City of Chicago, Illinois
Chicago Midway International Airport

Basic Financial Statements as of and for the
Years Ended December 31, 2012 and 2011,
Required Supplementary Information,
Additional Information, Statistical Information, and
Independent Auditors' Report

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

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CHICAGO MIDWAY INTERNATIONAL AIRPORT

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of Chicago Midway International Airport ("Midway"), an enterprise fund of the City of Chicago, Illinois (the "City"), as of and for the years ended December 31, 2012 and 2011, and the related notes to the basic financial statements, which collectively comprise Midway's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Chicago Midway International Airport as of December 31, 2012 and 2011, and the changes in financial position, and, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, the basic financial statements referred to above present only Chicago Midway International Airport, an enterprise fund of the City, and do not purport to, and do not, present the financial position of the City as of December 31, 2012 and 2011, changes in its financial position, or where applicable, its cash flows, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3–10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Midway's basic financial statements. The statistical information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Deloitte + Touche LLP

June 29, 2013
Chicago, Illinois

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
($ IN THOUSANDS)

This following discussion and analysis of the Chicago Midway International Airport's (Airport) performance provides an introduction and overview of the Airport's financial activities for the years ended December 31, 2012 and 2011. Please read this discussion in conjunction with the Airport's basic financial statements and the notes to basic financial statements following this section.

FINANCIAL HIGHLIGHTS

2012

- Operating revenues for 2012 increased by $462 compared to 2011 operating revenues.
- Operating expenses before depreciation and amortization increased by $4,208 compared to 2011, primarily due to an increase in other operating expenses offset by a decrease in repairs and maintenance.
- The Airport's total net position at December 31, 2012 was $159,429. This is a decrease of $15,019 compared to total net position at December 31, 2011.
- Capital asset additions for 2012 were $64,841, principally due to land acquisition, terminal improvements, parking and roadway enhancements, and runway improvements.

2011

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

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Airport's basic financial statements. The Airport is included in the City of Chicago's (City) reporting entity as an enterprise fund. The Airport's basic financial statements are composed of the basic financial statements and the notes to basic financial statements. In addition to the basic financial statements, this report also presents additional and statistical information after the notes to basic financial statements.

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

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

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

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

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

FINANCIAL ANALYSIS

Landing fees and terminal area use charges and fueling system charges are assessed to the various airlines throughout each year based on estimated rates. Such rates are designed to yield collections from airlines adequate to cover certain operating expenses and required debt service and fund deposits as determined under provisions of the Airport Use Agreement and Facilities Lease (Use Agreement). Incremental amounts due from the airlines arise when amounts assessed, based on the estimated rates used during the year, are less than actual expenses and required deposits for the year. Such incremental amounts due from airlines are included in amounts to be billed. 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 billings over amounts earned. The expiration date of the Airport Use Agreement and Facilities Lease was December 31, 2012. City Council approved a new Airport Use Agreement and Facilities Lease on October 3, 2012. The effective date of the new Airport Use Agreement and Facilities Lease is January 1, 2013, expiring on December 31, 2027.

At December 31, 2012, the Airport's financial position continued to be strong with total assets and deferred outflows of $1,735,522 total liabilities of $1,576,093, and net position of $159,429. A comparative condensed summary of the Airport's net position at December 31, 2012, 2011, and 2010 is as follows:

	Net Position		
	2012	**2011**	**2010**
Current unrestricted assets	$ 75,964	$ 78,661	$ 78,180
Restricted and other assets	455,410	519,392	533,364
Capital assets — net	1,167,354	1,152,524	1,151,315
Deferred outflows	36,794	35,000	14,896
Derivatives Instrument		6,647	
Total assets and deferred outflows	$ 1,735,522	$ 1,792,224	$ 1,777,755
Current liabilities	$ 39,392	$ 41,436	$ 58,140
Liabilities payable from restricted assets and noncurrent liabilities	1,536,701	1,576,340	1,548,689
Total liabilities	$ 1,576,093	$ 1,617,776	$ 1,606,829
Net position:			
Net investment in capital assets	$ (82,226)	$ (70,876)	$ (39,755)
Restricted	205,083	208,100	190,641
Unrestricted	36,572	37,224	20,040
Total net position	$ 159,429	$ 174,448	$ 170,926

2012

Current unrestricted assets decreased by $2,697 (3.4%) primarily due to a decrease in cash and cash equivalents. The Airport's current ratio (current unrestricted assets/current unrestricted liabilities) at December 31, 2012 and 2011 was 1.93:1 and 1.90:1, respectively. Restricted and other assets decreased by $63,982 (12.3%) mainly due to an increase in payment of construction costs and use of capitalized interest for payments on debt service. Net capital assets increased by $14,830 (1.3%) due principally to increased construction in progress.

The decrease in current liabilities of $2,044 (4.9%) is mainly related to the decrease in billings over amounts earned and advances for terminal and hangar rent of $9,107 and $1,760, respectively, offset by an increase in accounts payable and accrued liabilities of $9,295. The decrease in billings over amounts earned represents primarily the net adjustment for current year activity and current year distributions of billings over amounts earned related to prior years to the airlines. Liabilities payable from restricted assets and noncurrent liabilities decreased by $39,639 (2.5%) in 2012 mainly due to a decrease in revenue bonds payable from restricted funds of $54,066, a decrease in interest rate swap premium of $13,854 offset by an increase in due to other City funds and notes payable of $12,790 and $34,639, respectively.

2011

Current unrestricted assets increased by $481 (0.6%) primarily due to an increase in cash and cash equivalents. The Airport's current ratio (current unrestricted assets/current unrestricted liabilities) at December 31, 2011 and 2010 was 1.90:1 and 1.34:1, respectively. Restricted and other assets decreased by $13,972 (2.6%) mainly due to an increase in payment of construction costs and use of capitalized interest and

Passenger Facility Charges (PFC) for payments on debt service. Net capital assets increased by $1,209 (0.1%) due principally to increased construction in progress.

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

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

The primary sources of Airport operating revenues are landing fees, terminal area use charges, rents and concession revenues as defined within the Use Agreement and Facilities Lease. These revenues fund Airport operating expenses, fund deposits and net debt service requirements. A comparative condensed summary of the Airport's changes in net position for the years ended December 31, 2012, 2011, and 2010 is as follows:

	Changes in Net Position		
	2012	**2011**	**2010**
Operating revenues:			
Landing fees and terminal area use charges	$ 70,912	$ 79,445	$ 78,194
Rents, concessions and other	86,921	77,926	70,862
Total operating revenues	157,833	157,371	149,056
Operating expenses:			
Salaries and wages	44,463	43,554	42,105
Repairs and maintenance	37,990	40,732	31,942
Professional and engineering	15,011	15,650	15,832
Other operating expenses	16,833	10,153	18,457
Depreciation and amortization	55,119	51,067	52,767
Total operating expenses	169,416	161,156	161,103
Operating loss	(11,583)	(3,785)	(12,047)
Nonoperating revenues	48,334	61,262	38,860
Nonoperating expenses	(56,451)	(57,016)	(63,362)
Capital grants	4,681	3,061	2,461
Change in net position	$ (15,019)	$ 3,522	$ (34,088)

2012

Landing fees and terminal area use charges for the years 2012 and 2011 were $70,912 and $79,445, respectively. Rents, concessions and other revenues were $86,921 and $77,926 for 2012 and 2011, respectively. The increase in 2012 operating revenues of $462 (0.3%) from 2011 was mainly due to increased other rentals and fueling fees of $7,224 offset by decreased landings fees and terminal area use charges of $6,440 and $2,093, respectively. Such changes were due to the residual Airport Use Agreement and Facilities Leases that require airline revenue to be recognized to the extent necessary to pay the Airport's operating and maintenance expenses, net debt service and fund deposit requirements, reduced by non-airline revenues. Concession revenue increased $1,771 due primarily to an increases in auto parking of $1,718, restaurants of $811, and auto rental of $245 offset by a decrease in other concessions of $938.

Salaries and wages increased by $909 (2.1%) in 2012 compared to 2011. Also, repairs and maintenance expenses decreased by $2,742 (6.7%) in 2012 compared to 2011 primarily from adjustments to a capital lease. Professional and engineering expenses decreased $639 (4.1%) compared to 2011. Other operating expenses increased $6,680 (65.8%) in 2012 compared to 2011 due to an increase in provision for doubtful accounts.

The 2012 nonoperating revenues of $48,334 are comprised of Passenger Facility Charges (PFC) revenue of $37,531, customer facility charges (CFC) revenue of $6,385 interest income of $2,292 and other nonoperating revenues of $2,126.

Nonoperating expenses of $56,451 and $57,016 for the years 2012 and 2011, respectively, were comprised of bond interest expense.

Capital grants increased $1,620 in 2012, mainly as a result of when associated capital expenditures became eligible for grant reimbursement from the federal government.

2011

Landing fees and terminal area use charges for the years 2011 and 2010 were $79,445 and $78,194, respectively. Rents, concessions and other revenues were $77,926 and $70,862 for 2011 and 2010, respectively. The increase in 2011 operating revenues of $8,315 (5.6%) from 2010 was mainly due to increased landing fees and other rentals and fueling fees of $3,284 and $3,490, respectively. Such changes were due to the residual Airport Use Agreement and Facilities Leases that require airline revenue to be recognized to the extent necessary to pay the Airport's operating and maintenance expenses, net debt service and fund deposit requirements, reduced by non-airline revenues. Concessions increased $3,574 due primarily to an increase in auto parking of $1,263.

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

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

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

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

A comparative summary of the Airport's cash flows for the years ended December 31, 2012, 2011, and 2010 is as follows:

	Cash Flows		
	2012	2011	2010
Cash provided by (used in) activities:			
Operating	$ 37,315	$ 25,607	$ 42,484
Capital and related financing	(127,274)	(61,510)	161,297
Investing	82,621	(72,239)	(96,425)
Net change in cash and cash equivalents	(7,338)	(108,142)	107,356
Cash and cash equivalents:			
Beginning of year	141,646	249,788	142,432
End of year	$ 134,308	$ 141,646	$ 249,788

2012

As of December 31, 2012, the Airport's available cash and cash equivalents of $134,308 decreased by $7,338 compared to $141,646 at December 31, 2011 due to operating activities of $37,315 and investing activities of $82,621 offset by capital and related financing activities of $127,274. Total cash and cash equivalents at December 31, 2012 were comprised of unrestricted and restricted cash and cash equivalents of $11,785 and $122,523, respectively.

