,700</b>
<b>Balances at 9/30/2016</b>	<b>\$ 203,482</b>	<b>\$ 146,298</b>	<b>\$ 57,184</b>
<b>Total</b>	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
<b>Balances at 9/30/2015</b>	\$ 681,004	\$ 556,190	\$ 124,814
<b>Changes for the year:</b>			
Service cost	15,567		15,567
Interest	48,992		48,992
Differences between expected and actual experience	(10,748)		(10,748)
Contributions - employer	-	26,349	(26,349)
Contributions - employee	-	1,872	(1,872)
Net investment income	-	(5,119)	5,119
Assumption changes - mortality rates	34,635	-	34,635
Benefit payments, including refunds of employee contributions	(25,798)	(25,798)	-
Administrative expense		(692)	692
<b>Net changes</b>	<b>62,648</b>	<b>(3,388)</b>	<b>66,036</b>
<b>Balances at 9/30/2016</b>	<b>\$ 743,652</b>	<b>\$ 552,802</b>	<b>\$ 190,850</b>

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**(e) Pension Expense**

For the year ended September 30, 2016, DFW recognized pension expense as follows (in thousands):

	Employee	DPS	Total
Pension Expenses	\$ 29,230	\$ 10,255	\$ 39,485

**(f) Deferred Inflows and Outflows of Resources**

At September 30, 2016, 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	\$ -	\$ 7,909	\$ -	\$ 3,000	\$ -	\$ 10,909
Net difference between projected and actual earnings on pension plan investments	32,831	-	11,706	-	44,537	-
Assumption Changes	20,630	-	6,035	-	26,665	-
Total	\$ 53,461	\$ 7,909	\$ 17,741	\$ 3,000	\$ 71,202	\$ 10,909

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
2017	\$ 12,870	\$ 3,478	\$ 16,348
2018	12,870	3,478	16,348
2019	13,129	3,478	16,607
2020	6,684	2,761	9,445
2021	-	373	373
Thereafter	-	1,172	1,172
Total	\$ 45,553	\$ 14,740	\$ 60,293

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**(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 by writing to the Finance Department, DFW Airport, Post Office Drawer 619428, DFW Airport, Texas 75261-9428.

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, be eligible for retirement under one of DFW's pension plans, and begin drawing pension benefits immediately upon retirement. Failure to immediately draw pension benefits will result in loss of eligibility for medical coverage. Unlike the Employee Plan, the OPEB Plan remains open to all qualified employees as noted above.

To be eligible as a retiree's dependent, dependent(s) must be either a legal spouse; unmarried children and under age 25 who are dependent on the retiree for at least 50% of their support and claimed on the retiree's income tax return; unmarried grandchildren under age 25 who are dependent on the retiree for at least 50% of their support, reside in the retiree's household, and claimed on the retiree's income tax return; or unmarried children at any age if mentally or physically incapable of self-support. Normal retirement benefits for general employees and DPS employees begin when they complete five years of service and reach the age 62.

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. Medical plans offered include Aetna Select and Aetna Choice POS II.

Retiree Medical Subsidy

As of January 1, 2003, DFW provides a subsidy to eligible employees who retire to purchase medical coverage prior to Medicare eligibility. The subsidy is for pre-65 OPEB medical benefits only, and 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 purchasing medical coverage from DFW. Retirees pay the total amount charged to DFW, less the retiree's subsidy, if applicable.

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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 65<sup>th</sup> 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 65<sup>th</sup> birthday.

**(b) Funding Policies**

DFW determines the OPEB Plan funding policy. In general, DFW contributes an amount approximately equal to the actuarially determined OPEB Annual Required Contribution (“ARC”) 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.



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Significant actuarial assumptions are as follows:

<b>OPEB Plan</b>	
Valuation Date	January 1, 2016.
Actuarially assumed investment return	6.75% per annum compounded annually
Mortality rates for males and females	Retirement Plans 2014 Healthy Mortality Tables. Table's base year is 2014 using scale BB.
Retirement, disablement and separation rates	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 down to 3.75% after 17 years for employees and 13.25% graduating down to 3.75% after 17 years for DPS employees.
Health cost trend rates	7.5% for 2016, grading down to 4.7% in 2030, continuing at 4.50% in 2031 and beyond.
Method used for determining actuarial value of assets	Market value of assets.
Unfunded Actuarial Accrued Liabilities (UAAL) Amortization method	Level percent-of-payroll, closed.
Remaining UAAL amortization	21 years.

