City of Chicago
Chicago Midway International Airport
An Enterprise Fund of the City of Chicago

Comprehensive Annual Financial Report
For the Year Ended December 31, 2014 and 2013

Rahm Emanuel, Mayor
Carole L. Brown, Chief Financial Officer
Dan Widawsky, City Comptroller
Ginger S. Evans, Commissioner

2014 COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE CHICAGO MIDWAY INTERNATIONAL AIRPORT

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PART I

INTRODUCTORY SECTION

CHICAGO DEPARTMENT OF AVIATION

CITY OF CHICAGO

June 30, 2015

To the Honorable Mayor Rahm Emanuel, Members of the City Council and Citizens of the City of Chicago:

I am pleased to submit the Comprehensive Annual Financial Report ("CAFR") of Chicago Midway International Airport ("Airport") for the year ended December 31, 2014. State Law requires that all governmental units publish within six months of the close of each fiscal year, financial statements presented in conformity with generally accepted accounting principles ("GAAP") and audited by a licensed public accountant.

Responsibility for both the accuracy of the data and completeness, and fairness of the presentation, including all disclosures, rests with the City of Chicago ("City") Chicago Department of Aviation and Comptroller's Office. The purpose of the CAFR is to provide complete and accurate information that complies with reporting requirements. The Chicago Midway International Airport's Management's Discussion and Analysis ("MD&A") can be found immediately following the independent auditors' report.

ECONOMIC CONDITION AND OUTLOOK

The Airport provides regional travelers with access to service by a number of airlines that generally specialize in low-fare, point-to-point, origin and destination ("O&D") passenger service. The Airport's major attributes that allow it to enjoy a unique market niche include the Airport's location proximate to a large O&D passenger base, its accessibility, and its low per-passenger cost structure. In 2014, Midway's passenger enplanements grew by 3.3 percent — making Midway one of the fastest growing large hub airports in the country. In fact, 2014 was the busiest year in Midway's 87-year history – a major milestone for an airport when the aviation industry is still recovering the global economic crisis. .

Given these factors, along with the projections for air travel demand in the region, there is a strong economic outlook for the Airport.

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REPORTING ENTITY

The Airport is located approximately eight miles southwest of the City's central business district and is within one of the largest O&D passenger bases in the United States. In addition, the Airport is near the center of the Chicago region's population. This geographic advantage is further enhanced by the existence of an extensive highway and passenger rail network providing convenient access to the Airport. The Airport occupies approximately 840 acres in slightly more than a one-mile square area.

MAJOR INITIATIVES

The City has made significant investment in Midway to address demand, security, safety and community relations. With the completion of the terminal development program and the opening of a new parking garage in the economy lot, we have addressed the continually increasing demand at the Airport.

In 2014, Midway competed the rehabilitation of Runway 13C/31C and is continuing to invest in airfield infrastructure improvements and safety and security related projects.

In 2013, Midway completed the Consolidated Rental Car Facility and additional airfield rehabilitation projects. Since 1996, the Department of Aviation at Midway has invested $325 million in noise mitigation projects including the sound insulation of 41 schools and more than 8,000 residents in the community near Midway.

The future ongoing capital program also includes the noise mitigation projects, cyclical rehabilitations of the major runways and taxiways in order to maintain and enhance operational capability, operational efficiency and greater airfield safety.

The City is financing the capital program through bond proceeds, federal grants, passenger facility charge revenues and other available Airport funds.

FINANCIAL INFORMATION

The Departments of Finance and Aviation are responsible for implementing and maintaining an internal control structure to ensure the integrity of the Airport's operations and to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurance that the assets, resources and operations of the Airport are handled in a manner that protects against waste, theft or neglect and other irregularities that may hinder the operations of the Airport. This objective is being met by adequate supervision of employees, segregation of duties and multiple approvals of expenditures.

The Airport's budget is developed in connection with the City's annual budget and is based on an analysis of the Airport's historical operating expenses. The Commissioner of Aviation recommends the final proposed budget to the Budget Director. After approval by the Budget Director, the proposed budget is recommended to the Mayor for submission to the City Council for its approval following public hearings.

The budget process is designed to ensure that the Airport will have adequate funding to meet its operational objectives. The Airport cannot, by law, exceed the level of funding as established by the City Council-approved budget. The Budget Director uses an allotment system to manage each department's expenditures against its respective annual appropriations. The Budget Director, through the allotment system, has the authority to institute economic measures for the Airport to ensure that its expenditures do not exceed its revenue collection. The Airport uses encumbrances to control expenditures by preventing appropriated dollars from being used for any purpose other than that for which they have been legally appropriated.

RELEVANT FINANCIAL POLICIES

The Airport is owned by the City and operated by the Chicago Department of Aviation ("CDA") and is accounted for as a self-supporting enterprise fund of the City. The City maintains the books, records and accounts of the Airport in accordance with generally accepted accounting principles and as required by the provisions of the Airport Use Agreements, the Bond Ordinance, and Bond Indentures as supplemented and amended.

The Airport Use Agreements specify a residual rate-making methodology for the calculation of airline rates and charges. Under this methodology, total operating and maintenance expenses and debt service (including coverage) are calculated for each cost-revenue center and offset by nonairline revenues. The Airport Use Agreements provide that the aggregate of Airport Fees and Charges paid by the Airline Parties must be sufficient to pay for the net cost of operating, maintaining and developing the Airport, including the satisfaction of Debt Service coverage, deposit and payment requirements of the Bond Ordinance and the Indentures.

INDEPENDENT AUDIT

The Midway bond indentures require the Airport financial statements to be audited by independent certified public accountants. The audit was conducted by Deloitte & Touche LLP and a consortium of Chicago-based minority and women-owned certified public accounting firms. An unqualified audit opinion, rendered by Deloitte & Touche LLP, is included in the financial section of this report.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Airport for its CAFR for the fiscal year ended December 31, 2013. This was the sixteenth consecutive year that the Airport has received this prestigious award, which is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to conform to the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

This CAFR could not have been prepared without the dedication and effective help of the entire staff of the CDA and the Comptroller's Office. I wish to express my appreciation to them, particularly those that contributed directly to the preparation of the report.

Respectfully submitted,

Ginger S. Evans

Ginger S. Evans
Commissioner
Chicago Department of Aviation

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Chicago Midway International Airport

Illinois

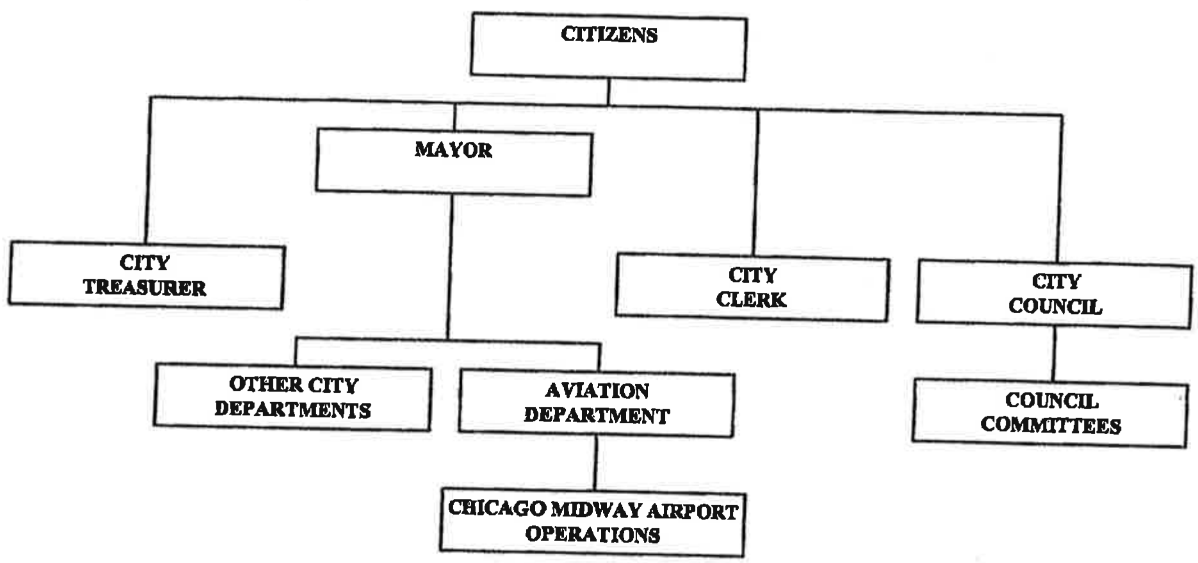
For its Comprehensive Annual Financial Report for the Fiscal Year Ended

December 31, 2013

Jeffrey R. Emer

Executive Director/CEO

CITY OF CHICAGO
CHICAGO MIDWAY INTERNATIONAL AIRPORT
ORGANIZATION CHART
AS OF 12/31/14



PART II

FINANCIAL SECTION

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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 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, 2014 and 2013, and the related notes to the financial statements, which collectively comprise Midway's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 financial statements referred to above present fairly, in all material respects, the financial position of Chicago Midway International Airport as of December 31, 2014 and 2013, and the changes its financial position and its 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, 2014 and 2013, 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 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 financial statements that collectively comprise Midway's basic financial statements. The additional information, introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The additional 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.

