

***City of Chicago, Illinois  
Chicago O'Hare  
International Airport***

*Basic Financial Statements for the  
Years Ended December 31, 2006 and 2005,  
Required Supplementary Information,  
Additional Information, Statistical Information and  
Independent Auditors' Report*

# CITY OF CHICAGO, ILLINOIS CHICAGO O'HARE INTERNATIONAL AIRPORT

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## INDEPENDENT AUDITORS' REPORT

The Honorable Richard M. Daley, Mayor,  
and Members of the City Council  
City of Chicago, Illinois

We have audited the accompanying basic financial statements of Chicago O'Hare International Airport (O'Hare) of the City of Chicago, Illinois (City) as of December 31, 2006 and 2005, and for the years then ended, listed in the foregoing table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting for O'Hare. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

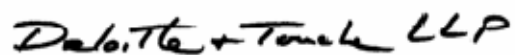
As discussed in Note 1, the basic financial statements referred to above present only Chicago O'Hare International Airport and are not intended to present the financial position of the City, the results of its operations, and its cash flows, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, such basic financial statements present fairly, in all material respects, the financial position of Chicago O'Hare International Airport as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis as listed in the foregoing table of contents is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. The Management Discussion and Analysis is the responsibility of the City's management. We have applied certain limited procedures that consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we express no opinion or any other form of assurance on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed in the foregoing table of contents, which is also the responsibility of the City's management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such additional information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly presented, in all material respects, when considered in relation to the financial statements taken as a whole.

The statistical information, as listed in the foregoing table of contents, is also presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such statistical information has not been subjected to auditing procedures and, accordingly, we do not express an opinion on it.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, slightly slanted style.

June 27, 2007

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(\$ In Thousands)

The following discussion and analysis of Chicago O'Hare International Airport's (Airport) financial performance provides an introduction and overview of the Airport's financial activities for the fiscal years ended December 31, 2006 and 2005. Please read this discussion in conjunction with the Airport's basic financial statements and the notes to basic financial statements immediately following this section.

### FINANCIAL HIGHLIGHTS

#### 2006

- Operating revenues for 2006 increased by \$13,039 (2.4 percent) compared to prior year operating revenues.
- Operating expenses before depreciation and amortization increased by \$2,620 compared to 2005 primarily due to increased repairs and maintenance, professional and utilities costs.
- The Airport's total net assets at December 31, 2006 were \$1,024,270. This is an increase of \$145,019 (16.5 percent) over total net assets at December 31, 2005.
- Capital asset additions for 2006 were \$754,808 (116.8 percent increase over 2005) principally due to land acquisition, terminal improvements, security enhancements, snow dump improvements, runway, roadway and parking improvements.
- During 2006, the Airport sold \$156,150 of Chicago O'Hare International Airport Third Lien Revenue Refunding Bonds, Series 2005 A-D. Total outstanding revenue bonds, net of unamortized discount and loss on refunding, at December 31, 2006 were \$5,239,549.

#### 2005

- Operating revenues for 2005 increased by \$90,308 (20.4 percent) compared to prior year operating revenues.
- Operating expenses before depreciation and amortization increased by \$34,136 compared to 2004 primarily due to increased repairs and maintenance, professional and utilities costs.
- The Airport's total net assets at December 31, 2005 were \$879,251. This is an increase of \$71,712 (8.9 percent) over total net assets at December 31, 2004.
- Capital asset additions for 2005 were \$348,225 (19.4 percent increase over 2004) principally due to land acquisition, terminal improvements, security enhancements, snow dump improvements, runway, roadway and parking improvements.
- During 2005, the Airport sold \$1,500,000 and \$388,343 of Chicago O'Hare International Airport Third Lien Revenue Refunding Bonds, Series 2005 A-D and Commercial Paper Notes, respectively. Total outstanding revenue bonds and notes, net of unamortized discount and loss on refunding, at December 31, 2005 were \$5,655,285.

## **OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Airport's basic financial statements. The Airport's basic financial statements comprise the financial statements and the notes to financial statements. In addition to the basic financial statements this report also presents additional and statistical information after the notes to basic financial statements.

The Statements of Net Assets present all Airport's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by private-sector companies. The difference between assets and liabilities is reported as net assets. The increase or decrease in net assets may serve as an indicator, over time, whether the Airport's financial position is improving or deteriorating. However, the consideration of other non-financial factors such as changes within the airline industry may be necessary in the assessment of overall financial position and health of the Airport.

The Statements of Revenues, Expenses and Changes in Net Assets present all current fiscal year revenues and expenses, regardless of when cash is received or paid, and the ensuing change in net assets.

The Statements of Cash Flows report how cash and cash equivalents were provided and used by the Airport's operating, capital financing and investing activities. These statements are prepared on a cash basis and present the cash received and disbursed, the net increase or decrease in cash and cash equivalents for the year and the cash and cash equivalents balance at year-end.

The Notes to Basic Financial Statements are an integral part of the basic financial statements; accordingly, such disclosures are essential to a full understanding of the information provided in the basic financial statements.

In addition to the basic financial statements, this report includes Additional and Statistical Information. The Additional Information section presents the debt service coverage calculations, and the Statistical Information section includes certain unaudited information related to the Airport's historical financial and non-financial operating results and capital activities.

## **FINANCIAL ANALYSIS**

Landing fees, terminal area use charges and fueling system charges are assessed to the various airlines throughout each fiscal year based on estimated rates. Such rates are designed to yield collections from airlines adequate to cover certain expenses and required debt service and fund deposits as determined under provisions of the Amended and Restated Airport Use Agreement and Terminal Facilities Lease and the International Terminal Use Agreement and Facilities Lease (Use Agreements). Incremental amounts due from the airlines arise when amounts assessed, based on the estimated rates used during the year, are less than actual expenses and required deposits for the year. Such incremental amounts due from airlines are included in accrued revenue. Incremental amounts due to the airlines arise when amounts assessed, based on the estimated rates used during the year, exceed actual expenses and required deposits for the year. Such incremental amounts due to airlines are included in deferred revenue.

At December 31, 2006 the Airport's financial position continued to be strong with total assets of \$6,718,708 total liabilities of \$5,694,438 and net assets of \$1,024,270. A comparative condensed summary of the Airport's net assets at December 31, 2006, 2005 and 2004 is as follows (\$ in thousands):

	<b>Net Assets</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
Current assets	\$ 218,446	\$ 278,256	\$ 214,406
Noncurrent assets:			
Restricted and other assets	2,437,659	3,249,907	1,775,985
Capital assets — net	<u>4,062,603</u>	<u>3,427,334</u>	<u>3,199,996</u>
Total noncurrent assets	<u>6,500,262</u>	<u>6,677,241</u>	<u>4,975,981</u>
Total assets	<u>6,718,708</u>	<u>6,955,497</u>	<u>5,190,387</u>
Current liabilities	158,335	217,422	189,566
Noncurrent liabilities	<u>5,536,103</u>	<u>5,858,824</u>	<u>4,193,282</u>
Total liabilities	<u>5,694,438</u>	<u>6,076,246</u>	<u>4,382,848</u>
Net assets:			
Invested in capital — net of related debt	213,090	211,908	285,193
Restricted	751,069	606,509	497,504
Unrestricted	<u>60,111</u>	<u>60,834</u>	<u>24,842</u>
Total net assets	<u>\$ 1,024,270</u>	<u>\$ 879,251</u>	<u>\$ 807,539</u>

## 2006

Current assets decreased by \$59,810 (21.5 percent) primarily due to decreased cash and cash equivalents balances at December 31, 2006. The decrease of cash and cash equivalents and investments was primarily due to the payment of current accounts receivable and deferred revenue during 2006. The Airport's current ratio (current assets/current liabilities) at December 31, 2006 and 2005 was 1.37:1 and 1.28:1, respectively. Restricted and other assets decreased by \$812,248 (25.0 percent) primarily due to the use of construction funds, capitalized interest and debt service funds of \$511,436, \$57,133 and \$320,938, respectively, offset by increased cash balances of \$48,495 of PFC funds and increased prepaid insurance expenses related to the O'Hare Modernization Program's (OMP) Owner Controlled Insurance Program (OCIP) of \$18,004. Capital assets increased by \$635,269 (18.5 percent) due principally to capital activities of the Capital Development Program and the OMP at the Airport.

The decrease in current liabilities of \$59,087 (27.2 percent) is directly related to the decreased accounts payable (\$12,708), due to other City funds liabilities (\$1,645), deferred revenue (\$41,288) and advances for prepaid terminal and hanger rent (\$3,446). Noncurrent liabilities decreased by \$322,721 (5.5 percent) mainly due to the payment of approximately \$389,706 to pay off outstanding commercial notes of \$389,706 offset by increased accounts payable balance of \$68,573 during 2006.

Net assets may serve, over a period of time, a useful indicator of the Airport's financial position. As of December 31, 2006 total net assets were \$1,024,270, an increase of \$145,019 (16.5 percent) over 2005. Due to the residual Airport use agreement, this increase is mainly due to the \$73,781 and \$71,238 gain from

operations and nonoperating revenues and expenses and Airport Improvement Program (AIP) capital grants recognized, respectively, during 2006.

## **2005**

Current assets increased by \$63,850 (29.8 percent) primarily due to increased cash and cash equivalents balances at December 31, 2005. The increase of cash and cash equivalents and investments was primarily due to the collections of additional revenue, deferred revenue and advances for terminal and hangar rent offset by payments for accounts payable and due to other City funds. The Airport's current ratio (current assets/current liabilities) at December 31, 2005 and 2004 was 1.28:1 and 1.13:1, respectively. Restricted and other assets increased by \$1,473,922 (83.0 percent) primarily due to bond proceeds of approximately \$1,279,000 from the issuance of the Chicago O'Hare International Airport Revenue Bonds, Series 2005, that was deposited into certain restricted construction, capitalized interest and debt service accounts, increased interest receivable of \$4,746 due to higher investment balances and greater interest yields over 2004 and increased due from other governments of \$19,573. Capital assets increased by \$227,338 (7.1 percent) due principally to capital activities of the Capital Development Program and the O'Hare Modernization Program (OMP) at the Airport.

The increase in current liabilities of \$27,856 (14.7 percent) is directly related to the increased accounts payable (\$19,591), due to other City funds liabilities (\$1,840), deferred revenue (\$3,668) and increased advances for prepaid terminal and hangar rent (\$2,757). Noncurrent liabilities increased by \$1,665,542 (39.7 percent) mainly due to the issuance of \$1,500,000 and \$388,343 of Chicago O'Hare International Airport Third Lien Revenue Refunding Bonds, Series 2005 A-D and Commercial Paper Notes, respectively, offset by the refunding of approximately \$322,000 of certain bonds.

Net assets may serve, over a period of time, a useful indicator of the Airport's financial position. As of December 31, 2005 total net assets were \$879,251, an increase of \$71,712 (8.9 percent) over 2004. Due to the residual Airport use agreement, this increase is mainly due to the \$29,237 and \$42,475 gain from operations and nonoperating revenues and expenses and Airport Improvement Program (AIP) capital grants recognized, respectively, during 2005.



The primary sources of Airport operating revenues are landing fees, terminal area use charges, rents and concession revenues as defined within the Airline Use Agreement and Facilities Lease. These revenues fund Airport operating expenses, fund deposits and net debt service requirements. A comparative condensed summary of the Airport's changes in net assets for the years ended December 31, 2006, 2005 and 2004 is as follows (\$ in thousands):

	<b>Changes in Net Assets</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
Operating revenues			
Landing fees and terminal charges	\$ 304,512	\$ 297,829	\$ 228,276
Rents, concessions and other	<u>241,404</u>	<u>235,048</u>	<u>214,293</u>
Total operating revenues	<u>545,916</u>	<u>532,877</u>	<u>442,569</u>
Operating expenses:			
Salaries and wages	144,796	134,026	134,890
Repairs and maintenance	73,591	73,903	66,066
Professional and engineering	45,357	52,141	33,449
Other operating expenses	90,841	91,895	83,424
Depreciation and amortization	<u>141,996</u>	<u>141,920</u>	<u>137,661</u>
Total operating expenses	<u>496,581</u>	<u>493,885</u>	<u>455,490</u>
Operating income (loss)	49,335	38,992	(12,921)
Nonoperating revenues	225,450	190,112	163,927
Nonoperating expenses	(201,004)	(199,867)	(196,415)
Capital grants	<u>71,238</u>	<u>42,475</u>	<u>19,795</u>
Increase (decrease) in net assets	<u>\$ 145,019</u>	<u>\$ 71,712</u>	<u>\$ (25,614)</u>

## 2006

Landing fees and terminal area use charges for the years 2006 and 2005 were \$304,512 and \$297,829, respectively. Rents, concessions and other revenues were \$241,404 and \$235,048 for the years 2006 and 2005, respectively. The increase in 2006 operating revenues of \$13,039 (2.4 percent) compared to 2005 was primarily due to increased landing fees, terminal rental and usage revenues and concession revenues of approximately \$1,303, \$9,186 and \$4,740, respectively, offset by decreased reimbursements of \$2,190. Such activity was due to the residual Airport Use Agreement and Terminal Lease that requires airline revenue to be recognized to the extent necessary to pay the Airport's operating and maintenance expenses, net debt service and fund deposit requirements, reduced by non-airline revenues.

Salaries and wages in 2006 increased by \$10,770 compared to 2005. This increase is primarily due to scheduled salary increases related to contract wage agreements. Repairs and maintenance expenses of \$73,591 in 2006 remained flat when compared to 2005. Professional and engineering costs decreased by approximately \$6,784 from \$52,141 in 2005 to \$45,357 in 2006. This decrease is mainly due to decreased parking management fees of approximately \$6,000 in 2006 compared to 2005. Other operating expenses of \$90,841 decreased by \$1,054 in 2006 compared to 2005 mainly due to a reduction in utility costs, and materials and supplies of \$2,202 and \$2,032, respectively, offset by increased purchases of vehicles (\$1,477), increased insurance costs (\$1,244) and increased pension costs (\$1,192). Other operating expenses are mainly comprised of employee benefit costs, insurance premiums, indirect costs and utilities. Depreciation and amortization expense remained flat compared to 2005 due to certain assets being completely depreciated.