2011

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

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2012 and 2011, the Airport had $1,167,354 and $1,152,524 respectively, invested in net capital assets. During 2012, the Airport had additions of $64,841 related to capital activities. This included $3,394 for land acquisition and the balance of $61,447 for construction projects relating to terminal improvements, parking and roadway enhancements and runway improvements.

During 2012, completed projects totaling $43,773 were transferred from construction in progress to applicable buildings and other facilities capital account. These major completed projects were related to terminal improvements, along with runway improvements and building security.

The Airport's capital assets at December 31, 2012, 2011, and 2010 are summarized as follows:

	Capital Assets at Year-end		
	2012	**2011**	**2010**
Capital assets not depreciated:			
Land	$ 112,840	$ 109,446	$ 107,287
Construction in progress	69,847	52,173	20,229
Total capital assets not depreciated	182,687	161,619	127,516
Capital assets depreciated:			
Buildings and other facilities	1,415,216	1,371,443	1,362,200
Less accumulated depreciation for:			
Buildings and other facilities	(430,549)	(380,538)	(338,401)
Total capital assets depreciated — net	984,667	990,905	1,023,799
Total property and facilities — net	$ 1,167,354	$ 1,152,524	$ 1,151,315

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

The Airport issued $34,639 of Commercial Paper Notes during 2012 having interest rates ranging from 0.19% to 0.23% with maturity dates of January 9, 2013 and February 12, 2013. Note proceeds may be used to finance portions of the costs of authorized airport projects, to repay the expenses of issuing the notes, or other fees related to financing transactions.

The Airport's outstanding debt at December 31, 2012, 2011, and 2010 is summarized as follows ($ in thousands):

	Outstanding Debt at Year-end		
	2012	**2011**	**2010**
Revenue bonds and notes payable	$ 1,441,329	$ 1,461,490	$ 1,473,380
Unamortized:			
Bond (discount) premium	160	(281)	8
Deferred loss on refunding	(5,998)	(6,291)	(6,836)
	1,435,491	1,454,918	1,466,552
Current bonds payable	(23,475)	(22,305)	(7,885)
Total long-term revenue bonds and notes payable – net	$ 1,412,016	$ 1,432,613	$ 1,458,667

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

The Airport's revenue bonds at December 31, 2012 had credit ratings with each of the three major rating agencies as follows:

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

At December 31, 2012 and 2011 the Airport believes it was in compliance with the debt covenants as stated within the Master Trust Indentures.

ECONOMIC FACTORS AND NEXT YEAR RATES AND CHARGES

The airlines using Chicago Midway International Airport generally provide low fare, point-to-point origination and destination passenger service. During 2012 and 2011, Southwest Airlines accounted for 87.1% and 86.7%, respectively, of total enplanements at the Airport.

Based on the Airport's rates and charges for 2013, total budgeted operating and maintenance expenses are projected at $120,007 and total net debt service and fund deposit requirements are projected at $54,569. Additionally, 2013 non-airline and non-signatory revenues are budgeted for $72,459, resulting in a net airline requirement of $102,117 that will be funded through landing fees, terminal area use charges, and fueling system charges.

REQUESTS FOR INFORMATION

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

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2012 AND 2011
($ in thousands)

	2012	2011
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	$ 11,785	$ 35,366
Investments (Note 2)	36,079	26,709
Accounts receivable — net of allowance for doubtful accounts of approximately $929 in 2012 and $365 in 2011	8,551	12,211
Amounts to be billed	3,315	
Due from other City funds	14,437	2,119
Prepaid expenses	1,732	2,175
Interest receivable	65	81
Total current assets	75,964	78,661
RESTRICTED ASSETS (Note 3):		
Cash and cash equivalents (Note 2)	122,523	106,280
Investments (Note 2)	197,960	286,015
Due from other governments		2,732
Accounts receivable (Note 1)	2,543	5,169
Interest receivable	346	463
Total restricted assets	323,372	400,659
NONCURRENT ASSETS:		
Other assets — deferred noise mitigation program costs and financing fees	132,038	118,733
Property and facilities (Note 5):		
Land	112,840	109,446
Buildings and other facilities	1,415,216	1,371,443
Construction in progress	69,847	52,173
Total property and facilities	1,597,903	1,533,062
Less accumulated depreciation	(430,549)	(380,538)
Property and facilities — net	1,167,354	1,152,524
Derivatives instrument		6,647
Total noncurrent assets	1,299,392	1,277,904
Total assets	1,698,728	1,757,224
DEFERRED OUTFLOWS	36,794	35,000
TOTAL	$1,735,522	$1,792,224

	2012	2011
LIABILITIES AND DEFERRED INFLOWS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 21,738	$ 12,443
Due to other City funds	7,044	7,516
Advances for terminal and hangar rent	774	2,534
Billings over amounts earned	9,836	18,943
Total current liabilities	39,392	41,436
LIABILITIES PAYABLE FROM RESTRICTED ASSETS (Note 3):		
Current portion of revenue bond payable (Note 4)	23,475	22,305
Interest rate swap premium (Note 4)		13,854
Accounts payable	24,160	35,062
Due to other City funds	13,098	308
Interest payable	27,158	28,162
Total liabilities payable from restricted assets	87,891	99,691
NONCURRENT LIABILITIES:		
Revenue bonds payable — net of discount (Note 4)	1,377,377	1,432,613
Capital lease		9,036
Notes payable — commercial paper	34,639	
Derivative instrument	36,794	35,000
Total non current liabilities	1,448,810	1,476,649
Total liabilities	1,576,093	1,617,776
NET POSITION (Note 1):		
Net investment in capital assets (deficit)	(82,226)	(70,876)
Restricted net position:		
Debt service	11,624	19,976
Capital projects	807	12,661
Passenger facility charges	5,117	5,177
Airport use agreement	26,234	23,943
Noise mitigation program	124,576	110,691
Other assets	36,725	35,652
Total restricted net position	205,083	208,100
Unrestricted net position	36,572	37,224
Total net position	159,429	174,448
TOTAL	$1,735,522	$1,792,224

See notes to basic financial statements.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
($ in thousands)

	2012	2011
OPERATING REVENUES:		
Landing fees and terminal area use charges (Note 1)	$ 70,912	$ 79,445
Rents, concessions and other (Note 6)	86,921	77,926
Total operating revenues	157,833	157,371
OPERATING EXPENSES (Notes 7 and 8):		
Salaries and wages	44,463	43,554
Repairs and maintenance	37,990	40,732
Professional and engineering services	15,011	15,650
Other operating expenses	16,833	10,153
Total operating expenses before depreciation and amortization	114,297	110,089
Depreciation and amortization	55,119	51,067
Total operating expenses	169,416	161,156
OPERATING LOSS	(11,583)	(3,785)
NONOPERATING REVENUES (EXPENSES):		
Passenger facility charges revenues	37,531	36,850
Customer facility charges revenues	6,385	6,175
Interest (loss) income	2,292	17,460
Interest expense (Note 4)	(56,451)	(57,016)
Other nonoperating revenues	2,126	777
Total nonoperating revenues (expenses)	(8,117)	4,246
GAIN (LOSS) BEFORE CAPITAL GRANTS	(19,700)	461
CAPITAL GRANTS (Note 1)	4,681	3,061
CHANGE IN NET POSITION	(15,019)	3,522
TOTAL NET POSITION — Beginning of year	174,448	170,926
TOTAL NET POSITION — End of year	$ 159,429	$ 174,448

See notes to basic financial statements.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
($ in thousands)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Landing fees and terminal area use charges	$ 67,142	$ 69,436
Rents, concessions and other	80,541	68,428
Payments to vendors	(65,722)	(68,185)
Payments to employees	(36,136)	(35,997)
Transactions with other City funds — net	(8,510)	(8,075)
Cash flows provided by operating activities	37,315	25,607
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from issuance of notes	34,639	
Payments to refund commercial paper		(4,005)
Cash paid to refund bonds	(31,583)	
Acquisition and construction of capital assets	(65,684)	(15,230)
Grant receipts	7,413	2,186
Principal paid on bonds	(22,305)	(7,885)
Interest paid	(65,227)	(60,037)
Cash paid for noise mitigation program	(23,591)	(18,210)
Principal payments on capital lease obligation	(1,354)	(372)
Termination of swap	(8,250)	
Passenger facility charges revenues	40,157	34,510
Customer facility charges revenues	6,385	6,113
Collateral deposit payment		1,420
Other	2,126	
Cash flows used in capital and related financing activities	(127,274)	(61,510)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale (purchases) of investments — net	79,541	(81,418)
Investment interest	3,080	9,179
Cash flows provided by (used in) investing activities	82,621	(72,239)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(7,338)	(108,142)
CASH AND CASH EQUIVALENTS — Beginning of year	141,646	249,788
CASH AND CASH EQUIVALENTS — End of year	$ 134,308	$ 141,646

(Continued)

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
($ in thousands)

	2012	2011
RECONCILIATION OF CASH AND CASH EQUIVALENTS REPORTED ON THE STATEMENTS OF NET POSITION:		
Unrestricted	$ 11,785	$ 35,366
Restricted	122,523	106,280
TOTAL	$ 134,308	$ 141,646
RECONCILIATION OF OPERATING LOSS TO CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$ (11,583)	$ (3,785)
Adjustments to reconcile operating loss to cash flows from operating activities:		
Depreciation and amortization	55,119	51,067
Provision for uncollectible accounts	371	(3,886)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	3,289	(136)
Decrease (increase) in due from other City funds	(12,790)	76
Decrease (increase) in prepaid expenses	443	(1,876)
(Decrease) in due to other City funds	12,790	(53)
Increase in amounts to be billed	(3,315)	
(Decrease) in billings over amounts earned	(9,107)	(4,218)
(Decrease) increase in advances for terminal and hangar rent	(1,760)	320
Increase (Decrease) in accounts payable and accrued liabilities	3,858	(11,902)
CASH FLOWS FROM OPERATING ACTIVITIES	$ 37,315	$ 25,607

SUPPLEMENTAL DISCLOSURE OF NONCASH ITEMS:
Property additions in 2012 and 2011 of $33,248 and $30,204, respectively, are included in accounts payable.

The fair market value adjustments gain (loss) to investments for 2012 and 2011 were $1,141 and $288, respectively.

See notes to basic financial statements. (Concluded)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization — Chicago Midway International Airport (Airport) is operated by the City of Chicago (City) Department of Aviation. The Airport is included in the City's reporting entity as an enterprise fund. The City is a member of the Chicago-Gary Regional Airport Authority, which was created in 1995 to address the air transportation needs of the Chicago-Northwest Indiana Region. In 2012, the Airport operated subject to the provisions of the Airport Use Agreement and Facilities Lease (Use Agreement) which is a residual use agreement that expired on December 31, 2012. City Council approved a new Airport Use Agreement and Facilities Lease on October 3, 2012. The effective date of the new Airport Use Agreement and Facilities Lease is January 1, 2013, expiring December 31, 2027.