**(c) OPEB Costs and Contributions**

DFW's annual OPEB Plan costs, contributions, percent contributed and net OPEB asset are as follows (in thousands):

<u>DFW's Year ended</u>	<u>OPEB Plan</u>			<u>Net OPEB Asset</u>
	<u>Annual OPEB Cost</u>	<u>Airport Contribution</u>	<u>Percentage Contributed</u>	
September 30, 2016	\$ 1,962	\$ 1,975	101%	\$ 2,663
September 30, 2015	\$ 1,741	\$ 1,759	101%	\$ 2,650
September 30, 2014	\$ 1,573	\$ 1,596	101%	\$ 2,632

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**(d) OPEB Funding Status**

The funding status of the OPEB Plan as of January 1, 2016, representing the most recent valuation date, is as follows (in thousands):

	2016
Actuarial accrued liabilities	\$ 28,368
Actuarial value of assets	19,854
(Unfunded) actuarial accrued liability	\$ (8,514)
Funded ratio	70.0%
Annual covered payroll	\$ 122,956
(Unfunded) actuarial accrued liability as a percentage of covered payroll	(6.9%)

**(e) Net OPEB Assets**

DFW's net OPEB assets for DFW's fiscal year 2016 are as follows (in thousands):

	2016
Annual required contribution	\$ 1,975
Interest on net OPEB asset	(192)
Adjustment to annual required contribution	179
Annual OPEB cost	1,962
Employer contributions	1,975
Increase in net OPEB (asset)	(13)
Net OPEB (asset), beginning of year	(2,650)
Net OPEB (asset), end of year	\$ (2,663)

**(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. The PFIC currently operates the Grand Hyatt Hotel, collects and manages the funds of the DFW Rent-A-Car ("RAC") Facility and recently opened a new Hyatt Place Hotel. Any additional projects require approval of the Owner Cities.

***Grand Hyatt Hotel***

The Grand Hyatt Hotel opened in 2005. The Hotel has 298 rooms and is located within International Terminal D. The Hotel is managed by the Hyatt International Corporation under the terms of a fixed fee management agreement between Hyatt and the PFIC. In 2001, the PFIC issued approximately \$75 million of Hotel Revenue Bonds (Series 2001) for the construction of the Hotel. The Hotel was constructed by the Airport under the terms of a Hotel Development Agreement, entered into between

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the Airport and the PFIC. All hotel revenues are remitted to the PFIC. The PFIC reimburses the Hyatt for all operating expenses of the Hotel. Under the terms of 2012 Facility Agreement between the PFIC and the Airport, the PFIC transfers monthly to the Airport the amount of accrued debt service and coverage relating to bonds, issued by the Airport in 2012, which retired the 2001 PFIC Hotel Revenue Bonds. In addition, the PFIC makes a monthly contribution to a Furniture, Fixtures and Equipment (“FF&E”) Account and to 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 or for other projects, as approved by the Owner Cities.

***Consolidated Rent-A-Car Facility***

In 1998 and 1999, the FIC issued approximately \$160 million of bonds for construction of a consolidated rental car facility. 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 2011A Joint Revenue Bonds for the purpose of retiring all of the outstanding Rent-A-Car bonds issued by the FIC. 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. The RAC companies, under the terms of the 2008 Bus Funding Agreement, agreed to continue collecting the CFC after the FIC bonds were refunded. In conjunction with the issuance of 2011A Bonds, the PFIC transfers to the Airport the monthly amount of accrued aggregate debt service plus any incremental coverage on the 2011A Bonds from the CFC revenues.

The CFC was \$4.00 per transaction day during FY 2016. The PFIC Board has the authority to change the CFC rate at any time. Additionally, the RAC companies collect a Customer Transportation Charge (“CTC”), which is remitted directly to the PFIC to pay for the costs of operating and maintaining the bus fleet, which transports customers to and from the terminals and the RAC facility. The CTC was raised from \$2.20 to \$2.50 per transaction day in FY 2016.

***Hyatt Place Hotel***

In early 2016, the new 137 room limited service Hyatt Place Hotel was opened in the Southgate Development area, at the south entrance to the Airport, near the RAC Facility. The hotel was financed by the PFIC and constructed by Woodbine Development Corporation. The hotel is owned by the Airport Board and leased to the PFIC, who manages the hotel on behalf of the Airport Board. The PFIC has entered into a fixed fee management agreement with Hyatt Corporation. After paying operating expenses and making a contribution to an FF&E Replacement Account, any excess funds are held by the PFIC and may be used for improvements to the hotel or other projects, as approved by the Owner Cities.