Fiscal year 2006 nonoperating revenues of \$225,450 are comprised of passenger facility charges (PFC) revenue (\$148,050) and interest income (\$77,400). During 2006, nonoperating revenues increased by \$35,338 principally due to increased PFC revenues of \$3,803 as a result of increased PFC enplanement activity and interest income of \$31,535 due to higher investment yields year over year.

Nonoperating expenses of \$201,004 and \$199,867 for the years 2006 and 2005, respectively, comprised PFC and bond interest expenses. The increase of \$1,137 (0.6 percent) for 2006 over 2005 was mainly due to additional interest expense requirements related to variable rate bonds.

Capital grants, comprised mainly of federal grants, increased from \$42,475 in 2005 to \$71,238 in 2006, a 67.7 percent increase, as a result of when capital expenditures were incurred (revenue recognized) and thus became eligible for the related reimbursement from the Federal government.

## **2005**

Landing fees and terminal area use charges for the years 2005 and 2004 were \$297,829 and \$228,276, respectively. Rents, concessions and other revenues were \$235,048 and \$214,293 for the years 2005 and 2004, respectively. The increase in 2005 operating revenues of \$90,308 (20.4 percent) compared to 2004 was primarily due to increased landing fees, terminal rental and usage revenues and concession revenues of approximately \$26,385, \$44,217 and \$22,509, respectively, offset by decreased reimbursements of \$2,803. Such activity was due to the residual Airport Use Agreement and Terminal Lease that requires airline revenue to be recognized to the extent necessary to pay the Airport's operating and maintenance expenses, net debt service and fund deposit requirements, reduced by non-airline revenues

Salaries and wages in 2005 decreased by \$864 compared to 2004. This decrease is primarily due to a decrease of approximately \$8,500 related to the privatization of certain custodial services offset by an increase of approximately \$6,500 for the Laborers' contract wage agreement. Repairs and maintenance expenses of \$73,903 in 2005 increased approximately \$7,800 over 2004. This increase is mainly due to increased snow removal costs of approximately \$2,000, increased property management costs of approximately \$2,100 and increased HVAC costs of approximately \$1,800 over 2004. Professional and engineering costs increased by approximately \$18,600 from \$33,449 in 2004 to \$52,141 in 2005. This increase is mainly due to increased parking management fees of approximately \$8,300 and increased privatized custodial costs of approximately \$8,500 in 2005. Other operating expenses of \$91,895 increased by \$8,471 in 2005 compared to 2004 mainly due to additional increased utility costs of approximately \$8,200. Other operating expenses mainly comprised employee benefit costs, insurance premiums, indirect costs and utilities. Depreciation and amortization expense increased \$4,259 (3.1 percent) as a result of the continued capital activities of the Capital Improvement Program.

Fiscal year 2005 nonoperating revenues of \$190,112 are comprised of passenger facility charges (PFC) revenue (\$144,247) and interest income (\$45,865). During 2005, nonoperating revenues increased by \$26,185 principally due to increased PFC revenues of \$2,514 and interest income of \$23,671.

Nonoperating expenses of \$199,867 and \$196,415 for the years 2005 and 2004, respectively, were comprised of PFC and bond interest expenses. The increase of \$3,452 (1.8 percent) for 2005 over 2004 was mainly due to additional interest expense requirements related to variable rate bonds.

Capital grants, comprised mainly of federal grants, increased from \$19,795 in 2004 to \$42,475 in 2005, a 115 percent increase, as a result of when capital expenditures were incurred and thus became eligible for the related reimbursement.

A comparative summary of the Airport's changes in cash flows for the years ended December 31, 2006, 2005 and 2004 is as follows (\$ in thousands):

	<b>Cash Flows</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
Cash from activities:			
Operating	\$ 135,387	\$ 210,415	\$ 208,887
Capital and related financing	(1,104,290)	1,220,566	(390,049)
Investing	<u>(189,249)</u>	<u>(39,486)</u>	<u>122,681</u>
Net change in cash and cash equivalents	(1,158,152)	1,391,496	(58,481)
Cash and cash equivalents:			
Beginning of year	<u>2,162,030</u>	<u>770,534</u>	<u>829,015</u>
End of year	<u>\$ 1,003,878</u>	<u>\$ 2,162,030</u>	<u>\$ 770,534</u>

## **2006**

As of December 31, 2006 the Airport's available cash and cash equivalents of \$1,003,878 decreased by \$1,158,152 compared to \$2,162,030 at December 31, 2005 due to positive flows of cash provided by operating activities of \$135,387, offset by the use of capital and related financing activities and investing activities of \$1,104,290 and \$189,249, respectively. Total cash and cash equivalents at December 31, 2006 comprised unrestricted and restricted cash and cash equivalents of \$116,707 and \$887,171.

## **2005**

As of December 31, 2005 the Airport's available cash and cash equivalents of \$2,162,030 increased by \$1,391,496 compared to \$770,534 at December 31, 2004 due to positive flows of cash provided by operating and capital and related financing activities of \$210,415 and \$1,220,566, respectively, offset by the use of \$39,486 for investing activities. Total cash and cash equivalents at December 31, 2005 comprised unrestricted and restricted cash and cash equivalents of \$190,329 and \$1,971,701.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

At the end of 2006 and 2005 the Airport had \$4,062,603 and \$3,427,334, respectively, invested in net capital assets. During 2006, the Airport had additions of \$754,808 related to capital activities. This included \$236,831 for land acquisition and the balance of \$517,977 for terminal improvements, security enhancement, snow dump improvements, runway, drainage and parking improvements.

During 2006, completed projects totaling \$112,253 were transferred from construction in progress to applicable buildings and other facilities capital accounts. These major completed projects were related to electrical system improvements, runway and taxiway rehab, fueling system upgrades, apron rehab, security enhancement, heating and refrigeration, water drainage and terminal improvements.

The Airport's capital assets at December 31, 2006, 2005 and 2004 are summarized as follows (\$ in thousands):

	<b>Capital Assets at Year-End</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
Capital assets not depreciated:			
Land	\$ 471,110	\$ 234,279	\$ 161,402
Construction in progress	<u>941,074</u>	<u>535,350</u>	<u>374,887</u>
Total capital assets not depreciated	<u>1,412,184</u>	<u>769,629</u>	<u>536,289</u>
Capital assets depreciated:			
Buildings and other facilities	4,407,296	4,295,043	4,180,158
Less accumulated depreciation for:			
Buildings and other facilities	<u>(1,756,877)</u>	<u>(1,637,338)</u>	<u>(1,516,451)</u>
Total capital assets depreciated — net	<u>2,650,419</u>	<u>2,657,705</u>	<u>2,663,707</u>
Total property and facilities — net	<u>\$ 4,062,603</u>	<u>\$ 3,427,334</u>	<u>\$ 3,199,996</u>

The Airport's capital activities are funded through Airport revenue bonds, federal and state grants, passenger facility charges (PFC) and Airport revenue. Additional information on the Airport's capital assets is presented in Note 5 of the notes to the financial statements.

In December 2006 the Airport sold \$156,150 of Chicago O'Hare International Airport Third Lien Revenue Bonds, Series 2006 A-D. The bonds have maturity and mandatory redemption dates ranging from January 1, 2008 to January 1, 2037. Certain net proceeds were used to refund certain first and second lien bonds and certain proceeds were used to fund capitalized interest deposit requirements for certain third lien bonds.

In December 2005 the Airport sold \$1,500,000 of Chicago O'Hare International Airport Third Lien Revenue Bonds, Series 2005 A-D. The bonds have maturity and mandatory redemption dates ranging from January 1, 2014 to January 1, 2035. Certain net proceeds will be used to finance portions of the O'Hare Modernization Program (OMP), and certain proceeds were used to refund certain first and second lien bonds and certain proceeds will be used to refund outstanding commercial paper notes.

The Airport's outstanding debt at December 31, 2006, 2005 and 2004 is summarized as follows (\$ in thousands):

	<b>Outstanding Debt at Year-End</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
Revenue bonds and notes payable	\$ 5,252,019	\$ 5,675,591	\$ 4,110,043
Unamortized:			
Bond premium (discount)	52,932	55,656	(8,247)
Deferred loss on refunding	<u>(65,402)</u>	<u>(75,962)</u>	<u>(83,852)</u>
Total outstanding debt-net	5,239,549	5,655,285	4,017,944
Current portion	<u>(101,620)</u>	<u>(462,076)</u>	<u>(60,355)</u>
 Total long-term revenue bonds and notes payable-net	 <u>\$ 5,137,929</u>	 <u>\$ 5,193,209</u>	 <u>\$ 3,957,589</u>

Additional information on the Airport's long-term debt is presented in Note 4 of the notes to the basic financial statements, and the Statistical Information section of this report.

The Airport's revenue bonds at December 31, 2006 had credit ratings with each of the three major rating agencies as follows:

	<b>Moody's Investor Services</b>	<b>Standard &amp; Poor's</b>	<b>Fitch Ratings</b>
First Lien Chicago O'Hare Revenue Bonds	A1	A+	AA-
Second Lien Chicago O'Hare Revenue Bonds	A1	A	AA-
Third Lien Chicago O'Hare Revenue Bonds	A2	A-	A
First Lien Passenger Facility Charge Revenue Bonds	A1	A+	A+
Second Lien Passenger Facility Charge Revenue Bonds	A2	A	A

At December 31, 2006 and 2005 the Airport was in compliance with the debt covenants as stated within the Master Trust Indentures.

## **ECONOMIC FACTORS AND NEXT YEAR RATES AND CHARGES**

In 2006, the Airport was the second busiest airport in the world, measured in terms of total aircraft operations, and the second busiest in terms of total passengers. The Airport had 37,784 and 37,971 enplaned passengers in 2006 and 2005, respectively. The strong origin-destination passenger demand and the Airport's central geographical location near the center of the United States and along the most heavily traveled east/west air routes make the Airport a natural hub location.

United Airlines and American Airlines each use the Airport as one of their major hubs. United Airlines exited from bankruptcy court protection under Chapter 11 on February 1, 2006. United Airlines (including its regional affiliates) comprised 47.9 percent of the Airport's enplaned passengers in 2006 and 43.4 percent of the enplaned passengers in 2005. American Airlines (including its regional affiliate) comprised 36.5 percent of the Airport's enplaned passengers in 2006 and 37.2 percent of the enplaned passengers in 2005.

Based on the Airport's rates and charges for fiscal year 2006, total budgeted operating and maintenance expenses are projected at \$375,914 and total net debt service and fund deposit requirements are projected at \$265,553. Additionally, 2006 nonsignatory revenues are budgeted for \$286,389 resulting in a net airline requirement of \$355,078 that will be funded through landing fees, terminal area use charges and fuel system use charges.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide the reader with a general overview of the Airport's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Chicago Comptroller's Office.

**CITY OF CHICAGO, ILLINOIS  
CHICAGO O'HARE INTERNATIONAL AIRPORT**

**STATEMENTS OF NET ASSETS  
DECEMBER 31, 2006 AND 2005  
(\$ In Thousands)**

<b>ASSETS</b>	<b>2006</b>	<b>2005</b>	<b>LIABILITIES AND NET ASSETS</b>	<b>2006</b>	<b>2005</b>
<b>CURRENT ASSETS:</b>			<b>CURRENT LIABILITIES:</b>		
Cash and cash equivalents (Note 2)	\$ 116,707	\$ 190,329	Accounts payable and accrued liabilities	\$ 47,804	\$ 60,512
Investments (Note 2)	44,132	27,457	Due to other City funds	8,207	9,852
Accounts receivable — net of allowance for doubtful accounts of approximately \$2,620 in 2006 and \$2,331 in 2005	36,933	40,769	Advances for terminal and hangar rent	13,454	16,900
Due from other City funds	17,339	17,180	Deferred revenue	<u>88,870</u>	<u>130,158</u>
Prepaid expenses	2,488	1,954			
Interest receivable	<u>847</u>	<u>567</u>	Total current liabilities	<u>158,335</u>	<u>217,422</u>
Total current assets	<u>218,446</u>	<u>278,256</u>	<b>NONCURRENT LIABILITIES:</b>		
			Liabilities payable from restricted assets (Note 3):		
<b>NONCURRENT ASSETS:</b>			Revenue bonds and notes payable (Note 4)	101,620	462,076
Restricted assets (Note 3):			Accounts payable	170,961	102,388
Cash and cash equivalents (Note 2)	887,171	1,971,701	Due to other City funds	340	
Investments (Note 2)	1,133,586	874,745	Interest payable	<u>125,253</u>	<u>101,151</u>
Passenger facility charges and other receivables	23,349	20,707			
Interest receivable	19,395	13,440	Total liabilities payable from restricted assets	<u>398,174</u>	<u>665,615</u>
Prepaid expenses	24,506	6,502			
Due from other City funds	6	159	Revenue bonds payable — net of premium (Note 4)	5,137,929	5,193,209
Due from other governments	<u>21,205</u>	<u>33,667</u>	Notes payable (Note 4)	<u>                    </u>	<u>                    </u>
Total restricted assets	<u>2,109,218</u>	<u>2,920,921</u>	Total revenue bonds and notes payable — net	<u>5,137,929</u>	<u>5,193,209</u>
			Total noncurrent liabilities	<u>5,536,103</u>	<u>5,858,824</u>
Other assets			Total liabilities	<u>5,694,438</u>	<u>6,076,246</u>
Deferred soundproofing & financing fees	<u>328,441</u>	<u>328,986</u>	<b>NET ASSETS (Note 1):</b>		
Property and facilities (Note 5):			Invested in capital assets — net of related debt	<u>213,090</u>	<u>211,908</u>
Land	471,110	234,279			
Buildings and other facilities	4,407,296	4,295,043	Restricted net assets:		
Construction in progress	<u>941,074</u>	<u>535,350</u>	Debt service	65,001	49,582
Total property and facilities	5,819,480	5,064,672	Capital projects	168,420	105,733
Less accumulated depreciation	<u>1,756,877</u>	<u>1,637,338</u>	Passenger facility charges	312,903	264,924
Property and facilities — net	<u>4,062,603</u>	<u>3,427,334</u>	Airport use agreement	91,455	88,544
Total noncurrent assets	<u>6,500,262</u>	<u>6,677,241</u>	Other assets	<u>113,290</u>	<u>97,726</u>
<b>TOTAL ASSETS</b>	<b><u>\$6,718,708</u></b>	<b><u>\$6,955,497</u></b>	Total restricted net assets	<u>751,069</u>	<u>606,509</u>
			Unrestricted net assets	<u>60,111</u>	<u>60,834</u>
			<b>TOTAL NET ASSETS</b>	<b><u>\$ 1,024,270</u></b>	<b><u>\$ 879,251</u></b>

See notes to basic financial statements.

