City of Chicago, Illinois
Chicago Midway International Airport

Basic Financial Statements as of and for the Years Ended December 31, 2011 and 2010, Required Supplementary Information, Additional Information, Statistical Information, and Independent Auditors’ Report

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

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INDEPENDENT AUDITORS' REPORT

The Honorable Rahm Emanuel, Mayor,
and Members of the City Council
City of Chicago, Illinois

We have audited the accompanying basic financial statements of Chicago Midway International Airport (Midway), an enterprise fund of the City of Chicago, Illinois (City), as of December 31, 2011 and 2010, and for the years then ended, as 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 basic 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 Midway. 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 Midway International Airport, an enterprise fund of the City of Chicago and do not purport to, and do not present the financial position of the City of Chicago Illinois as of December 31, 2011 and 2010, changes in its financial position, or where applicable, its cash flows, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements, referred to previously, present fairly, in all material respects, the financial position of Chicago Midway International Airport as of December 31, 2011 and 2010, 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.

As discussed in Note 1 to the basic financial statements, effective January 1, 2010, the City adopted Government Accounting Standards Board Statement No. 53 (GASB), *Accounting and Financial Reporting for Derivative Instruments*.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the foregoing table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The statistical information as listed in the table of contents is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Deloitte + Touche LLP

June 29, 2012

MANAGEMENT’S DISCUSSION AND ANALYSIS
($ IN THOUSANDS)

This following discussion and analysis of the Chicago Midway International Airport’s (Airport) performance provides an introduction and overview of the Airport’s financial activities for the years ended December 31, 2011 and 2010. Please read this discussion in conjunction with the Airport’s basic financial statements and the notes to basic financial statements following this section.

FINANCIAL HIGHLIGHTS

2011

- Operating revenues for 2011 increased by $9,547 compared to prior-year operating revenues.
- Operating expenses before depreciation and amortization increased by $1,753 compared to 2010, primarily due to an increase in repairs and maintenance offset by other operating expenses.
- The Airport’s total net assets at December 31, 2011 were $174,448. This is an increase of $3,522 compared to total net assets at December 31, 2010.
- Capital asset additions for 2011 were $43,346, principally due to land acquisition, terminal improvements, security enhancements and runway improvements.

2010

- Operating revenues for 2010 increased by $26,755 compared to prior-year operating revenues.
- Operating expenses before depreciation and amortization increased by $8,695 compared to 2009, primarily due to reimbursement in 2009 for professional fees related to the study of the privatization of the Airport.
- The Airport’s total net assets at December 31, 2010 were $170,926. This is a decrease of $34,088 compared to total net assets at December 31, 2009.
- Capital asset additions for 2010 were $27,963, principally due to land acquisition, terminal improvements, security enhancements and runway improvements.

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 is included in the City of Chicago's (City) reporting entity as an Enterprise Fund. The Airport's basic financial statements are composed of the basic financial statements and the notes to basic 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 of the 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, deferred outflows 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 the 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 are 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 Supplementary and Statistical Information. The Additional Supplementary Information section presents 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 and terminal area use charges and fueling system charges are assessed to the various airlines throughout each year based on estimated rates. Such rates are designed to yield collections from airlines adequate to cover certain operating expenses and required debt service and fund deposits as determined under provisions of the Airport Use Agreement and Facilities Lease (Use Agreement). 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. The termination date of the Airport Use Agreement and Facilities Lease is December 31, 2012. It is anticipated that a new Airport Use Agreement and Facilities Lease will be in place by December 31, 2012.

At December 31, 2011, the Airport's financial position continued to be strong with total assets and deferred outflows of $1,792,224, total liabilities of $1,617,776, and net assets of $174,448. A comparative condensed summary of the Airport's net assets at December 31, 2011, 2010, and 2009 is as follows:

	Net Assets		
	2011	2010	2009
Current unrestricted assets	$ 78,661	$ 78,180	$ 66,101
Restricted and other assets	519,392	533,364	347,045
Capital assets — net	1,152,524	1,151,315	1,168,196
Deferred outflows	35,000	14,896	12,964
Derivatives Instrument	6,647		
Total assets and deferred outflows	$ 1,792,224	$ 1,777,755	$ 1,594,306
Current liabilities	$ 41,436	$ 58,140	$ 60,310
Liabilities payable from restricted assets and noncurrent liabilities	1,576,340	1,548,689	1,328,982
Total liabilities	$ 1,617,776	$ 1,606,829	$ 1,389,292
Net assets:			
Invested in capital assets, net of related debt (deficit)	$ (70,876)	$ (39,755)	$ (1,936)
Restricted	208,100	190,641	201,158
Unrestricted	37,224	20,040	5,792
Total net assets	$ 174,448	$ 170,926	$ 205,014

2011

Current unrestricted assets increased by $481 (0.6%) primarily due to an increase in cash and cash equivalents. The Airport's current ratio (current unrestricted assets/current unrestricted liabilities) at December 31, 2011 and 2010 was 1.90:1 and 1.34:1, respectively. Restricted and other assets decreased by $13,972 (2.6%) mainly due to an increase in payment of construction costs and use of capitalized interest and Passenger Facility Charges (PFC) for payments on debt service. Net capital assets increased by $1,209 (0.1%) due principally to increased construction in progress.

The decrease in current liabilities of $16,704 (28.7%) is mainly related to the decrease in accounts payable and accrued liabilities and a decrease in deferred revenue of $4,202 and $13,965 respectively. The decrease in deferred revenue represents primarily the net adjustment for current year activity and current year distributions of deferred revenue related to prior years to the airlines. Liabilities payable from restricted assets and noncurrent liabilities increased by $27,651 (1.8%) in 2011 mainly due to an increase in accounts payable of $22,019 partially offset by a decrease in revenue bonds payable from restricted funds for $7,629 and notes payable of $4,005 and an increase in the fair value of derivative instrument of $14,923.

Net assets may serve, over a period of time, as a useful indicator of the Airport's financial position. At December 31, 2011, total net assets were $174,448, an increase of $3,522 (2.1%) from 2010. Due to the residual Airport Use Agreement, this increase is mainly due to timing differences between depreciation on property and facilities and cash requirements required for debt service.

2010

Current unrestricted assets increased by $12,079 (18.3%) primarily due to an increase in cash and cash equivalents. The Airport’s current ratio (current unrestricted assets/current unrestricted liabilities) at December 31, 2010 and 2009 was 1.34:1 and 1.10:1, respectively. Restricted and other assets increased by $186,319 (53.7%) mainly due to an increase in deferred noise mitigation costs. Net capital assets decreased by $16,881 (1.4%) due principally to depreciation.

The decrease in current unrestricted liabilities of $2,170 (3.6%) is mainly related to the decrease in advances for terminal and hangar rent and an increase in deferred revenue of $2,190 and $1,475 respectively. The decrease for terminal and hangar rent is due to timing at year-end for receipts related to 2011 and 2010. The increase in deferred revenue represents primarily the net adjustment for current year activity. Liabilities payable from restricted assets and noncurrent liabilities increased by $219,707 (16.5%) in 2010 mainly due to an increase in revenue bond payable of $273,103 partially offset by a decrease in accounts payable for restricted funds for $10,086 and notes payable of $57,355 and an increase in the fair value of derivative instrument of $4,469.

Net assets may serve, over a period of time, as a useful indicator of the Airport’s financial position. At December 31, 2010, total net assets were $170,926, a decrease of $36,732 (17.7%) from 2009. Due to the residual Airport Use Agreement, this decrease is mainly due to timing differences between depreciation on property and facilities and cash requirements required for debt service.

The primary sources of Airport operating revenues are landing fees, terminal area use charges, rents and concession revenues as defined within the 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, 2011, 2010, and 2009 is as follows:

	Changes in Net Assets		
	2011	2010	2009
Operating revenues:			
Landing fees and terminal area uses charges	$ 79,445	$ 78,194	$ 52,640
Rents, concessions and other	77,926	70,862	69,661
Total operating revenues	157,371	149,056	122,301
Operating expenses:			
Salaries and wages	43,554	42,105	39,521
Repairs and maintenance	40,732	31,942	37,967
Professional and engineering	15,650	15,832	6,727
Other operating expenses	10,153	18,457	15,426
Depreciation and amortization	51,067	52,767	47,667
Total operating expenses	161,156	161,103	147,308
Operating loss	(3,785)	(12,047)	(25,007)
Nonoperating revenues	61,262	38,860	45,341
Nonoperating expenses	(57,016)	(63,362)	(59,305)
Capital grants	3,061	2,461	
Change in net assets	$ 3,522	$ (34,088)	$ (38,971)

2011

Landing fees and terminal area use charges for the years 2011 and 2010 were $79,445 and $78,194, respectively. Rents, concessions and other revenues were $77,926 and $70,862 for 2011 and 2010, respectively. The increase in 2011 operating revenues of $8,315 (5.6%) from 2010 was mainly due to increased landing fees and other rentals and fueling fees of $3,284 and $3,490, respectively. Such changes were due to the residual Airport Use Agreement and Facilities Leases that require 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. Concessions increased $3,574 due primarily to an increase in auto parking of $1,263.

Salaries and wages increased by $1,449 (3.4%) in 2011 compared to 2010. Also, repairs and maintenance expenses increased by $8,790 (27.5%) in 2011 compared to 2010. This increase was due to a lower than usual amount in 2010 that resulted from a contract capitalization. Professional and engineering expenses decreased $182 (1.2%) compared to 2010. Other operating expenses decreased $7,891 (77.3%) in 2011 compared to 2010 due to a decrease in the provision for doubtful accounts.

The 2011 nonoperating revenues of $61,262 are comprised of PFC revenue of $36,850, customer facility charges (CFC) revenue of $6,175, interest income of $17,460 and other nonoperating revenues of $777.

Nonoperating expenses of $57,016 and $63,362 for the years 2011 and 2010, respectively, were comprised of bond interest expense.

Capital grants increased $600 in 2011, mainly as a result of when associated expenditures became eligible for grant reimbursement from the federal government.

2010

Landing fees and terminal area use charges for the years 2010 and 2009 were $78,194 and $52,640, respectively. Rents, concessions and other revenues were $70,862 and $69,661 for 2010 and 2009, respectively. The increase in 2010 operating revenues of $26,755 (21.9%) from 2009 was mainly due to increased landing fees and terminal area use charges of $13,359 and $12,195, respectively. Such changes were due to the residual Airport Use Agreement and Facilities Leases that require 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 increased by $2,584 (6.5%) in 2010 compared to 2009. Professional and engineering expenses increased by $9,105 (135.4%) mainly due to a reimbursement of costs in 2009 from a deposit forfeiture of $7,578. Depreciation and amortization expense increased $5,100 (10.7%) as a result of the increased capital assets due to the activities of the ongoing Capital Improvement Program.

The 2010 nonoperating revenues of $38,860 are comprised of PFC revenue $34,909, CFC revenue of $5,856, interest income of $1,539 offset by a loss of fair market adjustment of $4,221 and other nonoperating revenues of $777. During 2010, nonoperating revenues decreased 14.3% due to one time other nonoperating revenues recognized in 2009.

Nonoperating expenses of $63,362 and $59,305 for the years 2010 and 2009, respectively, were comprised of bond interest expense.

Capital grants increased $2,461 in 2010, mainly as a result of when associated expenditures became eligible for grant reimbursement from the federal government.

A comparative summary of the Airport's cash flows for the years ended December 31, 2011, 2010, and 2009 is as follows:

	Cash Flows		
	2011	2010	2009
Cash from activities:			
Operating	$ 25,607	$ 42,484	$ 43,665
Capital and related financing	(61,510)	161,297	(51,857)
Investing	(72,239)	(96,425)	(90,733)
Net change in cash and cash equivalents	(108,142)	107,356	(98,925)
Cash and cash equivalents:			
Beginning of year	249,788	142,432	241,357
End of year	$ 141,646	$ 249,788	$ 142,432

2011

As of December 31, 2011, the Airport's available cash and cash equivalents of $141,646 decreased by $108,142 compared to $249,788 at December 31, 2010 due to operating activities of $25,607, offset by capital and related financing activities of $61,510 and investing activities of $72,239. Total cash and cash equivalents at December 31, 2011 were comprised of unrestricted and restricted cash and cash equivalents of $35,366 and $106,280, respectively.