The introductory section and statistical section have 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 them.

Deloitte & Touche LLP

June 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS
($ IN THOUSANDS)

This following discussion and analysis of the Chicago Midway International Airport's (the "Airport") performance provides an introduction and overview of the Airport's financial activities for the years ended December 31, 2014 and 2013. 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

2014

- Operating revenues for 2014 decreased by $4,930 compared to 2013 operating revenue.

- Operating expenses before depreciation and amortization increased by $8,480 compared to 2013, primarily due to an increase in repairs and maintenance and professional and engineering services.

- The Airport's total net position at December 31, 2014, was $(6,698). This is a decrease of $21,681 compared to total net position at December 31, 2013.

- Capital asset additions for 2014 were $48,408, principally due to land acquisition, terminal improvements, parking and roadway enhancements, and runway improvements.

2013

- Operating revenues for 2013 increased by $17,356 compared to 2012 operating revenues.

- Operating expenses before depreciation and amortization increased by $6,819 compared to 2012, primarily due to an increase in other operating expenses and professional and engineering services.

- The Airport's total net position at December 31, 2013 was $14,983. This is a decrease of $14,817 compared to total net position at December 31, 2012. Due to the residual Airport Use Agreement, this decrease is mainly due to timing differences between depreciation on property and facilities and cash requirements required for debt service.

- Capital asset additions for 2013 were $45,573, principally due to land acquisition, terminal improvements, parking and roadway enhancements, and runway improvements.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Airport's basic financial statements. The Airport is included in the City of Chicago, Illinois's (the "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. 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, noncapital financing and investing activities. These statements 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 termination date of the Use Agreement is December 31, 2027.

At December 31, 2014, the Airport's financial position included total assets and deferred outflows of $1,719,777, total liabilities of $1,726,475, and net position of $(6,698). A comparative condensed summary of the Airport's net position at December 31, 2014, 2013, and 2012, is as follows:

	Net Position		
	2014	**2013**	**2012**
Current unrestricted assets	$ 52,445	$ 81,742	$ 75,964
Restricted and other assets	443,366	340,583	325,781
Capital assets — net	1,172,333	1,169,969	1,167,354
Deferred outflows	51,633	24,270	42,792
Total assets and deferred outflows	$ 1,719,777	$ 1,616,564	$ 1,611,891
Current liabilities	$ 30,589	$ 35,128	$ 39,392
Liabilities payable from restricted assets and noncurrent liabilities	1,695,886	1,566,453	1,542,699
Total liabilities	$ 1,726,475	$ 1,601,581	$ 1,582,091
Net position:			
Net investment in capital assets	$ (115,080)	$ (131,057)	$ (87,279)
Restricted	86,526	99,427	80,507
Unrestricted	21,856	46,613	36,572
Total net position	$ (6,698)	$ 14,983	$ 29,800

2014

Current unrestricted assets decreased by $29,297 (36%) primarily due to a decrease in cash and investments. The Airport's current ratio (current unrestricted assets/current unrestricted liabilities) at December 31, 2014 and 2013, was 1.71:1 and 2.33:1, respectively. Restricted and other assets increased by $102,783 (30.2%) mainly due to an increase in construction funds of $120,027 and an increase in capitalized interest of $11,623 from bond proceeds and a decrease in debt service amounts of $16,578. Net capital assets increased by $2,364 (0.2%) due principally to increased completed construction. Deferred outflows increased by $27,363 (112.7%) primarily due to the refunding of bonds and changes in the fair market value of derivative instruments.

The decrease in current liabilities of $4,539 (12.9%) is mainly related to the decrease in billings over amounts earned of $5,679. The decrease in billings over amounts earned represents primarily the 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 $129,433 (8.3%) in 2014 mainly due to an increase in revenue bonds payable of $173,979 and a decrease in notes payable of $57,713 and an increase of $11,982 in the liability associated with a derivative instrument.

Net position may serve, over a period of time, as a useful indicator of the Airport's financial position. At December 31, 2014, total net position was $(6,698), a decrease of $21,681 (144.7%). This decrease is mainly due to depreciation on property and facilities.

2013

Current unrestricted assets increased by $5,778 (7.6%) primarily due to an increase in investments offset by a decrease in due from other City funds. The Airport's current ratio (current unrestricted assets/current unrestricted liabilities) at December 31, 2013 and 2012, was 2.33:1 and 1.93:1, respectively. Restricted and other assets increased by $14,802 (4.5%) mainly due to an increase in debt reserve of $26,350, an increase in debt services accounts of $17,450, and a decrease in construction funds of $28,694 due to construction expenditures.Net capital assets increased by $2,615 (0.2%) due principally to increased construction in progress.

The decrease in current liabilities of $4,264 (10.8%) is mainly related to the decrease in billings over amounts earned of $3,599. The decrease in billings over amounts earned represents primarily the 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 $23,574 (1.5%) in 2013 mainly due to an increase in revenue bonds payable and notes payable of $33,580, and $23,074, respectively, offset by a decrease in due to other City funds, and liability associated with a derivative instrument.

Net position may serve, over a period of time, as a useful indicator of the Airport's financial position. At December 31, 2013, total net position was $14,983, a decrease of $14,817 (49.7%). Due to the residual Airport Use Agreement, this decrease is mainly due to timing differences between depreciation on property and facilities and cash requirements required for debt service.

	Changes in Net Position		
	2014	**2013**	**2012**
Operating revenues:			
Landing fees and terminal area use charges	$ 83,455	$ 90,002	$ 70,912
Rents, concessions and other	86,804	85,187	86,921
Total operating revenues	170,259	175,189	157,833
Operating expenses:			
Salaries and wages	47,836	43,998	44,463
Repairs and maintenance	44,160	39,606	37,990
Professional and engineering	23,255	19,144	15,011
Other operating expenses	14,345	18,368	16,833
Depreciation and amortization	46,163	41,538	45,233
Total operating expenses	175,759	162,654	159,530
Operating (loss) income	(5,500)	12,535	(1,697)
Nonoperating revenue (expenses):			
Nonoperating revenues	51,465	47,099	48,334
Nonoperating expenses	(72,472)	(79,426)	(80,042)
Total nonoperating revenues/expenses	(21,007)	(32,327)	(31,708)
(Loss) Before Capital Grants	(26,507)	(19,792)	(33,405)
Capital grants	4,826	4,975	4,681
Change in net position	$ (21,681)	$ (14,817)	$ (28,724)

2014

Landing fees and terminal area use charges for the years 2014 and 2013 were $83,455 and $90,002, respectively. Rents, concessions, and other revenues were $86,804 and $85,187 for 2014 and 2013, respectively. The decrease in 2014 operating revenues of $4,930 (2.8%) from 2013 was mainly due to decreased landing fees, and terminal area use charges of $6,547. The decrease was due to the residual Use Agreement that requires airline revenue to be recognized to the extent necessary to pay the Airport's operating and maintenance expenses and net debt service and fund deposit requirements, reduced by nonairline revenues. Rents and other concession revenue increased $1,617 with an increase in auto parking of $1,506.

Salaries and wages increased by $3,838 (9%) in 2014 compared to 2013 with the increase primarily for police and fire protection. Repairs and maintenance expenses increased by $4,554 (11.5%) in 2014 compared to 2013 due to increases in snow removal costs and terminal facilities costs. Professional and engineering expenses increased $4,111 (21.5%) compared to 2013 primarily due to increases in contractor costs associated with public parking facilities. Other operating expenses decreased $4,023 (21.9%) in 2014 compared to 2013 due to a reduction in litigation claim payments.

The 2014 nonoperating revenues of $51,465 are comprised of Passenger Facility Charges (PFC) revenue of $39,889, customer facility charges (CFC) revenue of $6,514, investment income of $3,540, and other nonoperating revenues of $1,522. During 2014, nonoperating revenues increased by $4,366 due primarily to investment income of $3,540.

Nonoperating expenses of $72,472 and $79,426 for the years 2014 and 2013, respectively, were primarily comprised of bond interest expense, bond issuance costs and noise mitigation costs.

Capital grants decreased $149 in 2014, mainly as a result of when associated capital expenditures became eligible for grant reimbursement from the federal government.

2013

Landing fees and terminal area use charges for the years 2013 and 2012 were $90,002 and $70,912, respectively. Rents, concessions, and other revenues were $85,187 and $86,921 for 2013 and 2012, respectively. The increase in 2013 operating revenues of $17,356 (11%) from 2012 was mainly due to increased landing fees, and terminal area use charges of $19,090. The increase was due to the residual Use Agreement that requires airline revenue to be recognized to the extent necessary to pay the Airport's operating and maintenance expenses and net debt service and fund deposit requirements, reduced by nonairline revenues. Rent, concession, and other revenues increased primarily due increases of 5.8% in parking revenues and a 13.7% in auto rental revenues. Concession revenue increased $4,464 due primarily to an increase in auto parking of $1,891, auto rental of $1,234 restaurants of $493, and other concessions of $713.