**CITY OF CHICAGO, ILLINOIS  
CHICAGO O'HARE INTERNATIONAL AIRPORT**

**STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
YEARS ENDED DECEMBER 31, 2006 AND 2005  
(\$ In Thousands)**

	<b>2006</b>	<b>2005</b>
<b>OPERATING REVENUES:</b>		
Landing fees and terminal area use charges (Note 1)	\$ 304,512	\$ 297,829
Rents, concessions and other (Note 6)	<u>241,404</u>	<u>235,048</u>
Total operating revenues	<u>545,916</u>	<u>532,877</u>
<b>OPERATING EXPENSES (Notes 7 and 8):</b>		
Salaries and wages	144,796	134,026
Repairs and maintenance	73,591	73,903
Professional and engineering services	45,357	52,141
Other operating expenses	<u>90,841</u>	<u>91,895</u>
Total operating expenses before depreciation and amortization	354,585	351,965
Depreciation and amortization	<u>141,996</u>	<u>141,920</u>
Total operating expenses	<u>496,581</u>	<u>493,885</u>
<b>OPERATING INCOME</b>	<u>49,335</u>	<u>38,992</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Passenger facility charges revenue	148,050	144,131
Passenger facility charges expenses	(88)	(1,177)
Other nonoperating revenue		116
Interest income (Note 4)	77,400	45,865
Interest expense (Note 4)	<u>(200,916)</u>	<u>(198,690)</u>
Total nonoperating revenues (expenses)	<u>24,446</u>	<u>(9,755)</u>
Income before capital contributions	73,781	29,237
<b>CAPITAL GRANTS (Note 1)</b>	<u>71,238</u>	<u>42,475</u>
<b>CHANGE IN NET ASSETS</b>	145,019	71,712
<b>TOTAL NET ASSETS — Beginning of year</b>	<u>879,251</u>	<u>807,539</u>
<b>TOTAL NET ASSETS — End of year</b>	<u>\$ 1,024,270</u>	<u>\$ 879,251</u>

See notes to basic financial statements.



**CITY OF CHICAGO, ILLINOIS**  
**CHICAGO O'HARE INTERNATIONAL AIRPORT**

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2006 AND 2005**  
**(\$ In Thousands)**

	<b>2006</b>	<b>2005</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Landing fees and terminal area use charges	\$ 265,822	\$ 301,295
Rents, concessions and other	240,019	237,633
Payments to vendors	(197,891)	(144,006)
Payments to employees	(134,225)	(150,658)
Transactions with other City funds-net	<u>(38,338)</u>	<u>(33,849)</u>
Cash flows from operating activities	<u>135,387</u>	<u>210,415</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from issuance of bonds	158,239	1,561,148
Net proceeds from (payments of) commercial paper notes	(389,706)	388,343
Payments to refund bonds	(120,555)	(269,949)
Acquisition and construction of capital assets	(635,415)	(305,029)
Capital grants	83,701	22,903
Bond issuance costs	(2,805)	(29,901)
Principal paid on bonds	(72,370)	(60,355)
Interest paid on bonds and note	(251,074)	(215,010)
Noise mitigation program	(19,625)	(10,846)
Other nonoperating income		116
Passenger facility charges and other receipts	145,408	140,323
Passenger facility charges expenses	<u>(88)</u>	<u>(1,177)</u>
Cash flows (used in) from capital and related financing activities	<u>(1,104,290)</u>	<u>1,220,566</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
(Purchases) investments, net	(275,516)	(93,256)
Investment interest	<u>86,267</u>	<u>53,770</u>
Cash flows used in investing activities	<u>(189,249)</u>	<u>(39,486)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,158,152)</b>	<b>1,391,496</b>
<b>CASH AND CASH EQUIVALENTS — Beginning of year</b>	<b><u>2,162,030</u></b>	<b><u>770,534</u></b>
<b>CASH AND CASH EQUIVALENTS — End of year</b>	<b><u>\$ 1,003,878</u></b>	<b><u>\$ 2,162,030</u></b>
<b>RECONCILIATION TO CASH AND CASH EQUIVALENTS REPORTED ON THE STATEMENTS OF NET ASSETS:</b>		
Unrestricted	\$ 116,707	\$ 190,329
Restricted	<u>887,171</u>	<u>1,971,701</u>
<b>TOTAL</b>	<b><u>\$ 1,003,878</u></b>	<b><u>\$ 2,162,030</u></b>

See notes to basic financial statements

**CITY OF CHICAGO, ILLINOIS  
CHICAGO O'HARE INTERNATIONAL AIRPORT**

**STATEMENTS OF CASH FLOWS (Concluded)  
YEARS ENDED DECEMBER 31, 2006 AND 2005  
(\$ In Thousands)**

	<b>2006</b>	<b>2005</b>
<b>RECONCILIATION OF OPERATING INCOME TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 49,335	\$ 38,992
Adjustments to reconcile:		
Depreciation and amortization	141,996	141,920
Provision for doubtful accounts	(825)	1,235
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	4,660	(376)
(Increase) decrease in due from other City funds	(159)	563
(Increase) decrease in prepaid expenses	(533)	225
(Decrease) increase in accounts payable and due to other City funds	(14,352)	21,431
(Decrease) increase in prepaid terminal rent	(3,446)	2,757
(Decrease) increase in deferred revenue	(41,289)	3,668
	<u>\$ 135,387</u>	<u>\$ 210,415</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 135,387</b>	<b>\$ 210,415</b>

**SUPPLEMENTAL DISCLOSURE OF NONCASH ITEMS:**

Property additions in 2006 and 2005 of \$174,090 and \$93,500, respectively, are included in accounts payable.

The fair market value adjustments (loss) to investments for 2006 and 2005 were \$2,601 and \$6,226, respectively.

See notes to basic financial statements.

# CITY OF CHICAGO, ILLINOIS

## CHICAGO O'HARE INTERNATIONAL AIRPORT

### NOTES TO BASIC FINANCIAL STATEMENTS

#### YEARS ENDED DECEMBER 31, 2006 AND 2005

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#### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization** — Chicago O'Hare International Airport (Airport) is operated by the City of Chicago (City) Department of Aviation. The Airport is included in the City's reporting entity as an Enterprise Fund. The City is a member of the Chicago-Gary Regional Airport Authority, which was created in 1995 to address the air transportation needs of the Chicago-Northwest Indiana Region.

**Basis of Accounting and Measurement Focus** — The accounting policies of the Airport are based upon accounting principles generally accepted in the United States of America, as prescribed by the Government Accounting Standards Board (GASB). The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The accounts of the Airport are reported using the flow of economic resources measurement focus.

The Airport uses the accrual basis of accounting, under which revenues are recognized when earned and expenses are recognized when incurred. Enterprise funds may elect to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, provided that such standards are not in conflict with standards issued by the GASB. The Airport has elected not to apply FASB pronouncements issued after November 30, 1989.

**Annual Appropriated Budget** — The Airport has a legally adopted annual budget which is not required to be reported.

**Management's Use of Estimates** — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

**Cash, Cash Equivalents and Investments** — Cash, cash equivalents and investments generally are held with the City Treasurer as required by the Municipal Code of Chicago (Code). Interest earned on pooled investments is allocated to participating funds based upon their average combined cash and investment balances. Due to contractual agreements or legal restrictions, the cash and investments of certain funds are segregated and earn and receive interest directly.

The Code permits deposits only to City Council-approved depositories which must be regularly organized state or national banks and federal or state savings and loan associations, located within the City, whose deposits are federally insured.

Investments authorized by the Code include interest-bearing general obligations of the City, the State of Illinois (State) and the U.S. Government; U.S. treasury bills and other non-interest-bearing general obligations of the U.S. Government purchased in the open market below face value; domestic money market mutual funds regulated by and in good standing with the Securities and Exchange Commission

and tax anticipation warrants issued by the City. The City is prohibited by ordinance from investing in derivatives, as defined, without City Council approval.

The Airport values its investments at fair value or amortized cost as applicable. U.S. Government securities purchased at a price other than par with a maturity of less than one year are reported at amortized cost.

Repurchase agreements can be purchased only from banks and certain other institutions authorized to do business in the State. The City Treasurer requires that securities pledged to secure these agreements have a market value equal to the cost of the repurchase agreements plus accrued interest.

Investments, generally, do not have a maturity in excess of one year from the date of purchase. Certain other investment balances are held in accordance with the specific provisions of the applicable bond ordinances.

Cash equivalents include certificates of deposit and other investments with maturities of three months or less when purchased.

**Accounts Receivable Allowance** — Management has provided an allowance for amounts recorded at year-end which may be uncollectible.

**Revenues and Expenses** — Revenues from landing fees, terminal area use charges, fueling system charges, parking revenue and concessions are reported as operating revenues. Transactions that are related to financing, investing and passenger facility charges are reported as nonoperating revenues. Salaries and wages, repair and maintenance, professional and engineering services and other expenses that relate to Airport operations are reported as operating expenses. Interest expense, passenger facility charge expenses and financing costs are reported as nonoperating expenses.

**Transactions with the City** — The City's General Fund provides services to the Airport. The amounts allocated to the Airport for these services are treated as operating expenses by the Airport and consist mainly of employee benefits, self-insured risks and administrative expenses.

**Other Assets** — Funds expended for the Noise Mitigation Program are recorded as other assets and amortized over a 20-year useful life on a straight-line basis.

**Property and Facilities** — Property and facilities are recorded at cost or, for donated assets, at market value at the date of acquisition. Expenditures greater than \$5,000 for the acquisition, construction or equipping of capital projects, together with related design, architectural and engineering fees, are capitalized. Expenditures for vehicles and other movable equipment are expensed as incurred.

Depreciation and amortization are provided using the straight-line method and begin in the year following the year of acquisition or completion. Estimated useful lives are as follows:

Runways, aprons, tunnels, taxiways and paved roads	30 years
Water drainage and sewer system	20-50 years
Refrigeration and heating systems	30 years
Buildings	40 years
Electrical system	15-20 years
Other	10-30 years

**Net Assets** — Net Assets comprised the net earnings from operating and nonoperating revenues, expenses and capital grants. Net assets are displayed in three components — invested in capital assets,

net of related debt; restricted for debt service, capital projects, passenger facility charges, airport use agreement and other requirements; and unrestricted. Invested in capital assets, net of related debt consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt net of debt service reserve and unspent proceeds. Restricted net assets consist of net assets on which constraints are placed by external parties (such as lenders and grantors), laws, regulations and enabling legislation. Unrestricted net assets consist of all other net assets not categorized as either of the above.

***Employee Benefits*** — Employee benefits are granted for vacation and sick leave, workers' compensation and health care. Unused vacation leave is accrued and may be carried over for one year. Sick leave is accumulated at the rate of one day for each month worked, up to a maximum of 200 days. Severance of employment terminates all rights to receive compensation for any unused sick leave. Sick leave pay is not accrued. Employee benefit claims outstanding, including claims incurred but not reported, are estimated and recorded as liabilities. The Airport maintains insurance from a commercial carrier for workers' compensation claims. Settlements in each of the past three years have been less than insurance coverage maintained.

Employees are eligible to defer a portion of their salaries until future years under the City's deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan is administered by third-party administrators who maintain the investment portfolio. The plan's assets have been placed in trust accounts with the plan administrators for the exclusive benefit of participants and their beneficiaries and are not considered assets of the City.

The City is subject to the State of Illinois Unemployment Compensation Act and has elected the reimbursing employer option for providing unemployment insurance benefits for eligible former employees. Under this option, the City reimburses the State for claims paid by the State.

***Bond Issuance Costs, Bond Discounts and Refunding Transactions*** — Bond issuance costs and bond discounts are deferred and amortized over the life of the related debt, except in the case of refunding debt transactions where the amortization period is over the term of the refunding or refunded debt, whichever is shorter.

***Capitalized Interest*** — Interest expense and interest earned on construction bond proceeds is capitalized during construction on those capital projects paid from the bond proceeds and is being amortized over the depreciable life of the related assets on a straight-line basis.

***Capital Grants*** — The Airport reports capital grants as revenue on the Statements of Revenues, Expenses and Changes in Net Assets. Capital grants are on a reimbursement basis and revenues are recognized to the extent of allowable expenditures incurred.

***Revenue Recognition*** — Landing fees, terminal area use charges and fueling system charges are assessed to the various airlines throughout each fiscal year based on estimated rates. Such rates are designed to yield collections from airlines adequate to cover certain expenses and required debt service and fund deposits as determined under provisions of the Amended and Restated Airport Use Agreement and Terminal Facilities Lease and the International Terminal Use Agreement and Facilities Lease (Use Agreements). Incremental amounts due from the airlines arise when amounts assessed, based on the estimated rates used during the year, are less than actual expenses and required deposits for the year. Such incremental amounts due from airlines are included in accrued revenue. Incremental amounts due to the airlines arise when amounts assessed, based on the estimated rates used during the year, exceed actual expenses and required deposits for the year. Such incremental amounts due to airlines are included in deferred revenue.

**Passenger Facility Charge (PFC) Revenue** — The Airport imposed PFCs of \$4.50 per eligible enplaned passenger for the years ended December 31, 2006 and 2005. PFCs are available, subject to Federal Aviation Administration regulation and approval, to finance specific eligible capital projects. The City reports PFC revenue as nonoperating revenue and related expenses as nonoperating expenses in conformity with industry practice.

