City of Chicago, Illinois Chicago O'Hare International Airport

Basic Financial Statements for the Years Ended December 31, 2005 and 2004, Required Supplementary Information, Additional Information, Statistical Information and Independent Auditors' Report

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of Chicago O'Hare International Airport ("O'Hare") of the City of Chicago, Illinois (City) as of December 31, 2005 and 2004, and for the years then ended, listed in the foregoing table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting for O'Hare. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In our opinion, such basic financial statements present fairly, in all material respects, the financial position of Chicago O'Hare International Airport as of December 31, 2005 and 2004, 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 described in Note 1 to the basic financial statements, O'Hare adopted the provisions of Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, and Governmental Accounting Standards Board Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, as of and for the year ended December 31, 2005.

The Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures that consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we express no opinion or any other form of assurance on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed in the foregoing table of contents, which is also the responsibility of the City's management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such additional information (pages 35 through 38) has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly presented, in all material respects, when considered in relation to the financial statements taken as a whole.

The statistical information (pages 39 through 50) is also presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such statistical information has not been subjected to auditing procedures and, accordingly, we do not express an opinion on it.

Deloitte + Touche LLP

June 21, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

($ In Thousands)

The following discussion and analysis of Chicago O'Hare International Airport's (Airport) financial performance provides an introduction and overview of the Airport's financial activities for the fiscal years ended December 31, 2005 and 2004. Please read this discussion in conjunction with the Airport's basic financial statements and the notes to basic financial statements immediately following this section.

FINANCIAL HIGHLIGHTS

2005

- Operating revenues for 2005 increased by $90,308 (20.4 percent) compared to prior year operating revenues.

- Operating expenses before depreciation and amortization increased by $34,136 compared to 2004 primarily due to increased repairs and maintenance, professional and utilities costs.

- The Airport's total net assets at December 31, 2005 were $879,251. This is an increase of $71,712 (8.9 percent) over total net assets at December 31, 2004.

- Capital asset additions for 2005 were $348,225 (19.4 percent increase over 2004) principally due to land acquisition, terminal improvements, security enhancements, snow dump improvements, runway, roadway and parking improvements.

- During 2005, the Airport sold $1,500,000 and $388,343 of Chicago O'Hare International Airport Third Lien Revenue Refunding Bonds, Series 2005 A-D and Commercial Paper Notes, respectively. Total outstanding revenue bonds and notes, net of unamortized discount and loss on refunding, at December 31, 2005 were $5,655,285.

2004

- Operating revenues for 2004 decreased by $39,389 (8.2 percent) compared to prior year operating revenues.

- Operating expenses before depreciation and amortization decreased by $13,720 compared to 2003 primarily due to decreased salaries and wages costs.

- The Airport's total net assets at December 31, 2004 were $807,539. This is a decrease of $25,614 (3.1 percent) over total net assets at December 31, 2003.

- Capital asset additions for 2004 were $291,579 (41.9 percent increase over 2003) principally due to terminal improvements, heating and refrigeration improvements, airfield drainage projects and runways and taxiway rehabilitation.

- During 2004, the Airport sold $385,045 Chicago O'Hare International Airport Third Lien Revenue Refunding Bonds, Series 2004 A-H. Total outstanding revenue bonds and notes, net of unamortized discount and loss on refunding, at December 31, 2004 were $4,017,944.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

FINANCIAL ANALYSIS

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

At December 31, 2005, the Airport's financial position continued to be strong with total assets of $6,955,497 total liabilities of $6,076,246 and net assets of $879,251. A comparative condensed summary of the Airport's net assets at December 31, 2005, 2004 and 2003 is as follows ($ in thousands):

	Net Assets		
	2005	**2004**	**2003**
Current assets	$ 278,256	$ 214,406	$ 145,461
Noncurrent assets:			
Restricted and other assets	3,249,907	1,775,985	1,943,105
Capital assets—net	3,427,334	3,199,996	3,026,228
Total noncurrent assets	6,677,241	4,975,981	4,969,333
Total assets	6,955,497	5,190,387	5,114,794
Current liabilities	217,422	189,566	79,686
Noncurrent liabilities	5,858,824	4,193,282	4,201,955
Total liabilities	6,076,246	4,382,848	4,281,641
Net assets:			
Invested in capital—net of related debt	211,908	285,193	332,512
Restricted	606,509	497,504	434,866
Unrestricted	60,834	24,842	65,775
Total net assets	$ 879,251	$ 807,539	$ 833,153

2005

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

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

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

2004

Current assets increased by $68,945 (47.4 percent) primarily due to increased cash and cash equivalents and investments, accounts receivable balances and due from City funds balances at December 31, 2004. The increase of cash and cash equivalents and investments was primarily due to the collections of additional revenue, deferred revenue and advances for terminal and hangar rent offset by payments for accounts payable and due to other City funds. The Airport's current ratio (current assets/current liabilities) at December 31, 2004 and 2003 was 1.13:1 and 1.83:1, respectively. Restricted and other assets decreased by $167,120 (8.6 percent) primarily due to the payment of construction costs. Capital assets increased by $173,768 (5.7 percent) due principally to capital activities of the Capital Development Program at the Airport.

The increase in current liabilities of $109,880 (137.9 percent) is directly related to the increased accounts payable ($2,425), due to other City funds liabilities ($6,217) and deferred revenue ($101,647) offset by decreased advances for prepaid terminal and hanger rent ($409). Noncurrent liabilities decreased slightly by $8,673 (.2 percent) mainly due to the issuance of $385,045 Chicago O'Hare International Airport Third Lien Revenue Refunding Bonds, Series 2004 A-H offset the refunding of certain bonds and the January 1, 2004 principal payment.

Net assets may serve, over a period of time, a useful indicator of the Airport's financial position. As of December 31, 2004 total net assets were $807,539, a decrease of $25,614 (3.1 percent) over 2003. Due to the residual Airport use agreement, this decrease is mainly due to the $45,409 loss from operations and nonoperating revenues and expenses, offset by $19,795 of Airport Improvement Program (AIP) capital grants recognized during 2004.

The primary sources of Airport operating revenues are landing fees, terminal area use charges, rents and concession revenues as defined within the Airline Use Agreement and Facilities Lease. These revenues fund Airport operating expenses, fund deposits and net debt service requirements. A comparative condensed summary of the Airport's changes in net assets for the years ended December 31, 2005, 2004 and 2003 is as follows ($ in thousands):

	Changes in Net Assets		
	2005	2004	2003
Operating revenues			
Landing fees and terminal charges	$ 297,829	$ 228,276	$ 291,577
Rents, concessions and other	235,048	214,293	190,380
Total operating revenues	532,877	442,569	481,957
Operating expenses:			
Salaries and wages	134,026	134,890	148,861
Repairs and maintenance	73,903	66,066	65,870
Professional and engineering	52,141	33,449	35,759
Other operating expenses	91,895	83,424	81,060
Depreciation and amortization	141,920	137,661	130,754
Total operating expenses	493,885	455,490	462,303
Operating income (loss)	38,992	(12,921)	19,654
Nonoperating revenues	190,112	163,927	150,048
Nonoperating expenses	(199,867)	(196,415)	(175,285)
Capital grants	42,475	19,795	8,938
Increase (decrease) in net assets	$ 71,712	$ (25,614)	$ 3,355

2005

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

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

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

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

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

2004

Landing fees and terminal area use charges for the years 2004 and 2003 were $228,276 and $291,577, respectively. Rents, concessions and other revenues were $214,293 and $190,380 for the years 2004 and 2003, respectively. The decrease in 2004 operating revenues of $39,389 (8.2 percent) compared to 2003 was primarily due to decreased landing fees, terminal rental and usage revenues of approximately $10,020, and $51,476, respectively, offset by increased concession revenues and reimbursements of $22,108. Such activity was due to the residual Airport Use Agreement and Terminal Lease that requires airline revenue to be recognized to the extent necessary to pay the Airport’s operating and maintenance expenses, net debt service and fund deposit requirements, reduced by non-airline revenues

Salaries and wages decreased in 2004 by $13,971 compared to 2003. This decrease is primarily due to the City’s early retirement incentive program and not filling vacant positions, reduced overtime costs and reduced medical care premiums. Repairs and maintenance expenses of $66,066 were flat (less than 1 percent variance) when compared with $65,870 for 2003. Professional and engineering expenses decreased by $2,310 in 2004 when compared to 2003 expenses. This decrease is mainly due to land restoration costs of approximately $2,100 associated with the closure of Meigs Field reported in 2003 that were not reported in 2004. Other operating expenses of $83,425 increased by $2,365 in 2004 compared to 2003 due to additional electric and water costs of $2,084. Other operating expenses are mainly comprised of employee benefit costs, insurance premiums, indirect costs and utilities. Depreciation and amortization expense increased $6,907 (5.3 percent) as a result of the continued capital activities of the Capital Improvement Program.