Salaries and wages decreased by $465 (1.1%) in 2013 compared to 2012. Repairs and maintenance expenses increased by $1,616 (4.3%) in 2013 compared to 2012. Professional and engineering expenses increased $4,133 (27.5%) compared to 2012 primarily due to professional services related to the airport privatization pilot program evaluation. Other operating expenses increased $1,535 (9.1%) in 2013 compared to 2012 primarily due to an increase in provision for a claim settlement.

The 2013 nonoperating revenues of $47,099 are comprised of Passenger Facility Charges (PFC) revenue of $39,470, customer facility charges (CFC) revenue of $6,546 and other nonoperating revenues of $1,083.

Nonoperating expenses of $79,426 and $80,012 for the years 2013 and 2012, respectively, were primarily comprised of bond interest expense, bond issuance costs, and noise mitigation costs.

Capital grants increased $294 in 2013, mainly as a result of when associated capital 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, 2014, 2013, and 2012, is as follows:

	Cash Flows		
	2014	**2013**	**2012**
Cash provided by (used in) activities:			
Operating	$ 35,737	$ 53,057	$ 37,315
Capital and related financing	38,147	(5,718)	(103,683)
Noncapital financing	(1,580)	(11,859)	(23,591)
Investing	(108,624)	1,146	82,621
Net change in cash and cash equivalents	(36,320)	36,626	(7,338)
Cash and cash equivalents:			
Beginning of year	170,934	134,308	141,646
End of year	$ 134,614	$ 170,934	$ 134,308

2014

As of December 31, 2014, the Airport's available cash and cash equivalents of $134,614 decreased by $36,320 compared to $170,934 at December 31, 2013, due to operating activities of $38,147 and capital and related financing activities of $38,147 offset by noncapital financing activities of $1,580 and investing activities of $108,624. Total cash and cash equivalents at December 31, 2014, were comprised of unrestricted and restricted cash and cash equivalents of $6,358 and $128,256, respectively.

2013

As of December 31, 2013, the Airport's available cash and cash equivalents of $170,934 increased by $36,626 compared to $134,308 at December 31, 2012, due to operating activities of $53,057 and investing activities of $1,146 offset by capital and related financing activities of $5,718 and noncapital financing activities of $11,859. Total cash and cash equivalents at December 31, 2013, were comprised of unrestricted and restricted cash and cash equivalents of $13,879 and $157,055, respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2014 and 2013, the Airport had $1,172,333 and $1,169,969 respectively, invested in net capital assets. During 2014, the Airport had additions of $48,408 related to capital activities. This included $1,033 for land acquisition and the balance of $47,375 for construction projects relating to terminal improvements, runway rehabilitation, and parking improvements.

During 2014, completed projects totaling $55,743 were transferred from construction in progress to applicable buildings and other facilities capital account. These major completed projects were related to runway and taxi improvements, rental car parking garage, and terminal security.

The Airport's capital assets at December 31, 2014, 2013, and 2012, are summarized as follows:

	Capital Assets at Year-end		
	2014	2013	2012
Capital assets not depreciated:			
Land	$ 114,780	$ 113,747	$ 112,840
Construction in progress	20,585	28,953	69,847
Total capital assets not depreciated	135,365	142,700	182,687
Capital assets depreciated:			
Buildings and other facilities	1,556,519	1,500,776	1,415,216
Less accumulated depreciation for:			
Buildings and other facilities	(519,551)	(473,507)	(430,549)
Total capital assets depreciated — net	1,036,968	1,027,269	984,667
Total property and facilities — net	$ 1,172,333	$ 1,169,969	$ 1,167,354

The Airport's capital activities are funded through Airport revenue bonds, federal and state grants, PFC and 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 $30,090 of Commercial Paper Notes during 2014 having an interest rate of 0.12% and 0.14%. The Commercial Paper Notes were redeemed by the issuance of the Midway 2014 Second Lien Bonds. Note proceeds may be used to finance portions of the costs of the authorized airports projects and to repay the expenses of issuing of the notes.

The Airport's outstanding debt at December 31, 2014, 2013, and 2012, is summarized as follows ($ in thousands):

	Outstanding Debt at Year-end		
	2014	2013	2012
Revenue bonds and notes payable	$ 1,523,590	$ 1,495,008	$ 1,441,329
Unamortized:			
Bond (discount) premium	84,609	4,325	160
	1,608,199	1,499,333	1,441,489
Current bonds payable	(17,265)	(24,665)	(23,475)
Total long-term revenue bonds and notes payable – net	$ 1,590,934	$ 1,474,668	$ 1,418,014

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, 2014, 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, 2014 and 2013, 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 the Airport generally provide low fare, point-to-point origination and destination passenger service. During 2014 and 2013, Southwest Airlines accounted for 88.8% and 86.5%, respectively, of total enplanements at the Airport.

Based on the Airport's rates and charges for 2015, total budgeted operating and maintenance expenses are projected at $137,835 and total net debt service and fund deposit requirements are projected at $40,379. Additionally, 2015 nonairline and nonsignatory revenues are budgeted for $76,391, resulting in a net airline requirement of $101,822 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 Department of Finance.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2014 AND 2013
($ in thousands)

	2014	2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	$ 6,358	$ 13,879
Cash and cash equivalents—restricted (Note 2)	72,514	71,329
Investments (Note 2)	34,042	55,621
Accounts receivable—net of allowance for doubtful accounts of approximately $507 in 2014 and $825 in 2013	7,006	10,416
Amounts to be billed	4,286	
Due from other City funds	527	1,517
Prepaid expenses	226	263
Interest receivable		46
Total current assets	124,959	153,071
NONCURRENT ASSETS:		
Cash and cash equivalents (Note 2)—restricted	55,742	85,726
Investments (Note 2)—restricted	310,902	176,564
Due from other governments—restricted		68
Accounts receivable (Note 1)—restricted	3,045	3,180
Interest receivable—restricted	262	252
Other assets	901	3,464
Property and facilities (Note 5):		
Land	114,780	113,747
Buildings and other facilities	1,556,519	1,500,776
Construction in progress	20,585	28,953
Total property and facilities	1,691,884	1,643,476
Less accumulated depreciation	(519,551)	(473,507)
Property and facilities—net	1,172,333	1,169,969
Total noncurrent assets	1,543,185	1,439,223
DEFERRED OUTFLOWS (Note 1)	51,633	24,270
TOTAL ASSETS AND DEFERRED OUTFLOWS	$1,719,777	$1,616,564

	2014	2013
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 18,732	$ 21,689
Due to other City funds	9,134	6,511
Advances for terminal and hangar rent	2,165	691
Billings over amounts earned	558	6,237
Liabilities payable from restricted assets:		
Accounts payable	21,471	20,494
Due to other City funds		506
Interest payable	33,778	25,664
Current portion of revenue bond payable (Note 4)	17,265	24,665
Total current liabilities	103,103	106,457
NONCURRENT LIABILITIES:		
Revenue bonds payable—net of current maturities (Note 4)	1,590,934	1,416,955
Notes payable—commercial paper (Note 4)		57,713
Derivative instrument (Note 4)	30,128	18,146
Performance deposits	2,310	2,310
Total noncurrent liabilities	1,623,372	1,495,124
Total liabilities	1,726,475	1,601,581
NET POSITION (Note 1):		
Net investment in capital assets (deficit)	(115,080)	(131,057)
Restricted net position:		
Debt service	12,109	29,349
Capital projects	10,160	7,148
Passenger facility charges	4,658	6,901
Airport use agreement	28,282	25,944
Customer facility charges	23,651	21,403
Other assets	7,666	8,682
Total restricted net position	86,526	99,427
Unrestricted net position	21,856	46,613
Total net position	(6,698)	14,983
TOTAL	$1,719,777	$1,616,564

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, 2014 AND 2013
($ in thousands)

	2014	2013
OPERATING REVENUES:		
Landing fees and terminal area use charges (Note 1)	$ 83,455	$ 90,002
Rents, concessions and other (Note 6)	86,804	85,187
Total operating revenues	170,259	175,189
OPERATING EXPENSES (Notes 7 and 8):		
Salaries and wages	47,836	43,998
Repairs and maintenance	44,160	39,606
Professional and engineering services	23,255	19,144
Other operating expenses	14,345	18,368
Total operating expenses before depreciation and amortization	129,596	121,116
Depreciation and amortization	46,163	41,538
Total operating expenses	175,759	162,654
OPERATING (LOSS) INCOME	(5,500)	12,535
NONOPERATING REVENUES (EXPENSES):		
Passenger facility charges revenues	39,889	39,470
Customer facility charges revenues	6,514	6,546
Investment income (loss)	3,540	(1,000)
Interest expense (Note 4)	(64,111)	(64,142)
Noise mitigation costs (Note 1)	(3,103)	(11,859)
Costs of issuance (Note 1)	(5,258)	(2,425)
Other nonoperating revenues	1,522	1,083
Total nonoperating (expenses) revenues	(21,007)	(32,327)
LOSS BEFORE CAPITAL GRANTS	(26,507)	(19,792)
CAPITAL GRANTS (Note 1)	4,826	4,975
CHANGE IN NET POSITION	(21,681)	(14,817)
TOTAL NET POSITION—Beginning of year as restated in 2013	14,983	29,800
TOTAL NET POSITION—End of year	$ (6,698)	$ 14,983