## 2. RESTRICTED AND UNRESTRICTED CASH, CASH EQUIVALENTS AND INVESTMENTS

**Investments** — As of December 31, 2006, the Airport had the following Investments (\$ in thousands):

Investment Type	Investment Maturities (in Years)				Fair Value
	Less Than 1	1-5	6-10	More Than 10	
<b>Airport Funds</b>					
U.S. Treasuries	\$ 97,557	\$	\$	\$	\$ 97,557
U.S. Agencies	1,325,800	266,194			1,591,994
Certificates of Deposits	<u>495,199</u>				<u>495,199</u>
Subtotal	<u>\$ 1,918,556</u>	<u>\$ 266,194</u>	<u>\$</u>	<u>\$</u>	2,184,750
Share of City's pooled funds					<u>2,232</u>
Total					<u>\$ 2,186,982</u>

As of December 31, 2005, the Airport had the following Investments (\$ in thousands):

Investment Type	Investment Maturities (in Years)				Fair Value
	Less Than 1	1-5	6-10	More Than 10	
<b>Airport Funds</b>					
U.S. Treasuries	\$ 95,176	\$	\$	\$	\$ 95,176
U.S. Agencies	1,737,749	161,879			1,899,628
Commerical Paper	25,700				25,700
Certificates of Deposits	15,871				15,871
Money Markets	<u>1,052,048</u>				<u>1,052,048</u>
Subtotal	<u>\$ 2,926,544</u>	<u>\$ 161,879</u>	<u>\$</u>	<u>\$</u>	3,088,423
Share of City's pooled funds					<u>704</u>
Total					<u>\$ 3,089,127</u>

**Interest Rate Risk** — As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy requires that investments generally may not have a maturity date in excess of two years from the date of purchase. Certain other investments are held in accordance with the specific provisions of applicable ordinances.

**Credit Risk** — The Code limits investments in commercial paper to banks whose senior obligations are rated in the top two rating categories by at least two national rating agencies and who are required to maintain such rating during the term of such investment. The Code also limits investments to domestic money market mutual funds regulated by, and in good standing with, the Securities and Exchange Commission. Certificates of Deposit are also limited by the Code to national banks which provide collateral of at least 110 percent by marketable U.S. government securities marked to market at least monthly; or secured by a corporate surety bond issued by an insurance company licensed to do business in Illinois and having a claims-paying rating in the top rating category, as rated by a nationally recognized statistical rating organization maintaining such rating during the term of such investment. The following schedule summarizes the Airports exposure to credit risk (\$ in thousands):

Quality Rating	2006	2005
Aaa/AAA	\$ 2,165,792	\$ 2,565,653
Not rated	18,958	506,899
Not applicable	<u>                    </u>	<u>15,871</u>
 Total Funds	 <u>\$ 2,184,750</u>	 <u>\$ 3,088,423</u>

The Airport participates in the City’s pooled cash and investments account, which includes amounts from other City funds and is maintained by the City Treasurer. Individual cash or investments are not specifically identifiable to any participant in the pool. The Treasurer’s pooled fund is included in the City’s Comprehensive Annual Financial Report.

**Custodial Credit Risk — Cash and Certificates of Deposit** — This is the risk that in the event of a bank failure, the City’s deposits may not be returned. The City’s Investment Policy states that in order to protect the City’s public fund deposits, depository institutions are to maintain collateral pledges on City deposits during the term of the deposit of at least 110 percent of marketable U.S. government, or approved securities or surety bonds, issued by top-rated insurers. Collateral is required as security whenever deposits exceed the insured limits of the FDIC. Cash and certificates of deposit with the City’s various municipal depositories were \$214.9 million and \$255.5 million at December 31, 2006 and 2005, respectively, and the related bank balance (including certificates of deposit) was \$248.4 million and \$169.6 million at December 31, 2006 and 2005, respectively. Of the bank balance, \$247.6 million and \$168.4 million or 99.7% and 99.3% at December 31, 2006 and 2005, respectively, were either insured or collateralized with securities held by City agents in the City’s name. The remainder was uninsured and uncollateralized.

The following schedule summarizes the investments reported in the basic financial statements (\$ in thousands):

	<b>2006</b>	<b>2005</b>
Per Note 2:		
Investments — Airport	\$ 2,184,750	\$ 3,088,423
Investments — City Treasurer Pooled Fund	<u>2,232</u>	<u>704</u>
	<u>\$ 2,186,982</u>	<u>\$ 3,089,127</u>
Per Financial Statements:		
Restricted Investments	\$ 1,133,586	\$ 874,745
Unrestricted Investments	44,132	27,457
Investments included as cash and cash equivalents on the Statements of Net Assets	<u>1,009,264</u>	<u>2,186,925</u>
	<u>\$ 2,186,982</u>	<u>\$ 3,089,127</u>

### 3. RESTRICTED ASSETS

The General Airport Revenue Bond Ordinance (Bond Ordinance), the Master Indenture of Trust Securing Chicago-O’Hare International Airport Second Lien Obligations (Second Lien Indenture), the Master Indenture of Trust Securing Chicago-O’Hare International Airport Third Lien Obligations (Third Lien Indenture), the Use Agreement and federal regulations contain various limitations and restrictions which, among other things, require the creation and maintenance of separate accounts, certain of which must be held by a trustee and into which required deposits are made by the Airport on a periodic basis to fund construction, debt retirement, operation and maintenance and contingencies.

Restricted cash, cash equivalents and investment balances in accordance with the Bond Ordinance, the Second Lien Indenture and the Third Lien Indenture requirements are as follows (\$ in thousands):

<b>Account</b>	<b>2006</b>	<b>2005</b>
Construction	\$ 772,476	\$ 1,283,912
Capitalized interest	230,217	287,350
Debt service reserve	331,331	333,341
Debt service interest	217,654	538,592
Debt service principal	29,405	32,370
Operation and maintenance reserve	89,304	86,675
Maintenance reserve	3,000	3,000
Other funds	<u>47,990</u>	<u>30,321</u>
Subtotal — Bond Ordinance, Second Lien Indenture and Third Lien Indenture accounts	1,721,377	2,595,561
Passenger facility charge	<u>299,380</u>	<u>250,885</u>
Total	<u>\$2,020,757</u>	<u>\$ 2,846,446</u>

Construction and capitalized interest accounts are restricted for authorized capital improvements and related interest costs during construction.



The debt service reserve account is restricted to the payment of debt service in the event that the balance in the debt service account is insufficient.

The debt service principal and interest accounts are restricted to the payment of bond principal and interest.

The operation and maintenance reserve account is restricted to make loans to the operation and maintenance account, as needed, which are to be repaid as funds become available. The maintenance reserve account is restricted to extraordinary maintenance expenditures.

The emergency reserve account is restricted to make payments for certain purposes, including terminal area use charges, landing fees and certain other charges that are deemed uncollectible and also for any judgments or settlements against the Airport. This account is funded annually in accordance with the Use Agreement. The balance is not permitted to exceed \$7.5 million.

The City has entered into arbitrage agreements under which the City has agreed to comply with certain requirements of the Internal Revenue Code of 1986, as amended, in order to maintain the exclusion of the interest on the Bonds from the gross income of the recipients thereof for federal income tax purposes. The rebate account relating to each series of the Bonds has been established to account for any liability of the City to make arbitrage rebate payments to the federal government relating to such series of Bonds.

Other funds include the Federal and State Grant Funds, the Special Capital Projects Fund and the Airport Development Fund.

The passenger facility charge account is restricted to fund eligible, approved PFC projects.

At December 31, 2006 and 2005 the Airport was in compliance with the funding requirements and restrictions as stated in the Bond Ordinance, Second Lien Indenture and Third Lien Indenture.

#### **4. LONG-TERM DEBT**

The Bond Ordinance authorizes the issuance of Chicago O'Hare International Airport General Airport Revenue Bonds for financing improvements and expansion of the Airport and to redeem outstanding bonds. Net revenues of the Airport, as defined, are pledged for first lien bond principal and interest payments. The Bond Ordinance further permits the issuance of second and third lien notes, bonds and other obligations which are payable from, and secured by, a pledge of amounts deposited in the junior lien obligation debt service accounts created under the Bond Ordinance.

First lien, second lien and third lien revenue bonds have been issued under the Bond Ordinance, Second Lien Indenture and Third Lien Indenture, respectively. The Series 1996 Passenger Facility Charge Revenue Bonds have been issued under an ordinance adopted by the City Council on March 26, 1996 and pursuant to the Master Trust Indenture Securing Chicago O'Hare International Airport Passengers Facility Charge Revenue Bonds dated July 1, 1996. The Series 2001 Second Lien Passenger Facility Charge Revenue Bonds have been issued under an ordinance adopted by the City Council on March 28, 2001 and pursuant to the Master Trust Indenture Securing Chicago-O'Hare International Airport Passenger Facility Charge Revenue Bonds dated May 15, 2001.

**Revenue Bonds Outstanding** — The following summarizes revenue bonds outstanding at December 31, 2006 and 2005 (\$ in thousands):

	<b>2006</b>	<b>2005</b>
<b>First Lien Bonds:</b>		
\$324,270 1993 Series A first lien revenue refunding bonds issued November 30, 1993, due through 2016; interest rates at 4.8% - 5.0%	\$ 72,795	\$ 117,975
<b>Second Lien Bonds:</b>		
\$50,000 Series 1984 B second lien bonds issued December 27, 1984, due through 2015 at variable floating interest rates (3.84% at December 31, 2006)	26,250	28,300
\$25,000 Series 1988 B second lien bonds issued December 21, 1988, due through 2018 at variable floating interest rates (3.95% at December 31, 2006)	17,400	18,200
\$320,430 1993 Series C second lien revenue refunding bonds issued November 30, 1993, due through 2018; interest at 4.9% - 5.75%	\$ 163,750	\$ 163,750
\$274,940 1994 Series A second lien revenue refunding bonds issued November 29, 1994, due through 2015; interest rate at 6.0% - 6.75%		20,365
\$68,700 1994 Series B second lien revenue bonds issued October 12, 1994, due through 2018; variable floating interest rate (3.95% at December 31, 2006)	45,700	45,700
\$83,800 1994 Series C second lien revenue bonds issued November 9, 1994, due through 2018; variable floating interest rate (3.90% at December 31, 2006)	56,300	56,300
\$179,625 1996 Series A second lien revenue bonds issued October 31, 1996, due through 2018; interest rate at 4.7% - 6.25%	103,260	105,920
\$409,850 1999 second lien revenue refunding bonds issued October 4, 1999, due through 2018; interest at 5.5%	<u>320,185</u>	<u>367,445</u>
Subtotal - second lien bonds	<u>732,845</u>	<u>805,980</u>
<b>Third Lien Bonds:</b>		
\$490,515 Series 2002 A third lien revenue refunding bonds issued March 20, 2002, due through 2032; interest at 5.25% - 5.75%	490,515	490,515
\$248,910 Series 2003 A-1 and A-2 third lien revenue refunding bonds issued August 14, 2003, due through 2034; interest at 4.50% - 6.00%	248,910	248,910
\$382,155 Series 2003 B-1 and B-2 third lien revenue bonds issued August 21, 2003, due through 2034; interest at 5.25% - 6.00%	382,155	382,155
\$355,245 Series 2003 C-1 and C-2 third lien revenue refunding bonds issued August 21, 2003, due through 2034; interest at 5.25%	355,245	355,245
\$149,330 Series 2003 D, E and F third lien revenue bonds issued December 2, 2003, due through 2034; interest at 2.125% - 5.5%	136,415	146,890
\$281,055 Series 2004 A and B third lien revenue refunding bonds issued December 2, 2004, due through 2035; interest at 4.75% - 5.0%	281,055	281,055
\$39,700 Series 2004 C and D third lien revenue refunding bonds issued December 2, 2004, due through 2026; interest at 4.70% - 5.25%	39,700	39,700

(continued)

	<b>2006</b>	<b>2005</b>
<b>Third Lien Bonds (Concluded):</b>		
\$64,290 Series 2004 E, F, G and H third lien revenue refunding bonds issued December 2, 2004, due through 2023; interest at 3.49% - 5.35%	\$ 30,525	\$ 64,290
\$961,010 Series 2005 A third lien revenue bonds issued December 22, 2005, due through 2033; interest at 5.0% - 5.25%	961,010	961,010
\$238,990 Series 2005 B third lien revenue refunding bonds issued December 22, 2005, due through 2018; interest at 5.25%	238,990	238,990
\$300,000 Series 2005 C and D third lien revenue bonds issued December 22, 2005, due through 2035; variable floating interest rate (3.90% at December 31, 2006)	300,000	300,000
\$112,630 Series 2006 A, B and C third lien revenue refunding bonds issued December 13, 2006, due through 2037; interest at 4.55% - 5.50%	112,630	
\$43,520 Series 2006 D third lien revenue bonds issued December 13, 2006, due through 2037; interest at 4.55% - 5.00%	<u>43,520</u>	
Subtotal – third lien bonds	<u>3,620,670</u>	<u>3,508,760</u>
<b>Passenger Facility Charge Revenue Bonds:</b>		
\$218,890 Series 1996 A Passenger Facility Charge Revenue Bonds issued July 30, 1996, due through 2015; interest at 5.0% - 6.0%	166,705	180,655
\$430,415 Series 2001 A and B Passenger Facility Charge Revenue Bonds issued June 19, 2001, due through 2032; interest at 4.0% - 5.75%	410,020	417,180
\$215,065 Series 2001 C and D Passenger Facility Charge Revenue Bonds issued August 21, 2001, due through 2032; interest at 3.4% - 5.5%	204,460	208,150
\$54,520 Series 2001 E Passenger Facility Charge Revenue Bonds issued October 4, 2001, due through 2018; interest at 3.5% - 5.5%	<u>44,524</u>	<u>47,185</u>
Subtotal – Passenger Facility Charge Revenue Bonds	<u>825,709</u>	<u>853,170</u>
<b>Commercial Paper Notes:</b>		
\$ 389,706 Series C (Taxable) Commercial Paper Notes outstanding at December 31, 2005, due through 2006; interest at 2.5%		<u>389,706</u>
Total revenue bonds and notes	5,252,019	5,675,591
Unamortized premium (discount)	52,932	55,656
Unamortized deferred loss on bond refunding	<u>(65,402)</u>	<u>(75,962)</u>
	5,239,549	5,655,285
Current portion	<u>(101,620)</u>	<u>(462,076)</u>
Total long-term revenue bonds payable	<u>\$5,137,929</u>	<u>\$5,193,209</u>
		(Concluded)