Fiscal year 2004 nonoperating revenues of $163,927 are comprised of passenger facility charges (PFC) revenue ($141,733) and interest income ($22,194). During 2004, nonoperating revenues increased by $13,880 principally due to increased PFC revenues of $12,408 as a result of increased passenger activity at the airport.

Nonoperating expenses of $196,415 and $175,285 for the years 2004 and 2003, respectively, were comprised of PFC and bond interest expenses. The increase of $21,130 (12.0 percent) for 2004 over 2003 was due to additional interest expense requirements related to the Chicago O’Hare International Airport Third Lien Revenue Bonds, Series 2003 A-F issued in August and November 2003 and by increased PFC expenses incurred.

Capital grants, comprising mainly of federal grants, increased from $8,938 in 2003 to $19,795 in 2004, a 121.5 percent increase, as a result of when capital expenditures were incurred and thus became eligible for the related reimbursement.

A comparative summary of the Airport's changes in cash flows for the years ended December 31, 2005, 2004 and 2003 is as follows ($ in thousands):

	Cash Flows		
	2005	2004	2003
Cash from activites:			
Operating	$ 210,415	$ 208,887	$ 139,931
Capital and related financing	1,220,566	(390,049)	430,076
Investing	(39,486)	122,681	(340,148)
Net change in cash and cash equivalents	1,391,496	(58,481)	229,859
Cash and cash equivalents:			
Beginning of year	770,534	829,015	599,156
End of year	$ 2,162,030	$ 770,534	$ 829,015

2005

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

2004

As of December 31, 2004 the Airport's available cash and cash equivalents of $770,534 decreased by $58,481 compared to $829,015 at December 31, 2003 due to positive flows of cash provided by operating and investing activities of $208,887 and $122,681, respectively, offset by the use of $390,049 for capital and related financing activities. Total cash and cash equivalents at December 31, 2004 were comprised of unrestricted and restricted cash and cash equivalents of $141,928 and $628,606.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2005 and 2004 the Airport had $3,427,334 and 3,199,996 respectively, invested in net capital assets. During 2005, the Airport had additions of $348,225 related to capital activities. This included $72,877 for land acquisition and the balance of $275,348 for terminal improvements, security enhancement, snow dump improvements, runway, roadway and parking improvements.

During 2005, completed projects totaling, $114,885 were transferred from construction in progress to applicable buildings and other facilities capital accounts. These major completed projects were related to

electrical system improvements, runway and taxiway rehab, roads and sidewalks reconstruction, security enhancement, water drainage and terminal improvements.

The Airport's capital assets at December 31, 2005, 2004 and 2003 are summarized as follows ($ in thousands):

	Capital Assets at Year-End		
	2005	2004	2003
Capital assets not depreciated:			
Land	$ 234,279	$ 161,402	$ 124,758
Construction in progress	535,350	374,887	254,696
Total capital assets not depreciated	769,629	536,289	379,454
Capital assets depreciated:			
Buildings and other facilities	4,295,043	4,180,158	4,045,414
Less accumulated depreciation for:			
Buildings and other facilities	(1,637,338)	(1,516,451)	(1,398,640)
Total capital assets depreciated–net	2,657,705	2,663,707	2,646,774
Total property and facilities–net	$ 3,427,334	$ 3,199,996	$ 3,026,228

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

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

In December 2004, the Airport sold $385,045 of Chicago O'Hare International Airport Third Lien Revenue Refunding Bonds, Series 2004 A-H. The bonds have maturity and mandatory redemption dates ranging from January 1, 2007 to January 1, 2035. Net proceeds were used to refund certain first and second lien revenue bond.

The Airport's outstanding debt at December 31, 2005, 2004 and 2003 is summarized as follows ($ in thousands):

	Outstanding Debt at Year-End		
	2005	2004	2003
Revenue bonds and notes payable	$ 5,675,591	$ 4,110,043	$ 4,135,611
Unamortized:			
Bond premium (discount)	55,656	(8,247)	(22,636)
Deferred loss on refunding	(75,962)	(83,852)	(75,643)
Total outstanding debt–net	5,655,285	4,017,944	4,037,332
Current portion	(462,076)	(60,355)	(37,045)
Total long-term revenue bonds and notes payable–net	$ 5,193,209	$ 3,957,589	$ 4,000,287

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

The Airport's revenue bonds at December 31, 2005 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 O'Hare Revenue Bonds	A1	A+	AA-
Second Lien Chicago O'Hare Revenue Bonds	A1	A	AA-
Third Lien Chicago O'Hare Revenue Bonds	A2	A-	A
First Lien Passenger Facility Charge Revenue Bonds	A1	A+	A+
Second Lien Passenger Facility Charge Revenue Bonds	A2	A	A

At December 31, 2005 and 2004 the Airport was in compliance with the debt covenants as stated within the Master Trust Indentures.

ECONOMIC FACTORS AND NEXT YEAR RATES AND CHARGES

In 2005, the Airport was the second busiest airport in the world, measured in terms of total aircraft operations, and the second busiest in terms of total passengers. The Airport had 37,971 and 37,465 enplaned passengers in 2005 and 2004, respectively. The strong origin-destination passenger demand and the Airport's central geographical location near the center of the United States and along the most heavily traveled east/west air routes make the Airport a natural hub location.

United Airlines and American Airlines each use the Airport as one of their major hubs. United Airlines exited from bankruptcy court protection under Chapter 11 on February 1, 2006. United Airlines (including its regional affiliates) comprised 43.4 percent of the Airport's enplaned passengers in 2005 and 45.9 percent of the enplaned passengers in 2004. American Airlines (including its regional affiliate) comprised 37.2 percent of the Airport's enplaned passengers in 2005 and 36.4 percent of the enplaned passengers in 2004.

Based on the Airport's rates and charges for fiscal year 2006, total budgeted operating and maintenance expenses are projected at $364,322 and total net debt service and fund deposit requirements are projected at $202,684. Additionally, 2005 nonsignatory revenues are budgeted for $254,200 resulting in a net airline requirement of $312.805 that will be funded through landing fees, terminal area use charges and fuel system use charges.

REQUESTS FOR INFORMATION

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

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

STATEMENTS OF NET ASSETS
DECEMBER 31, 2005 AND 2004
($ In Thousands)

ASSETS	2005	2004
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	$ 190,329	$ 141,928
Investments (Note 2)	27,457	10,748
Accounts receivable–net of allowance for doubtful accounts of approximately $2,331 in 2005 and $2,361 in 2004	40,769	41,628
Due from other City funds	17,180	17,743
Prepaid expenses	1,954	2,180
Interest receivable	567	179
Total current assets	278,256	214,406
NONCURRENT ASSETS:		
Restricted assets (Note 3):		
Cash and cash equivalents (Note 2)	1,971,701	628,606
Investments (Note 2)	874,745	798,199
Passenger facility charges receivable (Note 1)	20,707	19,154
Interest receivable	13,440	8,694
Prepaid expenses	6,502	
Due from other City funds	159	5
Due from other governments	33,667	14,094
Total restricted assets	2,920,921	1,468,752
Other assets		
Deferred soundproofing & financing fees	328,986	307,233
Property and facilities (Note 5):		
Land	234,279	161,403
Buildings and other facilities	4,295,043	4,180,158
Construction in progress	535,350	374,887
Total property and facilities	5,064,672	4,716,448
Less accumulated depreciation	1,637,338	1,516,452
Property and facilities–net	3,427,334	3,199,996
Total noncurrent assets	6,677,241	4,975,981
TOTAL ASSETS	$ 6,955,497	$ 5,190,387

LIABILITIES AND NET ASSETS	2005	2004
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 60,512	$ 40,921
Due to other City funds	9,852	8,012
Advances for terminal and hangar rent	16,900	14,143
Deferred revenue	130,158	126,490
Total current liabilities	217,422	189,566
NONCURRENT LIABILITIES:		
Liabilities payable from restricted assets (Note 3):		
Revenue bonds and notes payable (Note 4)	462,076	60,355
Accounts payable	102,388	77,191
Interest payable	101,151	98,147
Total liabilities payable from restricted assets	665,615	235,693
Revenue bonds payable–net of premium (Note 4)	5,193,209	3,956,226
Notes payable (Note 4)		1,363
Total revenue bonds and notes payable–net	5,193,209	3,957,589
Total noncurrent liabilities	5,858,824	4,193,282
Total liabilities	$ 6,076,246	$ 4,382,848
NET ASSETS (Note 1):		
Invested in capital assets–net of related debt	$ 211,908	$ 285,193
Restricted net assets:		
Debt service	49,582	46,519
Capital projects	105,733	71,108
Passenger facility charges	264,924	184,271
Airport use agreement	88,544	81,828
Other assets	97,726	113,778
Total restricted net assets	606,509	497,504
Unrestricted net assets	60,834	24,842
TOTAL NET ASSETS	$ 879,251	$ 807,539