2010

As of December 31, 2010, the Airport's available cash and cash equivalents of $249,788 increased by $107,356 compared to $142,432 at December 31, 2009 due to operating activities of $42,484, capital and related financing activities of $161,297, offset by investing activities of $96,425. Total cash and cash equivalents at December 31, 2010, were comprised of unrestricted and restricted cash and cash equivalents of $21,552 and $228,236, respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2011 and 2010, the Airport had $1,152,524 and $1,151,315, respectively, invested in net capital assets. During 2011, the Airport had additions of $43,346 related to capital activities. This included $2,159 for land acquisition and the balance of $41,187 for construction projects relating to terminal improvements, parking and runway improvements.

During 2011, completed projects totaling $9,243 were transferred from construction in progress to applicable buildings and other facilities capital account. These major completed projects were related to terminal improvements, along with runway improvements.

The Airport's capital assets at December 31, 2011, 2010, and 2009 are summarized as follows:

	Capital Assets at Year-end		
	2011	**2010**	**2009**
Capital assets not depreciated:			
Land	$ 109,446	$ 107,287	$ 106,918
Construction in progress	52,173	20,229	36,042
Total capital assets not depreciated	161,619	127,516	142,960
Capital assets depreciated:			
Buildings and other facilities	1,371,443	1,362,200	1,318,793
Less accumulated depreciation for:			
Buildings and other facilities	(380,538)	(338,401)	(293,557)
Total capital assets depreciated — net	990,905	1,023,799	1,025,236
Total property and facilities — net	$ 1,152,524	$ 1,151,315	$ 1,168,196

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

The Airport issued $4,005 of Commercial Paper Notes during 2010 having an interest rate of 0.29% with a maturity date of January 20, 2011. Note proceeds may be used to finance portions of the costs of authorized airport projects and to repay the expenses of issuing the notes.

The Airport's outstanding debt at December 31, 2011, 2010, and 2009 is summarized as follows ($ in thousands):

	Outstanding Debt at Year-end		
	2011	**2010**	**2009**
Revenue bonds and notes payable	$ 1,461,490	$ 1,473,380	$ 1,266,515
Unamortized:			
Bond (discount) premium	(281)	8	(8,812)
Deferred loss on refunding	(6,291)	(6,836)	(6,899)
	1,454,918	1,466,552	1,250,804
Current bonds payable	(22,305)	(7,885)	(54,650)
Total long-term revenue bonds and notes payable – net	$ 1,432,613	$ 1,458,667	$ 1,196,154

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

The Airport's revenue bonds at December 31, 2011 had credit ratings with each of the three major rating agencies as follows:

	Moody's Investor Services	Standard & Poor's	Fitch Ratings
First Lien Chicago Midway Revenue Bonds	A2	A	A
Second Lien Chicago Midway Revenue Bonds	A3	A-	A-

At December 31, 2011 and 2010 the Airport believes it was in compliance with the debt covenants as stated within the Master Trust Indentures.

ECONOMIC FACTORS AND NEXT YEAR RATES AND CHARGES

The airlines using Chicago Midway International Airport generally provide low fare, point-to-point origination and destination passenger service. During 2011 and 2010, Southwest Airlines accounted for 86.7 and 85.4%, respectively, of total enplanements at the Airport.

Based on the Airport's rates and charges for 2012, total budgeted operating and maintenance expenses are projected at $125,512 and total net debt service and fund deposit requirements are projected at $45,976. Additionally, 2012 non-airline and non-signatory revenues are budgeted for $67,279, resulting in a net airline requirement of $104,209 that will be funded through landing fees, terminal area use charges, and fueling system 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 MIDWAY INTERNATIONAL AIRPORT

STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2011 AND 2010
($ in thousands)

ASSETS AND DEFERRED OUTFLOWS	2011	2010
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	$ 35,366	$ 21,552
Investments (Note 2)	26,709	44,917
Accounts receivable — net of allowance for doubtful accounts of approximately $365 in 2011 and $4,275 in 2010	12,211	10,235
Due from other City funds	2,119	1,051
Prepaid expenses	2,175	299
Interest receivable	81	126
Total current assets	78,661	78,180
RESTRICTED ASSETS (Note 3):		
Cash and cash equivalents (Note 2)	106,280	228,236
Investments (Note 2)	286,015	189,161
Due from other governments	2,732	1,857
Due from other City funds		13
Accounts receivable (Note 1)	5,169	2,767
Interest receivable	463	457
Total restricted assets	400,659	422,491
NONCURRENT ASSETS:		
Other assets — deferred noise mitigation program costs and financing fees	118,733	110,873
Property and facilities (Note 5):		
Land	109,446	107,287
Buildings and other facilities	1,371,443	1,362,200
Construction in progress	52,173	20,229
Total property and facilities	1,533,062	1,489,716
Less accumulated depreciation	380,538	338,401
Property and facilities — net	1,152,524	1,151,315
Deferred outflows	35,000	14,896
Derivatives instrument	6,647	
Total non current assets	1,312,904	1,277,084
TOTAL	$1,792,224	$1,777,755

LIABILITIES	2011	2010
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 12,443	$ 16,645
Due to other City funds	7,516	6,373
Advances for terminal and hangar rent	2,534	2,214
Deferred revenue	18,943	32,908
Total current liabilities	41,436	58,140
LIABILITIES PAYABLE FROM RESTRICTED ASSETS (Note 3):		
Current portion of revenue bond payable (Note 4)	22,305	7,885
Interest rate swap premium (Note 4)	13,854	14,631
Accounts payable	35,062	13,043
Due to other City funds	308	374
Interest payable	28,162	24,604
Total liabilities payable from restricted assets	99,691	60,537
NONCURRENT LIABILITIES:		
Revenue bonds payable — net of discount (Note 4)	1,432,613	1,454,662
Capital lease	9,036	9,408
Notes payable — commercial papers		4,005
Derivative instrument	35,000	20,077
Total non current liabilities	1,476,649	1,488,152
Total liabilities	1,617,776	1,606,829
NET ASSETS (Note 1):		
Invested in capital assets — net of related debt	(70,876)	(39,755)
Restricted net assets:		
Debt service	19,976	11,860
Capital projects	12,661	11,438
Passenger facility charges	5,177	5,437
Airport use agreement	23,943	24,744
Noise mitigation program	110,691	102,429
Other assets	35,652	34,733
Total restricted net assets	208,100	190,641
Unrestricted net assets	37,224	20,040
Total net assets	174,448	170,926
TOTAL	$1,792,224	$1,777,755

See notes to basic financial statements.

CITY OF CHICAGO, ILLINOIS
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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
($ in thousands)

	2011	2010
OPERATING REVENUES:		
Landing fees and terminal area use charges (Note 1)	$ 79,445	$ 78,194
Rents, concessions and other (Note 6)	77,926	70,862
Total operating revenues	157,371	149,056
OPERATING EXPENSES (Notes 7 and 8):		
Salaries and wages	43,554	42,105
Repairs and maintenance	40,732	31,942
Professional and engineering services	15,650	15,832
Other operating expenses	10,153	18,457
Total operating expenses before depreciation and amortization	110,089	108,336
Depreciation and amortization	51,067	52,767
Total operating expenses	161,156	161,103
OPERATING LOSS	(3,785)	(12,047)
NONOPERATING REVENUES (EXPENSES):		
Passenger facility charges revenues	36,850	34,909
Customer facility charges revenues	6,175	5,856
Interest (loss) income	17,460	(2,682)
Interest expense (Note 4)	(57,016)	(63,362)
Other nonoperating revenues	777	777
Total nonoperating revenues (expenses)	4,246	(24,502)
GAIN (LOSS) BEFORE CAPITAL GRANTS	461	(36,549)
CAPITAL GRANTS (Note 1)	3,061	2,461
CHANGE IN NET ASSETS	3,522	(34,088)
TOTAL NET ASSETS — Beginning of year	170,926	205,014
TOTAL NET ASSETS — End of year	$ 174,448	$ 170,926

See notes to basic financial statements.

CITY OF CHICAGO, ILLINOIS
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STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
($ in thousands)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Landing fees and terminal area use charges	$ 69,436	$ 80,559
Rents, concessions and other	68,428	69,479
Payments to vendors	(68,185)	(67,484)
Payments to employees	(35,997)	(33,752)
Transactions with other City funds — net	(8,075)	(6,318)
Cash flows provided by operating activities	25,607	42,484
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from issuance of bonds		327,015
Proceeds from issuance of notes		4,005
Payments to refund commercial paper	(4,005)	(61,360)
Acquisition and construction of capital assets	(15,230)	(34,512)
Grant receipts	2,186	604
Bond issuance costs		(2,041)
Principal paid on bonds	(7,885)	(54,729)
Interest paid	(60,037)	(55,472)
Cash paid for noise mitigation program	(18,210)	(3,049)
Principal payments on capital lease obligation	(372)	(344)
Passenger facility charges revenues	34,510	36,744
Customer facility charges revenues	6,113	5,856
Collateral deposit payment	1,420	(1,420)
Cash flows (used in) provided by capital and related financing activities	(61,510)	161,297
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments — net	(81,418)	(97,746)
Investment interest	9,179	1,321
Cash flows used in investing activities	(72,239)	(96,425)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(108,142)	107,356
CASH AND CASH EQUIVALENTS — Beginning of year	249,788	142,432
CASH AND CASH EQUIVALENTS — End of year	$ 141,646	$ 249,788

(Continued)

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STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
($ in thousands)

	2011	2010
RECONCILIATION OF CASH AND CASH EQUIVALENTS REPORTED ON THE STATEMENTS OF NET ASSETS:		
Unrestricted	$ 35,366	$ 21,552
Restricted	106,280	228,236
TOTAL	$ 141,646	$ 249,788
RECONCILIATION OF OPERATING LOSS TO CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$ (3,785)	$ (12,047)
Adjustments to reconcile operating loss to cash flows from operating activities:		
Depreciation and amortization	51,067	52,767
Provision for uncollectible accounts	(3,886)	3,369
Changes in assets and liabilities:		
Decrease in accounts receivable	(136)	(1,673)
Increase in due from other City funds	76	2,513
Decrease in prepaid expenses	(1,876)	(277)
Decrease in due to other City funds	(53)	(1,023)
(Decrease) increase in deferred revenue	(4,218)	1,475
Increase (decrease) in advances for terminal and hangar rent	320	(2,190)
Decrease in accounts payable and accrued liabilities	(11,902)	(430)
CASH FLOWS FROM OPERATING ACTIVITIES	$ 25,607	$ 42,484

SUPPLEMENTAL DISCLOSURE OF NONCASH ITEMS:

Property additions in 2011 and 2010 of $30,204 and $24,271, respectively, are included in accounts payable.

The fair market value adjustments gain (loss) to investments for 2011 and 2010 were $288 and $(2,572), respectively.

See notes to basic financial statements. (Concluded)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization — Chicago Midway 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. The Airport is subject to the provisions of the Airport Use Agreement and Facilities Lease (Use Agreement) which is a residual use agreement that is scheduled to terminate on December 31, 2012. Airport management anticipates that a new Airport Use Agreement and Facilities Lease will be in place by December 31, 2012.

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 Governmental 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 basic 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 and 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 may not have a maturity in excess of 10 years from the date of purchase. Certain other investment balances are held in accordance with the specific provisions of 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 based on 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 (PFCs) 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, PFC 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 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. The amounts reflected in restricted net assets only includes amounts previously expended.

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:

Facilities and structures	40 years
Runways, aprons, tunnels, taxiways, and paved roads	30 years
Other	10–30 years

Net Assets — Net Assets comprise 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, PFC, airport use agreement requirements, noise mitigation program and other assets; 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 for which constraints are placed thereon by external parties (such as lenders and grantors) and 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 income earned on construction bond proceeds are capitalized during construction on those capital projects paid for from the bond proceeds and are being amortized over the depreciable lives 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.

Revenue Recognition — Landing fees and terminal area use charges and fueling system charges are assessed to the various airlines throughout each 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 Airport Use Agreement and Facilities Leases (Use Agreement). 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.

PFC Revenue — Effective January 1, 2007, the Federal Aviation Administration (FAA) approved PFCs of $4.50 per eligible enplaned passenger, less allowable airline administrative costs of $.11 per eligible enplaned passenger. PFCs are available, subject to FAA regulation and approval, to finance specific eligible capital projects. The City reports PFC revenue as nonoperating.