During the years ended December 31, 2006 and 2005, long-term debt changed as follows (\$ in thousands):

	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006	Due Within One Year
Revenue bonds	\$ 5,285,885	\$ 156,150	\$ (190,016)	\$ 5,252,019	\$ 101,620
Unamortized (discount) premium	55,656	(7,738)	5,014	52,932	
Deferred loss on refunding	(75,962)	(1,512)	12,072	(65,402)	
Total revenue bonds	5,265,579	146,900	(172,930)	5,239,549	101,620
Commercial Paper	389,706		(389,706)	\$	
Total Long-term debt	<u>\$ 5,655,285</u>	<u>\$ 146,900</u>	<u>\$ (562,636)</u>	<u>\$ 5,239,549</u>	<u>\$ 101,620</u>

	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005	Due Within One Year
Revenue bonds	\$ 4,108,680	\$ 1,500,000	\$ (322,795)	\$ 5,285,885	\$ 72,370
Unamortized (discount) premium	(8,247)	(3,650)	67,553	55,656	
Deferred loss on refunding	(83,852)	(4,135)	12,025	(75,962)	
Total revenue bonds	4,016,581	1,492,215	(243,217)	5,265,579	72,370
Commercial Paper	1,363	388,343		389,706	389,706
Total Long-term debt	<u>\$ 4,017,944</u>	<u>\$ 1,880,558</u>	<u>\$ (243,217)</u>	<u>\$ 5,655,285</u>	<u>\$ 462,076</u>

Interest expense capitalized for 2006 and 2005 totaled \$74.2 million and \$30.7 million, respectively. Interest income capitalized for 2006 and 2005 totaled \$35.7 million and \$11.3 million, respectively. Interest expense includes amortization of the deferred loss on bond refunding for 2006 and 2005 of \$12.1 million and \$12.0 million, respectively, and amortization of \$5.3 million of premium, net and \$1.0 million of premium, net, respectively.

**Issuance of Debt** — In December 2006, the Airport sold \$112.6 million of Chicago O’Hare International Airport Third Lien Revenue Refunding Bonds, Series 2006 A (Non-AMT), B (AMT) and C (Taxable) at a \$1.5 million premium. The Bonds have interest rates ranging from 4.55 percent to 5.50 percent and maturity and mandatory redemption dates ranging from January 1, 2008 to January 1, 2037. Certain net proceeds of \$112.3 million together with \$8.3 million transferred from the debt service account and debt service reserve funds established for the first, second and third Lien Bonds were deposited in escrow accounts to partially defease outstanding Series 1993 A First Lien Refunding Bonds (\$40.5 million) and Series 1999 Second Lien Refunding Bonds (\$43.4 million) and fully defease Series 2004 E Refunding Bonds (\$33.8 million); certain proceeds of \$1.8 million were used to pay the cost of issuance of the bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$1.5 million that will be charged to operations over 4 to 32 years using the straight-line method. The advance refunding increased the Airport’s total debt service payments by \$21.6 million and resulted in an economic loss (difference between the present value of the old debt and the new debt service payments) of \$1.1 million.

In December 2006, the Airport sold \$43.5 million of Chicago O’Hare International Airport Third Lien Revenue Bonds, Series 2006 D at a \$.64 million premium. The Bonds have interest rates ranging from 4.55 percent to 5.0 percent and maturity and mandatory redemption dates ranging from January 1, 2019 to January 1, 2037. Certain proceeds of \$43.2 million were used to fund capitalized interest deposit requirements for certain third lien bonds and certain proceeds of \$1.0 million were used to pay the cost of issuance of the bonds.

In December 2005, the Airport sold \$961.0 million of Chicago O'Hare International Airport Third Lien Revenue Bonds, Series 2005 A at a \$39.0 million premium. The Bonds have interest rates ranging from 5.00 percent to 5.25 percent and maturity and mandatory redemption dates ranging from January 1, 2019 to January 1, 2033. Certain net proceeds of \$484.0 million will be used to finance a portion of the costs of the O'Hare Modernization Program (OMP); certain proceeds of \$299.9 million will be used to pay a portion of the outstanding Commercial Paper Notes; certain proceeds of \$193.4 million were used to fund capitalized interest deposit requirements; certain proceeds of \$1.9 million were used to fund a surety policy and certain proceeds of \$21.3 million were used to pay the cost of issuance of the bonds.

In December 2005, the Airport sold \$239.0 million of Chicago O'Hare International Airport Third Lien Revenue Refunding Bonds, Series 2005 B at a \$22.1 million premium. The Bonds have an interest rate of 5.25 percent and maturity dates ranging from January 1, 2014 to January 1, 2018. Certain net proceeds of \$261.1 million together with \$10.3 million transferred from the debt service account established for the Second Lien Bonds were deposited in escrow accounts to partially defease outstanding Series 1993 A First Lien Refunding Bonds (\$141.9 million) and Series 1993 C Second Lien Bonds (\$120.6 million) and taxable Commercial Paper (\$1.4 million); certain proceeds of \$1.0 million were used to fund surety policy requirements; and certain proceeds of \$3.9 million were used to pay the cost of issuance of the bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$4.1 million that will be charged to operations over 9 to 14 years using the straight-line method. The advance refunding decreased the Airport's total debt service payments by \$29.0 million and resulted in an economic gain (difference between the present value of the old debt and the new debt service payments) of \$13.5 million.

In December 2005, the Airport sold \$300.0 million of Chicago O'Hare International Airport Third Lien Revenue Bonds, Series 2005 C and D. The Bonds have an initial variable interest rate of 3.51 percent. The Bonds have maturity and mandatory redemption dates ranging from January 1, 2033 to January 1, 2035. Certain net proceeds of \$157.2 million will be used to finance a portion of the costs of the O'Hare Modernization Program (OMP); certain proceeds of \$90.0 million will be used to pay outstanding Commercial Paper Notes; certain proceeds of \$55.1 million were used to fund capitalized interest deposit requirements and certain proceeds of \$4.8 million were used to pay the cost of issuance of the bonds.

Chicago O'Hare International Airport Commercial Paper Notes, Series C (Taxable) (\$600.0 million maximum aggregated authorized) outstanding at December 31, 2005 were \$389.7 million having interest rates ranging from 2.82 percent to 4.25 percent with maturity dates ranging from January 3, 2006 through January 18, 2006. Note proceeds may be used to finance portions of the costs of authorized airport projects and to repay the expenses of issuing the notes. An irrevocable letter of credit (\$667.5 million) provides for the timely payment of principal and interest on the notes until July 20, 2010. Amounts paid by drawing on the letter of credit shall be reimbursed by the Airport on said day paid; any amounts not reimbursed shall constitute an advance and will bear interest at the greater of the most recent prime rate or the Federal Funds rate plus 0.5 percent (Base Rate). Advances outstanding greater than sixty days will bear interest at the Base Rate plus 1.0 percent beginning on the sixty-first day after such advance is made. At December 31, 2005, there were no outstanding letter of credit advances.

**Debt Redemption** — Following is a schedule of debt service requirements to maturity of the first lien bonds (\$ in thousands):

<b>Year Ending December 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$	\$ 4,553	\$ 4,553
2008		3,640	3,640
2009		3,640	3,640
2010		3,640	3,640
2011		3,640	3,640
2012-2016	<u>72,795</u>	<u>5,893</u>	<u>78,688</u>
Total	<u>\$ 72,795</u>	<u>\$ 25,006</u>	<u>\$ 97,801</u>

Following is a schedule of debt service requirements to maturity of the second lien bonds. For issues with variable rates, interest is imputed at the effective rate at December 31, 2006 (\$ in thousands).

<b>Year Ending December 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 11,375	\$ 37,327	\$ 48,702
2008	64,595	35,398	99,993
2009	71,795	31,791	103,586
2010	79,500	27,826	107,326
2011	95,360	23,421	118,781
2012-2016	300,260	67,947	368,207
2017-2018	<u>109,960</u>	<u>5,713</u>	<u>115,673</u>
Total	<u>\$ 732,845</u>	<u>\$ 229,423</u>	<u>\$ 962,268</u>

The Airport's second lien variable rate bonds may bear interest from time to time at a flexible rate, a daily rate, a weekly rate, an adjustable long rate or the fixed rate as determined from time to time by the remarketing agent, in consultation with the City. At December 31, 2006, the second lien bonds were in the weekly rate interest mode. An irrevocable letter of credit (\$30.3 million) provides for the timely payment of principal and interest on the Series 1984 bonds until October 1, 2011. An irrevocable letter of credit (\$18.5 million) provides for the timely payment of principal and interest on the Series 1988 bonds until November 30, 2015. An irrevocable letter of credit (\$103.8 million) provides for the timely payment of principal and interest on the Series 1994 bonds until October 1, 2011. At December 31, 2006, there were no outstanding letter of credit advances.

Following is a schedule of debt service requirements to maturity of the third lien bonds (\$ in thousands):

<b>Year Ending December 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 61,250	\$ 181,195	\$ 242,445
2008	60,805	181,595	242,400
2009	59,335	178,588	237,923
2010	50	177,104	177,154
2011	44,555	175,978	220,533
2012-2016	209,645	855,867	1,065,512
2017-2021	583,645	746,648	1,330,293
2022-2026	785,300	560,692	1,345,992
2027-2031	976,230	327,551	1,303,781
2032-2036	833,850	71,159	905,009
2037	<u>6,005</u>	<u>138</u>	<u>6,143</u>
<b>Total</b>	<b><u>\$ 3,620,670</u></b>	<b><u>\$ 3,456,515</u></b>	<b><u>\$ 7,077,185</u></b>

The Airport's third lien variable rate bonds may bear interest from time to time at a flexible rate, a daily rate, a weekly rate, an adjustable long rate or the fixed rate as determined from time to time by the remarketing agent, in consultation with the City. At December 31, 2006, the third lien bonds were in the weekly rate interest mode. An irrevocable letter of credit (\$303.4 million) provides for the timely payment of principal and interest on the Series 2005 bonds until December 22, 2012. At December 31, 2006, there were no outstanding letter of credit advances.

Following is a schedule of debt service requirements to maturity of the Passenger Facility Charge Revenue Bonds (\$ in thousands):

<b>Year Ending December 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 28,995	\$ 43,773	\$ 72,768
2008	30,460	42,220	72,680
2009	32,105	40,537	72,642
2010	33,835	38,759	72,594
2011	35,655	36,900	72,555
2012-2016	185,805	152,413	338,218
2017-2021	116,945	111,498	228,443
2022-2026	139,445	78,278	217,723
2027-2031	180,405	36,132	216,537
2032	<u>42,060</u>	<u>1,106</u>	<u>43,166</u>
<b>Total</b>	<b><u>\$ 825,710</u></b>	<b><u>\$ 581,616</u></b>	<b><u>\$ 1,407,326</u></b>

In January 2006 the Series A (Tax-Exempt) and Series C (Taxable) Commercial Paper Notes outstanding at December 31, 2005 of \$389.7 million were repaid with Series 2005 A-D bond proceeds as the Commercial Paper Notes matured on January 3, 2006 through January 18, 2006.

**Defeased Bonds** — Defeased bonds have been removed from the balance sheet because the related assets have been placed in irrevocable trusts that, together with interest earned thereon, will provide amounts sufficient for payment of all principal and interest. Defeased bonds at December 31, 2006 are as follows (\$ in thousands):

	<b>Amount Defeased</b>	<b>Outstanding</b>
Chicago O'Hare International Airport First Lien Bonds, Series 1993A	\$ 40,530	\$ 40,530
Chicago O'Hare International Airport Second Lien Bonds, Series 1999	43,350	43,350
Chicago O'Hare International Airport Third Lien Bonds, Series 2004E	<u>33,765</u>	<u>33,765</u>
	<u>\$ 117,645</u>	<u>\$ 117,645</u>

**No-commitment Debt** — Special Facility Bonds issued in the City's name by certain airline parties related to airport capital assets are no-commitment debt and not included in the accompanying financial statements as the City has no obligation to provide for their repayment, which is the responsibility of the related airlines.



## 5. CHANGES IN CAPITAL ASSETS

During the years ended December 31, 2006 and 2005, capital assets changed as follows (\$ in thousands):

	<b>Balance January 1, 2006</b>	<b>Additions</b>	<b>Disposals and Transfers</b>	<b>Balance December 31, 2006</b>
Capital assets not depreciated:				
Land	\$ 234,279	\$ 236,831	\$	\$ 471,110
Construction in progress	<u>535,350</u>	<u>517,977</u>	<u>(112,253)</u>	<u>941,074</u>
Total capital assets not depreciated	<u>769,629</u>	<u>754,808</u>	<u>(112,253)</u>	<u>1,412,184</u>
Capital assets depreciated:				
Buildings and other facilities	4,295,043	112,253		4,407,296
Less accumulated depreciation for:				
Buildings and other facilities	<u>(1,637,338)</u>	<u>(119,539)</u>	<u>          </u>	<u>(1,756,877)</u>
Total capital assets depreciated — net	<u>2,657,705</u>	<u>(7,286)</u>	<u>          </u>	<u>2,650,419</u>
Total property and facilities — net	<u>\$ 3,427,334</u>	<u>\$ 747,522</u>	<u>\$ (112,253)</u>	<u>\$ 4,062,603</u>
	<b>Balance January 1, 2005</b>	<b>Additions</b>	<b>Disposals and Transfers</b>	<b>Balance December 31, 2005</b>
Capital assets not depreciated:				
Land	\$ 161,402	\$ 72,877	\$	\$ 234,279
Construction in progress	<u>374,887</u>	<u>275,348</u>	<u>(114,885)</u>	<u>535,350</u>
Total capital assets not depreciated	<u>536,289</u>	<u>348,225</u>	<u>(114,885)</u>	<u>769,629</u>
Capital assets depreciated:				
Buildings and other facilities	4,180,158	114,885		4,295,043
Less accumulated depreciation for:				
Buildings and other facilities	<u>(1,516,451)</u>	<u>(120,887)</u>	<u>          </u>	<u>(1,637,338)</u>
Total capital assets depreciated — net	<u>2,663,707</u>	<u>(6,002)</u>	<u>          </u>	<u>2,657,705</u>
Total property and facilities — net	<u>\$ 3,199,996</u>	<u>\$ 342,223</u>	<u>\$ (114,885)</u>	<u>\$ 3,427,334</u>

Included in construction in progress are approximately \$68.7 million of costs associated with the World Gateway Program (the WGP). The WGP was conceived to expand gate capacity at the Airport through construction of new terminal complexes. In September 2002, in light of changed conditions in the airline industry and the economy, the Airport and airlines agreed to temporarily suspend work on the WGP until demand and airline approval would resume construction.