See notes to basic financial statements.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2005 AND 2004
($ In Thousands)

	2005	2004
OPERATING REVENUES:		
Landing fees and terminal area use charges (Note 1)	$ 297,829	$ 228,276
Rents, concessions and other (Note 6)	235,048	214,293
Total operating revenues	532,877	442,569
OPERATING EXPENSES (Notes 7 and 8):		
Salaries and wages	134,026	134,890
Repairs and maintenance	73,903	66,066
Professional and engineering services	52,141	33,449
Other operating expenses	91,895	83,424
Total operating expenses before depreciation and amortization	351,965	317,829
Depreciation and amortization	141,920	137,661
Total operating expenses	493,885	455,490
OPERATING INCOME (LOSS)	38,992	(12,921)
NONOPERATING REVENUES (EXPENSES):		
Passenger facility charges revenue	144,131	141,733
Passenger facility charges expenses	(1,177)	(6,469)
Other nonoperating revenue	116	0
Interest income (Note 4)	45,865	22,194
Interest expense (Note 4)	(198,690)	(189,946)
Total nonoperating expenses	(9,755)	(32,488)
Income (Loss) before capital contributions	29,237	(45,409)
CAPITAL GRANTS (Note 1)	42,475	19,795
CHANGE IN NET ASSETS	71,712	(25,614)
TOTAL NET ASSETS—Beginning of year	807,539	833,153
TOTAL NET ASSETS—End of year	$ 879,251	$ 807,539

See notes to basic financial statements.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2005 AND 2004
($ In Thousands)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Landing fees and terminal area use charges	$ 301,295	$ 295,131
Rents, concessions and other	237,633	241,471
Payments to vendors	(144,006)	(144,332)
Payments to employees	(150,658)	(140,488)
Transactions with other City funds–net	(33,849)	(42,895)
Cash flows from operating activities	210,415	208,887
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from issuance of bonds	1,561,148	393,271
Net proceeds from bonds and notes payable	388,343	32
Payments to refund bonds	(269,949)	(392,722)
Acquisition and construction of capital assets	(305,029)	(246,074)
Capital grants	22,903	9,455
Bond issuance costs	(29,901)	(6,270)
Principal paid on bonds	(60,355)	(37,045)
Interest paid on bonds and note	(215,010)	(220,686)
Noise mitigation program	(10,846)	(19,172)
Other non operating income	116	
Passenger facility charges revenues	140,323	135,630
Passenger facility charges expenses	(1,177)	(6,468)
Cash flows from (used in) capital and related financing activities	1,220,566	(390,049)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales (purchases) of investments, net	(93,256)	87,933
Investment interest	53,770	34,748
Cash flows (used in) from investing activities	(39,486)	122,681
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,391,496	(58,481)
CASH AND CASH EQUIVALENTS—Beginning of year	770,534	829,015
CASH AND CASH EQUIVALENTS—End of year	$ 2,162,030	$ 770,534
RECONCILIATION TO CASH AND CASH EQUIVALENTS REPORTED ON THE STATEMENTS OF NET ASSETS:		
Unrestricted	$ 190,329	$ 141,928
Restricted	1,971,701	628,606
TOTAL	$ 2,162,030	$ 770,534

See notes to basic financial statements

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

STATEMENTS OF CASH FLOWS (Concluded)
YEARS ENDED DECEMBER 31, 2005 AND 2004
($ In Thousands)

	2005	2004
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	$ 38,992	$ (12,922)
Adjustments to reconcile:		
Depreciation and amortization	141,920	137,661
Provision for doubtful accounts	1,235	97
Operating transfers out		
Changes in assets and liabilities:		
Increase in accounts receivable	(376)	(7,204)
Increase in due from other City funds	563	(17,743)
Decrease (increase) in prepaid expenses	225	(881)
Increase (decrease) in accounts payable and due to other City funds	21,431	8,641
Increase (decrease) in prepaid terminal rent	2,757	(409)
Increase in deferred revenue	3,668	101,647
CASH FLOWS FROM OPERATING ACTIVITIES	$ 210,415	$ 208,887

SUPPLEMENTAL DISCLOSURE OF NONCASH ITEMS:
Property additions in 2005 and 2004 of $93,500 and $68,235, respectively, are included in accounts payable.

The fair market value adjustment to investments for 2005 was a loss of $6,226

See notes to basic financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting and Measurement Focus—The accounting policies of the Airport are based upon accounting principles generally accepted in the United States of America, as prescribed by the Government Accounting Standards Board (GASB). For the year ended December 31, 2005, the Airport adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures and* GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.* The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The accounts of the Airport are reported using the flow of economic resources measurement focus.

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

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

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

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

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

Investments authorized by the Code include interest-bearing general obligations of the City, the State of Illinois (State) and the U.S. Government; U.S. treasury bills and other non-interest-bearing general obligations of the U.S. Government purchased in the open market below face value; domestic money market mutual funds regulated by and in good standing with the Securities and Exchange Commission and tax anticipation warrants issued by the City. The City is prohibited by ordinance from investing in derivatives, as defined, without City Council approval.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Passenger Facility Charge (PFC) Revenue—The Airport imposed PFCs of $4.50 per eligible enplaned passenger for the years ended December 31, 2005 and 2004. Beginning May 1, 2004, PFCs paid to the Airport are less allowable airline administrative costs of $.11 per eligible enplaned passenger. PFCs are available, subject to Federal Aviation Administration regulation and approval, to finance specific eligible capital projects. The City reports PFC revenue as nonoperating revenue and related expenses as nonoperating expenses in conformity with industry practice.

2. RESTRICTED AND UNRESTRICTED CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

Quality Rating	Airport	
Aaa/AAA..........................	$	2,565,653
Not Rated..........................		506,899
Not Applicable.................		15,871
Total Funds......................	$	3,088,423

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

Custodial Credit Risk—Cash and Certificates of Deposit This is the risk that in the event of a bank failure, the City's deposits may not be returned. The City's Investment Policy states that in order to protect the City public fund deposits, depository institutions are to maintain collateral pledges on City deposits during the term of the deposit of at least 110 percent of marketable U.S. government, or approved securities or surety bonds, issued by top-rated insurers. Collateral is required as security whenever deposits exceed the insured limits of the FDIC. Cash and certificates of deposit with the City's various municipal depositories were $151.5 million and $104.0 million respectively at December 31, 2005 and the related bank balance (including certificates of deposit) was $169.6 million. Of the bank balance, $168.4 million or 99.3 percent, was either insured or collateralized with securities held by City agents in the City's name. The remainder was uninsured and uncollateralized.

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

Per Note 2:		
Investments - Airport	$	3,088,423
Investments - City Treasurer Pooled Fund		704
	$	3,089,127
Per Financial Statements:		
Restricted Investments	$	874,745
Unrestricted Investments		27,457
Investments included as cash and cash equivalents on the Statements of Net Assets		2,186,925
	$	3,089,127

3. RESTRICTED ASSETS

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

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

Account	2005	2004
Construction	$ 1,283,912	$ 539,703
Capitalized interest	287,350	79,865
Debt service reserve	333,341	350,110
Debt service interest	538,592	132,160
Debt service principal	32,370	30,540
Operation and maintenance reserve	86,675	78,796
Maintenance reserve	3,000	3,000
Other funds	30,321	42,623
Subtotal—Bond Ordinance, Second Lien Indenture and Third Lien Indenture accounts	2,595,561	1,256,797
Passenger facility charge	250,885	170,008
Total	$ 2,846,446	$ 1,426,805

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

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

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

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

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

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

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

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

At December 31, 2005 and 2004, the Airport was in compliance with the funding requirements and restrictions as stated in the Bond Ordinance, Second Lien Indenture and Third Lien Indenture.