See notes to basic financial statements.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
($ in thousands)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Landing fees and terminal area use charges	$ 80,081	$ 88,954
Rents, concessions and other	84,768	84,112
Payments to vendors	(83,377)	(75,701)
Payments to employees	(39,295)	(35,563)
Transactions with other City funds (used in)	(10,052)	(21,665)
Transactions with other City funds provided by	3,612	12,920
Cash flows provided by operating activities	35,737	53,057
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from issuance of bonds	972,038	344,759
Proceeds from commercial paper notes		23,074
Payments of commercial paper notes	(57,713)	
Principal paid on bonds	(24,665)	(23,475)
Cash paid to refund bonds	(797,008)	(279,880)
Bond issuance costs	(5,258)	(2,425)
Interest paid	(59,237)	(74,698)
Acquisition and construction of capital assets	(41,443)	(44,443)
Grant receipts	4,894	4,907
Passenger facility charges revenues	40,024	38,834
Customer facility charges revenues	6,515	6,546
Other		1,083
Cash flows provided by (used in) capital and related financing activities	38,147	(5,718)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from settlement agreement	1,029	
Cash paid for noise mitigation program	(2,609)	(11,859)
Cash flows (used in) noncapital financing activities	(1,580)	(11,859)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale (purchases) of investments—net	(111,577)	(1,458)
Investment interest	2,953	2,604
Cash flows (provided by) used in investing activities	(108,624)	1,146
NET CHANGE IN CASH AND CASH EQUIVALENTS	(36,320)	36,626
CASH AND CASH EQUIVALENTS—Beginning of year	170,934	134,308
CASH AND CASH EQUIVALENTS—End of year	$ 134,614	$ 170,934

(Continued)

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
($ in thousands)

	2014	2013
RECONCILIATION OF CASH AND CASH EQUIVALENTS REPORTED ON THE STATEMENTS OF NET POSITION:		
Unrestricted	$ 6,358	$ 13,879
Restricted:		
Current	72,514	71,329
Noncurrent	55,742	85,726
TOTAL	$ 134,614	$ 170,934
RECONCILIATION OF OPERATING LOSS TO CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating (loss) income	$ (5,500)	$ 12,535
Adjustments to reconcile operating loss to cash flows from operating activities:		
Depreciation and amortization	46,164	41,539
Provision for uncollectible accounts	(329)	109
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	3,739	(1,974)
Decrease in due from other City funds	3,612	12,387
Decrease in prepaid expenses	6	1,469
(Decrease) in due to other City funds	(505)	(12,592)
Increase in amounts to be billed		3,315
(Decrease) in billings over amounts earned	(9,965)	(3,599)
Increase (decrease) in advances for terminal and hangar rent	1,473	(83)
(Decrease) in accounts payable and accrued liabilities	(2,958)	(49)
CASH FLOWS FROM OPERATING ACTIVITIES	$ 35,737	$ 53,057

SUPPLEMENTAL DISCLOSURE OF NONCASH ITEMS:
Property additions in 2014 and 2013 of $18,615 and $13,852, respectively, are included in accounts payable.

The fair market value adjustments (loss) to investments for 2014 and 2013 were $(988) and $(2,170), respectively.

See notes to basic financial statements. (Concluded)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—Chicago Midway International Airport (the "Airport") is operated by the City of Chicago, Illinois (the "City") Department of Aviation. The Airport is included in the City's reporting entity as an enterprise fund. The City is a member of the Chicago-Gary Regional Airport Authority, which was created in 1995 to address the air transportation needs of the Chicago-Northwest Indiana Region. The Airport operated subject to the provisions of the Airport Use Agreement and Facilities Lease ("Use Agreement"), which is a residual Use Agreement that is scheduled to terminate on December 31, 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 basic 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 (the "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 (the "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. Revenues that are related to financing, investing, PFCs, and 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, financing costs, and noise mitigation 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.

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

Deferred Outflows—Deferred outflows represent the fair value of derivative instruments that are deemed to be effective hedges and unamortized loss on bond refundings.

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, CFC, 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 construction funds. 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 up to 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, and Bond Premiums, and Discounts—Bond issuance costs related to bond insurance and bond premiums and discounts are deferred and amortized over the term of the related debt. Other debt issuance costs are expensed in the period incurred.

Capitalized Interest—Interest expense 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 when associated capital expenditures become eligible for grant reimbursement.

Noise Mitigation Costs—Funds expended for the Noise Mitigation Program are recorded as nonoperating expenses in the period they are incurred.

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—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, 2014 and 2013. 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—GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* ("GASB 69"), establishes accounting and financial reporting standards related to government combinations and disposals of government operations. GASB 69 will be effective for the Airport beginning with its year ending December 31, 2014. GASB 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. There was no impact on the Airport's financial statements as a result of the implementation of GASB 69.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* ("GASB 70"), 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. GASB 70 will be effective for the Airport beginning with its year ending December 31, 2014. GASB 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 intraentity nonexchange financial guarantees involving blended component units, requiring 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. There was no impact on the Airport's financial statements as a result of the implementation of GASB 70.

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

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"), establishes new financial reporting requirements for most governments that provide their employees with pension benefits through these types of plans. GASB 68 will be effective for the City beginning with its year ending December 31, 2015. GASB 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 68 requires governments providing defined benefit pensions to recognize their net liability for pension benefits, measured as the difference between total pension assets and total pension liability, as a liability in the financial statements that follow accrual basis of accounting 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). As of December 31, 2014, the City reported a net pension obligation of $8.6 billion on the statement of net position and disclosed a combined unfunded actuarial accrued liability for all of the pension plans of $19.7 billion in accordance with GASB Statement No. 27. During 2014, the pension plans implemented GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, and disclosed a combined net pension liability of $20.1 billion as of December 31, 2014. The City has not yet determined the impact, if any, GASB 68 will have on the standalone Midway financial statements.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* ("GASB 71"), relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. GASB 71 will be effective for the City beginning with its year ending December 31, 2015. This statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability and requires that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

GASB Statement No. 72, *Fair Value Measurement and Application* ("GASB 72"), requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). GASB 72 will be effective for the City beginning with its year ending December 31, 2015.

Presentation Changes—The December 31, 2013, statement of net position has been changed to present the restricted assets and liabilities within their respective current and noncurrent classification categories. The restricted assets and liabilities were presented in a separate section in the prior year's basic financial statements. The December 31, 2013, statement of cash flows has been changed to present the transactions with other City funds on a gross basis. The transactions with other City funds were presented on a net basis in the prior year's basic financial statements.

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

Cash Equivalents and 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. As of December 31, 2014, the Airport had the following investments ($ in thousands):

	Investment Maturities (in Years)			
Investment Type	**Less than 1**	**1–5**	**6–10**	**Fair Value**
U.S. agencies	$ 59,946	$ 269,225	$ 5,566	$ 334,737
Municipal bonds	7,540	29,227		36,767
Certificates of deposits and other short-term	138,651			138,651
Subtotal	$ 206,137	$ 298,452	$ 5,566	510,155
Share of City's pooled funds				14
Total				$ 510,169

As of December 31, 2013, the Airport had the following investments ($ in thousands):

	Investment Maturities (in Years)			
Investment Type	**Less than 1**	**1–5**	**6–10**	**Fair Value**
U.S. agencies	$ 5,503	$ 170,999	$ 21,745	$ 198,247
Municipal bonds		25,790	8,138	33,928
Certificates of deposits and other short-term	186,980			186,980
Subtotal	$ 192,483	$ 196,789	$ 29,883	419,155
Share of City's pooled funds				12
Total				$ 419,167

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, 2014 and 2013, was as follows ($ in thousands):

Quality Rating	**2014**	**2013**
Moody's/S&P		
Aaa/AAA	$ 1,282	$ 1,268
Aa/A	337,677	230,908
A/A		
P1/A1	28,071	
Not rated	143,125	186,979
Total funds	$ 510,155	$ 419,155

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 was $490.6 million. 99.2% of the bank balance was either insured or collateralized with securities held by City agents in the City's name. $4 million was uncollateralized at December 31, 2013, and thus was subject to custodial credit risk.