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

	<b>PFIC</b>	<b>Airport</b>	<b>DFW</b>
Current assets	\$ 92,730	\$ 627,843	\$ 720,573
Capital assets	-	5,263,382	5,263,382
Other assets	16,211	1,486,731	1,502,942
<b>Total assets</b>	<u>108,941</u>	<u>7,377,956</u>	<u>7,486,897</u>
<b>Deferred outflows of resources</b>	-	88,201	88,201
<b>Total assets and deferred outflows of resources</b>	<u>108,941</u>	<u>7,466,157</u>	<u>7,575,098</u>
Current liabilities	4,255	433,977	438,232
Long-term liabilities	3	6,839,266	6,839,269
<b>Total liabilities</b>	<u>4,258</u>	<u>7,273,243</u>	<u>7,277,501</u>
<b>Deferred inflow of resources:</b> Pension liability experience	-	10,909	10,909
<b>Total liabilities and deferred inflows of resources</b>	<u>4,258</u>	<u>7,284,152</u>	<u>7,288,410</u>
Net Investment in capital assets	-	(345,889)	(345,889)
Restricted net position	16,208	43,249	59,457
Unrestricted net position	88,475	484,645	573,120
<b>Net position</b>	<u>\$ 104,683</u>	<u>\$ 182,005</u>	<u>\$ 286,688</u>
PFIC	57,683	-	57,683
Airport	-	687,879	687,879
<b>Total operating revenues</b>	<u>57,683</u>	<u>687,879</u>	<u>745,562</u>
PFIC	39,233	-	39,233
Airport	-	449,929	449,929
Depreciation and amortization	-	261,036	261,036
<b>Total operating expenses</b>	<u>39,233</u>	<u>710,965</u>	<u>750,198</u>
<b>Operating income (loss)</b>	18,450	(23,086)	(4,636)
Non-operating revenues (expenses)	22,237	(111,556)	(89,319)
Transfers for debt service	(18,271)	18,271	-
Transfers for capital assets	(7,272)	7,272	-
Capital contributions	-	5,222	5,222
<b>Increase (Decrease) in net position</b>	<u>15,144</u>	<u>(103,877)</u>	<u>(88,733)</u>
Net position - October 1	89,539	285,882	375,421
<b>Total net position, end of year</b>	<u>104,683</u>	<u>182,005</u>	<u>286,688</u>
Net cash provided by operating activities	\$ 17,742	\$ 295,627	\$ 313,369
Net cash (used for) capital and related financing activities	(4,137)	(465,843)	(469,980)
Net cash provided by (used for) investing activities	(10,936)	148,112	137,176
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>2,669</u>	<u>(22,104)</u>	<u>(19,435)</u>
Cash and cash equivalents, beginning of year	27,820	447,388	475,208
Cash and cash equivalents, end of year	<u>\$ 30,489</u>	<u>\$ 425,284</u>	<u>\$ 455,773</u>

**Dallas Fort Worth International Airport  
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**(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, 2016 the Airport had entered into contracts totaling \$3.1 billion, of which \$541.6 million remains outstanding.

**(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 2016 and FY 2015 for Airport self-insured programs are detailed below (in thousands).

Description	FY 2016	FY 2015
Beginning balance	\$ 4,566	\$ 4,165
Plus: Current year claims and changes in estimates	25,521	27,752
Less: Payments	(26,386)	(27,351)
Ending balance	<u>\$ 3,701</u>	<u>\$ 4,566</u>

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.

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Notes To The Basic Financial Statements  
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**(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 \$282.7 million (37.9%) of its revenues during FY 2016 from American Airlines Group (including American, American Eagle and US Airways). In FY 2016, American Airlines Group comprised 84.8% of all passengers and 75.7% of total landed weights at DFW.

**(15) 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 Terminal A with possible additional mitigation needed in Terminal B. As these efforts are on-going, the estimated liability as of September 30, 2016 is \$1.5 million, no change from the previous year.