## 6. LEASING ARRANGEMENTS WITH TENANTS

Most of the Airport's land, buildings and terminal space are leased under operating lease agreements with airlines and other tenants. The following is a schedule of the minimum future rental income on noncancelable operating leases as of December 31, 2006 (\$ in thousands):

<b>Year Ending December 31</b>	<b>Amount</b>
2007	\$ 32,892
2008	31,818
2009	30,761
2010	18,832
2011	18,382
2012-2016	91,125
2017-2021	41,916
2022-2026	8,459
2027-2031	9,748
2032-2033	<u>3,825</u>
Total minimum future rental income	<u>\$ 287,758</u>

Contingent rentals that may be received under certain leases, based on the tenants' revenues or fuel consumption, are not included in minimum future rental income.

Rental income, consisting of all rental and concession revenues except ramp rentals and automobile parking, amounted to approximately \$310.9 million and \$288.7 million in 2006 and 2005, respectively. Contingent rentals included in the totals were approximately \$75.7 million and \$58.8 million and for 2006 and 2005, respectively.

## 7. PENSION PLANS

Eligible Airport employees participate in one of two of the City's single-employer defined benefit pension plans. These plans are the Municipal Employees' and the Laborers' and Retirement Board Employees' Annuity and Benefit Funds. These plans are administered by individual retirement boards represented by elected and appointed officials. Each plan issues publicly available financial statements for each of the pension plans, which may be obtained at the respective fund's office.

The funds provide retirement and death and disability benefits as established by State law. Benefits generally vest after 20 years of credited service. Employees who retire at or after age 55 with at least 10 years of credited service qualify to receive a money purchase annuity and those with more than 20 years of credited service qualify to receive a minimum formula annuity. The annuity is computed by multiplying the final average salary by a minimum of 2.4 percent per year of credited service. The final average salary is the employee's highest average annual salary for any four consecutive years within the last 10 years of credited service.

Participating employees contribute 8.5 percent of their salary to these funds as required by State law. By law, the City's contributions are based on the amounts contributed by the employees. Financing of the City's contribution is through a separate property tax levy and the personal property replacement tax. The Airport reimburses the City's General Fund for the estimated pension cost applicable to the covered payroll of O'Hare Fund employees. These reimbursements, recorded as expenses of the O'Hare

Fund, were \$14.0 million in 2006 and \$12.8 million in 2005. The annual pension costs are determined using the entry age actuarial cost method and the level dollar amortization method.

The funding policy mandated by State law requires City contributions at statutorily, not actuarially, determined rates. The rates are expressed as multiples of employee contributions. These contributions equal employee contributions made in the calendar year two years prior multiplied by the statutory rates. The statutory rates in effect for the City's contributions made during the years ended December 31, 2006, 2005 and 2004 were 1.25 for the Municipal Employees' and 1.00 for the Laborers' and Retirement Board Employees' Annuity and Benefit Funds, respectively. The City has made the required contributions under State law.

The following table as of December 31, 2006 assists users in assessing each fund's progress in accumulating sufficient assets to pay benefits when due. The three-year historical information for each annuity and benefit fund will be accumulated over the next year (\$ in thousands):

	<b>Annual Pension Cost</b>	<b>Percent of Annual Pension Cost Contributed</b>	<b>Required Contribution</b>	<b>Percent of Required Contributions Contributed</b>	<b>Net Pension Assets</b>
Municipal Employees'					
2004	197,393	78.0	198,199	77.7	299,415
2005	284,587	54.5	285,291	54.4	169,895
2006	325,514	48.3	325,914	48.3	1,442
Laborers'					
2004	7,860	2.6	8,513	2.4	270,223
2005	12,138	0.3	12,774	0.3	258,125
2006	20,536	0.5	17,600	0.6	237,696

The pension benefits information pertaining expressly to Airport employees is not available. Accordingly, no amounts have been recorded in the accompanying financial statements for the net pension assets of these Plans.

In addition to providing pension benefits, under State law, the City provides certain health benefits to employees who retire from the City based upon their participation in the City's pension plans. Substantially all employees who qualify as Municipal Employees' or Laborers' pension plan participants older than age 55 with at least 20 years of service may become eligible for post-employment benefits if they eventually become annuitants. Health benefits include basic benefits for annuitants and supplemental benefits for Medicare-eligible annuitants. Currently, the City does not segregate benefit payments to annuitants by fund. The cost of health benefits is recognized as claims are reported and funded on a pay-as-you-go basis. The total cost to the City for providing health benefits to approximately 24,374 and 24,507 annuitants and their dependents was approximately \$79.3 million and \$78.3 million in 2006 and 2005, respectively.

## **8. RELATED-PARTY TRANSACTIONS**

Included in operating expenses are reimbursements to the General Fund of the City for services provided by other City departments, employee fringe benefits and certain payments made on behalf of the Airport. Such reimbursements amounted to \$56.8 million and \$53.6 million in 2006 and 2005, respectively.

**9. COMMITMENTS AND CONTINGENCIES**

The Airport has certain contingent liabilities resulting from litigation, claims and commitments incident to its ordinary course of business. Management expects that the final resolution of these contingencies will not have a material adverse effect on the financial position or results of operations of the Airport.

The Airport provides employee health benefits under a self-insurance program, administered by the City. Such claims outstanding, including claims incurred but not reported, are estimated and recorded as liabilities in the financial statements.

Uninsured claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Changes in the claims liability amount for the years ended December 31, 2006 and 2005 are as follows (\$ in thousands):

	<b>2006</b>	<b>2005</b>
Beginning balance at January 1	\$ 1,695	\$ 1,724
Total claims incurred (expenditures)	15,652	16,645
Claims paid	<u>(15,880)</u>	<u>(16,674)</u>
Claims liability at December 31	<u>\$ 1,467</u>	<u>\$ 1,695</u>

The City purchases annuity contracts from commercial insurers to satisfy certain liabilities. The City renewed its property insurance for the City’s Airports, effective December 31, 2006, at a limit of \$2.5 billion. Claims have not exceeded the purchased insurance coverage in the past four years. Accordingly, no liability is reported for those claims. Property and casualty risks for the Airport are transferred to commercial insurers.

At December 31, 2006 and 2005, the Airport had commitments in the amounts of approximately \$484.1 million and \$475.0 million, respectively, in connection with contracts entered into for construction projects.

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**CITY OF CHICAGO, ILLINOIS  
CHICAGO O'HARE INTERNATIONAL AIRPORT**

**ADDITIONAL INFORMATION  
FIRST AND SECOND LIEN GENERAL AIRPORT REVENUE BONDS  
CALCULATIONS OF COVERAGE  
YEAR ENDED DECEMBER 31, 2006  
(\$ In Thousands)**

NET REVENUES FOR CALCULATION OF COVERAGE:	
Change in net assets	\$ 145,019
Capital grants	(71,238)
Passenger facility charges	<u>(147,962)</u>
	<u>(74,181)</u>
ADJUSTMENTS:	
Interest on bonds	268,395
Interest capitalized for financial reporting purposes	<u>(38,570)</u>
	229,825
Change in net assets of the Land Support area—net of amount to be deposited in the Revenue Fund	(8,396)
Revenue Fund balance at January 1, 2006	138,681
Depreciation and amortization of sound proofing, bond discount, financing fees and loss on refunding	148,774
Income earned on Airport Development, Emergency Reserve and Construction Funds	<u>(77,688)</u>
NET REVENUES FOR CALCULATION OF COVERAGE	<u>\$ 357,015</u>
COVERAGE REQUIREMENT:	
Required deposits from revenues:	
Operation and maintenance reserve	\$ 277
Maintenance reserve	1,980
Special capital projects	<u>395</u>
Total fund deposit requirements	<u>2,652</u>
Aggregate first and junior debt service for the bond year	56,563
	<u>1.10</u>
	62,219
Less amounts transferred from capitalized interest accounts	<u>          </u>
Net debt service required	<u>62,219</u>
COVERAGE REQUIREMENT	<u>\$ 64,871</u>
COVERAGE RATIO:	
Net revenues for calculation of coverage	\$ 357,015
Total fund deposit requirements	<u>(2,652)</u>
NET REVENUES	<u>\$ 354,363</u>
AGGREGATE DEBT SERVICE FOR THE BOND YEAR	<u>\$ 56,563</u>
COVERAGE RATIO	<u>6.26</u>

See notes to Calculations of Coverage.

**CITY OF CHICAGO, ILLINOIS  
CHICAGO O'HARE INTERNATIONAL AIRPORT**

**ADDITIONAL INFORMATION  
FIRST AND SECOND LIEN GENERAL AIRPORT REVENUE BONDS  
NOTES TO CALCULATIONS OF COVERAGE  
YEAR ENDED DECEMBER 31, 2006**

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**1. RATE COVENANT**

The 1983 General Airport Revenue Bond Ordinance (Ordinance) requires that revenues in each fiscal year in which bonds are outstanding shall equal an amount at least sufficient to produce net revenues for calculation of coverage, as defined, of not less than an aggregate amount equal to the greater of (a) the sum of (i) the amounts required to be deposited for such fiscal year in the first lien Debt Service Reserve Fund, the Operation and Maintenance Reserve Fund, the Maintenance Reserve Fund, the Special Capital Projects Fund and the Junior Lien Obligation Debt Service Fund, and (ii) one and twenty-five hundredths times the aggregate first lien debt service for the bond year commencing during such fiscal year reduced by an amount equal to any amount held in any capitalized interest account for disbursement during such bond year to pay interest on first lien bonds; and (b) the sum of (i) the amounts required to be deposited for such fiscal year in the first lien Debt Service Reserve Fund, the Operation and Maintenance Reserve Fund, the Maintenance Reserve Fund, the Special Capital Projects Fund and the Junior Lien Obligation Debt Service Fund (exclusive of deposits in respect of Aggregate Second Lien Debt Service), and (ii) one and ten hundredths (1.10 x) times the aggregate first lien and second lien debt service for the bond year commencing during such fiscal year reduced by an amount equal to the sum of any amount held in any capitalized interest account for disbursement during such bond year to pay interest on first lien bonds and any amount held in any capitalized interest account established pursuant to a supplemental indenture for disbursement during such bond year to pay interest on second lien bonds.

**2. REVENUE FUND BALANCE**

The Revenue Fund balance includes all cash, cash equivalents and investments held in any Airport account which were available to the Revenue Fund to satisfy the coverage requirement under the terms of the Bond Ordinance.

\* \* \* \* \*

**CITY OF CHICAGO, ILLINOIS  
CHICAGO O'HARE INTERNATIONAL AIRPORT**

**ADDITIONAL INFORMATION  
THIRD LIEN GENERAL AIRPORT REVENUE BONDS  
CALCULATIONS OF COVERAGE  
YEAR ENDED DECEMBER 31, 2006  
(\$ In Thousands)**

REVENUES:	
Total revenues — as defined	\$565,902
Other available moneys (passenger facility charges)	5,434
Cash balance in Revenue Fund on the first day of fiscal year (Note 2)	<u>138,681</u>
<b>TOTAL REVENUES</b>	<b><u><u>\$710,017</u></u></b>
COVERAGE REQUIREMENTS:	
Required deposits from revenues:	
Operation and maintenance reserve	\$ 276
Maintenance reserve	1,980
Special capital projects	395
First lien obligation debt service fund	5,194
Junior lien obligation debt service fund	50,996
Third lien obligation debt service fund	<u>149,155</u>
<b>TOTAL FUND DEPOSITS REQUIRED</b>	<b><u><u>\$207,996</u></u></b>
Aggregate first lien, junior lien and third lien debt service	\$296,602
Less amounts transferred from capitalized interest accounts	<u>(89,407)</u>
Net aggregate debt service	207,195
	<u>1.10</u>
<b>NET DEBT SERVICE REQUIRED</b>	<b><u><u>\$227,915</u></u></b>
OPERATION AND MAINTENANCE EXPENSES — As defined	\$349,386
COVERAGE REQUIREMENT (Greater of total fund deposit requirements or 110 percent of aggregate debt service)	<u>227,915</u>
<b>TOTAL COVERAGE REQUIRED</b>	<b><u><u>\$577,301</u></u></b>
<b>TOTAL REVENUES</b>	<b><u><u>\$710,017</u></u></b>
<b>COVERAGE RATIO</b>	<b><u><u>1.23</u></u></b>

See notes to Calculations of Coverage.