Customer Facility Charge (CFC) Revenue — The Airport imposed a CFC of $3.75 per contract day on each customer for motor vehicle rentals at the Airport for the years ended December 31, 2011 and 2010. CFCs are available to finance specific eligible capital projects. The City reports CFC revenue as nonoperating revenue and related noncapital expenses as nonoperating expenses in conformity with industry practice.

Adopted Accounting Standards — In June 2008, the Government Accounting Standards Board (GASB) issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivatives Instruments*. The Airport implemented GASB Statement No. 53 on January 1, 2010. This statement enhances the usefulness and comparability of derivative instrument information reported by state and local governments by providing a comprehensive framework for the recognition, measurement, and disclosure of derivative instrument transactions. Derivative instruments such as interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and futures contracts are entered into by governments as investments; as hedges of identified financial risks associated with assets or liabilities, or expected transactions (i.e., hedgeable items); to lower the costs of borrowings; to effectively fix cash flows or synthetically fix prices; or to offset the changes in fair value of hedgeable items. A key provision of GASB Statement No. 53 is that certain derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, are reported at fair value by governments in their financial statements. GASB Statement No. 53 requires that the provisions of this statement should be applied retroactively by restating financial statements for all periods presented.

2. RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS AND INVESTMENTS

Investments —U.S. agencies include investments in government-sponsored enterprises such as Federal National Mortgage Association, Federal Home Loan Banks, and Federal Home Loan Mortgage Corp. The Airport as of December 31, 2011, had the following investments ($ in thousands):

	Investment Maturities (in Years)				
Investment Type	**Less Than 1**	**1–5**	**6–10**	**More Than 10**	**Fair Value**
U.S. treasuries	$ -	$ -	$ -	$ -	$ -
U.S. agencies	6,502	288,969	6,219		301,690
Commercial paper	22,583				22,583
Corporate bonds		1,898			1,898
Municipal bonds		9,123			9,123
Certificates of deposits and other short-term	140,724				140,724
Subtotal	$ 169,809	$ 299,990	$ 6,219	$ -	476,018
Share of City’s pooled funds					15
Total					$ 476,033

Investments — U.S. agencies include investments in government-sponsored enterprises such as Federal National Mortgage Association, Federal Home Loan Banks, and Federal Home Loan Mortgage Corp. The Airport as of December 31, 2010, had the following investments ($ in thousands):

	Investment Maturities (in Years)				
Investment Type	**Less Than 1**	**1–5**	**6–10**	**More Than 10**	**Fair Value**
U.S. treasuries	$ -	$ -	$ -	$ -	$ -
U.S. agencies	85,275	180,826	10,567		276,668
Certificates of deposits and other short-term	219,094				219,094
Subtotal	$ 304,369	$ 180,826	$ 10,567	$ -	495,762
Share of City's pooled funds					11
Total					$ 495,773

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 10 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 105% 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 Airport's exposure to credit risk at December 31, 2011 and 2010, is as follows ($ in thousands):

Quality Rating	**2011**	**2010**
Aaa/AAA	$ 6,890	$ 495,762
Aa/A	305,821	
A/A		
P1/A1	22,583	
Not rated	140,724	
Total funds	$ 476,018	$ 495,762

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 City Treasurer's pooled fund is included in the City's Comprehensive Annual Financial Statements.

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 deposits, depository institutions are to maintain collateral pledges on City deposits during the term of the deposit of at least 105% 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 Federal Deposit Insurance Corporation. The bank balance of cash and certificates of deposit with the City's various municipal depositories were $478.9 million and $211.0 million at December 31, 2011 and 2010, respectively. Of the bank balance, $478.9 million and $211.0 million or 100% and 100% at December 31, 2011 and 2010, respectively, were either insured or collateralized.

The investments reported in the basic financial statements at December 31, 2011 and 2010, is summarized as follows ($ in thousands):

	2011	2010
Per Note 2:		
Investments — Airport	$ 476,018	$ 495,762
Investments — City Treasurer Pooled Fund	15	11
	$ 476,033	$ 495,773
Per basic financial statements:		
Restricted investments	$ 286,015	$ 189,161
Unrestricted investments	26,709	44,917
Investments included as cash and cash equivalents on the statements of net assets	163,309	261,695
	$ 476,033	$ 495,773

3. RESTRICTED ASSETS

There are various limitations and restrictions contained in the Master Indenture of Trust securing the Chicago Midway Airport Revenue Bonds (First Lien Master Indenture) and the Master Indenture of Trust securing the Chicago Midway Airport Second Lien Obligation (Second Lien Master Indenture) and together with the First Lien Master Indenture (Master Indentures), 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 Master Indenture requirements at December 31, 2011 and 2010, are as follows ($ in thousands):

	December 31	
Account	**2011**	**2010**
Construction	$ 158,373	$ 190,393
Capitalized interest	4,817	9,334
Debt service	63,778	49,534
Debt service reserve	102,798	102,798
Operation and maintenance reserve	19,651	19,283
Repair and replacement	4,303	5,083
Emergency reserve	385	367
Customer facility charge (CFC)	27,103	25,410
Other	11,087	12,532
Subtotal — Master Indentures and Use Agreement accounts	392,295	414,734
Passenger facility charges (PFC)		2,663
Total	$ 392,295	$ 417,397

Construction and capitalized interest accounts, which are funded with bond proceeds, are restricted to pay authorized capital improvements and related interest costs during construction.

Required deposits are made by the Airport from revenues collected after funding deposits to an operation and maintenance account in the following priority on a monthly basis:

- The debt service account is restricted to the payment of debt service.
- 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 the funds become available.

The debt service reserve account requirement was funded upon issuance of the Series 1996 first lien bonds, the Series 1998 first lien bonds, the Series 1998 second lien bonds, the Series 2004 second lien bonds and the Series 2010 second lien bonds with a cash deposit. 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 junior lien obligation debt service fund is required to be established to record all transactions associated with junior lien obligations per the First Lien Master Indenture.

The repair and replacement account must be used for paying the cost of maintenance expenditures, such as costs incurred for major repairs, renewals and replacements at the Airport whether caused by normal wear and tear or by unusual and extraordinary occurrences.

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.

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.

The special projects account is restricted to make payments of certain airline-approved capital expenditures.

The CFC is for permitted costs and purposes related to the consolidated rental car facility.

The PFC account is restricted to fund eligible and approved PFC projects.

Other funds include the federal and state grant funds, the security for payment fund and the Airport development fund.

At December 31, 2011 and 2010, the Airport believes it was in compliance with the funding requirements and restrictions as stated in the Master Indentures.

4. LONG-TERM DEBT (BEING REVIEWED BY OUR DEBT MANAGEMENT DIVISION)

Long-term debt at December 31, 2011 and 2010, consisted of the following ($ in thousands):

	2011	2010
First lien bonds:		
$148,820 Series 1996 A Chicago Midway Airport Revenue Bonds, issued November 7, 1996, due through 2029, interest at 4.8%–6.0%	$ 58,420	$ 58,420
$105,220 Series 1996 B Chicago Midway Airport Revenue Bonds, issued November 7, 1996, due through 2029, interest at 4.9%–6.5%	82,115	82,115
$397,715 Series 1998 A, B, and C Chicago Midway Airport Revenue Bonds, issued September 10, 1998, due through 2035, interest at 4.3%–5.5%	376,925	379,070
$295,855 Series 2001 A and B Chicago Midway Airport Revenue Bonds, issued September 13, 2001, due through 2031, interest at 5.0%–5.5%	262,745	263,990
Subtotal — first lien bonds	780,205	783,595
Second lien bonds:		
$171,000 Series 1998 A and B Chicago Midway Airport Second Lien Revenue Bonds, issued September 16, 1998, due through 2029, variable floating interest rate (.09% at December 31, 2011)	132,525	132,525
$22,000 Series 2002 A Chicago Midway Airport Second Lien Revenue Bonds, issued February 13, 2002, fully refunded on May 6, 2010		
$77,565 Series 2004 A and B Chicago Midway Airport Second Lien Revenue Bonds, issued December 14, 2004, due through 2024, interest rate at 3.20%–5.00%	69,595	74,090
$152,150 Series 2004 C and D Chicago Midway Airport Second Lien Revenue Bonds, issued December 14, 2004, due through 2035, interest rate at 4.174% and 4.247%	152,150	152,150
$22,000 Series 2010 A-1 Chicago Midway Airport Second Lien Revenue Bonds, issued May 6, 2010, due through 2021, variable floating interest rate (.10% at December 31, 2011)	22,000	22,000
$58,475 Series 2010 A-2 Chicago Midway Airport Second Lien Revenue Bonds, issued May 6, 2010, due through 2025, variable floating interest rate (.09% at December 31, 2011)	58,475	58,475
$84,000 Series 20010 B Chicago Midway Airport Second Lien Revenue Bonds, issued October 26, 2010, due through 2034, interest rate at 5.00% to 5.34%	84,000	84,000
$63,470 Series 20010 C Chicago Midway Airport Second Lien Revenue Bonds, issued October 26, 2010, due through 2041, interest rate at 3.782%–7.168%	63,470	63,470
$82,610 Series 20010 D-1 Chicago Midway Airport Second Lien Revenue Bonds, issued October 26, 2010, due through 2041, interest rate at 3.532%–5.340%	82,610	82,610
$16,460 Series 20010 D-2 Chicago Midway Airport Second Lien Revenue Bonds, issued October 26, 2010, due through 2041, interest rate at 3.532%–5.340%	16,460	16,460
Subtotal — second lien bonds	681,285	685,780
Commercial paper notes — Series A,B,C, and D		4,005
Total revenue bonds and notes	1,461,490	1,473,380
Unamortized premium (discount)	(281)	8
Unamortized deferred loss on bond refunding	(6,291)	(6,836)
	1,454,918	1,466,552
Current portion	(22,305)	(7,885)
Total long-term revenue bonds payable	$ 1,432,613	$ 1,458,667

Long-term debt during the years ended December 31, 2011 and 2010, changed as follows ($ in thousands):

	Balance January 1, 2011	Additions	Reductions	Balance December 31, 2011	Due Within One Year
Revenue bonds	$1,469,375	$ -	$ (7,885)	$1,461,490	$22,305
Unamortized premium (discount)	8	(962)	673	(281)	
Deferred (loss) gain on refunding	(6,836)		545	(6,291)	
Total revenue bonds	1,462,547	(962)	(6,667)	1,454,918	22,305
Commercial paper	4,005		(4,005)		
Total long-term debt	$1,466,552	$ (962)	$ (10,672)	$1,454,918	$22,305

	Balance January 1, 2010	Additions	Reductions	Balance December 31, 2010	Due Within One Year
Revenue bonds	$1,205,155	$327,015	$ (62,795)	$1,469,375	$ 7,885
Unamortized (discount) premium	(8,812)	(467)	9,287	8	
Deferred (loss) gain on refunding	(6,899)	(470)	533	(6,836)	
Total revenue bonds	1,189,444	326,078	(52,975)	1,462,547	7,885
Commercial paper	61,360	4,005	(61,360)	4,005	
Total long-term debt	$1,250,804	$330,083	$(114,335)	$1,466,552	$ 7,885

Interest expense capitalized for 2011 and 2010 totaled $6.83 million and $2.01 million, respectively. Interest income capitalized for 2011 and 2010 totaled $.74 million and $.77 million, respectively. Interest expense includes amortization of the deferred loss on bond refunding for 2011 and 2010 of $.54 million and $.53 million, respectively, and amortization of $.29 million of premium, net and $.28 million of discount, respectively.

Issuance of Debt — In May 2010, the Airport sold $22.0 million of Chicago Midway Airport Second Lien Revenue Refunding Bonds, Series 2010A-1 (Taxable). The bonds have an initial variable interest rate of 0.29%. The Series 2010A-1 Second Lien Bonds are not subject to mandatory sinking fund redemption prior to maturity. The bonds mature in their entirely on January 1, 2021. The net proceeds of $22.0 million were used to refund the outstanding of the Series 2002A Second Lien Bonds ($17.6 million) and to pay a portion of the outstanding Commercial Paper Notes ($4.4 million).