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, 2016, the total liability of \$10.0 million remains a reasonable estimate but will be reviewed and updated as new information becomes available. There was 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 ("ACM") 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 ("CAA"), the U.S. Environmental Protection Agency ("EPA") set standards known as National Emissions Standards for Hazardous Air Pollutants ("NESHAP") which require the mitigation of this risk. The extent and cost has been estimated through facility testing by DFW Airport's Environmental Affairs Department ("EAD") in conjunction with DFW's Airport Development & Engineering ("ADE") 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, e.g., Terminal A – section A, testing on future areas within the scope of the TRIP program, design calculations of scheduled areas in the TRIP terminals yet to be mitigated and applying the historical cost of remediation per square foot. In FY 2016, DFW estimated and recorded an additional liability and a contract services expense (in previous years classified as a special item) of \$15.1 million. This liability was 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 which is when the ACM becomes friable and represents a health risk subject to NESHAP mitigation. Actual remediation expenditures were \$16.3 million in FY 2016. As of September 30, 2016, the asbestos remediation liability was \$12.8 million.

**End of Notes**

**REQUIRED SUPPLEMENTARY INFORMATION**

**Dallas Fort Worth International Airport**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**December 31, 2015**  
**(Amounts in Thousands)**  
**(Unaudited)**

<u>Employee and DPS</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>		
Service cost	\$ 15,567	\$ 15,569
Interest on the Total Pension Liability	48,992	46,638
Difference between expected and actual experience of the Total Pension Liability	(10,748)	(4,672)
Assumption changes	34,635	-
Benefit payments and refunds	(25,798)	(24,052)
<b>Net change in Total Pension Liability</b>	<u>62,648</u>	<u>33,483</u>
<b>Total Pension Liability - beginning</b>	681,004	647,521
<b>Total Pension Liability - ending</b>	<u>\$ 743,652</u>	<u>\$ 681,004</u>
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 26,349	\$ 31,460
Contributions - member	1,872	1,870
Net investment income	(5,119)	23,614
Benefit payments, including member refunds	(25,798)	(24,052)
Administrative expense	(692)	(372)
<b>Net change in Plan Fiduciary Net Position</b>	<u>(3,388)</u>	<u>32,520</u>
<b>Plan Fiduciary Net Position - beginning</b>	556,190	523,670
<b>Plan Fiduciary Net Position - ending</b>	<u>\$ 552,802</u>	<u>\$ 556,190</u>
<b>Net Pension Liability - ending</b>	<u>\$ 190,850</u>	<u>\$ 124,814</u>
<b>Plan Fiduciary Net Position as a percentage of the total pension liability</b>	74.34%	81.67%
<b>Covered-employee payroll</b>	\$ 89,486	\$ 89,476
<b>Net pension liability as a percentage of covered-employee payroll</b>	213.27%	139.49%

**Notes to Schedule:**

Two year history based on data availability.



**Dallas Fort Worth International Airport**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**December 31, 2015**  
**(Amounts in Thousands)**  
**(Unaudited)**

<u>Employee</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>		
Service cost	\$ 10,030	\$ 10,231
Interest on the Total Pension Liability	35,483	33,944
Difference between expected and actual experience of the Total Pension Liability	(7,991)	(3,967)
Assumption changes	27,843	-
Benefit payments and refunds	(19,367)	(18,225)
<b>Net change in Total Pension Liability</b>	<u>45,998</u>	<u>21,983</u>
<b>Total Pension Liability - beginning</b>	494,172	472,189
<b>Total Pension Liability - ending</b>	<u>\$ 540,170</u>	<u>\$ 494,172</u>
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 19,294	\$ 23,510
Net investment income	(3,756)	17,484
Benefit payments, including member refunds	(19,367)	(18,225)
Administrative expense	(509)	(275)
<b>Net change in Plan Fiduciary Net Position</b>	<u>(4,338)</u>	<u>22,494</u>
<b>Plan Fiduciary Net Position - beginning</b>	410,842	388,348
<b>Plan Fiduciary Net Position - ending</b>	<u>\$ 406,504</u>	<u>\$ 410,842</u>
<b>Net Pension Liability - ending</b>	<u>\$ 133,666</u>	<u>\$ 83,330</u>
<b>Plan Fiduciary Net Position as a percentage of the total pension liability</b>	75.25%	83.14%
<b>Covered-employee payroll</b>	\$ 63,294	\$ 64,184
<b>Net pension liability as a percentage of covered-employee payroll</b>	211.18%	129.83%

**Notes to Schedule:**

Two year history based on data availability.