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

The Airport uses the accrual basis of accounting, under which revenues are recognized when earned and expenses are recognized when incurred.

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

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

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

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

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

The Airport values its investments at fair value or amortized cost as applicable. U.S. government securities purchased at a price other than par with a maturity of less than one year are reported at amortized cost. The fair value of U.S. agency securities, corporate bonds and municipal bonds are estimated using recently executed transactions, market price quotations (where observable), or bond spreads.

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

Investments generally may not have a maturity in excess of 10 years from the date of purchase. Certain other investment balances are held in accordance with the specific provisions of applicable bond ordinances.

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

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

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

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

Other Assets — Funds expended for the Noise Mitigation Program are recorded as other assets and amortized over a 20-year useful life on a straight-line basis. The amounts reflected in restricted net position only includes amounts previously expended.

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

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

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

Net Position — Net Position comprises the net earnings from operating and nonoperating revenues, expenses and capital grants. Net position is displayed in three components — net investment in capital assets; restricted for debt service, capital projects, PFC, airport use agreement requirements, noise mitigation program and other assets; and unrestricted. Net investment in capital assets consists of all capital assets, net of accumulated depreciation; reduced by outstanding debt net of debt service reserve and unspent proceeds. Restricted net position consists of net position for which constraints are placed thereon by external parties (such as lenders and grantors) and laws, regulations and enabling legislation. Unrestricted net position consists of all other net position not categorized as either of the above.

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

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

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

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

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

Capital Grants — The Airport reports capital grants as capital contribution on the statements of revenues, expenses and changes in net position. Capital grants are on a reimbursement basis and revenues are recognized to the extent of allowable expenditures.

Revenue Recognition — Landing fees and terminal area use charges and fueling system charges are assessed to the various airlines throughout each year based on estimated rates. Such rates are designed to yield collections from airlines adequate to cover certain expenses and required debt service and fund deposits as determined under provisions of the previously defined Use Agreement. Incremental amounts due from the airlines arise when amounts assessed, based on the estimated rates used during the year, are less than actual expenses and required deposits for the year. Such incremental amounts due from airlines are included in amounts to be billed. 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 billings over amounts earned.

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

Customer Facility Charge (CFC) Revenue — The Airport imposed a CFC of $3.75 per contract day on each customer for motor vehicle rentals at the Airport for the years ended December 31, 2012 and 2011. CFCs are available to finance specific eligible capital projects. The City reports CFC revenue as nonoperating revenue and related noncapital expenses as nonoperating expenses in conformity with industry practice.

Adopted Accounting Standards — In December 2010, the GASB issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Airport implemented GASB Statement No. 62 on January 1, 2012. This Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30,1989, which do not conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board Statements and Interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure

The Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Propriety Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. Those entities who chose to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements can continue to apply those pronouncements as other accounting literature. There was no impact on the financial statements as a result of the implementation of Statement No. 62.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows or Resources, and Net Position.* The Airport implemented GASB Statement No. 63 on January 1, 2012. Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The financial reporting impact resulting from the implementation of GASB Statement No. 63 is the change in terminology from net assets to net position.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions — An Amendment to GASB Statement No. 53.* The Airport implemented GASB Statement No. 64 on January 1, 2012. Statement No. 64 clarifies whether an effective hedge relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. There was no impact on the financial statements as a result of the implementation of Statement No. 64.

Upcoming Accounting Standards — Other accounting standards that the Airport is currently reviewing for applicability and potential impact on the financial statements include:

GASB Statement No. 65*, Items Previously Reported as Assets and Liabilities*, will be effective for the City beginning with its year ending December 31, 2013. The objective of this statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66*, Technical Corrections — 2012 — an amendment of GASB Statements No. 10 and No. 62*, will be effective for the City beginning with its year ending December 31, 2013. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

GASB Statement No. 68*, Accounting and Financial Reporting for Pensions*, establishes new financial reporting requirements for most governments that provide their employees with pension benefits through these types of plans. Statement No. 68 will be effective for the City beginning with its year ending December 31, 2015. GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and GASB Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Statement No. 69 will be effective for the City beginning with its year ending December 31, 2014. GASB Statement No. 69 requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, establishes accounting and financial reporting standards for financial guarantees that are nonexchange transactions (nonexchange financial guarantees) extended or received by a state or local government. Statement No. 70 will be effective for the City beginning with its year ending December 31, 2014. GASB Statement No. 70 requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. Requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

2. RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS AND INVESTMENTS

Investments —U.S. agencies include investments in government-sponsored enterprises such as Federal National Mortgage Association, Federal Home Loan Banks, and Federal Home Loan Mortgage Corp. The Airport as of December 31, 2012, had the following investments ($ in thousands):

	Investment Maturities (in Years)				
Investment Type	**Less Than 1**	**1–5**	**6–10**	**More Than 10**	**Fair Value**
U.S. treasuries	$	$	$	$	$
U.S. agencies	13,600	159,517	33,382		206,499
Commercial paper	3,400				3,400
Corporate bonds	1,893				1,893
Municipal bonds	200	24,910	13,724		38,834
Certificates of deposits and other short-term	114,617				114,617
Subtotal	$ 133,710	$ 184,427	$ 47,106	$	365,243
Share of City's pooled funds					12
Total					$ 365,255

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

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

Interest Rate Risk — As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy requires that investments generally may not have a maturity date in excess of 10 years from the date of purchase. Certain other investments are held in accordance with the specific provisions of applicable ordinances.

Credit Risk — The Code limits investments in commercial paper to banks whose senior obligations are rated in the top two rating categories by at least two national rating agencies and who are required to maintain such rating during the term of such investment. The Code also limits investments to domestic money market mutual funds regulated by, and in good standing with, the Securities and Exchange Commission. Certificates of deposit are also limited by the Code to national banks, which provide collateral of at least 105% by marketable U.S. government securities marked to market at least monthly; or secured by a corporate surety bond issued by an insurance company licensed to do business in Illinois and having a claims-paying rating in the top rating category, as rated by a nationally recognized statistical rating organization maintaining such rating during the term of such investment. The Airport's exposure to credit risk at December 31, 2012 and 2011, was as follows ($ in thousands):

Quality Rating	**2012**	**2011**
Aaa/AAA	$ 9,856	$ 6,890
Aa/A	222,577	305,821
A/A	1,893	
P1/A1	14,597	22,583
Not rated	116,320	140,724
Total funds	$ 365,243	$ 476,018

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

Custodial Credit Risk — Cash and Certificates of Deposit — This is the risk that in the event of a bank failure, the City's deposits may not be returned. The City's investment policy states that in order to protect the City deposits, depository institutions are to maintain collateral pledges on City deposits during the term of the deposit of at least 102% of marketable U.S. government, or approved securities or surety bonds, issued by top-rated insurers. Collateral is required as security whenever deposits exceed the insured limits of the Federal Deposit Insurance Corporation. The bank balance of cash and certificates of deposit with the City's various municipal depositories were $532.3 million and $478.9 million at December 31, 2012 and 2011, respectively. Of the bank balance, $532.3 million and $478.9 million or 100% at December 31, 2012 and 2011 were either insured or collateralized.

The investments reported in the basic financial statements at December 31, 2012 and 2011, is summarized as follows ($ in thousands):

	2012	**2011**
Per Note 2:		
Investments — Airport	$ 365,243	$ 476,018
Investments — City Treasurer Pooled Fund	12	15
	$ 365,255	$ 476,033
Per basic financial statements:		
Restricted investments	$ 197,960	$ 286,015
Unrestricted investments	36,079	26,709
Investments included as cash and cash equivalents on the statements of net position	131,216	163,309
	$ 365,255	$ 476,033

3. RESTRICTED ASSETS

There are various limitations and restrictions contained in the Master Indenture of Trust securing the Chicago Midway Airport Revenue Bonds (First Lien Master Indenture) and the Master Indenture of Trust securing the Chicago Midway Airport Second Lien Obligation (Second Lien Master Indenture) and together with the First Lien Master Indenture (Master Indentures), the Use Agreement and federal regulations contain various limitations and restrictions, which, among other things, require the creation and maintenance of separate accounts, certain of which must be held by a trustee and into which required deposits are made by the Airport on a periodic basis to fund construction, debt retirement, operation and maintenance and contingencies.

Restricted cash, cash equivalents and investment balances in accordance with the Master Indenture requirements at December 31, 2012 and 2011, were as follows ($ in thousands):

Account	2012	2011
Construction	$ 86,323	$ 158,373
Capitalized interest	313	4,817
Debt service	62,166	63,778
Debt service reserve	102,798	102,798
Operation and maintenance reserve	20,919	19,651
Repair and replacement	4,849	4,303
Emergency reserve	389	385
Customer facility charge (CFC)	26,998	27,103
Other	13,155	11,087
Subtotal — Master Indentures and Use Agreement accounts	317,910	392,295
Passenger facility charges (PFC)	2,573	
Total	$ 320,483	$ 392,295

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

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

- The debt service account, which is restricted for the payment of debt service.

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

The debt service reserve account requirement was funded upon issuance of the Series 1996 first lien bonds, the Series 1998 first lien bonds, the Series 1998 second lien bonds, the Series 2004 second lien bonds and the Series 2010 second lien bonds with a cash deposit. The debt service reserve account is restricted to the payment of debt service in the event that the balance in the debt service account is insufficient.

The junior lien obligation debt service fund is required to be established to record all transactions associated with junior lien obligations per the First Lien Master Indenture.

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

The emergency reserve account is restricted to make payments for certain purposes, including terminal area use charges, landing fees and certain other charges that are deemed uncollectible and also for any judgments or settlements against the Airport.

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

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

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

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

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

At December 31, 2012 and 2011, the Airport believes it was in compliance with the funding requirements and restrictions as stated in the Master Indentures.