In May 2010, the Airport sold $58.5 million of Chicago Midway Airport Second Lien Revenue Refunding Bonds, Series 2010A-2 (Taxable). The bonds have an initial variable interest rate of 0.29% The Series 2010A-2 Second Lien Bonds are not subject to mandatory sinking fund redemption prior to maturity. The bonds mature in their entirely on January 1, 2025. Certain proceeds of $10.25 million were deposited in an escrow account to defease a portion of the Series 1996 B First Lien Bonds ($2.58 million of principal and $0.07 million of interest), a portion of the Series 1998 A First Lien Bonds ($0.78 million of principal, $0.01 million of premium and $0.02 million of interest), a portion of the Series 1998 B First Lien Bonds ($0.43 million of principal and $0.01 million of interest), a portion of the Series 2001A First Lien Bonds ($5.49 million of principal and $0.27 million of interest) and a portion of the Series 2001 B First Lien Bonds ($0.58 million of principal and $0.03 million of interest); certain proceeds of $43.82 million were used to pay a portion of the outstanding Commercial Paper

Notes; certain proceeds of $0.39 million were used to fund capitalized interest deposit requirement; certain proceeds of $4.0 million were used to fund debt service reserve requirement and certain proceeds of $0.03 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 $0.5 million that will be charged to operation over 16 years using the straight-line method. The advance refunding decreased the Airport's total debt service payments by $6.6 million and resulted in an economic gain (difference between the present value of the old debt and the new debt service payments) of $0.9 million.

In October 2010, the Airport sold $84.0 million of Chicago Midway Airport Second Lien Revenue Bonds, Series 2010 B (Non-AMT) at a premium of $8.5 million. The bonds have an initial interest rate of 5.0% and have a mandatory tender date on January 1, 2015. Certain proceeds of $69.0 million will be used to finance the costs of the residential sound projects; certain proceeds of $7.4 million were used to pay a portion of the outstanding Commercial Paper Notes; certain proceeds of $8.2 million were used to fund capitalized interest deposit requirement; certain proceeds of $7.1 million were used to fund debt service reserve requirement and certain proceeds of $0.8 million were used to pay the cost of issuance of the bonds.

In October 2010, the Airport sold $63.5 million of Chicago Midway Airport Second Lien Revenue Bonds, Series 2010 C (Taxable). The bonds have interest rates ranging from 3.782% to 7.168% and maturity and mandatory redemption maturity dates ranging from January 1, 2016 to January 1, 2041. Certain Series 2010C Second Lien Revenue Bonds are subject to mandatory sinking fund redemption prior to maturity. Certain proceeds of $62.9 million will be used to finance the costs of the rental car facilities and certain proceeds of $0.6 million were used to pay the cost of issuance of the bonds.

In October 2010, the Airport sold $82.6 million of Chicago Midway Airport Second Lien Revenue Bonds, Series 2010 D-1 (Taxable). The bonds have an initial interest rate of 3.532% and have a mandatory tender date on January 1, 2014. Certain proceeds of $36.9 million will be used to finance the costs of the various airport projects; certain proceeds of $37.3 million were used to pay a portion of the outstanding Commercial Paper Notes; certain proceeds of $1.7 million were used to fund the capitalized interest deposit requirement; certain proceeds of $6.0 million were used to fund the debt service reserve requirement and certain proceeds of $0.7 million were used to pay the cost of issuance of the bonds.

In October 2010, the Airport sold $16.4 million of Chicago Midway Airport Second Lien Revenue Bonds, Series 2010 D-2 (Taxable). The bonds have an initial interest rate of 3.532% and have a mandatory tender date on January 1, 2014. Certain proceeds of $1.2 million were used to fund the debt service reserve requirement; certain proceeds of $12.5 million were used to fund the various debt service reserve accounts requirement; certain proceeds of $2.6 million were used to fund the coverage account deposit requirement and certain proceeds of $0.1 million were used to pay the cost of issuance of the bonds.

Chicago Midway International Airport Commercial Paper Notes, Series A, B, C, and D ($100.0 million maximum aggregated authorized) outstanding at December 31, 2011 and 2010, were $0 and 4.0 million, respectively. 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 (LOC) ($111.3 million) provides for the timely payment of principal and interest on the notes until July 12, 2014. Amounts paid by drawing on the LOC 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% (Base Rate). Advances outstanding greater than 180 days will bear interest at the Base Rate, plus 1% beginning on the 180-first day after such advance is made. At December 31, 2011 and 2010, there were no outstanding LOC advances.

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

Years Ending December 31	Principal	Interest	Total
2012	$ 13,945	$ 40,417	$ 54,362
2013	14,710	39,633	54,343
2014	15,505	38,819	54,324
2015	16,330	37,946	54,276
2016	17,245	37,024	54,269
2017–2021	101,415	169,537	270,952
2022–2026	165,330	135,384	300,714
2027–2031	249,400	82,217	331,617
2032–2036	186,325	19,533	205,858
Total	$ 780,205	$ 600,510	$ 1,380,715

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 percent rate effective at December 31, 2011 ($ in thousands):

Years Ending December 31	Principal	Interest	Total
2012	$ 8,360	$ 15,661	$ 24,021
2013	8,765	15,433	24,198
2014	9,160	16,073	25,233
2015	9,635	16,839	26,474
2016	15,570	16,561	32,131
2017–2021	112,500	73,307	185,807
2022–2026	142,350	56,691	199,041
2027–2031	226,505	41,784	268,289
2032–2036	96,010	23,847	119,857
2037–2041	52,430	8,382	60,812
Total	$ 681,285	$ 284,578	$ 965,863

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, 2011, the Series 1998 A&B bonds, the Series 2010 A-1 and 2010 A-2 bonds were in a daily rate interest mode and the Series 2004 C&D bonds were in a weekly rate interest mode. An irrevocable LOC ($193.2 million) provides for the timely payment of principal and interest on the Series 1998 A&B and the Series 2010A-2 bonds until November 25, 2013. An irrevocable LOC ($176.1 million) provides for the timely payment of principal and interest on the Series 2004 C&D and the Series 2010A-1 bonds until November 25, 2013.

In the event the bonds are put back to the bank and not successfully remarketed, or if the LOC expires without an extension or substitution, the bank bonds will convert to a term loan. There is no principal due on potential term loans within the next fiscal year.

The 1998 A&B Chicago Midway Second Lien Bonds were converted from bank bonds to daily variable rate demand bonds on May 6, 2010. The 2002A Chicago Midway Airport Second Lien Revenue Bonds went into bank bond mode in February 2009, the bonds were refunded by the Series 2010 A-1 Second Lien Bonds on May 6, 2010. The Chicago Midway Airport Series 2004 C&D Second Lien Bonds were converted from auction rate securities to weekly variable rate demand bonds on May 6, 2010.

Hedging Derivatives:

In April 2011, the Airport novated its $60.9 million notional amount swap associated with the Midway Airport Series 2004C&D variable rate bonds with J.P. Morgan to Wells Fargo Bank, N.A. The fixed rate the Airport pays increased from 4.174% to 4.247%, and the Airport signed a one-way credit support agreement (CSA) that no longer requires the Airport to post collateral if the mark-to-market exceeds the threshold, previously defined in the J.P. Morgan agreement. A Goldman Sachs swap covers the 60% balance of the bonds, with a current notional amount of $91.3 million, which does not have a two-way CSA and remains unchanged.

Pay-Fixed, Receive-Variable Interest Rate Swaps:

Objective of the Swaps — In order to protect against the potential of rising interest rates, the Airport has entered into a separate pay-fixed, receive-variable interest rate swap at a cost less than what the Airport would have paid to issue fixed-rate debt ($ in thousands).

	Changes in Fair Value		Fair Value at December 31, 2011		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Cash flow hedges:					
Pay-fixed Interest Rate Swaps	Deferred outflow of resources	$ 20,104	Deferred outflow of resources	$ 35,000	$ 152,150

Pay-Fixed, Receive-Variable Interest Rate Swaps — In order to protect against the potential of rising interest rates, the Airport entered into two separate pay-fixed, receive-variable interest rate swaps at a cost less than what the Airport would have paid to issue fixed-rate debt. The swap counterparties are Goldman Sachs and Wells Fargo, with notional amounts of $91.3 million and $60.9 million, respectively.

Terms, Fair Values and Credit Risk — The terms, including the fair value and credit ratings of the outstanding swaps as of December 31, 2011 and 2010, are as follows. The notional amounts of the swaps match the principal amounts of the associated debt. The Airport's swap agreements contained scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds payable" category ($ in thousands).

Associated Bond Issue	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value 2011	Fair Value 2010	Swap Termination Date	Counterparty Credit Rating
Series 2004 C&D Bond	$ 91,290	December 14, 2004	4.174 %	SIFMA +.05%	$(20,564)	$ (8,869)	January 1, 2035	A1/A
Series 2004 C&D Bond	60,860	December 14, 2004	4.247	SIFMA +.05%	(14,436)	(6,007)	January 1, 2035	Aa1/AA-
Total	$152,150				$(35,000)	$(14,876)		

Fair Value — As per industry convention, the fair value of the Airport's outstanding swaps were estimated using the zero-coupon method. This method calculates the future net settlement payment required by the swap, assuming that the forward rates implied the yield curve correctly anticipate future spot rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap. Because interest rates declined subsequent to the date of execution, the Airport's swaps had negative values.

Credit Risk — The Airport is exposed to credit risk (counterparty risk) through the counterparties with which it enters into agreements. If minimum credit rating requirements are not maintained, the counterparty is required to post collateral to a third party. This protects the Airport by mitigating the credit risk, and therefore the ability to pay a termination payment, inherent in a swap. Collateral on all swaps is to be in the form of cash or Eligible Collateral held by a third-party custodian. Upon credit events, the swaps also allow transfers, credit support and termination if the counterparty is unable to meet the said credit requirements

Basis Risk — Basis risk refers to the mismatch between the variable rate payments received on a swap contract and the interest payment actually owed on the bonds. The two significant components driving this risk are credit and BMA ratios. Credit may create basis risk because the Airport's bonds may trade differently than the swap index as a result of a credit change in the Airport. BMA ratios (or spreads) may create basis risk if BMA swaps of the Airport's bonds trade higher than the BMA received on the swap. This can occur due to many factors including, without limitations, changes in marginal tax rates, tax-exempt status of bonds and supply and demand for variable rate bonds. The Airport is exposed to basis risk on the swaps if the rate paid on the bonds is higher than the rate received. The Airport is liable for the difference. The difference would need to be available on the debt service payment date and would add additional underlying cost to the transaction.

Tax Risk — The swap exposes the Airport to tax risk or a permanent mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds due to tax law changes such that the Federal or State tax exception of municipal debt is eliminated or its value reduced. There have been no tax law changes since the execution of this swap agreement.

Termination Risk — The risk that the swap could be terminated as a result of certain events, including a ratings downgrade for the issuer or swap counterparty, covenant violation, bankruptcy, payment default or other defined events of default. Termination of a swap may result in a payment made by the issuer or to the issuer depending upon the market at the time of termination.

Swap Payments and Associated Debt — As of December 31, 2011, debt service requirements for the Airport's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows ($ in thousands):

Years Ending December 31	Variable-Rate Bonds Principal	Variable-Rate Bonds Interest	Interest Rate Swaps — Net	Total
2012	$ 3,650	$ 190	$ 6,128	$ 9,968
2013	3,825	186	5,976	9,987
2014	4,000	181	5,816	9,997
2015	4,200	175	5,649	10,024
2016	4,275	170	5,476	9,921
2017–2021	24,925	760	24,488	50,173
2022–2026	31,050	584	18,814	50,448
2027–2031	38,600	365	11,746	50,711
2032–2036	37,625	98	3,153	40,876
Total	$ 152,150	$ 2,709	$ 87,246	$ 242,105

Investment Derivatives

Swaptions:

Objective of the Swaptions — Effective October 27, 1999, the Airport entered into an Option on Interest Rate Swap Agreement (the Option) in connection with $397.7 million (the Notional Amount) of Chicago Midway Airport Series Revenue Bonds 1998 A, 1998 B and 1998 C. Pursuant to the Option, the Airport received a premium of $23.5 million that was recorded as a deferred gain. As a synthetic refunding of the bonds, this premium represents the risk-adjusted, present value savings of a refunding, without issuing refunding bonds. The deferred gain is amortized over the term of the agreement (30 years). The buyer may exercise the Option if the daily weighted average of the Municipal Swap Index for the 180 days on the day prior to the exercise date is greater than 7.5%. If the Option is exercised, the Airport will owe interest calculated on a floating rate equal to the Municipal Swap Index plus 25 basis points (the Spread) to the buyer of the swap. In return, the buyer will owe the Airport interest calculated on a fixed rate of 5.1%. The Notional Amount is not exchanged; it is only the basis on which interest payments are calculated. The Airport's floating rate is capped at 15%. The Airport continues to pay interest to the bondholders at the fixed rate stated in the bonds. However, during the term of the swap agreement, the Airport will effectively pay a variable rate on the bonds. The Option increases the Airport's exposure to variable interest rates. The debt service requirements to maturity for these bonds (presented in this note) are based on the fixed rate stated in the Bonds. The Airport will be exposed to paying fixed rates if the buyer to the swap defaults or if the swap is terminated. The Airport or the counter-party may terminate the Option if the other party fails to perform under the terms of the agreement. A termination of the swap agreement may result in the Airport making or receiving a termination payment.