# **CITY OF CHICAGO, ILLINOIS CHICAGO O'HARE INTERNATIONAL AIRPORT**

## **ADDITIONAL INFORMATION THIRD LIEN GENERAL AIRPORT REVENUE BONDS NOTES TO CALCULATIONS OF COVERAGE YEAR ENDED DECEMBER 31, 2006**

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### **1. RATE COVENANT**

The Master Indenture of Trust securing Chicago O'Hare International Airport Third Lien Obligations requires that Revenues in each Fiscal Year, together with Other Available Moneys deposited with the Trustee with respect to that Fiscal Year and any cash balance held in the Revenue Fund on the first day of that Fiscal Year not then required to be deposited in any Fund or Account, will be at least sufficient: (i) to provide for the payment of Operation and Maintenance Expenses for the Fiscal Year, and (ii) to provide for the greater of: (a) the sum of the amounts needed to make the deposits required to be made pursuant to all resolutions, ordinances, indentures and trust agreements pursuant to which all outstanding First Lien Bonds, Second Lien Obligations, Third Lien Obligations or other Airport Obligations are issued and secured, and (b) one and ten-hundredths times Aggregate First, Second and Third Lien Debt Service for the Bond Year commencing during that Fiscal Year, reduced by any proceeds of Airport Obligations held by the Trustee for disbursement during that Bond Year to pay principal of and interest on First Lien Bonds, Second Lien obligations or Third Lien obligations.

The City further covenants that it will fix and establish, and revise from time to time whenever necessary, the rentals, rates and other charges for the use and operation of the Airport and for services rendered by the City in the operation of it in order that Revenues in each Fiscal Year, together with Other Available Moneys consisting solely of: (i) any passenger facility charges deposited with the Trustee for that Fiscal Year, and (ii) any other moneys received by the City in the immediately prior Fiscal year and deposited with the Trustee no later than the last day of the immediately prior Fiscal Year, will be at least sufficient: (i) to provide for the payment of Operation and Maintenance Expenses for the Fiscal Year, and (ii) to provide for the payment of Aggregate First, Second and Third Lien Debt Service for the Bond Year commencing during that Fiscal Year reduced by any proceeds of Airport Obligations held by the Trustee for disbursement during the Bond Year to pay the principal of and interest on First Lien Bonds, Second Lien Obligations or Third Lien Obligations.

### **2. REVENUE FUND BALANCE**

The Revenue Fund balance includes all cash, cash equivalents and investments held in any Airport account which were available to the Revenue Fund to satisfy the coverage requirement under the terms of the Bond Ordinance.

\* \* \* \* \*



**CITY OF CHICAGO, ILLINOIS  
CHICAGO O'HARE INTERNATIONAL AIRPORT**

**HISTORICAL OPERATING RESULTS  
TEN YEARS ENDED DECEMBER 31, 2006(UNAUDITED)  
(\$ In Thousands)**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>OPERATING REVENUES:</b>										
Landing fees	\$ 99,573	\$ 124,086	\$ 128,819	\$ 105,909	\$ 136,375	\$ 131,369	\$ 141,426	\$ 131,406	\$ 157,791	\$ 159,094
Rental revenues:										
Terminal rental and use charges	148,165	164,395	158,307	152,536	144,653	138,440	150,151	96,870	140,038	145,417
Other rentals and fueling system fees	20,277	19,052	32,381	31,694	31,283	32,102	33,511	35,316	36,365	40,172
Subtotal rental revenues	168,442	183,447	190,688	184,230	175,936	170,542	183,662	132,186	176,403	185,589
Concessions:										
Auto parking	67,315	74,456	79,887	91,252	84,688	81,580	83,210	90,421	95,521	98,613
Auto rentals	19,049	20,074	20,221	19,846	18,077	17,511	17,325	17,340	19,604	19,928
Restaurants	13,273	13,391	15,112	16,963	16,951	20,247	22,088	27,161	29,790	33,401
News and gifts	6,110	7,792	8,049	7,250	7,071	9,389	10,185	11,001	11,893	12,357
Other	21,831	21,301	23,328	27,340	24,307	17,826	21,560	21,501	33,125	30,374
Subtotal concessions	127,578	137,014	146,597	162,651	151,094	146,553	154,368	167,424	189,933	194,673
Reimbursements	2,519	2,323	3,752	2,561	2,354	2,582	2,501	11,553	8,750	6,560
Total operating revenues (1)	398,112	446,870	469,856	455,351	465,759	451,046	481,957	442,569	532,877	545,916
<b>OPERATING AND MAINTENANCE EXPENSES</b>										
Salaries and wages (2)	130,809	132,200	141,473	150,264	154,507	166,964	167,891	153,926	157,116	163,513
Repairs and maintenance	52,978	55,517	72,287	70,411	71,117	66,310	65,870	66,066	73,903	71,587
Energy	21,460	20,377	20,452	22,067	24,661	23,445	23,011	22,270	30,894	45,485
Materials and supplies	7,509	6,870	7,230	8,401	5,362	5,198	5,702	8,228	9,338	29,342
Engineering and other professional services	28,174	27,903	37,489	36,324	41,540	33,494	35,759	35,533	52,142	6,569
Other operating expenses	29,393	27,948	26,187	30,040	28,205	29,959	33,317	31,807	28,572	38,089
Total operating and maintenance expenses before depreciation and amortization (3)	270,323	270,815	305,118	317,507	325,392	325,370	331,550	317,830	351,965	354,585
NET OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION (4)	\$ 127,789	\$ 176,055	\$ 164,738	\$ 137,844	\$ 140,367	\$ 125,676	\$ 150,407	\$ 124,739	\$ 180,912	\$ 191,331
NET REVENUES FOR CALCULATING COVERAGE LESS FUND DEPOSIT REQUIREMENTS	\$ 80,348	\$ 195,055	\$ 144,127	\$ 167,433	\$ 171,359	\$ 147,895	\$ 167,952	\$ 179,862	\$ 292,193	\$ 352,753
AGGREGATE DEBT SERVICE LESS DISBURSEMENTS FROM CAPITALIZED INTEREST ACCOUNTS (5)	\$ 42,198	\$ 125,456	\$ 131,025	\$ 152,212	\$ 155,781	\$ 115,154	\$ 101,791	\$ 116,932	\$ 92,773	\$ 56,563
DEBT SERVICE COVERAGE RATIO (6)	1.90	1.55	1.10	1.10	1.10	1.28	1.65	1.54	3.15	6.24

(1) Average annual compound growth rate for 1996-2005 for Total operating revenues is 3.6 percent.

(2) Salaries and wages includes charges for pension, health care and other employee benefits.

(3) Average annual compound growth rate for 1996-2005 for Total operating and maintenance expenses before depreciation and amortization is 3.1 percent.

(4) Amount for 2005 may be reconciled to operating income of \$49,335 reported in the 2006 Statements of Revenues, Expenses and Changes in Net Assets by deducting depreciation and amortization of \$141,996. Amount for prior years may be reconciled through similar calculations.

(5) Represents debt service on first and second lien bonds.

(6) Represents debt service coverage ratio on first and second lien bonds.

Source: Chicago O'Hare International Airport Audited Financial Statements and City of Chicago Comptroller's Office.

**CITY OF CHICAGO, ILLINOIS  
CHICAGO O'HARE INTERNATIONAL AIRPORT**

**DEBT SERVICE SCHEDULE (UNAUDITED)  
(\$ In Thousands)**

The following table sets forth aggregate annual debt service for outstanding General Airport Revenue Bonds.

<b>Year Ending December 31</b>	<b>Total Debt Service on First Lien Bonds</b>	<b>Total Debt Service on Second Lien Bonds (1)</b>	<b>Total Debt Service on Third Lien Bonds</b>	<b>Total Debt Service</b>
2007	\$ 4,553	\$ 48,702	\$ 242,445	\$ 295,700
2008	3,640	99,993	242,400	346,033
2009	3,640	103,586	237,923	345,149
2010	3,640	107,326	177,154	288,120
2011	3,640	118,781	220,533	342,954
2012	48,821	73,907	174,902	297,630
2013	9,235	74,127	190,388	273,750
2014	917	74,331	235,373	310,621
2015	917	74,723	242,351	317,991
2016	18,798	71,119	222,498	312,415
2017		57,244	255,918	313,162
2018		58,429	254,151	312,580
2019			272,779	272,779
2020			275,883	275,883
2021			271,562	271,562
2022			271,608	271,608
2023			270,145	270,145
2024			269,586	269,586
2025			269,402	269,402
2026			265,252	265,252
2027			261,191	261,191
2028			260,908	260,908
2029			260,763	260,763
2030			260,596	260,596
2031			260,323	260,323
2032			260,066	260,066
2033			252,067	252,067
2034			219,365	219,365
2035			167,363	167,363
2036			6,148	6,148
2037			6,142	6,142
	<u>\$97,801</u>	<u>\$962,268</u>	<u>\$7,077,185</u>	<u>\$8,137,254</u>

(1) Assumes an interest rate effective at December 31, 2006 on \$732,845 of Second Lien Bonds and \$3,620,670 of Third Lien Bonds that are variable-rate demand obligations.

Note: The annual debt service tables in the Official Statements for the above debt were presented with a year ended January 1. The information above is presented with a year ended December 31. The change has been made to facilitate reconciliation to revenue bonds payable at December 31, 2006.

Source: City of Chicago Comptroller's Office.

**CITY OF CHICAGO, ILLINOIS  
CHICAGO O'HARE INTERNATIONAL AIRPORT**

**CAPITAL IMPROVEMENT PLAN (CIP), 2007-2011  
(\$ In Thousands)**

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ESTIMATED USES:

Five-Year Capital Improvement Program:

Airfield improvements	\$ 534,800
Terminal improvements	684,200
Noise mitigation	76,400
Parking/roadway projects	745,800
Heating and refrigeration	139,600
Safety and security	79,000
Planning and other costs	3,400
Implementation	<u>114,600</u>

TOTAL ESTIMATED USES \$2,377,800

ESTIMATED SOURCES:

Existing PFC revenue bond proceeds	\$ 47,700
PFC revenues (pay-as-you-go)	114,000
Future PFC revenue bond proceeds	119,200
Federal AIP entitlements grants	
Federal AIP discretionary grants	1,865
TSA funds	44,635
Prior airport revenue bond proceeds	27,700
Future airport obligation proceeds	1,986,000
Other airport funds	<u>36,700</u>

TOTAL ESTIMATED SOURCES \$2,377,800

Source: City of Chicago Department of Aviation.

**CITY OF CHICAGO, ILLINOIS  
CHICAGO O'HARE INTERNATIONAL AIRPORT**

**OPERATIONS OF THE AIRPORT  
TEN YEARS ENDED DECEMBER 31, 2006 (UNAUDITED)**

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**AIRPORT ACTIVITY**

According to statistics compiled by Airports Council International, the Airport was the second busiest airport in the world as measured by total aircraft operations, the second busiest airport as measured by total passengers and the 15<sup>th</sup> busiest airport in the world in terms of total cargo tonnage handled. According to the Official Airline guide, as of December 31, 2006, nonstop service was provided from the Airport to 210 destinations, 141 domestic airports and 69 foreign airports.

<b>Chicago O'Hare International Airport Historical Connecting Passengers</b>				
<b>Year</b>	<b>Total Enplanements</b>	<b>Total Originating Enplanements (1)</b>	<b>Total Connecting Enplanements</b>	<b>Connecting Enplanements Percentage</b>
1997	\$ 34,778,738	\$ 16,356,145	\$ 18,422,593	53.0
1998	35,789,961	16,764,341	19,025,620	53.2
1999	35,947,716	16,849,260	19,098,456	53.1
2000	35,700,949	17,215,087	18,485,862	51.8
2001	33,329,966	15,750,781	17,579,185	52.7
2002	32,938,702	15,279,859	17,658,843	53.6
2003	34,454,921	15,331,493	19,123,428	55.5
2004	37,464,632	16,799,401	20,665,231	55.2
2005	37,970,886	17,548,038	20,422,848	53.8
2006	37,784,336	18,058,904	19,725,432	52.2
<b>Average Annual Compound Growth Rates</b>				
1997-2006	0.9 %	1.1 %	0.8 %	

(1) Originating enplanements, resulting connecting enplanements and percentages have been recalculated for the entire period to account for point-to-point foreign flag activity not included in the U.S. DOT passenger survey.

Source: City of Chicago Department of Aviation.