4. LONG-TERM DEBT

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

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

Revenue Bonds Outstanding - The following summarizes revenue bonds outstanding at December 31, 2005 and 2004 ($ in thousands):

	2005	2004
First Lien Bonds:		
$324,270 1993 Series A first lien revenue refunding bonds issued November 30, 1993, due through 2016; interest rates at 4.8% - 5.0%	$ 117,975	$ 264,260
Second Lien Bonds:		
$50,000 Series 1984 B second lien bonds issued December 27, 1984, due through 2015 at variable floating interest rates (1.94% at December 31, 2004)	28,300	30,215
$25,000 Series 1988 B second lien bonds issued December 21, 1988, due through 2018 at variable floating interest rates (2.01% at December 31, 2004)	18,200	19,000
$152,220 1993 Series A and B second lien revenue refunding bonds issued May 26, 1993, due through 2018; interest at 4.6% - 5.75%		
$320,430 1993 Series C second lien revenue refunding bonds issued November 30, 1993, due through 2018; interest at 4.9% - 5.75%	163,750	284,340
$274,940 1994 Series A second lien revenue refunding bonds issued November 29, 1994, due through 2015; interest rate at 6.0% - 6.75%	20,365	36,990
$68,700 1994 Series B second lien revenue bonds issued October 12, 1994, due through 2018; variable floating interest rate (2.05% at December 31, 2004)	45,700	45,700
$83,800 1994 Series C second lien revenue bonds issued November 9, 1994, due through 2018; variable floating interest rate (2.00% at December 31, 2004)	56,300	56,300
$179,625 1996 Series A second lien revenue bonds issued October 31, 1996, due through 2018; interest rate at 4.7% - 6.25%	105,920	108,445
$36,450 1996 Taxable Series B second lien revenue bonds issued October 31, 1996, due through 2018; interest rate at 5.96% - 7.1%		
$409,850 Series 1999 second lien revenue refunding bonds issued October 4, 1999, due through 2018; interest at 5.5%	367,445	373,035
Subtotal - second lien bonds	805,980	954,025
Third Lien Bonds:		
$490,515 Series 2002 A third lien revenue refunding bonds issued March 20, 2002, due through 2032; interest at 5.25% - 5.75%	490,515	490,515
$248,910 Series 2003 A-1 and A-2 third lien revenue refunding bonds issued August 14, 2003, due through 2034; interest at 4.50% - 6.00%	248,910	248,910
$382,155 Series 2003 B-1 and B-2 third lien revenue bonds issued August 21, 2003, due through 2034; interest at 5.25% - 6.00%	382,155	382,155
$355,245 Series 2003 C-1 and C-2 third lien revenue refunding bonds issued August 21, 2003, due through 2034; interest at 5.25%	355,245	355,245
$149,330 Series 2003 D, E and F third lien revenue bonds issued December 2, 2003, due through 2034; interest at 2.125% - 5.5%	146,890	149,330

(continued)

	2005	2004
Third Lien Bonds (Concluded):		
$281,055 Series 2004 A and B third lien revenue refunding bonds issued December 2, 2004, due through 2035; interest at 4.75% - 5.0%	$ 281,055	$ 281,055
$39,700 Series 2004 C and D third lien revenue refunding bonds issued December 2, 2004, due through 2026; interest at 4.70% - 5.25%	39,700	39,700
$64,290 Series 2004 E, F, G and H third lien revenue refunding bonds issued December 2, 2004, due through 2023; interest at 3.49% - 5.35%	64,290	64,290
$961,010 Series 2005 A third lien revenue bonds issued December 22, 2005, due through 2033; interest at 5.0% - 5.25%	961,010	
$238,990 Series 2005 B third lien revenue refunding bonds issued December 22, 2005, due through 2018; interest at 5.25%	238,990	
$300,000 Series 2005 C and D third lien revenue bonds issued December 22, 2005, due through 2035; variable floating interest rate (3.51 percent at December 31, 2005)	300,000	
Subtotal - third lien bonds	3,508,760	2,011,200
Passenger Facility Charge Revenue Bonds:		
$218,890 Series 1996 A Passenger Facility Charge Revenue Bonds issued July 30, 1996, due through 2015; interest at 5.0% - 6.0%	180,655	193,815
$430,415 Series 2001 A and B Passenger Facility Charge Revenue Bonds issued June 19, 2001, due through 2032: interest at 4.0% - 5.75%	417,180	423,975
$215,065 Series 2001 C and D Passenger Facility Charge Revenue Bonds issued August 21, 2001, due through 2032: interest at 3.4% - 5.5%	208,150	211,685
$54,520 Series 2001 E Passenger Facility Charge Revenue Bonds issued October 4, 2001, due through 2018: interest at 3.5% - 5.5%	47,185	49,720
Subtotal - Passenger Facility Charge Revenue Bonds	853,170	879,195
Commercial Paper Notes:		
$ 389,706 Series C (Taxable) Commercial Paper Notes outstanding at December 31, 2005, due through 2006; interest at 2.5%	389,706	1,363
Total revenue bonds and notes	5,675,591	4,110,043
Unamortized premium (discount)	55,656	(8,247)
Unamortized deferred loss on bond refunding	(75,962)	(83,852)
	5,655,285	4,017,944
Current portion	(462,076)	(60,355)
Total long-term revenue bonds payable	$ 5,193,209	$ 3,957,589

During the years ended December 31, 2005 and 2004, long-term debt changed as follows ($ in thousands):

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

	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004	Due Within One Year
Revenue bonds	$ 4,134,280	$ 385,045	$ (410,645)	$ 4,108,680	$ 60,355
Unamortized discount	(22,636)	(5)	14,395	(8,247)	
Deferred loss on refunding	(75,643)	(14,126)	5,916	(83,852)	
Total revenue bonds	4,036,001	370,914	(390,334)	4,016,581	60,355
Commercial Paper	1,331	32	0	1,363	
Total Long-term debt	$ 4,037,332	$ 370,946	$ (390,334)	$ 4,017,944	$ 60,355

Interest expense capitalized for 2005 and 2004 totaled $30.7 million and $36.9 million respectively. Interest income capitalized for 2005 and 2004 totaled $11.3 million and $9.8 million, respectively. Interest expense includes amortization of the deferred loss on bond refunding for 2005 and 2004 of $12.0 million and $5.9 million respectively, $1.0 million of premium, net and $2.4 million amortization of bond discount, respectively and arbitrage expense of $1.7 million for 2004.

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

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

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

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

In December 2004, the Airport sold $281.1 million of Chicago O'Hare International Airport Third Lien Revenue Refunding Bonds, Series 2004 A and B (Non-AMT), at a $7.6 million premium. The Bonds have interest rates ranging from 4.75 percent to 5.00 percent and maturity and mandatory redemption dates ranging from January 1, 2007 to January 1, 2035. Certain net proceeds of $280.0 million together with $7.6 million transferred from the debt service account established for the Second Lien Bonds were deposited in escrow accounts to partially defease outstanding Series 1994 A Bonds ($238.0 million) and Series 1993 C Bonds ($36.1 million); certain proceeds of $3.8 million were used to fund debt service reserve requirements; and certain proceeds of $5.1 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 $10.0 million that will be charged to operations over 3 to 4 years using the straight-line method. The advance refunding increased the Airport's total debt service payments by $107.7 million and resulted in an economic gain (difference between the present value of the old debt and the new debt service payments) of $12.8 million.

In December 2004, the Airport sold $39.7 million of Chicago O'Hare International Airport Third Lien Revenue Refunding Bonds, Series 2004 C and D (AMT), at a $1.0 million premium. The Bonds have an initial variable interest rate of 4.70 percent. The Bonds have maturity and mandatory redemption dates ranging from January 1, 2033 to January 1, 2035. Certain net proceeds of $39.5 million, together with $4.1 million transferred primarily from the debt service reserve and debt service accounts established for the Second Lien Bonds, were deposited in escrow accounts to partially defease outstanding Series 1996 A Bonds ($34.0 million) and Series 1999 Bonds ($8.0 million); and certain proceeds of $1.0 million were used to pay the cost of issuance of the bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $1.7 million that will be charged to operations over 13 to 15 years using the straight-line method. The advance refunding increased the Airport's total debt service payments by $5.4 million and resulted in an economic gain (difference between the present value of the old debt and the new debt service payments) of $1.1 million.

In December 2004, the Airport sold $64.3 million of Chicago O'Hare International Airport Third Lien Revenue Refunding Bonds, Taxable Series 2004 E, F G and H, at a discount. The Bonds have interest rates ranging from 3.49 percent to 5.35 percent and maturity and mandatory redemption dates ranging from January 1, 2007 to January 1, 2023. Certain net proceeds of $58.8 million, together with $3.1 million transferred from the debt service accounts established for the Second Lien Bonds, were deposited in escrow accounts to defease a portion of the Series 1996 A Bonds ($18.7 million) and Series 1996 B Bonds ($10.1 million), to defease a portion of the Series 1999 Bonds ($28.8 million); certain proceeds of $3.4 million were used to fund debt service reserve requirements; and certain proceeds of $1.0 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 $2.5 million that will be charged to operations over 3 to 13 years using the straight-line method. The advance refunding increased the Airport's total debt service payments by $28.2 million and resulted in an economic loss (difference between the present value of the old debt and the new debt service payments) of $3.7 million.