In May 2011, the Airport entered into a two-way Credit Support Agreement (CSA) with J.P. Morgan in connection with the $397.7 million original notional amount swaption associated with the Midway Airport Series 1998 A, B, and C fixed rate bonds. The CSA was required because a termination event was triggered due to the insurer's (MBIA) ratings downgrade. Based on the current second lien ratings at Midway Airport (A3/A-/A- by Moody's, S&P and Fitch ,respectively), if the mark-to-market on the swap is against the Airport by more than $25 million, the Airport must post collateral for the difference.

To mitigate the risk of posting collateral, the Airport obtained a $25 million LOC from PNC Bank as collateral. The LOC is not expected to be drawn upon as long as there is no event of default by the bank or the Airport. Based on the current second lien ratings at Midway Airport, if the mark-to-market on the swaption is against the Airport by more than the combined $25 million threshold provided in the CSA and the $25 million LOC, for a total of $50 million, the Airport must post collateral for the difference.

As of December 31, 2011, the option had a negative fair market value of $7.2 million. The option was not exercised during 2011. Note that in the statement of net assets the combination of the $6.6 million derivative asset and the interest rate swap premium balance of $13.8 million together represent the total hybrid instrument of $7.2 million.

	Changes in Fair Value		Fair Value at December 31, 2011		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Investment derivative instructions:					
Pay-fixed Interest Rate Swaps	Investment Revenue	$ 12,606	Outflow of resources	$ 7,207	$ 380,270

Terms — The terms, including fair values of the swaptions as of December 31, 2010, are as follows (dollars in thousands):

Bond Issue	Amounts	Date	Paid	Received	Values	Date	Payment
Chicago Midway Airport Revenue Bonds (Series 1998A (AMT); Series 1998B (Non-AMT); and Refunding Series 1998C (Non-AMT))	$ 380,270	October 27, 1999	SIFMA+25bps	$ 6,647	$ 7,207	January 1, 2030	$ 23,500

Fair Value — As of December 31, 2011 and 2010, the swaptions had a negative fair value of $7.2 million and $19.8 million, respectively. As per industry convention, the fair values of the Airport's outstanding swaptions were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the forward rates implied by the yield curve correctly anticipate future spot rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. Because interest rates are below the fixed rate received, the Airport's swaptions had negative values. The negative value is also driven by the upfront payment received by the Airport upon execution of the swaption agreement.

Defeased Bonds — Defeased bonds have been removed from the balance sheet because the related assets have been placed in irrevocable trusts, together with interest earned thereon, will provide amount sufficient for payment of all principal and interest. During 2010, the Airport defeased a portion of the Chicago Midway Airport Revenue Bonds, Series 2001 A and Series 2001 B in the amount of $5.5 million and $0.6 million, respectively. As of December 31, 2011, there was $0 outstanding in the escrow.

In May 2010, the Airport entered into a two-way CSA with J.P. Morgan on its swap associated with a 40% portion of the Midway Airport Series 2004C&D variable rate bonds with a current notional amount of $60.9 million. A Goldman Sachs swap covers the 60% balance of the bonds, with a current notional amount of $91.3 million, which does not have a two-way CSA and remains unchanged. The J.P. Morgan CSA was required because a termination event was triggered due to the insurer's (Ambac) ratings downgrade. Both firms had the right to require a two-way CSA, but only J.P. Morgan exercised the right. Goldman Sachs waived its right as long as the swap remains unchanged. Based on the current second lien ratings at Midway Airport (A3/A-/A- by Moody's, S&P and Fitch, respectively), if the mark-to-market on the swap is against the City/Airport by more than $10.0 million, the Airport must post collateral for the difference. In August 2010, the Airport was required to post as much as $1.4 million, funded with proceeds from Midway Commercial Paper, but as of December 31, 2011, no collateral posting was required. The swaps terminate on January 1, 2035.

No-Commitment Debt — Bonds payable on no-commitment debt are not included in the accompanying basic financial statements because the City has no obligation to provide for their repayment, which is the responsibility of the borrowing entities.

5. CHANGES IN CAPITAL ASSETS

During the years ended December 31, 2011 and 2010, capital assets changed as follows ($ in thousands):

	Balance January 1, 2011	Additions	Disposals and Transfers	Balance December 31, 2011
Capital assets not depreciated:				
Land	$ 107,287	$ 2,159	$ -	$ 109,446
Construction in progress	20,229	41,187	(9,243)	52,173
Total capital assets not depreciated	127,516	43,346	(9,243)	161,619
Capital assets depreciated — buildings and other facilities	1,362,200	9,243		1,371,443
Less accumulated depreciation for — buildings and other facilities	(338,401)	(42,137)		(380,538)
Total capital assets depreciated — net	1,023,799	(32,894)	-	990,905
Total property and facilities — net	$ 1,151,315	$ 10,452	$ (9,243)	$ 1,152,524

Includes capitalized interest of $5,860,371

	Balance January 1, 2010	Additions	Disposals and Transfers	Balance December 31, 2010
Capital assets not depreciated:				
Land	$ 106,918	$ 369	$ -	$ 107,287
Construction in progress	36,042	27,594	(43,407)	20,229
Total capital assets not depreciated	142,960	27,963	(43,407)	127,516
Capital assets depreciated — buildings and other facilities	1,318,793	43,407		1,362,200
Less accumulated depreciation for — buildings and other facilities	(293,557)		(44,844)	(338,401)
Total capital assets depreciated — net	1,025,236	43,407	(44,844)	1,023,799
Total property and facilities — net	$ 1,168,196	$ 71,370	$ (88,251)	$ 1,151,315

6. LEASING ARRANGEMENTS

With Tenants — Most of the Airport's land, buildings and terminal space are leased under operating lease agreements to airlines and other tenants. The following is a schedule of the minimum future rental income on noncancelable operating leases as of December 31, 2011 ($ in thousands):

Years Ending December 31	Amount	
2012	$ 31,525	*
2013	4,337	
2014	3,245	
2015	724	
2016	679	
Total	$ 40,510	

* The Terminal Facilities lease will expire at the end of 2012, thus, there are no revenues included after 2012.

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

Rental income, consisting of all rental and concession revenues except aircraft parking fees and certain departure fees (turns) and automobile parking, amounted to $86.5 million and $86.4 million in 2011 and 2010, respectively. Contingent rentals included in the totals were approximately $40.4 million and $35.1 million for 2011 and 2010, respectively.

Capital Lease — The Airport leases heating and cooling equipment under a capital lease in the amount of $7,604 net of depreciation as of December 31, 2011. The lease is for a period of 25 years and has a stated interest rate of 7.66%. At December 31, 2011, the total capital obligation was $9,036.

As of December 31, 2011, the following is a schedule of future minimum lease payments together with the present value of net lease payments ($ in thousands):

Years Ending December 31	
2012	$ 1,080
2013	1,080
2014	1,080
2015	1,080
2016	1,080
Thereafter	9,088
Total minimum lease payments	14,488
Less amount representing interest	(5,452)
Present value of minimum lease payments	9,036
Long-term portion	$ 9,036

7. PENSION PLANS

Eligible Midway Fund 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, 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% 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% 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 Midway Fund reimburses the City's general fund for the estimated pension cost applicable to the covered payroll of Midway Fund employees. These reimbursements, recorded as expenses of the Midway Fund, were $3.2 million in 2011 and $3.0 million in 2010. The annual pension costs are determined using the entry age normal 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 to the year for which the applicable tax is levied, multiplied by the statutory rates. The statutory rates in effect for the City's contributions made during the years ended December 31, 2011 and 2010 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, 2011 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 is as follows ($ in thousands):

	Annual Pension Cost	Percent of Annual Pension Cost Contributed	Required Contribution	Percent of Required Contributions Contributed	Net Pension (Asset) Obligation
Municipal employees':					
2009	$ 412,575	35.9 %	$ 413,509	35.8 %	$ 679,736
2010	482,421	32.1	483,948	32.0	1,007,406
2011	609,491	24.1	611,756	24.0	1,469,886
Laborers':					
2009	$ 34,025	43.0 %	$ 33,517	43.6 %	$ (206,361)
2010	47,129	32.6	46,665	32.9	(174,585)
2011	57,651	22.2	57,259	22.3	(129,712)

The pension benefits information pertaining expressly to Midway Fund employees is not available as the obligation is the responsibility of the general government. Accordingly, no amounts have been recorded in the accompanying basic financial statements for the net pension assets or liabilities of these plans.

8. OTHER POSTEMPLOYMENT BENEFITS — CITY OBLIGATION

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 postemployment 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 are funded on a pay-as-you-go basis. The total cost to the City for providing health benefits to approximately 24,000 annuitants and their dependents was approximately $99.1 million and $107.4 million in 2011 and 2010, respectively.

The annuitants who retired prior to July 1, 2005, received a 55% subsidy from the City and the annuitants who retired on or after July 1, 2005, received a 50%, 45%, 40%, and 0% subsidy from the City based on the annuitant's length of actual employment with the City for the gross cost of retiree health care under a court approved settlement agreement (the "Settlement Agreement"). During 2011 and 2010 the pension funds contributed $65 for each Medicare eligible annuitant and $95 for each Non-Medicare eligible annuitant to their gross cost. The annuitants contributed a total of $68.3 million in 2011 and $64.1 million in 2010, to the gross cost of their retiree health care pursuant to premium amounts set forth in the above-referenced Settlement Agreement.

The City's net expense and the annuitants' contribution indicated above are preliminary and subject to the reconciliation per the Settlement Agreement.

Plan Description Summary — The City is party to a written legal Settlement Agreement outlining the provisions of the retiree health program the Settlement Health Care Plans (the "Plans") through June 30, 2013. The Settlement Agreement does not require or extend continuation of the Plans after June 30, 2013. Pursuant to the Settlement Agreement, the City administers a single-employer defined benefit healthcare plan (the "Health Plan"), for which the City pays a portion of the costs on a pay-as-you-go method. Under the Settlement Agreement, the City sponsors health benefit plans for employees, former employees, and retired employees. The provisions of the program provide, in general, that the City pay a percentage of the cost (based upon an employee's service) for hospital and medical coverage to eligible retired employees and their dependents for a specified period, until June 30, 2013.

In addition, Illinois Compiled Statutes authorize the respective Pension Funds to provide a fixed monthly dollar subsidy to each annuitant who has elected coverage under the Health Plan through June 30, 2013. After that date, no supplements are authorized.

The liabilities for the monthly dollar supplements paid to annuitants enrolled in the retiree medical plan by their respective Pension Funds are included in the liabilities and reports of the respective Pension Funds (see Note 6).

Funding Policy — The City's Health Plan is a single employer plan that operates on a pay as you go funding basis. No assets are accumulated or dedicated to funding the Health Plan benefits.

Annual OPEB Cost and Net OPEB Obligation — The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding, that if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities over a period of two years (the remaining years of coverage under the Settlement Agreement).

The following table shows the components of the City's annual OPEB costs for the year for the Health Plan, the amount actually contributed to the Health Plan, and changes in the City's net OPEB obligation to the Health Plan. The net OPEB obligation is the amount entered upon the City's statement of net assets as of year-end as the net liability for the other postemployment benefits. The amount of the annual cost for the Health Plan that is to be recorded in the statements of changes in net assets is the annual OPEB cost (expense) at December 31, 2011 and 2010, is as follows (in thousands).