4. LONG-TERM DEBT

Long-term debt at December 31, 2012 and 2011, consisted of the following ($ in thousands):

	2012	2011
First lien bonds:		
$148,820 Series 1996 A Chicago Midway Airport Revenue Bonds, issued November 7, 1996, due through 2029, interest at 4.8%–6.0%	$ 58,420	$ 58,420
$105,220 Series 1996 B Chicago Midway Airport Revenue Bonds, issued November 7, 1996, due through 2029, interest at 4.9%–6.5%	79,375	82,115
$397,715 Series 1998 A, B, and C Chicago Midway Airport Revenue Bonds, issued September 10, 1998, due through 2035, interest at 4.3%–5.5%	373,400	376,925
$295,855 Series 2001 A and B Chicago Midway Airport Revenue Bonds, issued September 13, 2001, due through 2031, interest at 5.0%–5.5%	247,365	262,745
Subtotal — first lien bonds	758,560	780,205
Second lien bonds:		
$171,000 Series 1998 A and B Chicago Midway Airport Second Lien Revenue Bonds, issued September 16, 1998, due through 2029, variable floating interest rate (0.15% at December 31, 2012)	132,525	132,525
$77,565 Series 2004 A and B Chicago Midway Airport Second Lien Revenue Bonds, issued December 14, 2004, due through 2024, interest rate at 3.20%–5.00%	64,885	69,595
$152,150 Series 2004 C and D Chicago Midway Airport Second Lien Revenue Bonds, issued December 14, 2004, due through 2035, interest rate at 4.174% and 4.247%	148,500	152,150
$22,000 Series 2010 A-1 Chicago Midway Airport Second Lien Revenue Bonds, issued May 6, 2010, due through 2021, variable floating interest rate (0.20% at December 31, 2012)	22,000	22,000
$58,475 Series 2010 A-2 Chicago Midway Airport Second Lien Revenue Bonds, issued May 6, 2010, due through 2025, variable floating interest rate (0.21% at December 31, 2012)	54,575	58,475
$84,000 Series 20010 B Chicago Midway Airport Second Lien Revenue Bonds, issued October 26, 2010, due through 2034, interest rate at 5.00% to 5.34%	84,000	84,000
$63,470 Series 20010 C Chicago Midway Airport Second Lien Revenue Bonds, issued October 26, 2010, due through 2041, interest rate at 3.782%–7.168%	63,470	63,470
$82,610 Series 20010 D-1 Chicago Midway Airport Second Lien Revenue Bonds, issued October 26, 2010, due through 2041, interest rate at 3.532%–5.340%	78,175	82,610
$16,460 Series 20010 D-2 Chicago Midway Airport Second Lien Revenue Bonds, issued October 26, 2010, due through 2041, interest rate at 3.532%–5.340%		16,460
Subtotal — second lien bonds	648,130	681,285
Commercial paper notes — Series A,B,C, and D	34,639	
Total revenue bonds and notes	1,441,329	1,461,490
Unamortized premium (discount)	160	(281)
Unamortized deferred loss on bond refunding	(5,998)	(6,291)
	1,435,491	1,454,918
Current portion	(23,475)	(22,305)
Total long-term revenue bonds payable	$ 1,412,016	$ 1,432,613

Long-term debt during the years ended December 31, 2012 and 2011, changed as follows ($ in thousands):

	Balance January 1, 2012	Additions	Reductions	Balance December 31, 2012	Due Within One Year
Revenue bonds	$ 1,461,490	$	$ (54,800)	$ 1,406,690	$ 23,475
Unamortized premium (discount)	(281)	(211)	652	160	
Deferred (loss) gain on refunding	(6,291)	(951)	1,244	(5,998)	
Total revenue bonds	1,454,918	(1,162)	(52,904)	1,400,852	23,475
Commercial paper		34,639		34,639	
Total long-term debt	$ 1,454,918	$ 33,477	$ (52,904)	$ 1,435,491	$ 23,475

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

Interest expense capitalized for 2012 and 2011 totaled $5.05 million and $6.83 million, respectively. Interest income capitalized for 2012 and 2011 totaled $.46 million and $.74 million, respectively. Interest expense includes amortization of the deferred loss on bond refunding for 2012 and 2011 of $1.24 million and $.54 million, and amortization of $.44 million of discount, net and $.29 million of premium, net, respectively.

Issuance of Debt — Chicago Midway International Airport Commercial Paper Notes, Series A, B, C, and D ($85 million maximum aggregated authorized) outstanding at December 31, 2012 and 2011, were $34.6 million and $0 million, respectively. Note proceeds may be used to finance portions of the costs of authorized airport projects and to repay the expenses of issuing the notes. An irrevocable letter of credit (LOC) ($94.6 million) provides for the timely payment of principal and interest on the notes until July 12, 2014. Amounts paid by drawing on the LOC shall be reimbursed by the Airport on said day paid; any amounts not reimbursed shall constitute an advance and will bear interest at the greater of the most recent prime rate plus 1.50% or the federal funds rate, plus 2.0% and 7.5% (Base Rate). Advances outstanding greater than 90 days will bear interest at the Base Rate, plus 1% beginning on the 90-first day after such advance is made. At December 31, 2012 and 2011, there were no outstanding LOC advances.

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

Years Ending December 31	Principal	Interest	Total
2013	$ 14,710	$ 39,240	$ 53,950
2014	15,505	38,426	53,931
2015	16,330	37,553	53,883
2016	17,245	36,632	53,877
2017	18,185	35,666	53,851
2018–2022	106,900	161,962	268,862
2023–2027	182,675	124,252	306,927
2028–2032	243,860	67,940	311,800
2033–2035	143,150	11,157	154,307
Total	$ 758,560	$ 552,828	$ 1,311,388

Following is a schedule of debt service requirements to maturity of the second lien bonds. For issues with variable rates, interest is imputed at the percent rate effective at December 31, 2012 ($ in thousands):

Years Ending December 31	Principal	Interest	Total
2013	$ 8,765	$ 14,910	$ 23,675
2014	9,160	15,360	24,520
2015	9,635	15,935	25,570
2016	15,180	15,666	30,846
2017	16,015	15,101	31,116
2018–2022	114,545	65,729	180,274
2023–2027	131,370	50,227	181,597
2028–2032	227,390	35,168	262,558
2033–2037	78,230	18,372	96,602
2038–2041	37,840	4,881	42,721
Total	$ 648,130	$ 251,349	$ 899,479

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, 2012, the Series 1998 A&B bonds, the Series 2010 A-1 and 2010 A-2 bonds were in a daily rate interest mode and the Series 2004 C&D bonds were in a weekly rate interest mode. An irrevocable LOC ($193.2 million) provides for the timely payment of principal and interest on the Series 1998 A&B and the Series 2010A-2 bonds until November 25, 2013. An irrevocable LOC ($176.1 million) provides for the timely payment of principal and interest on the Series 2004 C&D and the Series 2010A-1 bonds until November 25, 2013.

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

Hedging Derivatives — In April 2011, the Airport novated its $60.9 million notional amount swap associated with the Midway Airport Series 2004C&D variable rate bonds with J.P. Morgan to Wells Fargo Bank, N.A. The fixed rate the Airport pays increased from 4.174% to 4.247%, and the Airport signed a one-way credit support agreement (CSA) that no longer requires the Airport to post collateral if the mark-to-market exceeds the threshold, previously defined in the J.P. Morgan agreement. A Goldman Sachs swap covers the 60% balance of the bonds, with a current notional amount of $89.1 million, which does not have a two-way CSA and remains unchanged.

Pay-Fixed, Receive-Variable Interest Rate Swaps:

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

	Changes in Fair Value		Fair Value at December 31, 2012		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Cash flow hedges — pay-fixed interest rate swaps	Deferred outflow of resources	$ 1,794	Deferred outflow of resources	$ 36,794	$ 148,500

Pay-Fixed, Receive-Variable Interest Rate Swaps — In order to protect against the potential of rising interest rates, the Airport entered into two separate pay-fixed, receive-variable interest rate swaps at a cost less than what the Airport would have paid to issue fixed-rate debt. The swap counterparties are Goldman Sachs and Wells Fargo, with notional amounts as of December 31, 2012 of $89.1 million and $59.4 million, respectively.

Terms, Fair Values and Credit Risk — The terms, including the fair value and credit ratings of the outstanding swaps as of December 31, 2012, is as follows. The notional amounts of the swaps match the principal amounts of the associated debt. The Airport's swap agreements contained scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds payable" category ($ in thousands).

Associated Bond Issue	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value 2012	Fair Value 2011	Swap Termination Date	Counterparty Credit Rating
Series 2004 C&D Bond	$ 89,100	December 14, 2004	4.174 %	SIFMA +.05%	$(21,552)	$(20,564)	January 1, 2035	A3/A-
Series 2004 C&D Bond	59,400	April 21, 2011	4.247	SIFMA +.05%	(15,242)	(14,436)	January 1, 2035	Aa3/AA-
Total	$148,500				$(36,794)	$(35,000)		

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

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

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

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

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

Swap Payments and Associated Debt — As of December 31, 2012, debt service requirements for the Airport's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows ($ in thousands):

Years Ending December 31	Variable-Rate Bonds with Swaps Principal	Variable-Rate Bonds with Swaps Interest	Interest Rate Swaps — Net	Total
2013	$ 3,825	$ 235	$ 5,860	$ 9,920
2014	4,000	228	5,699	9,927
2015	4,200	222	5,529	9,951
2016	4,275	215	5,357	9,847
2017	4,575	207	5,173	9,955
2018–2022	26,025	914	22,808	49,747
2023–2027	32,400	674	16,823	49,897
2028–2032	40,375	375	9,368	50,118
2033–2035	28,825	52	1,297	30,174
Total	$ 148,500	$ 3,122	$ 77,914	$ 229,536

Investment Derivatives

Swaptions — In April 2012, the City terminated the swaption transaction with J.P. Morgan in relation to Chicago Midway Airport Series Revenue Bonds 1998 A, 1998 B and 1998 C with an original notional amount of $397.7 million and a trade date of October 27, 1999. The City paid $8.2 million to terminate the swaption. The termination payment is reflected in interest (loss) income on the Statement of Revenues, Expenses, and Changes in Net Position. Note that $8.3 million of Chicago Midway Airport Commercial Paper Notes Series 2003 were issued to fund the swaption termination payment.

Defeased Bonds — Defeased bonds have been removed from the balance sheet because the related assets have been placed in irrevocable trusts, together with interest earned thereon, will provide amount sufficient for payment of all principal and interest. During 2012, the Airport defeased a portion of the Chicago Midway Airport Revenue Bonds, Series 2001 A , Series 2010 A-2 Second Lien, Series 2010 D-1 Second Lien and a full portion of the 2010 D-2 Second Lien in the amount of $7.7 million, $3.9 million, $4.4 million and $16.5 million, respectively. As of December 31, 2012, there was $4.4 million and $16.5 million outstanding in the escrow related to the Chicago Midway Airport Revenue Bond Series 2010 D-1 Second Lien and 2012 D-2 Second Lien, respectively.