Chicago O'Hare International Airport Commercial Paper Notes, Series C (Taxable)($300.0 million maximum aggregated authorized) outstanding at December 31, 2004 were $1.4 million having an interest rate of 2.5 percent with a maturity date of January 3, 2005. 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 ($315.0 million) provides for the timely payment of principal and interest on the notes until July 19, 2005. Amounts paid by drawing on the letter of credit shall be reimbursed by the Airport on said day paid; any amounts not reimbursed shall constitute an advance and will bear interest at the greater of the most recent prime rate or the Federal Funds rate plus 0.5 percent (Base Rate). Advances outstanding greater than sixty days will bear interest at the Base Rate plus 1.0 percent beginning on the sixty-first day after such advance is made. At December 31, 2004, there were no outstanding letter of credit advances.

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

Year Ending December 31	Principal	Interest	Total
2006	$ 4,650	$ 5,780	$ 10,430
2007		5,666	5,666
2008		5,666	5,666
2009		5,666	5,666
2010		5,666	5,666
2011–2015	94,985	14,141	109,126
2016	18,340	459	18,799
Total	$ 117,975	$ 43,044	$ 161,019

Following is a schedule of debt service requirements to maturity of the second lien bonds. For issues with variable rates, interest is imputed at the effective rate at December 31, 2005 ($ in thousands).

Year Ending December 31	Principal	Interest	Total
2006	$ 29,785	$ 40,407	$ 70,192
2007	11,375	39,194	50,569
2008	81,830	36,816	118,646
2009	86,205	32,375	118,580
2010	91,205	27,733	118,938
2011–2015	331,765	82,725	414,490
2016	173,815	12,757	186,572
Total	$ 805,980	$ 272,007	$ 1,077,987

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, 2005 the second lien bonds were in the weekly rate interest mode.

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

Year Ending December 31	Principal	Interest	Total
2006	$ 10,475	$ 144,812	$ 155,287
2007	61,250	177,128	238,378
2008	74,805	173,936	248,741
2009	41,255	171,233	212,488
2010	50	170,201	170,251
2011–2015	152,545	842,100	994,645
2016–2020	500,715	752,853	1,253,568
2021–2025	733,660	581,802	1,315,462
2026–2030	909,780	362,171	1,271,951
2031–2035	1,024,225	106,732	1,130,957
Total	$ 3,508,760	$ 3,482,968	$ 6,991,728

The Airport's third lien variable rate bonds may bear interest from time to time at a flexible rate, a daily rate, a weekly rate, an adjustable long rate or the fixed rate as determined from time to time by the remarketing agent, in consultation with the City. At December 31, 2005 the third lien bonds were in the weekly rate interest mode.

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

Year Ending December 31	Principal	Interest	Total
2006	$ 27,460	$ 45,274	$ 72,734
2007	28,995	43,773	72,768
2008	30,460	42,220	72,680
2009	32,105	40,537	72,642
2010	33,835	38,759	72,594
2011–2015	198,880	163,120	362,000
2016–2020	115,690	117,888	233,578
2021–2025	132,480	85,410	217,890
2026–2030	171,250	45,540	216,790
2031–2035	82,015	4,370	86,385
Total	$ 853,170	$ 626,891	$ 1,480,061

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

Defeased Bonds—Defeased bonds have been removed from the balance sheet because the related assets have been placed in irrevocable trusts that, together with interest earned thereon, will provide amounts sufficient for payment of all principal and interest. Defeased bonds at December 31, 2005 are as follows ($ in thousands):

	Amount Defeased	Outstanding
Chicago O'Hare International Airport First Lien Bonds, Series 1993A	$ 141,850	$ 141,850
Chicago O'Hare International Airport Second Lien Bonds, Series 1993C	120,590	120,590
Chicago O'Hare International Airport Second Lien Bonds, Series 1996A	52,695	18,735
Chicago O'Hare International Airport Second Lien Bonds, Series 1996B	10,050	5,195
Chicago O'Hare International Airport Second Lien Bonds, Series 1999	36,815	36,815
	$ 362,000	$ 323,185

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

5. CHANGES IN CAPITAL ASSETS

During the years ended December 31, 2005 and 2004, capital assets changed as follows ($ in thousands):

	Balance January 1, 2005	Additions	Disposals and Transfers	Balance December 31, 2005
Capital assets not depreciated:				
Land	$ 161,402	$ 72,877	$	$ 234,279
Construction in progress	374,887	275,348	(114,885)	535,350
Total capital assets not depreciated	536,289	348,225	(114,885)	769,629
Capital assets depreciated:				
Buildings and other facilities	4,180,158	114,885		4,295,043
Less accumulated depreciation for:				
Buildings and other facilities	(1,516,451)	(120,887)		(1,637,338)
Total capital assets depreciated–net	2,663,707	(6,002)		2,657,705
Total property and facilities–net	$ 3,199,996	$ 342,223	$ (114,885)	$ 3,427,334

	Balance January 1, 2004	Additions	Disposals and Transfers	Balance December 31, 2004
Capital assets not depreciated:				
Land	$ 124,758	$ 36,644	$ -	$ 161,402
Construction in progress	254,696	254,935	(134,744)	374,887
Total capital assets not depreciated	379,454	291,579	(134,744)	536,289
Capital assets depreciated:				
Buildings and other facilities	4,045,414	134,744		4,180,158
Less accumulated depreciation for:				
Buildings and other facilities	(1,398,640)	(117,811)		(1,516,451)
Total capital assets depreciated–net	2,646,774	16,933	-	2,663,707
Total property and facilities–net	$ 3,026,228	$ 308,512	$ (134,744)	$ 3,199,996

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

6. LEASING ARRANGEMENTS WITH TENANTS

Most of the Airport's land, buildings and terminal space are leased under operating lease agreements with airlines and other tenants. The following is a schedule of the minimum future rental income on noncancelable operating leases as of December 31, 2005 ($ in thousands):

Year Ending December 31	Amount
2006	$ 53,793
2007	32,892
2008	31,817
2009	30,759
2010	18,831
2011-2015	91,196
2016-2020	58,620
2021-2025	8,302
2026-2030	9,591
2031-2033	5,738
Total minimum future rental income	$ 341,539

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

Rental income, consisting of all rental and concession revenues except ramp rentals and automobile parking, amounted to approximately $288.7 million and $289.8 million in 2005 and 2004, respectively. Contingent rentals included in the totals were approximately $58.8 million and $51.4 million and for 2005 and 2004, respectively.

7. PENSION PLANS

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

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

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

O'Hare Fund, were $12.8 million in 2005 and $13.0 million in 2004. The annual pension costs are determined using the entry age actuarial cost method and the level dollar amortization method.

The funding policy mandated by State law requires City contributions at statutorily, not actuarially, determined rates. The rates are expressed as multiples of employee contributions. These contributions equal employee contributions made in the calendar year two years prior multiplied by the statutory rates. The statutory rates in effect for the City's contributions made during the years ended December 31, 2005, 2004 and 2003 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, 2005 assists users in assessing each fund's progress in accumulating sufficient assets to pay benefits when due. The three-year historical information for each annuity and benefit fund will be accumulated over the next year ($ in thousands):

	Annual Pension Cost	Percent of Annual Pension Cost Contributed	Required Contribution	Percent of Required Contributions Contributed	Net Pension Assets
Municipal Employees'					
2003	$ 157,771	89.9%	$ 158,615	89.5%	$ 342,888
2004	197,393	78.0	198,199	77.7	299,415
2005	284,587	54.5	285,291	54.4	169,895
Laborers'					
2003	(6,642)	N/A	N/A	N/A	277,880
2004	7,860	2.6	8,513	2.4	270,223
2005	12,138	0.3	12,774	0.3	258,125

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

In addition to providing pension benefits, under State law, the City provides certain health benefits to employees who retire from the City based upon their participation in the City's pension plans. Substantially all employees who qualify as Municipal Employees' or Laborers' pension plan participants older than age 55 with at least 20 years of service may become eligible for post-employment benefits if they eventually become annuitants. Health benefits include basic benefits for annuitants and supplemental benefits for Medicare-eligible annuitants. Currently, the City does not segregate benefit payments to annuitants by fund. The cost of health benefits is recognized as claims are reported and funded on a pay-as-you-go basis. The total cost to the City for providing health benefits to approximately 24,507 and 23,902 annuitants and their dependents was approximately $78.3 million and $70.9 million in 2005 and 2004, respectively.

All annuitants who retire in 2004 received a 55 percent subsidy from the City for the gross cost of retiree health care under a court approved settlement agreement. The pension funds contributed $55 for each Medicare eligible annuitant and $85 for each non-Medicare eligible annuitant to their gross cost. The annuitants contributed a total of approximately $58.1 million in 2005 to the gross cost of their retiree health care pursuant to premium amounts set forth in the above-referenced settlement agreement.