The investments reported in the basic financial statements at December 31, 2014 and 2013, are summarized as follows ($ in thousands):

	2014	**2013**
Per Note 2:		
Investments—airport	$ 510,155	$ 419,155
Investments—City Treasurer Pooled Fund	14	12
	$ 510,169	$ 419,167
Per basic financial statements:		
Restricted investments	$ 310,902	$ 176,564
Unrestricted investments	34,042	55,621
Investments classified as cash and cash equivalents on the statements of net position	165,225	186,982
	$ 510,169	$ 419,167

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, 2014 and 2013, were as follows ($ in thousands):

Account	2014	2013
Construction	$ 177,656	$ 57,629
Capitalized interest	11,776	153
Debt service	63,038	79,616
Debt service reserve	122,762	129,148
Operation and maintenance reserve	21,513	20,001
Repair and replacement	6,305	5,903
Emergency reserve	398	394
Customer facility charge (CFC)	24,104	26,081
Other	9,978	10,983
Subtotal—master indentures and use agreement accounts	437,530	329,908
Passenger facility charges (PFC)	1,628	3,711
Total	$ 439,158	$ 333,619

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, the Series 2010 second lien bonds, and the Series 2013 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 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 CFC funds are restricted 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, 2014 and 2013, 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, 2014 and 2013, consisted of the following ($ in thousands):

	2014	2013
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
$105,220 Series 1996 B Chicago Midway Airport Revenue Bonds, issued November 7, 1996, due through 2029, interest at 4.9%–6.5%		57,355
$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%	34,180	337,555
$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%		171,215
Subtotal—first lien bonds	34,180	624,545
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		132,525
$54,785 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%	54,785	59,945
$140,675 Series 2004 C and D Chicago Midway Airport Second Lien Revenue Bonds, issued December 14, 2004, due through 2035, variable floating interest rates at 4.174% and 4.247%	140,675	144,675
$63,470 Series 2010 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
$118,600 Series 2013 A Chicago Midway Airport Second Lien Revenue Bonds, issued December 5, 2013, due through 2033, interest rate at 5.375%–5.500%	118,600	118,600
$150,365 Series 2013 B Chicago Midway Airport Second Lien Revenue Bonds, issued December 5, 2013, due through 2035, interest rate at 4.125%–5.250%	150,365	150,365
$64,995 Series 2013 C Chicago Midway Airport Second Lien Revenue Bonds, issued December 5, 2013, due through 2020, interest rate at 0.740%–3.655%	64,995	64,995
$484,200 Series 2014 A Chicago Midway Airport Second Lien Revenue Bonds, issued June 11, 2014, due through 2041, interest rate at 5.000%	484,200	
$287,610 Series 2014 B Chicago Midway Airport Second Lien Revenue Bonds, issued June 11, 2014, due through 2036, interest rate at 4.000-5.000%	287,610	
$124,710 Series 2014 C Chicago Midway Airport Second Lien Revenue Bonds, issued June 11, 2014, due through 2044 variable floating interest rate (0.07% at December 31, 2014)	124,710	
Subtotal—second lien bonds	1,489,410	812,750
Commercial paper notes—Series A, B, C, and D		57,713
Total revenue bonds and notes	1,523,590	1,495,008
Unamortized premium (discount)	84,609	4,325
Total revenue bonds payable, net of unamortized premium (discount)	1,608,199	1,499,333
Current portion	(17,265)	(24,665)
Total long-term revenue bonds payable	$ 1,590,934	$ 1,474,668

Long-term debt during the years ended December 31, 2014 and 2013, changed as follows ($ in thousands):

	Balance January 1, 2014	Additions	Reductions	Balance December 31, 2014	Due within One Year
Revenue bonds and notes	$ 1,495,008	$896,520	$ (867,938)	$ 1,523,590	$ 17,265
Unamortized premium (discount)	4,325	84,196	(3,912)	84,609	
Total long-term debt	$ 1,499,333	$980,716	$ (871,850)	$ 1,608,199	$ 17,265

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013	Due within One Year
Revenue bonds	$ 1,441,329	$357,034	$ (303,355)	$ 1,495,008	$ 24,665
Unamortized premium (discount)	160	10,799	(6,634)	4,325	
Total long-term debt	$ 1,441,489	$367,833	$ (309,989)	$ 1,499,333	$ 24,665

Interest expense capitalized for 2014 and 2013 totaled $6.52 million and $2.67 million, respectively. Interest income capitalized for 2014 and 2013 totaled $0.53 million and $0.18 million, respectively. Interest expense includes amortization of the deferred loss on bond refunding for 2014 and 2013 of $1.1 million and $0.80 million, and amortization of $3.44 million of premium, net and $0.002 million of discount, net, respectively.

Issuance of Debt—The Airport Commercial Paper Notes, Series A, B, C, and D ($150 million maximum aggregated authorized) outstanding at December 31, 2014 and 2013, were $0 and $57.7 million, respectively. The commercial paper program was expanded in 2013 to $150 million. The Airport has excluded commercial paper from current liabilities as it intends and has the ability to refinance the obligation on a long-term basis. 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) provided for the timely payment of principal and interest on the notes until July 12, 2017. Amounts paid by drawing on the LOC shall be reimbursed by the Airport on said day; 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% 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, 2014, there were no outstanding LOC advances.

In June 2014, the Airport sold $484.2 million of Chicago Midway Airport Second Lien Revenue Bonds, Series 2014A (AMT) at a premium of $41.7 million and $287.6 million of Chicago Midway Second Lien Revenue Bonds, Series 2014B (non-AMT) at a premium of $33.9 premium. The Bonds have interest rates of 4% and 5%. The Bonds are subject to mandatory and optional redemption and have maturity dates from January 1, 2019, to January 1, 2041. Certain proceeds of $653.1 million together with $20.6 million transferred from the debt service account were deposited into an escrow account to fully defease the Series 1996A First Lien Bonds ($58.4 million of principal and $1.7 million of interest), 1996B First Lien Bonds ($54.3 million of principal and $1.5 million of interest), 1998A First Lien Bonds ($217 million of principal and $5.8 million of interest), 1998B First Lien Bonds ($82.5 million of principal and $2.2 million of interest), 2001A First Lien Bonds ($131.9 million of principal and $3.6 million of interest), 2001B First Lien Bonds ($30.8 million of principal and 0.8 million of interest), and 2010D-1 Second Lien Bonds ($78.2 million of principal, $1.5 million of interest, and $3.5 million of premium). Certain proceeds of $114.9 million will be used to finance the costs of the various airport projects; certain proceeds of $57.7 million were used to repay the outstanding Commercial Paper Notes; certain proceeds of $15.1 million were used to fund the capitalized interest deposit requirement; certain proceeds of $1.5 million were used to fund the debt service reserve requirement and certain proceeds of $5.1 million were used to pay the cost of issuance of the bonds. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debts of $15.9 million that will be charged to operation over 16 to 28 years using the straight-line method. The current refunding decreased the Airport's total debt service by $135.7 million and resulted in an economic gain (difference between the present value of the old debt and the new debt service payments) of $69.2 million.

In June 2014, the Airport sold $124.7 million of Chicago Midway Second Lien Revenue Refunding Bonds, Series 2014C (AMT). The bonds have an initial variable interest rate of 0.08%. The Bonds are subject to mandatory and optional redemption and have maturity dates from January 1, 2041, to January 1, 2044. Certain proceeds of $124.4 million were used to fully defease of the Series 1998A Second Lien Bonds ($64.1 million of principal) and the Series 1998B Second Lien Bonds ($59.8 million of principal and $0.5 million of debt service account deposit requirement) and certain proceeds of $0.3 million were used to pay the cost of issuing of the bonds. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debts of $0.5 million that will be charged to operation over 16 years using the straight-line method.

In December 2013, the Airport sold $118.6 million of Chicago Midway Airport Second Lien Revenue Refunding Bonds, Series 2013A (AMT) at a premium of $1.4 million. The Bonds have interest rates ranging from 5.375% to 5.5% and maturity and optional redemption maturity dates from January 1, 2027, to January 1, 2033. Certain proceeds of $112.9 million together with $2.3 million transferred from the debt service account were deposited in an escrow account to defease a portion of the Series 1996 B First Lien Bonds ($19.1 million of principal and $0.6 million of interest), a portion of the Series 1998 A First Lien Bonds ($5.5 million of principal and $0.1 million of interest), a portion of the Series 2001A First Lien Bonds ($39.8 million of principal and $1.1 million of interest) and a portion of the Series 2010A-2 Second Lien Bonds ($48.5 million of principal) and $0.5 million for other escrow requirement; certain proceeds of $6.1 million were used to fund debt service reserve requirement and certain proceeds of $1 million were used to pay the cost of issuance of the bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $0.4 million that will be charged to operation over 13 to 21 years using the straight-line method.

In December 2013, the Airport sold $150.4 million of Chicago Midway Airport Second Lien Revenue Refunding Bonds, Series 2013B (non-AMT) at a premium of $9.4 million. The Bonds have interest rates ranging from 4.125% to 5.250% and maturity and optional redemption maturity dates from January 1, 2020, to January 1, 2035. Certain proceeds of $161.2 million together with $1.4 million transferred from the debt service account were deposited in an escrow account to defease a portion of the Series 1998 B First Lien Bonds ($26.6 million of principal and $0.7 million of interest), a portion of the Series 2001 B First Lien Bonds ($28.2 million of principal, $0.8 million of interest), a portion of the Series 2010 A-2 Second Lien Bonds ($1 million of principal) and full portion of the Series 2010B Second Lien Bonds ($84 million of principal and $6.3 million of interest) and $4.3 million to pay a portion of the outstanding Commercial Paper Notes. Certain proceeds of $8.1 million were used to fund debt service reserve requirement and certain proceeds of $1.2 million were used to pay the cost of issuance of the bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $0.5 million that will be charged to operation over 17 to 23 years using the straight-line method.