	Annual OPEB Cost and Contributions Made (In thousands)	
	2011 Health Plan	**2010 Health Plan**
Contribution rates:		
City	Pay as you go	Pay as you go
Plan members	N/A	N/A
Annual required contribution	$ 200,062	$ 189,328
Interest on net OPEB obligation	4,567	9,871
Adjustment to annual required contribution	(155,675)	(116,325)
Annual OPEB cost	48,954	82,874
Contributions made	99,091	107,431
Decrease in net OPEB obligation	(50,137)	(24,557)
Net OPEB obligation — beginning of year	304,482	329,040
Net OPEB obligation — end of year	$ 254,345	$ 304,483

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Health Plan, and the net OPEB obligation for fiscal years 2011, 2010 and 2009 are as follows (in thousands):

	Schedule of Contributions, OPEB Costs, and Net Obligations		
Years Ended	**Annual OPEB Cost**	**Percentage of Annual OPEB Cost Contributed**	**Net OPEB Obligation**
December 31, 2011	$ 48,954	202.4 %	$ 254,345
December 31, 2010	82,874	129.6	304,483
December 31, 2009	157,809	62.1	329,040

Funded Status and Funding Progress — As of December 31, 2010, the most recent actuarial valuation date, the actuarial accrued liability for benefits for all eligible City employees and retirees was $390.6 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Health Plan) was approximately $2,475.1 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 15.8%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Health Plan and the ARC of the employer are subject to continual revisions as the results are compared with past expectations and new estimates are made about the future. (in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll
December 31, 2010	$ -	$ 390,611	$ 390,611	- %	$ 2,475,080
December 31, 2009		533,387	533,387		2,546,961

Actuarial Method and Assumptions — Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

For the Health Plan benefits (not provided by the pension funds) in the actuarial valuation for the years ended December 31, 2011 and 2010, the projected unit credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 11.5% initially, reduced by decrements to an ultimate rate of 10.5%. Both rates included a 3% inflation assumption. The Health Plan has not accumulated assets and does not hold assets in a segregated trust. However, the funds expected to be used to pay benefits are assumed to be invested for durations, which will yield an annual return rate of 1.5%. The Unfunded Accrued Actuarial Liability, as of December 31, 2011, is being amortized as a level dollar amount over two years.

	Summary of Assumptions and Methods	
Item	2011 Health Plan	2010 Health Plan
Actuarial valuation date	December 31, 2010	December 31, 2009
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level dollar	Level dollar
Remaining amortization period	2 years	3 years
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return	1.50%	3.0%
Projected salary increases	2.5%	2.5%
Healthcare inflation rate	11.5% initial to 10.5% ultimate	12% initial to 10.5% ultimate

The OPEB benefit information pertaining expressly to the Midway fund employees is not available as the obligation is the responsibility of the general government. Accordingly, no amounts have been recorded in the accompanying basic financial statements. Amounts for the City are recorded within the City's government-wide basic financial statements.

9. 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 self-insured risks. Such reimbursements were $16.4 million and $15.0 million in 2011 and 2010, respectively.

10. COMMITMENTS AND CONTINGENCIES

The Airport has certain contingent liabilities resulting from litigation, claims and commitments incident to the 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, 2011 and 2010, are as follows ($ in thousands):

	2011	2010
Beginning balance — January 1	$ 433	$ 387
Total claims incurred	4,160	3,929
Claims paid	(4,144)	(3,884)
Claims liability — December 31	$ 449	$ 432

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, 2010, at a limit of $3.6 billion, which the City's insurance broker advised was the highest amount commercially available at the time. Claims have not exceeded the purchased insurance coverage in the past 10 years. Property and casualty risks for the Airport are transferred to commercial insurers.

At December 31, 2011 and 2010, the Airport had commitments in the amount of approximately $71.1 million and $13.2 million, respectively, in connection with contracts entered into for construction projects.

11. SUBSEQUENT EVENTS

In January 2012, the City redeemed $3.9 million of Chicago Midway Airport Second Lien Revenue Bonds Series 2010A-2.

In April 2012, the City terminated the swaption transaction with J.P. Morgan in relation to Chicago Midway Airport Senior Lien Series 1998 A, B and C bonds with a notional amount of $397.7 million and a trade date of October 27, 1999. The City paid $8.25 million to terminate the swaption.

In April 2012, $8.3 million of Chicago Midway Airport Commercial Paper Notes Series 2003 were issued. The proceeds will be used to fund the swaption termination payment.

In June 2012, Moody's Investors Service downgraded 15 banks and securities firms with global capital markets operations. The downgrade impacted certain LOC providers for the City's various variable rate demand bonds and may potentially cause credit spreads to increase or certain bonds to become bank bonds. The City will monitor its variable rate bond issues and convert or refinance the bonds as necessary. Additionally, the downgrade has impacted certain swap counterparties, however, no action is required by the City.

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CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

ADDITIONAL INFORMATION
CHICAGO MIDWAY AIRPORT REVENUE BONDS
DEBT SERVICE COVERAGE CALCULATIONS
YEARS ENDED DECEMBER 31, 2011 AND 2010
($ in thousands)

	2011	2010
REVENUES:		
Total revenues — as defined	$ 158,849	$ 150,009
Other available moneys (passenger facility charges and letter of intent)	36,849	37,509
Cash balance in Revenue Fund on first day of fiscal year (Note 2)	24,685	14,976
TOTAL REVENUES	$ 220,383	$ 202,494
COVERAGE REQUIREMENT — Required deposits from revenues:		
Debt Service Fund	$ 54,748	$ 44,372
Operation and maintenance reserve account	1,412	643
Junior Lien Obligation Debt Service Fund	23,468	24,302
Repair and Maintenance Fund	1,025	1,025
TOTAL FUND DEPOSIT REQUIREMENTS	$ 80,653	$ 70,342
AGGREGATE FIRST LIEN DEBT SERVICE FOR THE BOND YEAR	$ 54,749	$ 44,374
LESS AMOUNTS TRANSFERRED FROM CAPITALIZED INTEREST ACCOUNTS		
Net aggregate debt service	54,749	44,374
	1.25	1.25
NET DEBT SERVICE REQUIRED	$ 68,436	$ 55,468
OPERATION AND MAINTENANCE EXPENSES	$ 110,090	$ 108,336
COVERAGE REQUIRED (Greater of total fund deposit requirements or 125% of aggregate debt service)	80,653	70,342
TOTAL COVERAGE REQUIRED	$ 190,743	$ 178,678
TOTAL REVENUES	$ 220,383	$ 202,494
COVERAGE RATIO	1.16	1.13

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

ADDITIONAL INFORMATION
CHICAGO MIDWAY AIRPORT REVENUE BONDS
NOTES TO DEBT SERVICE COVERAGE CALCULATIONS
YEARS ENDED DECEMBER 31, 2011 AND 2010

1. RATE COVENANT

The Master Indenture of Trust (Master Indenture) securing the Chicago Midway Airport Revenue Bonds (Bonds) requires that revenues, together with other available moneys deposited with the trustee and any cash balance held in the revenue fund on the first day of the calendar 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 year, and (ii) to provide for the greater of (a) the amounts, if any, needed to make required deposits into the Debt Service Fund, the Operating and Maintenance Reserve Account, the Working Capital Account, the Debt Service Reserve Fund, the Junior Lien Obligation Debt Service Fund, the Repair and Replacement Fund and the Special Project Fund, and (b) an amount not less than 125% of the aggregate debt service for the Bond year commencing during such fiscal year.

2. REVENUE FUND BALANCE

The revenue fund balance includes all cash, cash equivalents and investments, which were available to the revenue fund to satisfy the coverage requirement under the terms of the Master Indenture.

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CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

ADDITIONAL INFORMATION
CHICAGO MIDWAY AIRPORT SECOND LIEN REVENUE BONDS
DEBT SERVICE COVERAGE CALCULATIONS
YEARS ENDED DECEMBER 31, 2011 AND 2010
($ in thousands)

	2011	2010
REVENUES:		
Total revenues — as defined	$158,849	$150,009
Other available moneys (passenger facility charges and letter of intent)	36,849	37,509
Cash balance in Revenue Fund on first day of fiscal year (Note 2)	24,685	14,976
TOTAL REVENUES FOR CALCULATION OF COVERAGE	$220,383	$202,494
COVERAGE REQUIREMENT — Required deposits from revenues:		
First Lien Debt Service Fund	$ 54,748	$ 44,372
Operation and maintenance reserve account	1,412	643
Junior Lien Obligation Debt Service Fund	23,468	24,302
Repair and Replacement Fund	1,025	1,025
TOTAL FUND DEPOSIT REQUIREMENTS	$ 80,653	$ 70,342
125% OF AGGREGATE FIRST LIEN DEBT SERVICE FOR THE BOND YEAR:		
Aggregate First Lien Debt Service	$ 54,749	$ 44,374
Less amounts transferred from First Lien Capitalized Interest Accounts		
Net aggregate First Lien Debt Service	54,749	44,374
	1.25	1.25
125% OF AGGREGATE FIRST LIEN DEBT SERVICE	$ 68,436	$ 55,468
GREATER OF FUND DEPOSIT REQUIREMENTS OR 125% OF AGGREGATE FIRST LIEN DEBT SERVICE	$ 80,653	$ 70,342
110% OF AGGREGATE FIRST AND SECOND LIEN DEBT SERVICE FOR THE BOND YEAR:		
Aggregate First Lien Debt Service	$ 54,749	$ 44,374
Aggregate Second Lien Debt Service	36,826	25,069
Less amounts transferred from First Lien Capitalized Interest Accounts		
Less amounts transferred from Junior Lien Capitalized Interest Accounts	(4,943)	(1,058)
Net aggregate First and Second Lien Debt Service	86,632	68,385
	1.10	1.10
110% OF AGGREGATE FIRST AND SECOND LIEN DEBT SERVICE	$ 95,295	$ 75,224
GREATER OF FUND DEPOSIT REQUIREMENTS OR 110% OF AGGREGATE FIRST AND SECOND LIEN DEBT SERVICE	$ 95,295	$ 75,224
GREATER OF FUND DEPOSIT REQUIREMENTS OR 125% OF FIRST LIEN DEBT OR 110% OF AGGREGATE DEBT SERVICE	$ 95,295	$ 75,224
COVERAGE CALCULATION:		
Operation and maintenance expenses	$110,090	$108,336
110% of aggregate First and Second Lien Debt Service	95,295	75,224
Fund Deposit Requirements		
TOTAL COVERAGE REQUIRED	$205,385	$183,560
TOTAL REVENUES	$220,383	$202,494
REVENUES IN EXCESS OF COVERAGE REQUIREMENT	$ 14,998	$ 18,934
COVERAGE RATIO	1.07	1.10

See notes to debt service coverage calculations.

ADDITIONAL INFORMATION
CHICAGO MIDWAY AIRPORT SECOND LIEN REVENUE BONDS
NOTES TO DEBT SERVICE COVERAGE CALCULATIONS
YEARS ENDED DECEMBER 31, 2011 AND 2010

1. RATE COVENANT

The Master Indenture of Trust (Master Indenture) securing the Chicago Midway Airport Second Lien Revenue Bonds (Bonds) requires that revenues, together with other available moneys deposited with the first lien trustee or the second lien trustee and any cash balance held in the first lien revenue fund or the second lien revenue fund on the first day of the year not then required to be deposited in any fund or account under the first lien indenture or the second lien indenture, will be at least sufficient (a) to provide for the payment of operation and maintenance expenses for the year and (b) to provide for: (i) the greater of the amounts needed to make the deposits required under the first lien indenture during such calendar year into the first lien debt service fund, the Operating and Maintenance (O&M) Reserve Account, the Working Capital Account, the First Lien Debt Service Reserve Fund, the Junior Lien Obligation Debt Service Fund, the Repair and Replacement Fund and the Special Project Fund, or an amount not less than 125% of the Aggregate First Lien Debt Service for the Bond year commencing during such year, reduced by any amount held in any capitalized interest account for disbursement during such Bond year to pay interest on first lien bonds; or (ii) the greater of the amounts needed to make the deposits required under the first lien indenture during such year into the First Lien Debt Service Fund, the O&M Reserve Account, the Working Capital Account, the First Lien Debt Service Reserve Fund, the Junior Lien Obligation Debt Service Fund, the Repair and Replacement Fund and the Special Project Fund, or an amount not less than 110% of the sum of Aggregate First Lien Debt Service and Aggregate Second Lien Debt Service for the Bond year commencing during such year, reduced by (a) any amount held in any capitalized interest account for disbursement during such Bond year to pay interest on any first lien bonds, and (b) 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 obligations.

2. REVENUE FUND BALANCE

The revenue fund balance includes all cash, cash equivalents, and investments which were available to the revenue fund to satisfy the coverage requirement under the terms of the Master Indenture.