8. RELATED PARTY TRANSACTIONS

Included in operating expenses are reimbursements to the General Fund of the City for services provided by other City departments, employee fringe benefits and certain payments made on behalf of the Airport. Such reimbursements amounted to $53.6 million and $54.1 million in 2005 and 2004, respectively.

9. COMMITMENTS AND CONTINGENCIES

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

In conjunction with financing the acquisition of the military base, the City and signatory airlines agreed to suspend certain airline fund contribution requirements of the Use Agreement. The City to date has paid $103.2 million representing the total amount due for the acquisition of approximately 350 acres of Air Force property. The City has obtained fee simple interest to all of the property.

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, 2005 and 2004 are as follows ($ in thousands):

	2005	2004
Beginning balance at January 1	$ 1,724	$ 1,781
Total claims incurred (expenditures)	16,645	16,250
Claims paid	(16,674)	(16,307)
Claims liability at December 31	$ 1,695	$ 1,724

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, 2005, at a limit of $2.8 billion. Claims have not exceeded the purchased insurance coverage in the past four years. Accordingly, no liability is reported for those claims. Property and casualty risks for the Airport are transferred to commercial insurers.

At December 31, 2005 and 2004, the Airport had commitments in the amounts of approximately $475.0 million and $219.6 million, respectively, in connection with contracts entered into for construction projects.

10. SUBSEQUENT EVENTS

United Airlines exited Chapter 11 Bankruptcy and its Plan of Reorganization became effective February 1, 2006. United Airlines has assumed its signatory status under the O'Hare International Airport Lease and Use Agreement.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

ADDITIONAL INFORMATION
FIRST AND SECOND LIEN GENERAL AIRPORT REVENUE BONDS
CALCULATIONS OF COVERAGE
YEAR ENDED DECEMBER 31, 2005
($ In Thousands)

NET REVENUES FOR CALCULATION OF COVERAGE:	
Change in net assets	$ 71,712
Capital grants	(42,475)
Passenger facility charges	(142,954)
	(113,717)
ADJUSTMENTS:	
Interest on bonds	218,015
Interest capitalized for financial reporting purposes	(19,393)
	198,622
Change in net assets of the Land Support area—net of amount to be deposited in the Revenue Fund	(9,830)
Revenue Fund balance at January 1, 2005	101,556
Depreciation and amortization of sound proofing, bond discount, financing fees and loss on refunding	153,324
Income earned on Airport Development, Emergency Reserve and Construction Funds	(28,180)
NET REVENUES FOR CALCULATION OF COVERAGE	$ 301,775
COVERAGE REQUIREMENT:	
Required deposits from revenues:	
Operation and maintenance reserve	$ 7,880
Maintenance reserve	1,307
Special capital projects	395
Total fund deposit requirements	9,582
Aggregate first and junior debt service for the bond year	92,773
	1.10
	102,050
Less amounts transferred from capitalized interest accounts	
Net debt service required	102,050
COVERAGE REQUIREMENT	$ 111,632
COVERAGE RATIO:	
Net revenues for calculation of coverage	$ 301,775
Total fund deposit requirements	(9,582)
NET REVENUES	$ 292,193
AGGREGATE DEBT SERVICE FOR THE BOND YEAR	$ 92,773
COVERAGE RATIO	3.15

See notes to Calculations of Coverage.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

ADDITIONAL INFORMATION
FIRST AND SECOND LIEN GENERAL AIRPORT REVENUE BONDS
NOTES TO CALCULATIONS OF COVERAGE
YEAR ENDED DECEMBER 31, 2005

1. RATE COVENANT

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

2. REVENUE FUND BALANCE

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

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CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

ADDITIONAL INFORMATION
THIRD LIEN GENERAL AIRPORT REVENUE BONDS
CALCULATIONS OF COVERAGE
YEAR ENDED DECEMBER 31, 2005
($ In Thousands)

REVENUES:		
Total revenues–as defined	$	547,053
Other available moneys (passenger facility charges)		5,135
Cash balance in Revenue Fund on the first day of fiscal year (Note 2)		101,555
TOTAL REVENUES	$	653,743
COVERAGE REQUIREMENTS:		
Required deposits from revenues:		
Operation and maintenance reserve	$	7,880
Maintenance reserve		1,307
Special capital projects		395
First lien obligation debt service fund		17,637
Junior lien obligation debt service fund		75,485
Third lien obligation debt service fund		84,591
TOTAL FUND DEPOSITS REQUIRED	$	187,295
Aggregate first lien, junior lien and third lien debt service	$	212,381
Less amounts transferred from capitalized interest accounts		(33,625)
Net aggregate debt service		178,756
		1.10
NET DEBT SERVICE REQUIRED	$	196,632
OPERATION AND MAINTENANCE EXPENSES—As defined	$	347,826
COVERAGE REQUIREMENT (Greater of total fund deposit requirements or 110 percent of aggregate debt service)		196,632
TOTAL COVERAGE REQUIRED	$	544,458
TOTAL REVENUES	$	653,743
COVERAGE RATIO		1.20

See notes to Calculations of Coverage.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

ADDITIONAL INFORMATION
THIRD LIEN GENERAL AIRPORT REVENUE BONDS
NOTES TO CALCULATIONS OF COVERAGE
YEAR ENDED DECEMBER 31, 2005

1. RATE COVENANT

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

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

2. REVENUE FUND BALANCE

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

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CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

HISTORICAL OPERATING RESULTS
TEN YEARS ENDED DECEMBER 31, 2005 (UNAUDITED)
($ In Thousands)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
OPERATING REVENUES:										
Landing fees	$ 93,230	$ 99,573	$ 124,086	$ 128,819	$ 105,909	$ 136,375	$ 131,369	$ 141,426	$ 131,406	$ 157,791
Rental revenues:										
Terminal rental and use charges	154,657	148,165	164,395	158,307	152,536	144,653	138,440	150,151	96,870	140,038
Other rentals and fueling system fees	18,505	20,277	19,052	32,381	31,694	31,283	32,102	33,511	35,316	36,365
Subtotal rental revenues	173,162	168,442	183,447	190,688	184,230	175,936	170,542	183,662	132,186	176,403
Concessions:										
Auto parking	62,130	67,315	74,456	79,887	91,252	84,688	81,580	83,210	90,421	95,521
Auto rentals	17,968	19,049	20,074	20,221	19,846	18,077	17,511	17,325	17,340	19,604
Restaurants	12,941	13,273	13,391	15,112	16,963	16,951	20,247	22,088	27,161	29,790
News and gifts	5,347	6,110	7,792	8,049	7,250	7,071	9,389	10,185	11,001	11,893
Other	19,380	21,831	21,301	23,328	27,340	24,307	17,826	21,560	21,501	33,125
Subtotal concessions	117,766	127,578	137,014	146,597	162,651	151,094	146,553	154,368	167,424	189,933
Reimbursements	1,761	2,519	2,323	3,752	2,561	2,354	2,582	2,501	11,553	8,750
Total operating revenues (1)	385,919	398,112	446,870	469,856	455,351	465,759	451,046	481,957	442,569	532,877
OPERATING AND MAINTENANCE EXPENSES										
Salaries and wages (2)	122,699	130,809	132,200	141,473	150,264	154,507	166,964	167,891	153,926	157,116
Repairs and maintenance	48,046	52,978	55,517	72,287	70,411	71,117	66,310	65,870	66,066	73,903
Energy	19,152	21,460	20,377	20,452	22,067	24,661	23,445	23,011	22,270	30,894
Materials and supplies	6,322	7,509	6,870	7,230	8,401	5,362	5,198	5,702	8,228	9,338
Engineering and other professional services	33,758	28,174	27,903	37,489	36,324	41,540	33,494	35,759	35,533	52,142
Other operating expenses	31,131	29,393	27,948	26,187	30,040	28,205	29,959	33,317	31,807	28,572
Total operating and maintenance expenses before depreciation and amortization (3)	261,108	270,323	270,815	305,118	317,507	325,392	325,370	331,550	317,830	351,965
NET OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION (4)	$ 124,811	$ 127,789	$ 176,055	$ 164,738	$ 137,844	$ 140,367	$ 125,676	$ 150,407	$ 124,739	$ 180,912
NET REVENUES FOR CALCULATING COVERAGE LESS FUND DEPOSIT REQUIREMENTS	$ 118,258	$ 80,348	$ 195,055	$ 144,127	$ 167,433	$ 171,359	$ 147,895	$ 167,952	$ 179,862	$ 292,193
AGGREGATE DEBT SERVICE LESS DISBURSEMENTS FROM CAPITALIZED INTEREST ACCOUNTS (5)	$ 47,361	$ 42,198	$ 125,456	$ 131,025	$ 152,212	$ 155,781	$ 115,154	$ 101,791	$ 116,932	$ 92,773
DEBT SERVICE COVERAGE RATIO (6)	2.49	1.90	1.55	1.10	1.10	1.10	1.28	1.65	1.54	3.15

(1) Average annual compound growth rate for 1996-2005 for Total operating revenues is 3.7 percent.
(2) Salaries and wages includes charges for pension, health care and other employee benefits.
(3) Average annual compound growth rate for 1996-2005 for Total operating and maintenance expenses before depreciation and amortization is 3.4 percent.
(4) Amount for 2005 may be reconciled to operating income of $38,992 reported in the 2005 Statements of Revenues, Expenses and Changes in Net Assets by deducting depreciation and amortization of $141,920. Amount for prior years may be reconciled through similar calculations.
(5) Represents debt service on first and second lien bonds.
(6) Represents debt service coverage ratio on first and second lien bonds.