5. CHANGES IN CAPITAL ASSETS

During the years ended December 31, 2012 and 2011, capital assets changed as follows ($ in thousands):

	Balance January 1, 2012	Additions	Disposals and Transfers	Balance December 31, 2012
Capital assets not depreciated:				
Land	$ 109,446	$ 3,394	$	$ 112,840
Construction in progress (1)	52,173	61,447	(43,773)	69,847
Total capital assets not depreciated	161,619	64,841	(43,773)	182,687
Capital assets depreciated — buildings and other facilities	1,371,443	43,773		1,415,216
Less accumulated depreciation for — buildings and other facilities	(380,538)	(45,011)	(5,000)	(430,549)
Total capital assets depreciated — net	990,905	(1,238)	(5,000)	984,667
Total property and facilities — net	$ 1,152,524	$ 63,603	$ (48,773)	$ 1,167,354

(1) Includes net capitalized interest of $6,510

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

(1) Includes net capitalized interest of $5,860,371

6. LEASING ARRANGEMENTS

With Tenants — Most of the Airport's land, buildings and terminal space are leased under operating lease agreements to airlines and other tenants. The following is a schedule of the minimum future rental income on noncancelable operating leases as of December 31, 2012 ($ in thousands):

Years Ending December 31	Amount	
2013	$ 30,900	*
2014	29,803	
2015	27,282	
2016	26,529	
2017	26,529	
2018-2022	132,643	
2023-2027	132,643	
Total	$ 406,329	

* The Terminal Facilities lease was renewed in 2013.

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

Rental income, consisting of all rental and concession revenues except aircraft parking fees and certain departure fees (turns) and automobile parking, amounted to $101.0 million and $86.5 million in 2012 and 2011, respectively. Contingent rentals included in the totals were approximately $40.4 million and $40.4 million for 2012 and 2011, respectively.

Capital Lease — The Airport entered into an agreement for the financing, design, construction, operation and maintenance of certain heating and cooling equipment under a 25 year energy delivery agreement beginning in 1998 and previously accounted for the agreement as a capital lease. While the agreement required monthly minimum payments, the payments each month were based on "Usage Fees" multiplied by total heating and cooling quantities used for that given month. The agreement also included a right to terminate and purchase of the equipment by the Airport. Effective April 30, 2013, management of the Airport terminated the contract as it determined that the Airport fulfilled its capital lease obligation during 2012 under the agreement by making periodic pre-payments on the obligation throughout the life of the agreement in the form of the "Usage Fees" paid. The lessor has asserted to management that an additional payment is required under the agreement. The potential range of loss is from $0 to $8 million. At this time, no litigation has been filed by either party and management believes that a loss is not currently probable.

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

Participating employees contribute 8.5% of their salary to these funds as required by State law. By law, the City's contributions are based on the amounts contributed by the employees. Financing of the City's contribution is through a separate property tax levy and the personal property replacement tax. The Airport reimburses the City's general fund for the estimated pension cost applicable to the covered payroll of Airport employees. These reimbursements, recorded as expenses of the Airport, were $3.0 million in 2012 and $3.2 million in 2011. The annual pension costs are determined using the entry age normal actuarial cost method and the level dollar amortization method.

The funding policy mandated by State law requires City contributions at statutorily, not actuarially, determined rates. The rates are expressed as multiples of employee contributions. These contributions equal employee contributions made in the calendar year two years prior to the year for which the applicable tax is levied, multiplied by the statutory rates. The statutory rates in effect for the City's contributions made during the years ended December 31, 2012 and 2011, 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, 2012, assists users in assessing each pension fund's progress in accumulating sufficient assets to pay benefits when due. The three-year historical information for each annuity and benefit fund which includes all City employees within each respective annuity and benefit fund is as follows (dollars in thousands):

	Annual Pension Cost	Percent of Annual Pension Cost Contributed	Annual Required Contribution	Percent of Required Actual Contribution	Net Pension Obligation (Asset)
Municipal employees:					
2010	$ 482,421	32.1 %	483,948	32.0 %	$ 1,007,404
2011	609,491	24.1	611,756	24.0	1,469,886
2012	687,519	21.7	690,823	21.5	2,008,546
Laborers:					
2010	$ 47,129	32.6 %	46,665	32.9 %	$ (174,584)
2011	57,651	22.2	57,259	22.3	(129,712)
2012	77,857	15.2	77,566	15.3	(63,707)

The pension benefits information pertaining expressly to Airport employees is not available as the obligation is the responsibility of the general government. Accordingly, no amounts have been recorded in the accompanying basic financial statements for the net pension asset or obligation of these plans. Amounts for the City are recorded within the City's government-wide financial statements.

8. OTHER POSTEMPLOYMENT BENEFITS — CITY OBLIGATION

In addition to providing pension benefits, under State law, the City provides certain health benefits to employees who retire from the City based upon their participation in the City's pension plans. Substantially all employees who qualify as Municipal Employees' or Laborers' pension plan participants older than age 55 with at least 20 years of service may become eligible for postemployment benefits if they eventually become annuitants. Health benefits include basic benefits for annuitants and supplemental benefits for Medicare-eligible annuitants. Currently, the City does not segregate benefit payments to annuitants by fund. The cost of health benefits is recognized as claims are reported and are funded on a pay-as-you-go basis. The total cost to the City for providing health benefits to approximately 24,408 annuitants and their dependents was approximately $97.5 million and $99.1 million in 2012 and 2011, respectively.

The annuitants who retired prior to July 1, 2005, received a 55% subsidy from the City and the annuitants who retired on or after July 1, 2005, received a 50%, 45%, 40%, and 0% subsidy from the City based on the annuitant's length of actual employment with the City for the gross cost of retiree health care under a court-approved settlement agreement. During 2012 and 2011, the pension funds contributed $65 per month for each Medicare-eligible annuitant and $95 per month for each Non-Medicare-eligible annuitant to their gross cost, respectively. The annuitants contributed a total of $67.8 million and $68.3 million in 2012 and 2011, respectively, to the gross cost of their retiree health care pursuant to premium amounts set forth in the above-referenced settlement agreement.

The City's net expense and the annuitants' contribution indicated above are preliminary and subject to the reconciliation per the court-approved settlement agreement.

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

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

The liabilities for the monthly dollar supplements paid to annuitants enrolled in the retiree medical plan by their respective pension funds are included in the liabilities and reports of the respective four pension funds.

Special Benefits under the Collective Bargaining Agreements (CBA) — Under the terms of the latest collective bargaining agreements for the Fraternal Order of Police and the International Association of Fire Fighters, certain employees who retire after attaining age 55 with the required years of service are permitted to enroll themselves and their dependents in the healthcare benefit program offered to actively employed members. They may keep this coverage until they reach the age of Medicare eligibility. These retirees do not contribute towards the cost of coverage, but the Police pension fund contributes $95 per month towards coverage for police officers (which is assumed to continue); the Fire Pension Fund does not contribute. Once CBA early retirees reach Medicare eligibility age, their healthcare benefits are provided under the provisions of the Settlement Plan.

No extension of the CBA has been negotiated as of the end of the governing contract period (June 30, 2012), and therefore this valuation assumes the expiration of the early retirement special benefits as of December 31, 2012, but includes the liabilities for continuation of payments to those members already retired under the CBA as of December 31, 2012.

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

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

The following table shows the components of the City's annual OPEB costs for the year for the Plans, the amount actually contributed to the Plans and changes in the City's net OPEB obligation to the retiree Health Plan. The net OPEB obligation is the amount entered upon the City's Statement of Position as of year-end as the net liability for the other postemployment benefits — the retiree Health Plan. The amount of the annual cost for the retiree Health Plan, which is to be recorded in the statement of changes in net assets for 2012 is the annual OPEB cost (expense) (in thousands).

	Health Plan	
Annual OPEB Cost and Contributions Made	**2012**	**2011**
Contribution rates:		
City	Pay As You Go	Pay As You Go
Plan members	N/A	N/A
Annual required contribution	$ 252,747	$ 200,062
Interest on net OPEB obligation	3,816	4,567
Adjustment to annual required contribution	(179,586)	(155,675)
Annual OPEB cost	76,977	48,954
Contributions made	115,961	99,091
Decrease in net OPEB obligation	(38,984)	(50,137)
Net OPEB obligation — beginning of year	254,345	304,482
Net OPEB obligation — end of year	$ 215,361	$ 254,345

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plans, and the net OPEB obligation for fiscal years 2012, 2011 and 2010 are as follows (in thousands):

Schedule of Contributions,
OPEB Costs, and Net Obligations

Years Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2012	$ 76,977	260.5 %	$ 215,361
December 31, 2011	48,954	202.4	254,345
December 31, 2010	82,874	129.6	304,483

Funded Status and Funding Progress — As of December 31, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $471.0 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plans) was approximately $2,518.7 million and the ratio of the unfunded actuarial accrued liability to the covered payroll was 7.6%.

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll
December 31, 2011	$	$ 470,952	$ 470,952	%	$ 2,518,735
December 31, 2010	$	390,611	390,611	%	2,475,080

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

For the Plans' benefits (not provided by the pension funds) in the actuarial valuation for the fiscal years ended December 31, 2012 and 2011, the projected unit credit actuarial cost method was used. The actuarial assumptions included an annual health care cost trend rate of 10.5% initially, reduced by decrements to an ultimate rate of 5.0%. Both rates included a 3% inflation assumption. The Plans have not accumulated assets and does not hold assets in a segregated trust. However, the funds expected to be used to pay benefits are assumed to be invested for durations, which will yield an annual return rate of 1.5%. The UAAL is being amortized as a level-dollar amount over one to five years.

Summary of Assumptions and Methods

	Health Plan	
Item	**2012**	**2011**
Actuarial valuation date	December 31, 2011	December 31, 2010
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level dollar	Level dollar
Remaining amortization period	1 to 5 years	2 years
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return	1.5%	1.5%
Projected salary increases	3.0%	2.5%
Healthcare inflation rate	10.5% initial to 5% ultimate	11.5% initial to 10.5% ultimate

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

9. RELATED-PARTY TRANSACTIONS

Included in operating expenses are reimbursements to the general fund of the City for services provided by other City departments, employee fringe benefits and self-insured risks. Such reimbursements were $16.4 million in 2012 and 2011..