In December 2013, the Airport sold $65 million of Chicago Midway Airport Second Lien Revenue Refunding Bonds, Series 2013C (Taxable) at par. The Bonds have interest rates ranging from 0.74% to 3.655% and maturity and optional redemption maturity dates from January 1, 2015, to January 1, 2020. Certain proceeds of $65 million together with $0.3 million transferred from the debt service account were deposited in an escrow account to fully defease the Series 2010 A-1 Second Lien Bonds ($22 million of principal), a portion of the Series 2010 A-2 Second Lien Bonds ($5 million of principal), 0.4 million for other escrow requirement and $25.8 million to pay a portion of the outstanding Commercial Paper Notes. Certain proceeds of $11.7 million were used to fund debt service reserve requirement and certain proceeds of $0.4 million were used to pay the cost of issuance of the bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $0.1 million that will be charged to operation over eight years using the straight-line method.

The advance refunding resulted in an economic gain relating to the Series 2013 bonds (difference between the present value of the old debt and the new debt service payments) of $10.4 million.

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. The amount of defeased bonds outstanding at December 31, 2014, is $84 million.

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
2015	$ 2,650	$ 1,800	$ 4,450
2016	2,800	1,650	4,450
2017	2,955	1,499	4,454
2018	3,115	1,332	4,447
2019	3,290	1,156	4,446
2020–2024	19,370	2,778	22,148
Total	$ 34,180	$ 10,215	$ 44,395

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, 2014 ($ in thousands):

Years Ending December 31	Principal	Interest	Total
2015	$ 14,615	$ 67,542	$ 82,157
2016	22,125	64,980	87,105
2017	24,205	64,403	88,608
2018	27,900	63,684	91,584
2019	35,090	62,673	97,763
2020–2024	253,550	285,099	538,649
2025–2029	356,695	214,482	571,177
2030–2034	427,310	123,339	550,649
2035–2039	220,865	39,690	260,555
2040–2044	185,230	3,207	188,437
Total	$ 1,567,585	$ 989,099	$ 2,556,684

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, 2014, the Series 2004 C&D bonds and the Series 2014C bonds were in a weekly rate interest mode. Irrevocable LOC ($142.3 million) provides for the timely payment of principal and interest on the Series 2004 C&D bonds until November 25, 2016.

Irrevocable LOC ($126.1 million) provides for the timely payment of principal and interest on the Series 2014C bonds until November 25, 2017.

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 2004 C&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 $84.4 million, which does not have a two-way CSA and remains unchanged.

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, 2014		
	Classification	Amount	Classification	Amount	Notional
Cash flow hedges—pay-fixed interest rate swaps	Deferred outflow of resources	$ (11,982)	Deferred outflow of resources	$ (30,128)	$ 140,675

Pay-Fixed, Receive-Variable Interest Rate Swaps—The swap counterparties are Goldman Sachs and Wells Fargo, with notional amounts as of December 31, 2014, of $84.4 million and $56.3 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, 2014, are as follows. The notional amounts of the swaps match the principal amounts of the associated debt. The Airport's swap agreements contained scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds payable" category ($ in thousands).

Associated Bond Issue	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value 2014	Swap Termination Date	Counterparty Credit Rating
Series 2004 C&D Bonds	$ 84,405	December 14, 2004	4.174 %	SIFMA +.05%	$(17,678)	January 1, 2035	Baa1/A
Series 2004 C&D Bonds	56,270	April 21, 2011	4.247	SIFMA +.05%	(12,450)	January 1, 2035	Aa3/AA-
Total	$140,675				$(30,128)		

Fair Value—As per industry convention, the fair value of the Airport's outstanding swaps was 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 anticipates 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, 2014, 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
2015	$ 4,200	$ 92	$ 5,659	$ 9,951
2016	4,275	89	5,482	9,846
2017	4,575	86	5,294	9,955
2018	4,775	82	5,098	9,955
2019	5,000	80	4,891	9,971
2020–2024	28,375	343	21,052	49,770
2025–2029	35,350	234	14,365	49,949
2030–2035	54,125	99	6,068	60,292
Total	$ 140,675	$ 1,105	$ 67,909	$ 209,689

5. CHANGES IN CAPITAL ASSETS

During the years ended December 31, 2014 and 2013, capital assets changed as follows ($ in thousands):

	Balance January 1, 2014	Additions	Disposals and Transfers	Balance December 31, 2014
Capital assets not depreciated:				
Land	$ 113,747	$ 1,033	$ -	$ 114,780
Construction in progress [(1)]	28,953	47,375	(55,743)	20,585
Total capital assets not depreciated	142,700	48,408	(55,743)	135,365
Capital assets depreciated—buildings and other facilities	1,500,776	55,743		1,556,519
Less accumulated depreciation for—buildings and other facilities	(473,507)	(46,044)		(519,551)
Total capital assets depreciated—net	1,027,269	9,699	-	1,036,968
Total property and facilities—net	$ 1,169,969	$ 58,107	$ (55,743)	$ 1,172,333

(1) Includes net capitalized interest of $2,693

	Balance January 1, 2013	Additions	Disposals and Transfers	Balance December 31, 2013
Capital assets not depreciated:				
Land	$ 112,840	$ 907	$ -	$ 113,747
Construction in progress (1)	69,847	44,666	(85,560)	28,953
Total capital assets not depreciated	182,687	45,573	(85,560)	142,700
Capital assets depreciated—buildings and other facilities	1,415,216	85,560		1,500,776
Less accumulated depreciation for—buildings and other facilities	(430,549)	(42,958)		(473,507)
Total capital assets depreciated—net	984,667	42,602	-	1,027,269
Total property and facilities—net	$ 1,167,354	$ 88,175	$ (85,560)	$ 1,169,969

(1) Includes net capitalized interest of $531

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, 2014 ($ in thousands):

Years Ending December 31	Amount
2015	$ 48,634
2016	48,171
2017	26,763
2018	26,609
2019	26,609
2020–2024	133,045
2025–2029	133,045
Total	$ 442,876

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 $92.9 million and $99 million in 2014 and 2013, respectively. Contingent rentals included in the totals were approximately $39.6 million and $46 million for 2014 and 2013, respectively.

7. PENSION PLANS

Eligible Airport employees participate in one of four single-employer defined benefit pension plans (the "Plans"). These Plans are: the Municipal Employees'; the Laborers' and Retirement Board Employees'; the Policemen's; and the Firemen's Annuity and Benefit Funds of Chicago. The Plans are administered by individual retirement boards represented by elected and appointed officials. Certain employees of the

Chicago Board of Education participate in the Municipal Employees' or the Laborers' and Retirement Board Employees' Annuity and Benefit Funds for which the City levies taxes to make the required employer contributions. Each Plan issues a publicly available financial report that includes basic financial statements and RSI.

The Plans provide retirement, disability, and death benefits as established by State law. Benefits generally vest after 20 years of credited service. Employees who retire at or after age 55 (50 for policemen and firemen) with 20 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 percentage ranging from 2.0% to 2.5% 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%–9.125% of their salary to the Plans 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 $4.1 million in 2014 and $3.5 million in 2013. The annual pension costs are determined using the entry age normal actuarial cost method and the level dollar amortization method.

Historically, State law required 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, 2014 and 2013, were 1.25 for the Municipal Employees' Annuity and Benefit Fund, 1.00 for the Laborers' and Retirement Board Employees' Annuity and Benefit Fund, 2.00 for the Policemens', and 2.26 for the Firemen's Annuity and Retirement Fund of Chicago. The City has made the required contributions under State law.

The City's contributions to the four Pension Plans primarily serving City employees are set by State law. In recent years, those contributions have been lower than the actuarially required amounts for the Plans, which has served to increase the Plans' unfunded actuarial liabilities. Recurring cash inflows from all sources to the Plans (including City contributions, employee contributions, and investment earnings) have been lower than the cash outlays of the Plans in some recent years. As a result, the Plans have liquidated investments and used assets of the Plans to satisfy their respective current payment obligations in those years. The use of assets by the Plans for these purposes reduces the amount of assets on hand to pay benefits or earn investment returns in the future.

Current State law for the Policemen's and Firemen's Plans, known as Public Act 96-1495 (P.A. 96-1495), requires the City to significantly increase contributions to those Plans beginning in 2016. In each year, the City must contribute the amount needed for each Plan to achieve a 90% Funded Ratio by the end of 2040. Under the enacted State legislation for the Municipal Employees' and Laborers' Plans, known as Public Act 98-641 (P.A. 98-641), the City is required to significantly increase contributions to those two Plans beginning in 2016. During the period 2016 through 2020, the City's contributions to the Municipal Employees' and Laborers' Plans increase by statutorily determined amounts which are not based on actuarial calculations. Beginning in 2021, P.A. 98-641 requires the City to contribute in each year to the Municipal Employees' and Laborers' Plans the amount needed for each Plan to achieve a 90% Funded Ratio by the end of 2055. P.A. 98-641 also makes certain modifications to the automatic annual increases paid to retirees and requires increases in employee contributions toward the cost of their retirement benefits.