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

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT
DEBT SERVICE SCHEDULE (UNAUDITED)
($ In Thousands)

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

Year Ending December 31	Total Debt Service on First Lien Bonds	Total Debt Service on Second Lien Bonds (1)	Total Debt Service on Third Lien Bonds	Total Debt Service
2006	$ 10,430	$ 70,192	$ 155,287	$ 235,909
2007	5,666	50,569	238,378	294,613
2008	5,666	118,646	248,741	373,053
2009	5,666	118,580	212,488	336,734
2010	5,666	118,938	170,251	294,855
2011	5,666	118,407	170,249	294,322
2012	50,848	73,580	170,248	294,676
2013	50,778	73,848	185,733	310,359
2014	917	74,104	230,718	305,739
2015	917	74,551	237,697	313,165
2016	18,799	186,572	217,844	423,215
2017			251,264	251,264
2018			249,497	249,497
2019			266,462	266,462
2020			268,501	268,501
2021			264,183	264,183
2022			264,239	264,239
2023			262,779	262,779
2024			262,220	262,220
2025			262,041	262,041
2026			257,899	257,899
2027			253,833	253,833
2028			253,553	253,553
2029			253,416	253,416
2030			253,250	253,250
2031			252,982	252,982
2032			252,727	252,727
2033			244,853	244,853
2034			215,823	215,823
2035			164,572	164,572
	$ 161,019	$ 1,077,987	$ 6,991,728	$ 8,230,734

(1) Assumes an interest rate effective at December 31, 2005 on $148,500 of Second Lien Bonds and $300,000 of Third Lien Bonds that are variable-rate demand obligations.

Note: The annual debt service tables in the Official Statements for the above debt were presented with a year ended January 1. The information above is presented with a year ended December 31. The change has been made to facilitate reconciliation to revenue bonds payable at December 31, 2005.

Source: City of Chicago Comptroller's Office.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

CAPITAL IMPROVEMENT PLAN (CIP), 2006-2010
($ In Thousands)

ESTIMATED USES:		
Five-Year Capital Improvement Program:		
Airfield improvements	$	424,600
Terminal improvements		526,300
Noise mitigation		111,800
Parking/roadway projects		544,000
Heating and refrigeration		135,200
Safety and security		121,700
Planning and other costs		5,300
Implementation		94,600
TOTAL ESTIMATED USES	$	1,963,500
ESTIMATED SOURCES:		
Existing PFC revenue bond proceeds	$	127,500
PFC revenues (pay-as-you-go)		47,100
Future PFC revenue bond proceeds		93,800
Federal AIP entitlements grants		3,000
Federal AIP discretionary grants		40,600
TSA funds		52,100
Prior airport revenue bond proceeds		163,200
Future airport obligation proceeds		1,349,000
Other airport funds		87,200
TOTAL ESTIMATED SOURCES	$	1,963,500

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

OPERATIONS OF THE AIRPORT
TEN YEARS ENDED DECEMBER 31, 2005 (UNAUDITED)

AIRPORT ACTIVITY

According to statistics compiled by Airports Council International, the Airport was the second busiest airport in the world as measured by total aircraft operations, the second busiest airport as measured by total passengers and the 15th busiest airport in the world in terms of total cargo tonnage handled. According to the Official Airline guide, as of December 31, 2005, nonstop service was provided from the Airport to 184 destinations, 132 domestic airports and 52 foreign airports.

Chicago O'Hare International Airport Historical Connecting Passengers

Year	Total Enplanements	Total Originating Enplanements (1)	Total Connecting Enplanements	Connecting Enplanements Percentage
1996	34,067,885	15,757,488	18,310,397	53.7 %
1997	34,778,738	16,356,145	18,422,593	53.0
1998	35,789,961	16,764,341	19,025,620	53.2
1999	35,947,716	16,849,260	19,098,456	53.1
2000	35,700,949	17,215,087	18,485,862	51.8
2001	33,329,966	15,750,781	17,579,185	52.7
2002	32,938,702	15,279,859	17,658,843	53.6
2003	34,454,921	15,331,493	19,123,428	55.5
2004	37,464,632	16,799,401	20,665,231	55.2
2005	37,970,886	17,548,038	20,422,848	53.8

Average Annual Compound Growth Rates

1996-2005	1.2 %	1.2 %	1.2 %

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

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

ENPLANED COMMERCIAL PASSENGERS BY AIRLINE
TEN YEARS ENDED DECEMBER 31, 2005 (UNAUDITED)

Airline (1)	1996 Enplanements	% of Total	1997 Enplanements	% of Total	1998 Enplanements	% of Total	1999 Enplanements	% of Total	2000 Enplanements	% of Total	2001 Enplanements	% of Total	2002 Enplanements	% of Total	2003 Enplanements	% of Total	2004 Enplanements	% of Total	2005 Enplanements	% of Total
United Airlines	15,024,354	44.1 %	15,403,416	44.3 %	15,792,852	44.1 %	16,257,105	45.2 %	15,284,974	42.8 %	14,057,978	42.2 %	13,935,560	42.3 %	13,780,164	40.0 %	14,222,780	38.0 %	13,035,044	34.3 %
American Airlines	10,977,084	32.2	11,002,358	31.6	11,165,048	31.2	10,568,809	29.4	10,881,991	30.5	9,696,773	29.1	9,436,168	28.7	9,552,465	27.7	10,641,646	28.4	10,880,167	28.7
Simmons Airlines (dba American Eagle)	1,496,871	4.4	1,486,013	4.3	1,675,520	4.7	1,621,501	4.5	1,626,148	4.6	1,666,814	5.0	1,841,764	5.6	2,319,637	6.7	2,993,453	8.0	3,249,766	8.5
Air Wisconsin (dba United Express)	464,901	1.4	513,614	1.5	548,638	1.5	527,779	1.5	794,489	2.2	987,094	2.9	854,881	2.6	1,561,285	4.5	2,172,712	5.8	1,906,211	5.0
Sky West (dba United Express)																			1,385,206	3.6
Delta Airlines	1,087,578	3.2	1,080,494	3.1	1,125,365	3.2	1,090,189	3.0	1,040,698	2.9	874,228	2.6	658,086	2.0	616,039	1.8	607,226	1.6	603,677	1.6
US Airways	577,598	1.7	614,692	1.8	603,719	1.7	529,712	1.5	565,734	1.6	511,215	1.5	532,549	1.6	465,034	1.3	489,918	1.3	580,460	1.5
Northwest Airlines	797,697	2.3	792,314	2.3	686,487	1.9	692,348	1.9	700,337	2.0	603,497	1.8	527,303	1.6	547,737	1.6	505,278	1.3	576,618	1.5
Mesa (dba United Express)																			517,511	1.4
Chautauqua (dba United Express)																			489,195	1.5
Continental Airlines	554,110	1.6	580,909	1.7	615,011	1.7	599,488	1.7	600,994	1.7	525,146	1.6	461,407	1.4	437,571	1.3	423,693	1.1	461,804	1.2
America West															342,750	1.0	367,469	1.0	426,571	1.1
Shuttle America (dba United Express)																			282,928	0.7
Trans State Air (dba United Express)																			259,510	0.7
Air Canada	196,791	.6	220,334	.6	268,806	.8	327,778	.9	333,599	.9	352,240	1.1	344,910	1.0	270,105	0.8	268,824	0.7	204,485	0.5
Independence Air																	48,804	0.1	86,154	0.2
Trans World Airlines	395,543	1.2	420,005	1.2	397,602	1.1	441,312	1.2	400,520	1.1	304,432	.9								
Atlantic Coast															1,829,053	5.3	770,768	2.1		0.0
All Other (2)	2,495,358	7.3	2,662,529	7.6	2,909,846	8.1	3,291,511	9.2	3,471,242	9.7	3,750,549	11.3	4,346,074	13.2	2,733,081	8.0	3,952,061	10.5	3,025,579	8.0
Total	34,067,885	100.0 %	34,778,738	100.0 %	35,789,961	100.0 %	35,947,532	100.0 %	35,700,726	100.0 %	33,329,966	100.0 %	32,938,702	100.0 %	34,454,921	100.0 %	37,464,632	100.0 %	37,970,886	100.0 %