10. COMMITMENTS AND CONTINGENCIES

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

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

Uninsured claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Changes in the claims liability amount for the years ended December 31, 2012 and 2011, are as follows ($ in thousands):

	2012	2011
Beginning balance — January 1	$ 449	$ 433
Total claims incurred	4,367	4,160
Claims paid	(4,358)	(4,144)
Claims liability — December 31	$ 458	$ 449

The City purchases annuity contracts from commercial insurers to satisfy certain liabilities. The City renewed its property insurance for the City's Airports, effective December 31, 2010, at a limit of $3.6 billion, which the City's insurance broker advised was the highest amount commercially available at the time. Claims have not exceeded the purchased insurance coverage in the past 10 years. Property and casualty risks for the Airport are transferred to commercial insurers.

At December 31, 2012 and 2011, the Airport had commitments in the amount of approximately $41.9 million and $71.1 million, respectively, in connection with contracts entered into for construction projects.

11. SUBSEQUENT EVENTS

In February 2013, the City increased the Letter of Credit (LOC) support for the Chicago Midway International Airport Commercial Paper Program from $85.0 million to $150.0 million. The $65.0 million LOC is provided by PNC Bank. While the City has City Council authorization to issue up to an aggregate principal of $250.0 million of Chicago Midway International Airport Commercial Paper Notes (Midway CP Notes), the LOC support provides only for the issuance of up to $150.0 million aggregate principal amount of Midway CP Notes. The Midway CP Notes are authorized to be issued by the City for the financing and refinancing of certain projects (which may include payments on certain related bonds and notes) at Chicago Midway International Airport.

In March 2013, the City entered into a Revolving Credit Agreement with Bank of America, N.A., which allows the City to draw on the line of credit in an aggregate amount not to exceed $200.0 million. The City's repayment obligation under the line of credit is a general obligation of the City. The line of credit expires March 1, 2016.

In May 2013, the City issued $23.0 million aggregate principal amount of Midway CP Notes. The proceeds will be used to finance a portion of the costs of authorized airport projects.

The 1996 Reauthorization Act, Title 49 United States Code §47134, authorized the Federal Aviation Administration ("FAA") to establish the Airport Privatization Pilot Program (the "Pilot Program") , pursuant to which the FAA is authorized to permit public airport sponsors to sell or lease an airport. The 2012 Reauthorization Act increased the number of airports that could participate in the program from five to ten. Only one of the ten airports can be a "large hub" airport (having enplanements that equal or exceed one percent of the enplanements at all U.S. commercial airports). On September 2006, the City applied to the FAA under the Pilot Program with respect to Chicago Midway International Airport ("Midway") with extensions requested periodically and most recently in April 2012. The City is currently pursuing bids for a lease of Midway under the provisions of the Pilot Program. The City is not under any obligation to accept any bids, and it is not possible at this time to predict whether or not the City will enter into a lease of Midway pursuant to the Pilot Program or when such a transaction might occur.

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CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

ADDITIONAL SUPPLEMENTARY INFORMATION
CHICAGO MIDWAY AIRPORT REVENUE BONDS
DEBT SERVICE COVERAGE CALCULATIONS
YEARS ENDED DECEMBER 31, 2012 AND 2011
($ in thousands)

	2012	**2011**
REVENUES:		
Total revenues — as defined	$ 159,305	$ 158,849
Other available moneys (passenger facility charges and letter of intent)	37,531	36,849
Revenue Fund balance on first day of fiscal year (Note 2)	30,866	24,685
TOTAL REVENUES	$ 227,702	$ 220,383
COVERAGE REQUIREMENT — Required deposits from revenues:		
Debt Service Fund	$ 62,267	$ 54,748
Operation and maintenance reserve account	1,720	1,412
Junior Lien Obligation Debt Service Fund	24,602	23,468
Repair and Maintenance Fund	1,025	1,025
TOTAL FUND DEPOSIT REQUIREMENTS	$ 89,614	$ 80,653
AGGREGATE FIRST LIEN DEBT SERVICE FOR THE BOND YEAR	$ 62,267	$ 54,749
LESS AMOUNTS TRANSFERRED FROM CAPITALIZED INTEREST ACCOUNTS		
Net aggregate debt service	62,267	54,749
	1.25	1.25
NET DEBT SERVICE REQUIRED COVERAGE	$ 77,834	$ 68,436
OPERATION AND MAINTENANCE EXPENSES	$ 114,297	$ 110,090
COVERAGE REQUIRED (Greater of total fund deposit requirements or 125% of aggregate debt service)	89,614	80,653
TOTAL COVERAGE REQUIRED	$ 203,911	$ 190,743
TOTAL REVENUES	$ 227,702	$ 220,383
COVERAGE RATIO	1.12	1.16

See notes to debt service coverage calculations.

ADDITIONAL SUPPLEMENTARY INFORMATION
CHICAGO MIDWAY AIRPORT REVENUE BONDS
NOTES TO DEBT SERVICE COVERAGE CALCULATIONS
YEARS ENDED DECEMBER 31, 2012 AND 2011

1. RATE COVENANT

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

2. REVENUE FUND BALANCE

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

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CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

ADDITIONAL SUPPLEMENTARY INFORMATION
CHICAGO MIDWAY AIRPORT SECOND LIEN REVENUE BONDS
DEBT SERVICE COVERAGE CALCULATIONS
YEARS ENDED DECEMBER 31, 2012 AND 2011
($ in thousands)

	2012	2011
REVENUES:		
Total revenues — as defined	$159,305	$158,849
Other available moneys (passenger facility charges and letter of intent)	37,531	36,849
Revenue Fund balance on first day of fiscal year (Note 2)	30,866	24,685
TOTAL REVENUES FOR CALCULATION OF COVERAGE	$227,702	$220,383
COVERAGE REQUIREMENT — Required deposits from revenues:		
First Lien Debt Service Fund	$ 62,267	$ 54,748
Operation and maintenance reserve account	1,720	1,412
Junior Lien Obligation Debt Service Fund	24,602	23,468
Repair and Replacement Fund	1,025	1,025
TOTAL FUND DEPOSIT REQUIREMENTS	$ 89,614	$ 80,653
125% OF AGGREGATE FIRST LIEN DEBT SERVICE FOR THE BOND YEAR:		
Aggregate First Lien Debt Service	$ 62,267	$ 54,749
Less amounts transferred from First Lien Capitalized Interest Accounts		
Net aggregate First Lien Debt Service	62,267	54,749
	1.25	1.25
125% OF AGGREGATE FIRST LIEN DEBT SERVICE	$ 77,834	$ 68,436
GREATER OF FUND DEPOSIT REQUIREMENTS OR 125% OF AGGREGATE FIRST LIEN DEBT SERVICE	$ 89,614	$ 80,653
110% OF AGGREGATE FIRST AND SECOND LIEN DEBT SERVICE FOR THE BOND YEAR:		
Aggregate First Lien Debt Service	$ 62,267	$ 54,749
Aggregate Second Lien Debt Service	31,005	36,826
Less amounts transferred from First Lien Capitalized Interest Accounts		
Less amounts transferred from Junior Lien Capitalized Interest Accounts	(4,144)	(4,943)
Net aggregate First and Second Lien Debt Service	89,128	86,632
	1.10	1.10
110% OF AGGREGATE FIRST AND SECOND LIEN DEBT SERVICE	$ 98,041	$ 95,295
GREATER OF FUND DEPOSIT REQUIREMENTS OR 110% OF AGGREGATE FIRST AND SECOND LIEN DEBT SERVICE	$ 98,041	$ 95,295
GREATER OF FUND DEPOSIT REQUIREMENTS OR 125% OF FIRST LIEN DEBT OR 110% OF AGGREGATE DEBT SERVICE	$ 98,041	$ 95,295
COVERAGE CALCULATION:		
Operation and maintenance expenses	$114,297	$110,090
110% of aggregate First and Second Lien Debt Service	98,041	95,295
Fund Deposit Requirements		
TOTAL COVERAGE REQUIRED	$212,338	$205,385
TOTAL REVENUES	$227,702	$220,383
REVENUES IN EXCESS OF COVERAGE REQUIREMENT	$ 15,364	$ 14,998
COVERAGE RATIO	1.07	1.07

See notes to debt service coverage calculations.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

ADDITIONAL SUPPLEMENTARY INFORMATION
CHICAGO MIDWAY AIRPORT SECOND LIEN REVENUE BONDS
NOTES TO DEBT SERVICE COVERAGE CALCULATIONS
YEARS ENDED DECEMBER 31, 2012 AND 2011

1. RATE COVENANT

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

2. REVENUE FUND BALANCE

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

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CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

HISTORICAL OPERATING RESULTS
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2003–2012 (UNAUDITED)
($ in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
OPERATING REVENUES:										
Landing fees	$14,524	$15,585	$15,668	$ 20,834	$ 19,606	$ 28,901	$ 21,939	$ 35,299	$ 38,583	$ 32,143
Rental revenues:										
Terminal area use charges	12,089	13,714	17,179	21,804	17,308	26,084	30,701	42,895	40,862	38,769
Other rentals and fueling system fees	8,688	11,055	12,942	14,520	17,784	15,683	20,367	21,488	24,978	32,202
Subtotal rental revenues	20,777	24,769	30,121	36,324	35,092	41,767	51,068	64,383	65,840	70,971
Concessions:										
Auto parking	25,348	25,939	25,675	27,433	29,740	31,561	27,902	27,849	29,112	30,830
Auto rentals	7,808	8,001	8,417	7,698	8,440	8,355	8,505	8,182	8,776	9,021
Restaurant	6,057	6,715	6,879	7,391	8,136	8,099	7,396	8,151	8,875	9,686
News and gifts	2,968	3,272	3,852	3,905	3,876	3,816	3,437	3,488	3,551	3,486
Other	1,490	1,328	1,616	1,985	2,363	2,486	2,054	1,704	2,634	1,696
Subtotal concessions	43,671	45,254	46,439	48,412	52,555	54,317	49,294	49,374	52,948	54,719
Reimbursements										
Total operating revenues (1)	78,972	85,608	92,228	105,570	107,253	124,985	122,301	149,056	157,371	157,833
OPERATING AND MAINTENANCE EXPENSES:										
Salaries and wages (2)	36,582	32,316	32,259	35,316	39,998	36,931	39,521	42,105	43,554	44,463
Repairs and maintenance	26,770	28,065	31,690	32,762	36,863	37,399	37,967	31,942	40,732	37,990
Energy	3,621	4,869	6,040	5,076	7,495	7,228	8,245	6,724	6,415	7,258
Materials and supplies	616	663	1,170	437	1,751	2,377	1,252	1,522	1,418	1,318
Professional and engineering services	9,214	10,678	11,274	13,326	14,780	19,775	6,727	15,832	15,650	15,011
Other operating expenses	6,390	4,940	5,794	10,466	10,395	5,942	5,929	10,211	2,320	8,257
Total operating and maintenance expenses before depreciation and amortization (3)	83,193	81,531	88,227	97,383	111,282	109,652	99,641	108,336	110,089	114,297
NET OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION (4)	$ (4,221)	$ 4,077	$ 4,001	$ 8,187	$ (4,029)	$ 15,333	$ 22,660	$ 40,720	$ 47,282	$ 43,536
DEBT SERVICE COVERAGE RATIO (5)	1.05	1.16	1.23	1.23	1.12	1.14	1.08	1.10	1.07	1.07

(1) Average annual compound growth rate for 2003–2012 for Total operating revenues is 8.0%.
(2) Salaries and wages includes charges for pension, health care and other employee benefits.
(3) Average annual compound growth rate for 2003–2012 for Total operating and maintenance expenses before depreciation and amortization is 3.6%.
(4) Amount for 2012 may be reconciled to operating loss of $11,583 reported in the 2012 Statement of Revenues, Expenses and Changes in Net Position by deducting depreciation and amortization of $55,119. Amount for prior years may be reconciled through similar calculations.
(5) Represents debt service coverage ratio on first and second lien bonds.