Under the enacted State legislation for the Municipal Employees' and Laborers' Plans known as Public Act 98-641 (P.A. 98-641), the City is required to significantly increase contributions to those two Plans beginning in 2016. During the period 2016 through 2020, the City's contributions to the Municipal Employees' and Laborers' Plans increase by statutorily determined amounts which are not based on actuarial calculations. Beginning in 2021, P.A. 98-641 requires the City to contribute in each year to the Municipal Employees' and Laborers' Plans the amount needed for each Plan to achieve a 90% Funded Ratio by the end of 2055. P.A. 98-641 also makes certain modifications to the automatic annual adjustment of benefits for approximately 78,000 members of those Plans (including current retirees and all employees) and requires substantial increases in employee contributions toward the cost of their retirement benefits. This is projected to require an increase in the City's contributions to the Municipal Employees' and Laborers' Plans of more than $89.1 million starting in 2016 and increasing by approximately three percent each year, thereafter.

Senate Bill 777 ("SB 777"), an amendment to P.A. 96-1495, passed both houses of the Illinois General Assembly as of May 31, 2015. SB 777 institutes a Phase-in Period until 2020 and a Revised Amortization Period to 2055. A Revised Amortization Period would reduce the annual funding obligation required to reach a 90% Funded Ratio, but extend the number of years over which such payments would need to be made. Enactment of a Phase-in Period would reduce the City's required payment in the initial years to allow for a more gradual phase-in of the requirements of P.A. 96-1495. The General Assembly may also consider other proposed legislation that could affect the City's contributions for the Policemen's and Firemen's Plans and/or funding sources for those contributions. Although SB 777 has passed both chambers of the Illinois General Assembly, a motion to reconsider the vote on SB 777 has been filed in the Illinois Senate, and accordingly, SB 777 has not been sent to the Governor for consideration. The City makes no representation as to whether or when any such legislation, including SB 777, would be enacted.

The following table as of December 31, 2014, 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 Contributions Contributed	Net Pension Obligation (Asset)
Municipal employees:					
2012	$ 687,519	21.65 %	$ 690,823	24.00 %	$ 2,008,546
2013	812,463	18.24	820,023	18.10	2,672,812
2014	828,978	18.10	839,038	17.80	
Laborers:					
2012	77,858	15.22	77,566	15.30	(63,707)
2013	106,439	10.88	106,199	10.90	31,148
2014	105,901	11.50	106,018	11.50	124,889
Policemen:					
2012	483,359	40.94	431,010	45.90	2,350,739
2013	531,355	33.79	474,178	37.90	2,702,573
2014	553,243	32.20	491,651	36.20	3,077,658
Firemen:					
2012	268,112	30.41	271,506	30.00	1,696,679
2013	291,064	35.62	294,878	35.20	1,884,074
2014	300,030	35.77	304,265	35.30	2,076,770

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. The net pension liability for the City is recorded within the City's government-wide basic financial statements.

8. OTHER POSTEMPLOYMENT BENEFITS—CITY OBLIGATION

The Pension Funds also contribute a portion of the City's contribution as subsidy towards the cost for each of their annuitants to participate in the City's health benefits plans, which include basic benefits for eligible annuitants and their dependents and supplemental benefits for Medicare eligible annuitants and their dependents. The amounts below represent the accrued liability of the City's pension plans related to their own annuitants and the subsidy paid to the City (see Note 12). The plan is financed on a pay-as-you-go basis (dollars in thousands).

	Annual OPEB Cost and Contributions Made For Fiscal Year Ended December 31, 2014				
	Municipal Employees'	**Laborers'**	**Policemen's**	**Firemen's**	**Total**
Contribution Rates of the City:	A portion of the City's contribution from the tax levy is used to finance the health insurance supplement benefit payments.				
Annual required contribution	$ 9,826	$ 2,520	$ 9,723	$ 2,739	$ 24,808
Interest on net OPEB obligation	3,404	290	547	536	4,777
Adjustment to annual—required contribution	(26,330)	(2,243)	(4,079)	(4,143)	(36,795)
Annual OPEB cost	(13,100)	567	6,191	(868)	(7,210)
Contributions made	9,051	2,360	9,657	2,471	23,539
Increase in net OPEB obligation	(22,151)	(1,793)	(3,466)	(3,339)	(30,749)
Net OPEB obligation, beginning of year	75,637	6,442	12,150	11,902	106,131
Net OPEB obligation, end of year	$ 53,486	$ 4,649	$ 8,684	$ 8,563	$ 75,382

Actuarial Method and Assumptions—For the Pension Funds' subsidies, the actuarial valuation for the fiscal year ended December 31, 2014 was determined using the Entry Age Normal actuarial cost method. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

	Municipal Employees'	Laborers'	Policemen's	Firemen's
Actuarial valuation date	12/31/2014	12/31/2014	12/31/2014	12/31/2014
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar, open	Level dollar, open	Level percent, open	Level dollar, open
Remaining Amortization method	2 years closed	2 years closed	2 years closed	2 years closed
Actuarial valuation date	No assets (Pay-as-you-go)	No assets (Pay-as-you-go)	No assets (Pay-as-you-go)	No assets (Pay-as-you-go)
Actuarial assumptions:				
OPEB investment rate of return (a)	4.5 %	4.5 %	4.5 %	4.5 %
Projected salary increases (a) inflation	3.0 %	3.0 %	3.0 %	3.0 %
Seniority/merit	(b)	(c)	(d)	(e)
Healthcare Cost Trend Rate (f)	%	%	%	%

(a) Compounded annually.

(b) Service-based increases equivalent to a level annual rate of increase of 1.4% over a full career.

(c) Service-based increases equivalent to a level annual rate of increase of 1.9% over a full career.

(d) Service-based increases equivalent to a level annual rate of increase of 1.8% over a full career.

(e) Service-based increases equivalent to a level annual rate of increase of 1.8% over a full career.

(f) Trend not applicable—fixed dollar subsidy.

OPEB Cost Summary
(Dollars in thousands)

	Year	Annual OPEB Cost		% of Annual OPEB Obligation	Net OPEB Obligation
Municipal Employees'	2012	$ 13,703		69.49 %	$ 71,756
	2013	13,389		71.01	75,637
	2014	(13,100)	*		53,486
Laborers'	2012	2,994		85.56	5,951
	2013	3,009		83.67	6,442
	2014	567		416.04	4,649
Policemen's	2012	10,573		92.37	11,461
	2013	10,536		93.46	12,150
	2014	6,191		155.99	8,684
Firemen's	2012	4,154		63.13	10,382
	2013	4,071		62.66	11,902
	2014	(868)			8,563

*The negative cost is primarily due to the insurance subsidy ending in 2016.

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 plan and the annual required contributions (ARC) of the employer are subject to continual revisions, as the results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presents, as required, and supplementary information following the notes to basic financial statements (dollars in thousands, unaudited) are as follows:

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Surplus) UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Surplus) AAL as a Percentage of Covered Payroll ((b-a)/c)
Municipal Employees'	12/31/2014	$ -	$ 17,495	$ 17,495	-	$ 1,602,978	1.09
Laborers'	12/31/2014		4,593	4,593		202,673	2.27
Policemen's	12/31/2014		18,762	18,762		1,074,333	1.75
Firemen's	12/31/2014		4,995	4,995		460,190	1.09

Up to June 30, 2013, 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, known as the "Settlement Plan". The pension funds contributed their subsidies of $65 per month for each Medicare eligible annuitant and $95 per month for each non-Medicare eligible annuitant to their gross cost. The annuitants contributed a total of $84.8 million in 2014 to the gross cost of their retiree health care pursuant to premium amounts set forth in the below-referenced settlement agreement.

The City subsidized a portion of the cost (based upon service) for hospital and medical coverage for eligible retired employees and their dependents based upon a settlement agreement entered in 2003 and which expired on June 30, 2013.

On May 15, 2013, the City announced plans to, among other things: (i) provide a lifetime health care plan to former employees who retired before August 23, 1989, with a contribution from the City of up to 55% of the cost of that plan; and (ii) beginning July 1, 2013, provide employees who retired on or after August 23, 1989, with health care benefits in a new retiree health plan (the "Health Plan"), but with significant changes to the terms, including increases in premiums and deductibles, reduced benefits, and the phase-out of the Health Plan for such employees by December 31, 2016.

The cost of health benefits is recognized as an expenditure in the accompanying basic financial statements as claims are reported and are funded on a pay-as-you-go basis. In 2014, the net expense to the City for providing these benefits to approximately 24,381 annuitants, plus their dependents, was approximately $79.3 million.

Plan Description Summary—The City was party to a written legal settlement agreement outlining the provisions of the settlement plans, which ended June 30, 2013. The Health Plan provides for annual modifications to the City's level of subsidy. It is set to phase out over three years, at which the Health Plan, along with any further City subsidy, will expire by December 31, 2016, for all, but the group of former employees (the Korshak class of members) who retired before August 23, 1989, who shall have lifetime benefits. Duty disabled retirees who have statutory pre-63/65 coverage will continue to have fully subsidized coverage under the active health plan until age 65.