**CITY OF CHICAGO, ILLINOIS  
CHICAGO O'HARE INTERNATIONAL AIRPORT**

**ENPLANED COMMERCIAL PASSENGERS BY AIRLINE  
TEN YEARS ENDED DECEMBER 31, 2006 (UNAUDITED)**

Airline (1)	1997		1998		1999		2000		2001		2002		2003		2004		2005		2006	
	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total
United Airlines	15,403,416	44.3 %	15,792,852	44.1 %	16,257,105	45.2 %	15,284,974	42.8 %	14,057,978	42.2 %	13,935,560	42.3 %	13,780,164	40.0 %	14,222,780	38.0 %	13,035,044	34.3 %	12,905,929	34.2 %
American Airlines	11,002,358	31.6	11,165,048	31.2	10,568,809	29.4	10,881,991	30.5	9,696,773	29.1	9,436,168	28.7	9,552,465	27.7	10,641,646	28.4	10,880,167	28.7	10,283,798	27.2
Simmons Airlines (dba American Eagle)	1,486,013	4.3	1,675,520	4.7	1,621,501	4.5	1,626,148	4.6	1,666,814	5.0	1,841,764	5.6	2,319,637	6.7	2,993,453	8.0	3,249,766	8.5	3,524,127	9.3
Air Wisconsin (dba United Express)	513,614	1.5	548,638	1.5	527,779	1.5	794,489	2.2	987,094	2.9	854,881	2.6	1,561,285	4.5	2,172,712	5.8	1,906,211	5.0	21,100	0.1
Sky West (dba United Express)																	1,385,206	3.6	2,333,968	6.2
Delta Airlines	1,080,494	3.1	1,125,365	3.2	1,090,189	3.0	1,040,698	2.9	874,228	2.6	658,086	2.0	616,039	1.8	607,226	1.6	603,677	1.6	518,373	1.4
US Airways	614,692	1.8	603,719	1.7	529,712	1.5	565,734	1.6	511,215	1.5	532,549	1.6	465,034	1.3	489,918	1.3	580,460	1.5	474,309	1.3
Northwest Airlines	792,314	2.3	686,487	1.9	692,348	1.9	700,337	2.0	603,497	1.8	527,303	1.6	547,737	1.6	505,278	1.3	576,618	1.5	626,705	1.7
Mesa (dba United Express)																	517,511	1.4	1,032,938	2.7
Chautauqua (dba United Express)																	489,195	1.5	188,805	0.5
Continental Airlines	580,909	1.7	615,011	1.7	599,488	1.7	600,994	1.7	525,146	1.6	461,407	1.4	437,571	1.3	423,693	1.1	461,804	1.2	486,762	1.3
America West													342,750	1.0	367,469	1.0	426,571	1.1	442,308	1.2
Shuttle America (dba United Express)																	282,928	0.7	777,019	2.1
Trans State Air (dba United Express)																	259,510	0.7	384,147	1.0
Go Jet (UA Express)																			432,179	1.1
Air Canada	220,334	.6	268,806	.8	327,778	.9	333,599	.9	352,240	1.1	344,910	1.0	270,105	0.8	268,824	0.7	204,485	0.5	161,023	0.4
Independence Air															48,804	0.1	86,154	0.2	1,559	
Trans World Airlines	420,005	1.2	397,602	1.1	441,312	1.2	400,520	1.1	304,432	.9										
Atlantic Coast													1,829,053	5.3	770,768	2.1		0.0		
All Other (2)	<u>2,662,529</u>	<u>7.6</u>	<u>2,909,846</u>	<u>8.1</u>	<u>3,291,511</u>	<u>9.2</u>	<u>3,471,242</u>	<u>9.7</u>	<u>3,750,549</u>	<u>11.3</u>	<u>4,346,074</u>	<u>13.2</u>	<u>2,733,081</u>	<u>8.0</u>	<u>3,952,061</u>	<u>10.5</u>	<u>3,025,579</u>	<u>8.0</u>	3,189,287	<u>8.4</u>
Total	<u>34,776,678</u>	<u>100.0 %</u>	<u>35,788,894</u>	<u>100.0 %</u>	<u>35,947,532</u>	<u>100.0 %</u>	<u>35,700,726</u>	<u>100.0 %</u>	<u>33,329,966</u>	<u>100.0 %</u>	<u>32,938,702</u>	<u>100.0 %</u>	<u>34,454,921</u>	<u>100.0 %</u>	<u>37,464,632</u>	<u>100.0 %</u>	<u>37,970,886</u>	<u>100.0 %</u>	<u>37,784,336</u>	<u>100.0 %</u>

(1) Each airline listed is a signatory to a 1983 Airport Use Agreement.

(2) Included in All Other are the signatories to the 1990 International Terminal Use Agreement not already listed on this table (Aer Lingus, Aeromexico, Air France, Air India, Air Jamaica, Alitalia, All Nippon Airways, American Trans Air, Aviacsa, British Airways, British Midland, El Al, Iberia, Japan Airlines, KLM, Korean Air, Kuwait, Lot Polish, Lufthansa, Mexicana, Royal Jordanian, Scandinavian, Singapore, Spirit Airlines, Swiss Air International, Transmeridian, Turkish, and USA3000) and all other U.S. and foreign flag airlines operating at the Airport.

**CITY OF CHICAGO, ILLINOIS  
CHICAGO O'HARE INTERNATIONAL AIRPORT**

**HISTORICAL PASSENGER TRAFFIC  
TEN YEARS ENDED DECEMBER 31, 2006 (UNAUDITED)**

<b>Year</b>	<b>Total Domestic Passengers</b>	<b>Percent of Total Passengers</b>	<b>Total International Passengers</b>	<b>Percent of Total Passengers</b>	<b>Total Passengers</b>	<b>Annual Percent Change</b>
1997	62,442,401	88.7	7,942,672	11.3	70,385,073	1.8
1998	63,583,029	87.7	8,902,199	12.3	72,485,228	3.0
1999	62,878,889	86.6	9,730,302	13.4	72,609,191	0.2
2000	61,682,172	85.5	10,463,317	14.5	72,145,489	(0.6)
2001	57,913,099	85.9	9,534,965	14.1	67,448,064	(6.5)
2002	57,626,957	86.6	8,938,995	13.4	66,565,952	(1.3)
2003	60,197,706	86.6	9,310,966	13.4	69,508,672	4.4
2004	64,685,299	85.6	10,849,393	14.4	75,534,692	8.7
2005	64,772,036	85.1	11,382,369	14.9	76,154,405	0.8
2006	64,573,153	84.6	11,726,137	15.4	76,299,290	0.2

**Average Annual Compound Growth Rates**

1997-2006	0.4 %	4.4 %	0.9 %
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Source: City of Chicago Department of Aviation.

**CITY OF CHICAGO, ILLINOIS  
CHICAGO O'HARE INTERNATIONAL AIRPORT**

**HISTORICAL TOTAL ORIGIN AND DESTINATION (O&D) ENPLANEMENTS  
CHICAGO REGION AIRPORTS  
TEN YEARS ENDED DECEMBER 31, 2006 (UNAUDITED)**

Year	Chicago O'Hare International Airport		Chicago Midway International Airport		Total O&D Enplanements
	Total O&D Enplanements	Percent of Total Chicago	Total O&D Enplanements	Percent of Total Chicago	
1997	16,356,145	80.3	4,017,275	19.7	20,373,420
1998	16,764,341	78.9	4,493,259	21.1	21,257,600
1999	16,849,260	75.9	5,353,193	24.1	22,202,453
2000	17,215,087	74.6	5,865,172	25.4	23,080,259
2001	15,750,751	74.1	5,503,697	25.9	21,254,448
2002	15,279,859	72.8	5,700,605	27.2	20,980,464
2003	15,331,493	71.1	6,243,039	28.9	21,574,532
2004	16,799,401	71.7	6,634,138	28.3	23,433,539
2005	17,548,038	73.2	6,431,517	26.8	23,979,555
2006	18,058,904	72.9	6,708,494	27.1	24,767,398

**Average Annual Compound Growth Rates**

1997-2006	1.1 %	5.9 %	2.2 %
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(1) Originating enplanements, resulting connecting enplanements and percentages have been recalculated for the entire period to account for point-to-point foreign flag activity not included in the U.S. DOT passenger survey.

Source: City of Chicago Department of Aviation.

**CITY OF CHICAGO, ILLINOIS  
CHICAGO O'HARE INTERNATIONAL AIRPORT**

**ENPLANEMENT SUMMARY  
TEN YEARS ENDED DECEMBER 31, 2006 (UNAUDITED)**

Year	Total O'Hare Enplanements						Total (2) Enplanements
	Domestic Air Carrier	Domestic Commuter	Total Domestic (1)	Percent of Total O'Hare	Total International Enplanements	Percent of Total O'Hare	
1997	30,691,859	197,335	30,889,194	88.8	3,889,544	11.2	34,778,738
1998	31,230,603	222,850	31,453,453	87.9	4,336,508	12.1	35,789,961
1999	30,998,049	192,666	31,190,715	86.8	4,757,001	13.2	35,947,716
2000	30,450,074	201,678	30,651,752	85.9	5,049,197	14.1	35,700,949
2001	28,627,443	85,251	28,712,694	86.1	4,617,272	13.9	33,329,966
2002	28,555,307	24,816	28,580,123	86.8	4,358,579	13.2	32,938,702
2003	29,909,585	1,173	29,910,758	86.8	4,544,163	13.2	34,454,921
2004	32,192,142		32,192,142	85.9	5,272,490	14.1	37,464,632
2005	32,426,920		32,426,920	85.4	5,543,966	14.6	37,970,886
2006	32,136,521		32,136,521	85.1	5,647,815	14.9	37,784,336

Average Annual Compound Growth Rates							
1997- 2006	0.5 %	(100.0)%	0.4 %		4.2 %		0.9 %

- (1) Total Domestic Enplanements equals Total Domestic Air Carrier Enplanements plus Total Domestic Commuter Enplanements.
- (2) Total Enplanements equals Total Domestic Air Carrier Enplanements plus Total Domestic Commuter Enplanements plus Total International Enplanements.

Source: City of Chicago Department of Aviation.



**CITY OF CHICAGO, ILLINOIS  
CHICAGO O'HARE INTERNATIONAL AIRPORT**

**AIRCRAFT OPERATIONS  
TEN YEARS ENDED DECEMBER 31, 2006 (UNAUDITED)**

<b>Annual Aircraft Operations</b>								
<b>Year</b>	<b>Domestic Air Carrier</b>	<b>International Air Carrier</b>	<b>Total Air Carrier</b>	<b>Commuter</b>	<b>All-Cargo</b>	<b>General Aviation</b>	<b>Military</b>	<b>Total</b>
1997	717,554	66,558	784,112	29,826	20,630	47,023	2,170	883,761
1998	721,675	72,736	794,411	32,212	23,999	43,222	2,266	896,110
1999	725,517	78,187	803,704	28,174	23,984	39,596	770	896,228
2000	734,682	85,164	819,846	28,952	24,626	35,565		908,989
2001	757,133	81,885	839,018	14,940	21,105	36,854		911,917
2002	794,878	70,103	864,981	6,736	20,790	30,216	94	922,817
2003	802,234	76,455	878,689	498	21,257	28,247		928,691
2004	859,696	82,394	942,090		21,588	28,749		992,427
2005	835,414	84,778	920,192		21,979	30,077		972,248
2006	821,586	83,986	905,572		21,165	31,906		958,643

<b>Average Annual Compound Growth Rates</b>								
1997-2006	1.5 %	2.6 %	1.6 %	(100.0)%	0.3 %	(4.2)%	(100.0)%	0.9 %

Source: City of Chicago Department of Aviation.

**CITY OF CHICAGO, ILLINOIS  
CHICAGO O'HARE INTERNATIONAL AIRPORT**

**NET AIRLINE REQUIREMENT AND COST PER ENPLANED PASSENGER  
YEAR ENDED DECEMBER 31, 2006 (UNAUDITED)  
(\$ In Thousands)**

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Calculation of Cost per Enplaned Passenger

Operating and maintenance expenses (1)	\$347,808
Net debt service (1) (2)	191,236
Debt service coverage requirement (3)	2,733
Fund deposits (4)	<u>2,652</u>
 Total Airport expenses (1)	 544,429
Less:	
Non-airline revenue (1)	(210,574)
PFC revenue applied to eligible debt service	<u>(5,434)</u>
 Net Airline Requirement (5)	 <u>\$328,421</u>
 Enplaned Passengers	 37,784
 Cost per Enplaned Passenger	 \$8.69

- (1) This analysis excludes the Land Support Cost Revenue Center, Airport Development Fund, Emergency Reserve Fund and PFC Fund.
- (2) Includes First, Second and Third Lien General Airport Revenue Bonds.
- (3) Incremental amounts required which provide 10 percent coverage on aggregate First, Second and Third Lien debt service.
- (4) Deposits to the Operations and Maintenance Reserve, Maintenance Reserve, Emergency Reserve and Special Capital Project Funds.
- (5) Revenue required to be collected from all Airline Parties under the 1983 Airport Use Agreements and the 1990 International Terminal Use Agreements.

Source: City of Chicago Comptroller's Office and Department of Aviation.

**CITY OF CHICAGO, ILLINOIS  
CHICAGO O'HARE INTERNATIONAL AIRPORT**

**HISTORICAL PFC REVENUES  
TEN YEARS ENDED DECEMBER 31, 2006 (UNAUDITED)  
(\$ In Thousands)**

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<b>Year</b>	<b>Total Enplanements</b>	<b>PFC Enplanements (1)</b>	<b>PFC Revenues (Net of Airline Collection Fees) (2) (3)</b>	<b>PFC Interest Income</b>	<b>Total PFC Revenues</b>
1997	34,778,738	29,031,630	\$ 84,772	\$ 6,447	\$ 91,219
1998	35,789,961	30,165,995	88,085	7,431	95,516
1999	35,947,716	30,086,119	87,851	3,898	91,749
2000	35,700,949	30,814,619	89,979	4,654	94,633
2001	33,329,966	28,184,459	107,007	664	107,671
2002	32,938,702	29,556,221	130,638	2,139	132,777
2003	34,454,921	28,993,623	128,152	1,667	129,819
2004	37,464,632	30,810,007	136,180	2,548	138,728
2005	37,970,886	32,546,469	143,855	5,662	149,517
2006	37,784,336	33,765,769	148,232	10,052	158,284

- (1) Historical collection information reflects an actual percentage of eligible PFC enplanements of 89.4 percent in 2006. PFC enplanements for 2001 were estimated since the PFC fee was changed from \$3.00 to \$4.50 on April 1, 2001.
- (2) This amount is net of the airline collection fee of \$.11 per enplaning passenger since May 1, 2004.
- (3) Actual amounts above for 1997-2006 are recorded on a cash basis but are reported in the Airport's audited financial statements on an accrual basis. For 1997-2005, a separate cash basis PFC audit was performed as required by the PFC Regulations. The cash basis PFC audit for 2006 has not yet been completed.
- (4) Collections commenced September 1, 1993.

Source: City of Chicago Comptroller's Office and Department of Aviation.

**CITY OF CHICAGO, ILLINOIS  
CHICAGO O'HARE INTERNATIONAL AIRPORT**

**PASSENGER FACILITY CHARGE (PFC) DEBT SERVICE COVERAGE  
TEN YEARS ENDED (2) DECEMBER 31, 2006 (UNAUDITED)  
(\$ In Thousands)**

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<b>Bond Year Ended</b>	<b>PFC Revenues (3)</b>	<b>PFC Bonds Debt Service</b>	<b>Coverage by PFC Revenues (1)</b>
1/1/1998	\$ 91,220	\$ 13,977	6.53
1/1/1999	95,516	13,977	6.83
1/1/2000	91,750	24,092	3.81
1/1/2001	94,633	24,096	3.93
1/1/2002	107,670	41,227	2.61
1/1/2003	132,777	63,685	2.08
1/1/2004	129,819	73,498	1.77
1/1/2005	138,728	73,512	1.89
1/1/2006	149,518	73,502	2.03
1/1/2007	158,284	73,502	2.15

- (1) Ratio represents the amount of PFC revenues to debt service on the Series 1996 PFC and Series 2001 PFC Bonds.
- (2) The City intends to provide ten-year information as it becomes available.
- (3) Actual amounts above for 1998–2007 are recorded on a cash basis and includes interest earnings.