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

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

DEBT SERVICE SCHEDULE (UNAUDITED)
($ in thousands)

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

Year Ending December 31	Debt Service Series 1996 First Lien Bonds	Debt Service Series 1998 First Lien Bonds	Debt Service Series 2001 First Lien Bonds	(First Lien) Total Debt Service	Debt Service Series 1998 Second Lien Bonds	Debt Service Series 2004 Second Lien Bonds	Debt Service Series 2010 Second Lien Bonds	(Second Lien) Total Debt Service (1)	Total Debt Service
2013	$ 10,528	$ 22,702	$ 20,720	$ 53,950	$ 199	$ 12,092	$ 11,384	$ 23,675	$ 77,625
2014	10,521	22,705	20,705	53,931	199	12,230	12,091	24,520	78,451
2015	10,509	22,684	20,690	53,883	199	12,431	12,940	25,570	79,453
2016	10,504	22,694	20,679	53,877	199	12,494	18,153	30,846	84,723
2017	10,502	22,684	20,665	53,851	198	12,779	18,139	31,116	84,967
2018	10,494	22,674	20,647	53,815	198	12,967	18,136	31,301	85,116
2019	10,488	22,670	20,629	53,787	198	13,170	18,123	31,491	85,278
2020	10,480	22,664	20,636	53,780	199	13,374	18,117	31,690	85,470
2021	10,473	22,658	20,623	53,754	199	13,486	40,066	53,751	107,505
2022	10,468	22,646	20,612	53,726	199	13,797	18,045	32,041	85,767
2023	17,334	22,643	20,589	60,566	199	7,654	18,137	25,990	86,556
2024	17,313	22,632	20,576	60,521	199	7,917	18,021	26,137	86,658
2025	17,294	24,151	20,551	61,996	199	6,610	72,488	79,297	141,293
2026	17,274	24,137	20,533	61,944	199	6,899	17,879	24,977	86,921
2027	17,252	24,126	20,522	61,900	199	7,138	17,859	25,196	87,096
2028	17,230	24,113	20,495	61,838	198	7,476	17,850	25,524	87,362
2029	17,206	24,107	20,475	61,788	132,541	7,789	17,830	158,160	219,948
2030		51,656	20,448	72,104		8,151	17,816	25,967	98,071
2031		51,607	12,913	64,520		8,487	17,797	26,284	90,804
2032		51,550		51,550		8,848	17,775	26,623	78,173
2033		51,495		51,495		9,208	17,759	26,967	78,462
2034		51,439		51,439		9,618	17,735	27,353	78,792
2035		51,374		51,373		10,051	10,759	20,810	72,183
2036							10,740	10,740	10,740
2037							10,732	10,732	10,732
2038							10,708	10,708	10,708
2039							10,692	10,692	10,692
2040							10,670	10,670	10,670
2041							10,651	10,651	10,651
2042									
2043									
	$225,870	$701,811	$383,708	$1,311,388	$135,721	$234,666	$529,092	$899,479	$2,210,867

(1) Assumes an interest rate effective at December 31, 2012, on $357,600,000 of Second Lien Bonds that are variable-rate demand obligations.

Note: The annual debt service tables in the Official Statements for the above debt were presented with a year ended January 1. The information above is presented with a year ended December 31. The change has been made to facilitate reconciliation to revenue bonds payable at December 31, 2012.

Source: City of Chicago Comptroller's Office.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

MIDWAY AIRPORT REVENUE BONDS
SERIES 1996 ESTIMATED BOND-FUNDED COSTS
AS OF DECEMBER 31, 2012 (UNAUDITED)
($ in thousands)

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

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

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

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

ESTIMATED SOURCES:	
AIP — Entitlements	$ 479
Airport development fund	
Other airport funds	568
Series 2004 Bonds	
Series 2010 Bonds	23,700
Future Bonds	354,580
TOTAL ESTIMATED SOURCES	$ 379,327
ESTIMATED USES:	
Terminal area projects	$ 68,443
Land acquisition	8,397
Airfield projects	82,980
Parking/roadway projects	49,492
Noise projects	127,118
Safety and security	4,846
Implementation	38,051
TOTAL ESTIMATED USES	$ 379,327

Source: City of Chicago Department of Aviation.

CHICAGO MIDWAY INTERNATIONAL AIRPORT

TERMINAL DEVELOPMENT PROGRAM
ESTIMATED SOURCES AND USES OF FUNDS
AS OF DECEMBER 31, 2012 (UNAUDITED)
($ in thousands)

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

(1) The estimated sources and uses of the Terminal Development Program include approximately $631 million of funds expended through December 31, 2012.

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

HISTORICAL ENPLANED PASSENGERS
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2003–2012 (UNAUDITED)

Years	Domestic Air Carrier	Domestic Commuter	Total Domestic	International Enplanements	Total Enplanements	Percent Change
2003	8,228,230	658,478	8,886,708	113,665	9,000,373	9.7 %
2004	8,815,951	656,468	9,472,419	153,481	9,625,900	7.0
2005	8,501,430	99,991	8,601,421	104,382	8,705,803	(9.6)
2006	9,049,740	57,734	9,107,474	91,058	9,198,532	5.7
2007	9,296,778	56,764	9,353,542	60,639	9,414,181	2.3
2008	8,310,041	31,771	8,341,812	16,475	8,358,287	(11.2)
2009	8,541,786	158	8,541,944	29,903	8,571,847	2.6
2010	8,792,557	14,156	8,806,713	49,312	8,856,025	3.3
2011	9,288,332	50,489	9,338,821	119,989	9,458,810	6.8
2012	9,573,226	36,968	9,610,194	169,415	9,779,609	3.4
Average Annual Compound Growth Rates						
2003–2012	1.7 %	(27.4)%	0.9 %	4.5 %	0.9 %	

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

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

ENPLANED COMMERCIAL PASSENGERS BY AIRLINE
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2003–2012 (UNAUDITED)

	2003		2004		2005		2006		2007		2008		2009		2010		2011		2012	
	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total
Southwest Airlines	3,651,618	40.5 %	3,967,477	41.2 %	5,542,890	63.6 %	6,666,986	72.5 %	7,147,154	75.9 %	6,941,870	83.1 %	7,188,750	83.9 %	7,561,053	85.4 %	8,196,402	86.7 %	8,515,527	87.1%
American Trans Air (4)	3,473,581	38.5	3,668,159	38.1	1,714,873	19.6	783,224	8.5	686,065	7.3	54,650	0.7								
AirTran	248,891	2.8	229,040	2.4	338,057	3.9	681,936	7.4	645,363	7.0	512,429	6.1	487,087	5.7	465,237	5.3	413,717	4.4	387,114	4.0
Northwest Airlines	357,425	4.0	349,161	3.6	290,080	3.3	285,310	3.1	280,911	3.0	237,969	2.8	267,433	3.1	14,726	0.2				
Frontier	101,035	1.1	134,593	1.4	154,120	1.8	189,216	2.1	206,675	2.2	207,674	2.5	164,749	1.9	151,440	1.7	158,405	1.7	144,496	1.5
Shuttle America (Delta Express)									144,539	1.5	223,153	2.7	181,356	2.0	90,544	1.0	8,874	0.1	6,085	
Atlantic Southeast							99,373	1.1	61,460	0.6	882		3,715	0.1	29,314	0.3				0.1
Continental Airlines (1)	140,100	1.6	162,823	1.7	63,433	0.7	84,153	0.9	48,478	0.5	6,601	0.1								
Continental Express					53,458	0.6	53,363	0.6	37,500	0.4	4,372	0.1								
Comair	23,818	0.3	17,655	0.2	5,123	0.1	4,371	0.1	19,264	0.1	21,135	0.1			14,156	0.2			36,968	0.0
American	153,043	1.7	143,211	1.5	113,818	1.3	60,793	0.7	164											
Delta (2)	163,104	1.8	184,166	1.9	86,621	1.0							144,037	1.7	176,231	2.0	239,357	2.5	231,644	2.5
United					106,951	1.3	74,520	0.8												
American Eagle/Simmons			22,267	0.2	7,599	0.1	27,863	0.3												
U.S. Airways (3)	25,293	0.3	14,116	0.1																
Chicago Express	564,951	6.3	570,580	5.9	41,410	0.5														
Mexicana	5,786	0.1																		
All other airlines	91,728	1.0	162,652	1.7	187,370	2.2	187,424	2.0	136,608	1.5	147,552	1.8	134,720	1.6	353,324	3.9	442,055	4.6	457,775	4.8
Total	9,000,373	100.0 %	9,625,900	100.0 %	8,705,803	100.0 %	9,198,532	100.0 %	9,414,181	100.0 %	8,358,287	100.0 %	8,571,847	100.0 %	8,856,025	100.0 %	9,458,810	100.0 %	9,779,609	100.0 %

(1) Continental includes commuter affiliate Continental Express for the year 2004.
(2) Delta includes commuter affiliate Comair for the year 2004.
(3) U.S. Airways ceased operations at Midway on March 2005.
(4) American Trans Air ceased operations at Midway on April 3, 2008.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

HISTORICAL ENPLANED PASSENGERS
CHICAGO REGION AIRPORTS
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2003–2012 (UNAUDITED)