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CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

HISTORICAL OPERATING RESULTS
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2002–2011 (UNAUDITED)
($ in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
OPERATING REVENUES:										
Landing fees	$20,934	$14,524	$15,585	$15,668	$ 20,834	$ 19,606	$ 28,901	$ 21,939	$ 35,299	$ 38,583
Rental revenues:										
Terminal area use charges	19,073	12,089	13,714	17,179	21,804	17,308	26,084	30,701	42,895	40,862
Other rentals and fueling system fees	9,837	8,688	11,055	12,942	14,520	17,784	15,683	20,367	21,488	24,978
Subtotal rental revenues	28,910	20,777	24,769	30,121	36,324	35,092	41,767	51,068	64,383	65,840
Concessions:										
Auto parking	23,443	25,348	25,939	25,675	27,433	29,740	31,561	27,902	27,849	29,112
Auto rentals	8,039	7,808	8,001	8,417	7,698	8,440	8,355	8,505	8,182	8,776
Restaurant	5,249	6,057	6,715	6,879	7,391	8,136	8,099	7,396	8,151	8,875
News and gifts	2,287	2,968	3,272	3,852	3,905	3,876	3,816	3,437	3,488	3,551
Other	996	1,490	1,328	1,616	1,985	2,363	2,486	2,054	1,704	2,634
Subtotal concessions	40,014	43,671	45,254	46,439	48,412	52,555	54,317	49,294	49,374	52,948
Reimbursements										
Total operating revenues (1)	89,858	78,972	85,608	92,228	105,570	107,253	124,985	122,301	149,056	157,371
OPERATING AND MAINTENANCE EXPENSES:										
Salaries and wages (2)	34,036	36,582	32,316	32,259	35,316	39,998	36,931	39,521	42,105	43,554
Repairs and maintenance	24,562	26,770	28,065	31,690	32,762	36,863	37,399	37,967	31,942	40,732
Energy	4,143	3,621	4,869	6,040	5,076	7,495	7,228	8,245	6,724	6,415
Materials and supplies	811	616	663	1,170	437	1,751	2,377	1,252	1,522	1,418
Professional and engineering services	9,536	9,214	10,678	11,274	13,326	14,780	19,775	6,727	15,832	15,650
Other operating expenses	4,467	6,390	4,940	5,794	10,466	10,395	5,942	5,929	10,211	2,320
Total operating and maintenance expenses before depreciation and amortization (3)	77,555	83,193	81,531	88,227	97,383	111,282	109,652	99,641	108,336	110,089
NET OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION (4)	$12,303	$ (4,221)	$ 4,077	$ 4,001	$ 8,187	$ (4,029)	$ 15,333	$ 22,660	$ 40,720	$ 47,282
DEBT SERVICE COVERAGE RATIO (5)	1.19	1.05	1.16	1.23	1.23	1.12	1.14	1.08	1.10	1.07

(1) Average annual compound growth rate for 2002–2011 for Total operating revenues is 6.5%.
(2) Salaries and wages includes charges for pension, health care and other employee benefits.
(3) Average annual compound growth rate for 2002–2011 for Total operating and maintenance expenses before depreciation and amortization is 4.1%.
(4) Amount for 2011 may be reconciled to operating loss of $3,785 reported in the 2011 Statement of Revenues, Expenses and Changes in Net Assets by deducting depreciation and amortization of $51,067. Amount for prior years may be reconciled through similar calculations.
(5) Represents debt service coverage ratio on first and second lien bonds.

Source: Chicago Midway Airport Audited Financial Statements and City of Chicago Comptroller’s Office.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

DEBT SERVICE SCHEDULE (UNAUDITED)
($ in thousands)

The following table sets forth aggregate annual debt service of principal and interest for outstanding Midway Airport Revenue Bonds:

Year Ending December 31	Debt Service Series 1996 First Lien Bonds	Debt Service Series 1998 First Lien Bonds	Debt Service Series 2001 First Lien Bonds	(First Lien) Total Debt Service	Debt Service Series 1998 Second Lien Bonds	Debt Service Series 2004 Second Lien Bonds	Debt Service Series 2010 Second Lien Bonds	(Second Lien) Total Debt Service (1)	Total Debt Service
2012	$ 10,519	$ 22,719	$ 21,124	$ 54,362	$ 119	$ 11,868	$ 12,034	$ 24,021	$ 78,383
2013	10,529	22,702	21,112	54,343	119	12,041	12,038	24,198	78,541
2014	10,522	22,705	21,097	54,324	119	12,180	12,934	25,233	79,557
2015	10,509	22,684	21,083	54,276	119	12,383	13,972	26,474	80,750
2016	10,504	22,694	21,071	54,269	119	12,448	19,564	32,131	86,400
2017	10,502	22,684	21,058	54,244	119	12,734	19,554	32,407	86,651
2018	10,494	22,674	21,040	54,208	119	12,923	19,543	32,585	86,793
2019	10,488	22,671	21,022	54,181	119	13,128	19,532	32,779	86,960
2020	10,480	22,664	21,029	54,173	119	13,334	19,521	32,974	87,147
2021	10,473	22,658	21,016	54,147	119	13,448	41,494	55,061	109,208
2022	10,467	22,646	21,005	54,118	119	13,761	19,477	33,357	87,475
2023	17,334	22,643	20,981	60,958	119	7,619	19,565	27,303	88,261
2024	17,313	22,632	20,968	60,913	119	7,885	19,448	27,452	88,365
2025	17,294	24,150	20,944	62,388	119	6,581	77,869	84,569	146,957
2026	17,274	24,137	20,926	62,337	119	6,872	19,367	26,358	88,695
2027	17,252	24,126	20,915	62,293	119	7,113	19,346	26,578	88,871
2028	17,230	24,113	20,888	62,231	119	7,454	19,334	26,907	89,138
2029	17,204	24,107	20,868	62,179	132,539	7,769	19,314	159,622	221,801
2030		51,656	20,840	72,496		8,134	19,298	27,432	99,928
2031		51,607	20,810	72,417		8,473	19,280	27,753	100,170
2032		51,550		51,550		8,837	19,256	28,093	79,643
2033		51,494		51,494		9,201	19,236	28,437	79,931
2034		51,439		51,439		9,614	19,211	28,825	80,264
2035		51,375		51,375		10,051	12,235	22,286	73,661
2036							12,215	12,215	12,215
2037							12,206	12,206	12,206
2038							12,179	12,179	12,179
2039							12,165	12,165	12,165
2040							12,143	12,143	12,143
2041							12,120	12,120	12,120
2042									
	$236,388	$724,530	$419,797	$1,380,715	$134,562	$245,851	$585,450	$965,863	$2,346,578

(1) Assumes an interest rate effective at December 31, 2011 on $365,150,000 of Second 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, 2011.

Source: City of Chicago Comptroller's Office.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

MIDWAY AIRPORT REVENUE BONDS
SERIES 1996 ESTIMATED BOND-FUNDED COSTS
AS OF DECEMBER 31, 2011 (UNAUDITED)
($ in thousands)

	Estimated Bond-Funded Costs (1)
Airfield	$ 20,808
Terminal	36,173
Terminal ramp	2,374
Parking and roadways	90,551
Noise	28,984
Land acquisition	23,563
Fuel storage facilities	17,392
Total	$ 219,845

(1) Includes estimated costs to be funded from investment earnings.

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

CAPITAL IMPROVEMENT PROGRAM 2012–2018
ESTIMATED SOURCES AND USES OF FUNDS
AS OF DECEMBER 31, 2011 (UNAUDITED)
($ in thousands)

ESTIMATED SOURCES:	
AIP — Entitlements	$ 44,905
Airport development fund	
Other airport funds	1,689
Series 2004 Bonds	488
Series 2010 Bonds	114,631
Future Bonds	159,742
TOTAL ESTIMATED SOURCES	$ 321,455
ESTIMATED USES:	
Terminal area projects (1)	$ 19,570
Land acquisition	14,939
Airfield projects	69,547
Parking/roadway projects	94,526
Noise projects	88,766
Safety and security	3,607
Implementation	30,500
TOTAL ESTIMATED USES	$ 321,455

(1) Terminal ramp is a reclassification of projects which were previously included in Airfield and Terminal projects.

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

TERMINAL DEVELOPMENT PROGRAM
ESTIMATED SOURCES AND USES OF FUNDS
AS OF DECEMBER 31, 2011 (UNAUDITED)
($ in thousands)

ESTIMATED SOURCES:	
AIP — Entitlements	$ 19,600
AIP — Discretionary	2,700
Airport development fund	6,200
Federal Highway Grant	6,500
Series 1996 Bonds	156,000
Series 1998 Bonds	359,000
Series 2001 Bonds	68,500
Series 2004 Bonds	40,800
TOTAL ESTIMATED SOURCES (1)	$ 659,300
ESTIMATED USES:	
Terminal projects	$ 340,100
Terminal ramp projects	24,900
Airfield projects	28,600
Parking/roadway projects	149,600
Development of FIS	22,500
Implementation costs	93,600
TOTAL ESTIMATED USES	$ 659,300

(1) The estimated sources and uses of the Terminal Development Program include approximately $631 million of funds expended through December 31, 2011.

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

HISTORICAL ENPLANED PASSENGERS
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2002–2011 (UNAUDITED)

Years	Domestic Air Carrier	Domestic Commuter	Total Domestic	International Enplanements	Total Enplanements	Percent Change
2002	7,531,464	561,917	8,093,381	115,131	8,208,512	10.0 %
2003	8,228,230	658,478	8,886,708	113,665	9,000,373	9.7
2004	8,815,951	656,468	9,472,419	153,481	9,625,900	7.0
2005	8,501,430	99,991	8,601,421	104,382	8,705,803	(9.6)
2006	9,049,740	57,734	9,107,474	91,058	9,198,532	5.7
2007	9,296,778	56,764	9,353,542	60,639	9,414,181	2.3
2008	8,310,041	31,771	8,341,812	16,475	8,358,287	(11.2)
2009	8,541,786	158	8,541,944	29,903	8,571,847	2.6
2010	8,792,557	14,156	8,806,713	49,312	8,856,025	3.3
2011	9,288,332	50,489	9,338,821	119,989	9,458,810	6.8
Average Annual Compound Growth Rates						
2002–2011	2.4 %	(23.5)%	1.6 %	0.5 %	1.6 %	

Source: City of Chicago Department of Aviation.
Note: International traffic was added by Volaris Airline to Mexico in 2011

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

ENPLANED COMMERCIAL PASSENGERS BY AIRLINE
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2002–2011 (UNAUDITED)

	2002		2003		2004		2005		2006		2007		2008		2009		2010		2011	
	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
Southwest Airlines	3,348,624	40.9 %	3,651,618	40.5 %	3,967,477	41.2 %	5,542,890	63.6 %	6,666,986	72.5 %	7,147,154	75.9 %	6,941,870	83.1 %	7,188,750	83.9 %	7,561,053	85.4 %	8,196,402	86.7 %
American Trans Air (4)	3,032,663	37.0	3,473,581	38.5	3,668,159	38.1	1,714,873	19.6	783,224	8.5	686,065	7.3	54,650	0.7						
AirTran	296,909	3.6	248,891	2.8	229,040	2.4	338,057	3.9	681,936	7.4	645,363	7.0	512,429	6.1	487,087	5.7	465,237	5.3	413,717	4.4
Northwest Airlines	329,709	4.0	357,425	4.0	349,161	3.6	290,080	3.3	285,310	3.1	280,911	3.0	237,969	2.8	267,433	3.1	14,726	0.2		
Frontier			101,035	1.1	134,593	1.4	154,120	1.8	189,216	2.1	206,675	2.2	207,674	2.5	164,749	1.9	151,440	1.7	158,405	1.7
Shuttle America (Delta Express)											144,539	1.5	223,153	2.7	181,356	2.0	90,544	1.0	8,874	0.1
Atlantic Southeast									99,373	1.1	61,460	0.6	882		3,715	0.1	29,314	0.3		
Continental Airlines (1)	148,946	1.8	140,100	1.6	162,823	1.7	63,433	0.7	84,153	0.9	48,478	0.5	6,601	0.1						
Continental Express							53,458	0.6	53,363	0.6	37,500	0.4	4,372	0.1						
Comair			23,818	0.3	17,655	0.2	5,123	0.1	4,371	0.1	19,264	0.1	21,135	0.1			14,156	0.2		
American	116,071	1.4	153,043	1.7	143,211	1.5	113,818	1.3	60,793	0.7	164									
Delta (2)	175,323	2.1	163,104	1.8	184,166	1.9	86,621	1.0							144,037	1.7	176,231	2.0	239,357	2.5
United							106,951	1.3	74,520	0.8										
American Eagle/Simmons					22,267	0.2	7,599	0.1	27,863	0.3										
U.S. Airways (3)	17,644	0.2	25,293	0.3	14,116	0.1														
Chicago Express			564,951	6.3	570,580	5.9	41,410	0.5												
Mexicana	33,045	0.4	5,786	0.1																
All other airlines	709,578	8.6	91,728	1.0	162,652	1.7	187,370	2.2	187,424	2.0	136,608	1.5	147,552	1.8	134,720	1.6	353,324	3.9	442,055	4.6
Total	8,208,512	100.0 %	9,000,373	100.0 %	9,625,900	100.0 %	8,705,803	100.0 %	9,198,532	100.0 %	9,414,181	100.0 %	8,358,287	100.0 %	8,571,847	100.0 %	8,856,025	100.0 %	9,458,810	100.0 %