**Dallas Fort Worth International Airport**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**December 31, 2015**  
**(Amounts in Thousands)**  
**(Unaudited)**

<b>DPS</b>	<b>2015</b>	<b>2014</b>
<b>Total Pension Liability</b>		
Service cost	\$ 5,537	\$ 5,338
Interest on the Total Pension Liability	13,509	12,694
Difference between expected and actual experience of the Total Pension Liability	(2,757)	(705)
Assumption changes	6,792	-
Benefit payments and refunds	(6,431)	(5,827)
<b>Net change in Total Pension Liability</b>	<u>16,650</u>	<u>11,500</u>
<b>Total Pension Liability - beginning</b>	186,832	175,332
<b>Total Pension Liability - ending</b>	<u>\$ 203,482</u>	<u>\$ 186,832</u>
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 7,055	\$ 7,950
Contributions - member	1,872	1,870
Net investment income	(1,363)	6,130
Benefit payments, including member refunds	(6,431)	(5,827)
Administrative expense	(183)	(97)
<b>Net change in Plan Fiduciary Net Position</b>	<u>950</u>	<u>10,026</u>
<b>Plan Fiduciary Net Position - beginning</b>	145,348	135,322
<b>Plan Fiduciary Net Position - ending</b>	<u>\$ 146,298</u>	<u>\$ 145,348</u>
<b>Net Pension Liability - ending</b>	<u>\$ 57,184</u>	<u>\$ 41,484</u>
<b>Plan Fiduciary Net Position as a percentage of the total pension liability</b>	71.90%	77.80%
<b>Covered-employee payroll</b>	\$ 26,192	\$ 25,292
<b>Net pension liability as a percentage of covered-employee payroll</b>	218.33%	164.02%

**Notes to Schedule:**

Two year history based on data availability.

**Dallas Fort Worth International Airport  
Schedule of Contributions  
December 31, 2015  
(Amounts in Thousands)  
(Unaudited)**

<u>Employee</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 19,294	\$ 20,784
Contributions in relation to the actuarially determined contribution	19,294	23,510
Contribution deficiency (excess)	-	\$ (2,726)
Covered-employee payroll	\$ 63,294	\$ 64,184
Contributions as a percentage of covered-employee payroll	30.48%	36.63%

**Notes to Schedule:**

Two 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:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	19 years from December 31, 2015
Asset valuation method	5-year moving average
Wage inflation (Core 3.0%, Wage 0.75%)	3.75%
Salary increases	3.75% to 6.25%
Investment rate of return	7.25%
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.
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  
December 31, 2015  
(Amounts in Thousands)  
(Unaudited)**

<b>DPS</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contribution	\$ 7,055	\$ 7,076
Contributions in relation to the actuarially determined contribution	7,055	7,950
Contribution deficiency (excess)	-	\$ (874)
Covered-employee payroll	\$ 26,192	\$ 25,292
Contributions as a percentage of covered-employee payroll	26.93%	31.43%

**Notes to Schedule:**

Two 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:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19 years from December 31, 2015
Asset valuation method	5-year moving average
Wage inflation (Core 3.0%, Wage 0.75%)	3.75%
Salary increases	3.75% to 11.50%
Investment rate of return	7.25%
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.
Mortality	RP 2000 Combined Healthy Mortality with no setback for males or females, projected to 2011 using Mortality Improvement Scale AA.
Payroll growth rate	3.75%

**Dallas Fort Worth International Airport  
Schedule of Funding Progress - OPEB  
September 30, 2016  
(Amounts in Thousands)  
(Unaudited)**

The following presents the funding progress from January 1, 2010 to January 1, 2016:

Valuation date	Actuarial value of assets (AVA)	Actuarial accrued liability (AAL)	Unfunded actuarial accrued (liability) (UAAL)	Funded ratio	Annual covered payroll	UAAL as % of payroll
(1)	(2)	(3)	(2) – (3) (4)	(2)/(3) (5)	(6)	(4)/(6) (7)
January 1, 2016	\$ 19,854	\$ 28,368	\$ (8,514)	70.0%	\$ 90,177	(9.4%)
January 1, 2015	18,767	29,710	(10,943)	63.2%	89,476	(12.2%)
January 1, 2014	17,870	28,519	(10,649)	62.7%	89,476	(11.9%)
January 1, 2013	16,121	25,184	(9,063)	64.0%	90,221	(10.0%)
January 1, 2011	11,112	35,447	(24,335)	31.3%	98,597	(24.7%)
January 1, 2010	8,337	38,058	(29,721)	21.9%	99,804	(29.8%)