	Chicago Midway International Airport		Chicago O'Hare International Airport		
Years	Total Enplanements	Percent of Total Chicago	Total Enplanements	Percent of Total Chicago	Total Enplanements
2003	9,000,373	20.7 %	34,454,921	79.3 %	43,455,294
2004	9,625,900	20.4	37,464,632	79.6	47,090,532
2005	8,705,803	18.7	37,970,886	81.3	46,676,689
2006	9,198,532	19.6	37,784,336	80.4	46,982,868
2007	9,414,181	19.9	37,779,576	80.1	47,193,757
2008	8,358,287	19.4	34,744,030	80.6	43,102,317
2009	8,571,847	21.1	32,047,097	78.9	40,618,944
2010	8,856,025	21.0	33,232,412	79.0	42,088,437
2011	9,458,810	22.2	33,207,302	77.8	42,666,112
2012	9,779,609	22.7	33,244,515	77.3	43,024,124
Average Annual Compound Growth Rates					
2003–2012	0.9 %		(0.4)%		(0.1)%

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

HISTORICAL TOTAL ORIGIN AND DESTINATION (O&D) ENPLANEMENTS
CHICAGO REGION AIRPORTS
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2003–2012 (UNAUDITED)

	Chicago Midway International Airport		Chicago O'Hare International Airport		
Years	**Total O&D Enplanements**	**Percent of Total Chicago**	**Total O&D Enplanements**	**Percent of Total Chicago**	**Total O&D Enplanements**
2003	6,243,039	28.9 %	15,331,493	71.1 %	21,574,532
2004	6,634,138	28.3	16,799,401	71.7	23,433,539
2005	6,431,517	26.8	17,548,038	73.2	23,979,555
2006	6,708,494	27.1	18,058,904	72.9	24,767,398
2007	6,532,362	26.4	18,223,460	73.6	24,755,822
2008	5,910,045	25.0	17,685,020	75.0	23,595,065
2009	5,647,591	26.4	15,708,291	73.6	21,355,882
2010	5,485,191	23.9	17,419,794	76.1	22,904,985
2011	5,693,938	26.3	15,972,745	73.7	21,666,683
2012	6,045,841	27.0	16,318,810	73.0	22,364,651
Average Annual Compound Growth Rates					
2003–2012	(0.4)%		0.7 %		0.4 %

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

AIRCRAFT OPERATIONS
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2003–2012 (UNAUDITED)

	Aircraft Operations						
Years	**Domestic Air Carrier**	**International Air Carrier**	**Total Air Carrier**	**Domestic Commuter**	**General Aviation**	**Military**	**Total**
2003	169,282	1,630	170,912	57,824	99,289		328,025
2004	181,750	2,472	184,222	57,905	97,381		339,508
2005	184,863	1,669	186,532	7,444	95,603		289,579
2006	199,229	1,433	200,662	3,066	94,820		298,548
2007	206,865	1,060	207,925	3,085	93,647		304,657
2008	186,840	557	187,397	1,351	77,593		266,341
2009	180,391	3,354	183,745	7	61,057		244,809
2010	175,812	3,403	179,215	572	65,746		245,533
2011	178,640	4,332	182,972	2,622	69,633		255,227
2012	188,628	5,250	193,878	1,890	54,145		249,913
	Average Annual Compound Growth Rates						
2003–2012	1.2 %	13.9 %	1.4 %	(31.6)%	(6.5)%		(3.0)%

Source: City of Chicago Department of Aviation.

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NET POSITION BY COMPONENT
EACH OF THE SEVEN YEARS ENDED DECEMBER 31, 2006–2012 (UNAUDITED)
($ in thousands)

	2006	2007	2008	2009	2010	2011	2012
NET POSITION:							
Investment in capital assets	$ 48,388	$ 31,251	$ 40,352	$ (1,936)	$ (39,755)	$ (70,876)	$ (82,226)
Restricted	215,589	232,344	184,019	201,158	190,641	208,100	205,083
Unrestricted	31,561	18,795	19,614	5,792	20,040	37,224	36,572
TOTAL NET POSITION	$ 295,538	$ 282,390	$ 243,985	$ 205,014	$ 170,926	$ 174,448	$ 159,429

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

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CHICAGO MIDWAY INTERNATIONAL AIRPORT

CHANGE IN NET POSITION
EACH OF THE SEVEN YEARS ENDED DECEMBER 31, 2006–2012 (UNAUDITED)
($ in thousands)

	2006	2007	2008	2009	2010	2011	2012
OPERATING REVENUES	$ 105,570	$ 652,763	$ 124,985	$ 122,301	$ 149,056	$ 157,371	$ 157,833
OPERATING EXPENSES	135,276	544,890	155,596	147,308	161,103	161,156	169,416
OPERATING (LOSS) GAIN	(29,706)	107,873	(30,611)	(25,007)	(12,047)	(3,785)	(11,583)
NONOPERATING (EXPENSES) REVENUES	(5,325)	18,363	(14,571)	(13,964)	(24,502)	4,246	(8,117)
(LOSS) GAIN BEFORE CAPITAL GRANTS	(35,031)	126,236	(45,182)	(38,971)	(36,549)	461	(19,700)
CAPITAL GRANTS	22,217	48,253	6,777		2,461	3,061	4,681
CHANGE IN NET POSITION	$ (12,814)	$ 174,489	$ (38,405)	$ (38,971)	$ (34,088)	$ 3,522	$ (15,019)

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

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

LONG TERM DEBT
EACH OF THE SEVEN YEARS ENDED DECEMBER 31, 2006–2012 (UNAUDITED)
($ in thousands)

	2006	2007	2008	2009	2010	2011	2012
First lien bonds	$ 849,400	$ 835,780	$ 821,275	$ 806,015	$ 783,595	$ 780,205	$ 758,560
Second lien bonds	422,715	422,715	422,715	399,140	685,780	681,285	648,130
Commercial paper notes	10,269	10,674	10,674	61,360	4,005		34,639
Total revenue bonds and notes	$ 1,282,384	$ 1,269,169	$ 1,254,664	$ 1,266,515	$ 1,473,380	$ 1,461,490	$ 1,441,329
Enplanements	9,198,532	9,414,181	8,358,287	8,571,847	8,856,025	9,458,810	9,779,609
Total debt per Enplanements	139.41	134.81	150.11	147.75	166.37	154.51	147.38

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

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

FULL TIME EQUIVALENT CHICAGO MIDWAY AIRPORT EMPLOYEES BY FUNCTION
EACH OF THE SEVEN YEARS ENDED DECEMBER 31, 2006–2012 (UNAUDITED)

Function	2006	2007	2008	2009	2010	2011	2012
Business Communication	-	7	6	-	-	-	-
Capital Development	4						
Airfield Operations	59	60	59	75	75	75	70
Landside Operations	6						
Security Management	64	60	61	60	60	60	60
Facility Management	37	37	32	28	32	35	33
Midway Administration	13	12	12	11	10	10	10
Safety Management		3	2	2	2	2	2
Total	183	179	172	176	179	182	175

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

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

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

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

	2012 (1)			2003 (1)		
Employer	**Number of Employees**	**Rank**	**Percentage of Total City Employment**	**Number of Employees**	**Rank**	**Percentage of Total City Employment**
J. P. Morgan Chase Bank, N.A. (2)	8,168	1	0.76 %	10,192	1	0.95 %
United Airlines	7,521	2	0.70	7,634	2	0.71
Accenture LLP	5,590	3	0.52	3,862	6	0.36
Northern Trust Corporation	5,448	4	0.51	5,084	4	0.47
Jewel Food Stores, Inc.	4,572	5	0.43			
Ford Motor Company	4,187	6	0.39			
Bank of America NT & SA	3,811	7	0.36			
ABM Janitorial Services — North Central	3,398	8	0.32			
American Airlines	3,076	9	0.29	4,403	5	0.41
Walgreen's Co	2,789	10	0.26			
CVS Corporation						
SBC Ameritech (3)				5,240	3	0.49
Target Corporation				2,904	7	0.27
Harris Trust & Savings Bank				2,684	8	0.25
LaSalle Bank				2,668	9	0.25
United Parcel Service				2,649	10	0.25

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

CITY OF CHICAGO, ILLINOIS
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STATISTICAL DATA
POPULATION AND INCOME STATISTICS
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2003–2012
(Unaudited)

Year	Population (1)	Median Age (2)	Number of Households(2)	Unemployment Rate (3)	Per Capita Income (4)	Total Income (5)
2003	2,896,016	32.6	1,067,823	8.2 %	35,464	$ 102,704,311,424
2004	2,896,016	32.6	1,051,018	7.2	37,169	107,642,018,704
2005	2,896,016	33.0	1,045,282	7.0	38,439	111,319,959,024
2006	2,896,016	33.5	1,040,000	5.2	41,887	121,305,422,192
2007	2,896,016	33.7	1,033,328	5.7	43,714	126,596,443,424
2008	2,896,016	34.1	1,032,746	6.4	45,329	131,270,613,248
2009	2,896,016	34.5	1,037,069	10.0	43,727	126,634,091,632
2010	2,695,598	34.8	1,045,666	10.1	45,957	123,881,597,286
2011	2,695,598	33.2	1,048,222	9.3	45,977	123,935,509,246
2012	2,695,598	33.0	1,030,746	8.9	N/A (5)	N/A (5)

Notes:
(1) Source: U.S. Census Bureau.
(2) Source: World Business Chicago website, Claritas date estimates; Cook County’s website.
(3) Source: Bureau of Labor Statistics 2012, Unemployment rate for Chicago-Naperville-Illinois Metropolitan Area.
(4) Source: U.S. Department of Commerce, Bureau of Economic Analysis, Per Capita Personal Income for Chicago-Naperville-Illinois Metropolitan Area (in 2010 dollars).
(5) N/A means not available at time of publication.

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

	2012
Landing Fees and Terminal Area Use Charges	
Signatory Landing Fee (Rate/1000 lbs)	$ 2.97
Non-Signatory Landing Fee (Rate/1000 lbs)	3.71
Signatory Joint Use Fee (Base Usage/1000 lbs)	1.41
Non-Signatory Joint Use Fee (Base Usage/1000 lbs)	1.76
Signatory Joint Use Fee (Per Capita/Annual)	255,767
Non-Signatory Joint Use Fee (Per Capita/Annual)	319,708
Signatory Terminal Rental Rate	120.86
Non-Signatory Terminal Rental Rate	151.07
Terminal Ramp Rate	4.17
Signatory FIS Fee per Deplaned Passenger	16.00
Non-Signatory F/S Fee per Deplaned Passenger	20.00
Cost per Departure Rate (1)	151.40

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

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