(1) Continental includes commuter affiliate Continental Express for the years 1999–2004.
(2) Delta includes commuter affiliate Comair for the years 1999–2004. Delta commenced scheduled service to Atlanta from Midway in September 2001.
(3) U.S. Airways ceased operations at Midway on March 2005.
(4) American Trans Air ceased operations at Midway on April 3, 2008.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

HISTORICAL ENPLANED PASSENGERS
CHICAGO REGION AIRPORTS
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2002–2011 (UNAUDITED)

	Chicago Midway International Airport		Chicago O'Hare International Airport		
Years	Total Enplanements	Percent of Total Chicago	Total Enplanements	Percent of Total Chicago	Total Enplanements
2002	8,208,512	19.9 %	32,938,702	80.1 %	41,147,214
2003	9,000,373	20.7	34,454,921	79.3	43,455,294
2004	9,625,900	20.4	37,464,632	79.6	47,090,532
2005	8,705,803	18.7	37,970,886	81.3	46,676,689
2006	9,198,532	19.6	37,784,336	80.4	46,982,868
2007	9,414,181	19.9	37,779,576	80.1	47,193,757
2008	8,358,287	19.4	34,744,030	80.6	43,102,317
2009	8,571,847	21.1	32,047,097	78.9	40,618,944
2010	8,856,025	21.0	33,232,412	79.0	42,088,437
2011	9,458,810	22.2	33,206,867	78.0	42,665,677
Average Annual Compound Growth Rates					
2002–2011	2.7 %		.0 %		0.5 %

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

HISTORICAL TOTAL ORIGIN AND DESTINATION (O&D) ENPLANEMENTS
CHICAGO REGION AIRPORTS
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2002–2011 (UNAUDITED)

	Chicago Midway International Airport		Chicago O'Hare International Airport		
Years	Total O&D Enplanements	Percent of Total Chicago	Total O&D Enplanements	Percent of Total Chicago	Total O&D Enplanements
2002	5,700,605	27.2 %	15,279,859	72.8 %	20,980,464
2003	6,243,039	28.9	15,331,493	71.1	21,574,532
2004	6,634,138	28.3	16,799,401	71.7	23,433,539
2005	6,431,517	26.8	17,548,038	73.2	23,979,555
2006	6,708,494	27.1	18,058,904	72.9	24,767,398
2007	6,532,362	26.4	18,223,460	73.6	24,755,822
2008	5,910,045	25.0	17,685,020	75.0	23,595,065
2009	5,647,591	26.4	15,708,291	73.6	21,355,882
2010	5,485,191	23.9	17,419,794	76.1	22,904,985
2011 (1)	5,722,804	26.2	16,082,161	73.8	21,804,965
Average Annual Compound Growth Rates					
2002–2011	%		0.6 %		0.4 %

(1) Estimated based on eleven months of activity.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

AIRCRAFT OPERATIONS
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2002–2011 (UNAUDITED)

	Aircraft Operations						
Years	Domestic Air Carrier	International Air Carrier	Total Air Carrier	Domestic Commuter	General Aviation	Military	Total
2002	161,401	1,965	163,366	48,102	91,880	956	304,304
2003	169,282	1,630	170,912	57,824	99,289		328,025
2004	181,750	2,472	184,222	57,905	97,381		339,508
2005	184,863	1,669	186,532	7,444	95,603		289,579
2006	199,229	1,433	200,662	3,066	94,820		298,548
2007	206,865	1,060	207,925	3,085	93,647		304,657
2008	186,840	557	187,397	1,351	77,593		266,341
2009	180,391	3,354	183,745	7	61,057		244,809
2010	175,812	3,403	179,215	572	65,746		245,533
2011	178,640	4,332	182,972	2,622	69,633		255,227
	Average Annual Compound Growth Rates						
2002–2011	1.1 %	9.2 %	1.3 %	(27.6)%	(3.0)%		(1.9)%

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

NET ASSETS BY COMPONENT
EACH OF THE SIX YEARS ENDED DECEMBER 31, 2006–2011 (UNAUDITED)
($ in thousands)

	2006	2007	2008	2009	2010	2011
Net assets:						
Invested in capital assets — net of related debt	$ 48,388	$ 31,251	$ 40,352	$ (1,936)	$ (39,755)	$ (70,876)
Restricted	215,589	232,344	184,019	201,158	190,641	208,100
Unrestricted	31,561	18,795	19,614	5,792	20,040	37,224
Total net assets	$ 295,538	$ 282,390	$ 243,985	$ 205,014	$ 170,926	$ 174,448

Ten year information will be provided prospectively starting with year 2006.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

CHANGE IN NET ASSETS
EACH OF THE SIX YEARS ENDED DECEMBER 31, 2006 - 2011 (UNAUDITED)
($ in thousands)

	2006	2007	2008	2009	2010	2011
Operating revenues	$ 105,570	$ 652,763	$ 124,985	$ 122,301	$ 149,056	$ 157,371
Operating expenses	135,276	544,890	155,596	147,308	161,103	161,156
Operating (loss) gain	(29,706)	107,873	(30,611)	(25,007)	(12,047)	(3,785)
Nonoperating (expenses) revenues	(5,325)	18,363	(14,571)	(13,964)	(24,502)	4,246
(Loss) gain before capital grants	(35,031)	126,236	(45,182)	(38,971)	(36,549)	461
Capital grants	22,217	48,253	6,777		2,461	3,061
Change in net assets	$ (12,814)	$ 174,489	$ (38,405)	$ (38,971)	$ (34,088)	$ 3,522

Ten year information will be provided prospectively starting with year 2006.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

LONG TERM DEBT
EACH OF THE SIX YEARS ENDED DECEMBER 31, 2006–2011 (UNAUDITED)
($ in thousands)

	2006	2007	2008	2009	2010	2011
First lien bonds	$ 849,400	$ 835,780	$ 821,275	$ 806,015	$ 783,595	$ 780,205
Second lien bonds	422,715	422,715	422,715	399,140	685,780	681,285
Commercial paper notes	10,269	10,674	10,674	61,360	4,005	
Total revenue bonds and notes	$ 1,282,384	$ 1,269,169	$ 1,254,664	$ 1,266,515	$ 1,473,380	$ 1,461,490

Ten year information will be provided prospectively starting with year 2006.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

FULL TIME EQUIVALENT CHICAGO MIDWAY AIRPORT EMPLOYEES BY FUNCTION
EACH OF THE SIX YEARS ENDED DECEMBER 31, 2006–2011 (UNAUDITED)

Function	2006	2007	2008	2009	2010	2011
Business Communication	-	7	6	-	-	
Capital Development	4					
Airfield Operations	59	60	59	75	75	70
Landside Operations	6					
Security Management	64	60	61	60	60	60
Facility Management	37	37	32	28	32	33
Midway Administration	13	12	12	11	10	10
Safety Management		3	2	2	2	2
Total	183	179	172	176	179	175

Ten year information will be provided prospectively starting with year 2006.

Source: City of Chicago's Program and Budget Summary.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

STATISTICAL DATA
PRINCIPAL EMPLOYERS (NONGOVERNMENT)
CURRENT YEAR AND NINE YEARS AGO (SEE NOTE AT THE END OF THIS PAGE)
(Unaudited)

	2011 (1)			2002 (1)		
Employer	**Number of Employees**	**Rank**	**Percentage of Total City Employment**	**Number of Employees**	**Rank**	**Percentage of Total City Employment**
J. P. Morgan Chase (2)	7,993	1	0.77 %	6,320	4	0.57 %
United Airlines	6,366	2	0.62	8,656	2	0.79
Northern Trust	5,485	3	0.53	5,312	5	0.48
Accenture LLP	5,014	4	0.48	4,399	10	0.40
Jewel Food Stores, Inc.	4,799	5	0.46	5,249	7	0.48
Bank of America NT	4,557	6	0.44			
Walgreen's Co.	4,429	7	0.43			
CVS Corporation	4,159	8	0.40			
ABM Janitorial Midwest, Inc.	3,629	9	0.35			
Ford Motor Company	3,410	10	0.33	5,269	6	0.48
American Airlines				4,666	8	0.42
Arthur Andersen, LLP				4,570	9	0.41
SBCAmeritech				17,165	1	1.56
Exelon Corporation				7,538	3	0.68

(1) Source: City of Chicago, Department of Revenue, Employer's Expense Tax Returns.
(2) J.P. Morgan Chase formerly known as Banc One.
(3) Ameritech currently known as SBC/AT&T.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

STATISTICAL DATA
POPULATION AND INCOME STATISTICS
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2002-2011
(Unaudited)

Year	Population (1)	Median Age (2)	Number of Households(2)	Unemployment Rate (3)	Per Capita Income (4)	Total Income (5)
2002	2,896,016	31.9	1,059,960	8.5 %	35,085	$ 101,606,721,360
2003	2,896,016	32.6	1,067,823	8.2	35,464	102,704,311,424
2004	2,896,016	32.6	1,051,018	7.2	37,169	107,642,018,704
2005	2,896,016	33.0	1,045,282	7.0	38,439	111,319,959,024
2006	2,896,016	33.5	1,040,000	5.2	41,887	121,305,422,192
2007	2,896,016	33.7	1,033,328	5.7	43,714	126,596,443,424
2008	2,896,016	34.1	1,032,746	6.4	45,329	131,273,509,264
2009	2,896,016	34.5	1,037,069	10.0	43,727	126,634,091,632
2010	2,695,598	34.8	1,045,666	10.1	45,957	123,881,597,286
2011	2,695,598	33.2	1,048,222	9.3	N/A (5)	N/A (5)

Notes:
(1) Source: U.S. Census Bureau.
(2) Source: World Business Chicago website, Claritas date estimates; Cook County's website.
(3) Source: Bureau of Labor Statistics 2011, Unemployment rate for Chicago-Naperville-Illinois Metropolitan Area.
(4) Source: U.S. Department of Commerce, Bureau of Economic Analysis, Per Capita Personal Income for Chicago-Naperville-Illinois Metropolitan Area (in 2010 dollars).

CITY OF CHICAGO
CHICAGO MIDWAY INTERNATIONAL AIRPORT

STATISTICAL DATA
LANDING FEES AND TERMINAL AREA USE CHARGES
(Unaudited)

	2011
Landing Fees and Terminal Area Use Charges	
Signatory Landing Fee (Rate/1000 lbs)	$ 2.79
Non-Signatory Landing Fee (Rate/1000 lbs)	3.48
Signatory Joint Use Fee (Base Usage/1000 lbs)	1.28
Non-Signatory Joint Use Fee (Base Usage/1000 lbs)	1.60
Signatory Joint Use Fee (Per Capita/Annual)	179,845
Non-Signatory Joint Use Fee (Per Capita/Annual)	224,806
Signatory Terminal Rental Rate	109.26
Non-Signatory Terminal Rental Rate	136.58
Terminal Ramp Rate	3.85
Signatory FIS Fee per Deplaned Passenger	16.00
Non-Signatory F/S Fee per Deplaned Passenger	20.00
Cost per Departure Rate (1)	158.44

(1) The cost per departure is for Gates A1, A2, A3, A4A, A4B, A10, A12 and B25

Under the residual Use Agreement, these rates are the estimated rates assessed to airlines as of 12/31/11.