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

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

HISTORICAL PASSENGER TRAFFIC
TEN YEARS ENDED DECEMBER 31, 2005 (UNAUDITED)

Year	Total Domestic Passengers	Percent of Total Passengers	Total International Passengers	Percent of Total Passengers	Total Passengers	Annual Percent Change
1996	61,935,067	89.6 %	7,218,461	10.4 %	69,153,528	2.8 %
1997	62,442,401	88.7	7,942,672	11.3	70,385,073	1.8
1998	63,583,029	87.7	8,902,199	12.3	72,485,228	3.0
1999	62,878,889	86.6	9,730,302	13.4	72,609,191	0.2
2000	61,682,172	85.5	10,463,317	14.5	72,145,489	(0.6)
2001	57,913,099	85.9	9,534,965	14.1	67,448,064	(6.5)
2002	57,626,957	86.6	8,938,995	13.4	66,565,952	(1.3)
2003	60,197,706	86.6	9,310,966	13.4	69,508,672	4.4
2004	64,685,299	85.6	10,849,393	14.4	75,534,692	8.7
2005	64,772,036	85.1	11,382,369	14.9	76,154,405	0.8
			Average Annual Compound Growth Rates			
1996-2005	0.5 %		5.2 %		1.1 %	

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

HISTORICAL TOTAL ORIGIN AND DESTINATION (O&D) ENPLANEMENTS
CHICAGO REGION AIRPORTS
TEN YEARS ENDED DECEMBER 31, 2005 (UNAUDITED)

	Chicago O'Hare International Airport		Chicago Midway International Airport		
Year	Total O&D Enplanements	Percent of Total Chicago	Total O&D Enplanements	Percent of Total Chicago	Total O&D Enplanements
1996	15,757,488	79.2 %	4,139,896	20.8 %	19,897,384
1997	16,356,145	80.3	4,017,275	19.7	20,373,420
1998	16,764,341	78.9	4,493,259	21.1	21,257,600
1999	16,849,260	75.9	5,353,193	24.1	22,202,453
2000	17,215,087	74.6	5,865,172	25.4	23,080,259
2001	15,750,751	74.1	5,503,697	25.9	21,254,448
2002	15,279,859	72.8	5,700,605	27.2	20,980,464
2003	15,331,493	71.1	6,243,039	28.9	21,574,532
2004	16,799,401	71.7	6,634,138	28.3	23,433,539
2005	17,548,038	73.2	6,431,517	26.8	23,979,555

Average Annual Compound Growth Rates

1996-2005	1.2 %		5.0 %		2.1 %

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

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

ENPLANEMENT SUMMARY
TEN YEARS ENDED DECEMBER 31, 2005 (UNAUDITED)

	Total O'Hare Enplanements						
Year	Domestic Air Carrier	Domestic Commuter	Total Domestic (1)	Percent of Total O'Hare	Total International Enplanements	Percent of Total O'Hare	Total (2) Enplanements
1996	30,318,945	219,555	30,538,500	89.6 %	3,529,385	10.4 %	34,067,885
1997	30,691,859	197,335	30,889,194	88.8	3,889,544	11.2	34,778,738
1998	31,230,603	222,850	31,453,453	87.9	4,336,508	12.1	35,789,961
1999	30,998,049	192,666	31,190,715	86.8	4,757,001	13.2	35,947,716
2000	30,450,074	201,678	30,651,752	85.9	5,049,197	14.1	35,700,949
2001	28,627,443	85,251	28,712,694	86.1	4,617,272	13.9	33,329,966
2002	28,555,307	24,816	28,580,123	86.8	4,358,579	13.2	32,938,702
2003	29,909,585	1,173	29,910,758	86.8	4,544,163	13.2	34,454,921
2004	32,192,142		32,192,142	85.9	5,272,490	14.1	37,464,632
2005	32,426,920		32,426,920	85.4	5,543,966	14.6	37,970,886
	Average Annual Compound Growth Rates						
1996-2005	0.8 %	(100.0)%	0.7 %		5.2 %		1.2 %

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

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

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

AIRCRAFT OPERATIONS
TEN YEARS ENDED DECEMBER 31, 2005 (UNAUDITED)

	Annual Aircraft Operations							
Year	Domestic Air Carrier	International Air Carrier	Total Air Carrier	Commuter	All-Cargo	General Aviation	Military	Total
1996	720,864	61,813	782,677	31,960	19,184	72,834	2,938	909,593
1997	717,554	66,558	784,112	29,826	20,630	47,023	2,170	883,761
1998	721,675	72,736	794,411	32,212	23,999	43,222	2,266	896,110
1999	725,517	78,187	803,704	28,174	23,984	39,596	770	896,228
2000	734,682	85,164	819,846	28,952	24,626	35,565		908,989
2001	757,133	81,885	839,018	14,940	21,105	36,854		911,917
2002	794,878	70,103	864,981	6,736	20,790	30,216	94	922,817
2003	802,234	76,455	878,689	498	21,257	28,247		928,691
2004	859,696	82,394	942,090		21,588	28,749		992,427
2005	835,414	84,778	920,192		21,979	30,077		972,248
	Average Annual Compound Growth Rates							
1996-2005	1.7 %	3.6 %	1.8 %	(100.0)%	1.5 %	(9.4)%	(100.0)%	0.7 %

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

NET AIRLINE REQUIREMENT AND COST PER ENPLANED PASSENGER
YEAR ENDED DECEMBER 31, 2005 (UNAUDITED)
($ In Thousands)

Calculation of Cost per Enplaned Passenger

Operating and maintenance expenses (1)	$ 346,702
Net debt service (1) (2)	152,234
Debt service coverage requirement (3)	(116)
Fund deposits (4)	9,582
Total Airport expenses (1)	508,402
Less:	
Non-airline revenue (1)	(196,969)
PFC revenue applied to eligible debt service	(5,135)
Net Airline Requirement (5)	$ 306,298
Enplaned Passengers	37,970,886
Cost per Enplaned Passenger	8.07

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

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

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

HISTORICAL PFC REVENUES
TEN YEARS ENDED DECEMBER 31, 2005 (UNAUDITED)
($ In Thousands)

Year	Total Enplanements	PFC Enplanements (1)	PFC Revenues (Net of Airline Collection Fees) (2) (3)	PFC Interest Income	Total PFC Revenues
1996	34,067,885	30,600,389	$ 86,289	$ 6,463	$ 92,752
1997	34,778,738	29,031,630	84,772	6,447	91,219
1998	35,789,961	30,165,995	88,085	7,431	95,516
1999	35,947,716	30,086,119	87,851	3,898	91,749
2000	35,700,949	30,814,619	89,979	4,654	94,633
2001	33,329,966	28,184,459	107,007	664	107,671
2002	32,938,702	29,556,221	130,638	2,139	132,777
2003	34,454,921	28,993,623	128,152	1,667	129,819
2004	37,464,632	30,810,007	136,180	2,548	138,728
2005	37,970,886	32,546,469	143,855	5,662	149,517

(1) Historical collection information reflects an actual percentage of eligible PFC enplanements of 85.7 percent in 2005. PFC enplanements for 2001 were estimated since the PFC fee was changed from $3.00 to $4.50 on April 1, 2001.
(2) This amount is net of the airline collection fee of $.11 per enplaning passenger since May 1, 2004.
(3) Actual amounts above for 1996-2005 are recorded on a cash basis but are reported in the Airport's audited financial statements on an accrual basis. For 1995-2004, a separate cash basis PFC audit was performed as required by the PFC Regulations. The cash basis PFC audit for 2005 has not yet been completed.
(4) Collections commenced September 1, 1993.

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

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

PASSENGER FACILITY CHARGE (PFC) DEBT SERVICE COVERAGE
NINE YEARS ENDED (2) DECEMBER 31, 2005 (UNAUDITED)
($ In Thousands)

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

(1) Ratio represents the amount of PFC revenues to debt service on the Series 1996 PFC and Series 2001 PFC Bonds.
(2) The City intends to provide ten-year information as it becomes available.
(3) Actual amounts above for 1998–2006 are recorded on a cash basis and includes interest earnings.