The provisions of the Health Plan provides, 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 the specified period ending December 31, 2016. The percentage subsidies were revised to reduce by approximately 25% of 2013 subsidy levels in 2014 and 50% of 2013 subsidy levels in 2015. Additional step-downs in subsidy levels for 2016 have not yet been finalized.

In addition, the State law authorizes the four respective pension funds (Policemen's, Firemen's, Municipal Employees', and Laborers') to provide a fixed monthly dollar subsidy to each annuitant who has elected coverage under any City health plan through December 31, 2016. After that date, no Pension Fund subsidies are authorized. The liabilities for the monthly dollar Pension Fund subsidies contributed on behalf of annuitants enrolled in the medical plan by their respective Pension Funds are included in the NPO actuarial valuation reports of the respective four pension funds under GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (see Note 11).

Special Benefits under the Collective Bargaining Agreements (CBA)—Under the terms of the CBA 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 health care 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 Policemen's Fund contributes $95 per month towards coverage for police officers; the Firemen's Fund does not contribute.

Both of these agreements which provide pre-65 coverage originally expired at June 30, 2012. These benefits have been renegotiated to continue through 2016 or June 30, 2017, depending on bargaining unit agreements. This valuation assumes that the CBA special benefits, except for those who will have already retired as of December 31, 2016, will cease on December 31, 2016, or June 30, 2017, depending on bargaining unit agreements. The renegotiated agreements also provided that retirees will contribute 2% of their pension toward the cost of their health care coverage.

Funding Policy—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 post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC (Annual Required Contribution) 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 ten years.

The following table shows the components of the City's annual OPEB costs for the year for the Health Plan and CBA Special Benefits, the amount actually contributed to the plan and changes in the City's net OPEB obligation. The Net OPEB Obligation is the amount entered upon the City's Statement of Net Position as of year end as the net liability for the other post-employment benefits – the Health Plan. The amount of the annual cost that is recorded in the Statement of Changes in Net Position for 2014 is the Annual OPEB Cost (expense).

	(Dollars in thousands)		
	Retiree Settlement Health Plan	**CBA Special Benefits**	**Total**
Contribution rates:			
City	Pay As You Go	Pay As You Go	Pay As You Go
Plan members	N/A	N/A	N/A
Annual Required Contribution	$ 67,713	60,912	$ 128,625
Interest on net OPEB obligation	1,806	3,989	5,795
Adjustment to Annual Required Contribution	(6,853)	(15,135)	(21,988)
Annual OPEB cost	62,666	49,766	112,432
Contributions made	93,962	34,099	128,061
Decrease in net OPEB obligation	(31,296)	15,667	(15,629)
Net OPEB obligation, beginning of year	60,210	132,981	193,191
Net OPEB obligation, end of year	$ 28,914	148,648	$ 177,562

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 is as follows (dollars in thousands):

	Schedule of Contributions, OPEB Costs and Net Obligations		
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Settlement plan			
12/31/2014	$ 62,666	149.9 %	$ 28,914
12/31/2013	75,444	148.4	60,210
12/31/2012	37,444	260.5	96,760
CBA special benefits			
12/31/2014	$ 49,766	68.5 %	$ 148,648
12/31/2013	41,722	65.5	132,981
12/31/2012	39,533	46.6	118,601
Total			
12/31/2014	$ 112,432	113.9 %	$ 177,562
12/31/2013	117,166	118.9	193,191
12/31/2012	76,977	150.6	215,361

Funded Status and Funding Progress—As of January 1, 2014, the most recent actuarial valuation date, the AAL for benefits was $964.6 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was approximately $2,425.0 million and the ratio of the UAAL to the covered payroll was 39.8%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan 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. The schedule of funding progress, presents, as required, and supplementary information following the notes to basic financial statements (dollars in thousands, unaudited) is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Settlement plan						
12/31/2013	$ -	$498,205	$498,205	- %	$2,425,000	20.5 %
CBA special benefits						
12/31/2013		466,421	466,421		1,400,269	33.3
Total						
12/31/2013	$ -	$964,626	$964,626	- %	$2,425,000	39.8 %

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

For the Health Plan benefits (not provided by the Pension Funds), the entry age normal actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 8.0% initially, reduced by decrements to an ultimate rate of 5.0% in 2026. The range of rates included a 3.0% inflation assumption. Rates included a 2.5% inflation assumption. The plan has not accumulated assets and does not hold assets in a segregated trust. However, the funds expected to be used to pay benefits are assumed to be invested for durations which will yield an annual return rate of 3.0%. The remaining Unfunded Accrued Actuarial Liability is being amortized as a level dollar amount over ten years. The benefits include the provisions under the new Health Plan, which will be completely phased-out by December 31, 2016, except for the Korshak category, which is entitled to lifetime benefits. Also included in the Non-CBA benefits are the duty disability benefits under the active health plan payable to age 63/65.

For the Special Benefits under the CBA for Police and Fire, the renewed contracts' expiration dates of June 30, 2016 (for Police Captains, Sergeants and Lieutenants) and June 30, 2017 for all other Police and Fire are reflected, such that liabilities are included only for payments beyond the end of the calendar year of contract expiration on behalf of early retirees already retired and in pay status as of December 31 of the expiration year of the contract. The entry age normal method was selected. The actuarial assumptions included an annual healthcare cost trend rate of 8.0% in 2014, reduced by decrements to an ultimate rate of 5.0% in 2026. Rates included a 2.5% inflation assumption. The plan has not accumulated assets and does not hold assets in a segregated trust. The funds expected to be used to pay benefits are assumed to be invested for durations which will yield an annual return rate of 3.0%. The remaining Unfunded Accrued Actuarial Liability is being amortized as a level dollar amount over ten years.

	Summary of Assumptions and Methods	
	Settlement Health Plan	**CBA Special Benefits**
Actuarial valuation date	December 31, 2013	December 31, 2013
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, open	Level dollar, open
Remaining amortization period	10 years	10 years
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return	3.0 %	3.0 %
Projected salary increases	2.5 %	2.5 %
Healthcare inflation rate	8.0% initial to 5.0% in 2026	8.0% initial to 5.0% in 2026

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 $17.4 million in 2014 and $16.7 million in 2013.

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, 2014 and 2013, are as follows ($ in thousands):

	2014	2013
Beginning balance—January 1	$ 434	$ 458
Total claims incurred	4,636	4,255
Claims paid	(4,566)	(4,279)
Claims liability—December 31	$ 504	$ 434

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, 2013, at a limit of $3.5 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, 2014 and 2013, the Airport had commitments in the amount of approximately $29.8 million and $27.6 million, respectively, in connection with contracts entered into for construction projects.

11. SUBSEQUENT EVENTS

In February 2015, the City's Midway Commercial Paper program was reduced from $150 million to $85 million. As such, the letter of credit with PNC Financial Corporation was not extended.

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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, 2014 AND 2013
($ in thousands)

	2014	2013
REVENUES:		
Total revenues—as defined	$ 171,849	$ 176,597
Other available moneys (passenger facility charges and letter of intent)	39,889	39,470
Revenue Fund balance on first day of fiscal year (Note 2)	26,885	14,571
TOTAL REVENUES	$ 238,623	$ 230,638
COVERAGE REQUIREMENT—Required deposits from revenues:		
Debt Service Fund	$ 25,146	$ 54,349
Operation and maintenance reserve account	1,429	
Second/Junior Lien Obligation Debt Service Fund	56,838	31,960
Second Lien Obligation Program Fee Fund	3,574	4,961
Repair and Maintenance Fund	1,025	1,025
TOTAL FUND DEPOSIT REQUIREMENTS	$ 88,012	$ 92,295
AGGREGATE FIRST LIEN DEBT SERVICE FOR THE BOND YEAR	$ 25,155	$ 54,349
LESS AMOUNTS TRANSFERRED FROM CAPITALIZED INTEREST ACCOUNTS		
NET AGGREGATE DEBT SERVICE	25,155	54,349
	1.25	1.25
NET DEBT SERVICE REQUIRED COVERAGE	$ 31,444	$ 67,936
OPERATION AND MAINTENANCE EXPENSES	$ 129,596	$ 121,116
COVERAGE REQUIRED (Greater of total fund deposit requirements or 125% of aggregate debt service)	88,012	92,378
TOTAL COVERAGE REQUIRED	$ 217,608	$ 213,494
TOTAL REVENUES	$ 238,623	$ 230,638
COVERAGE RATIO	1.10	1.08

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, 2014 AND 2013

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, 2014 AND 2013
($ in thousands)

	2014	2013
REVENUES:		
Total revenues—as defined	$171,849	$176,597
Other available moneys (passenger facility charges and letter of intent)	39,889	39,470
Revenue fund balance on first day of fiscal year (Note 2)	26,885	14,571
TOTAL REVENUES FOR CALCULATION OF COVERAGE	$238,623	$230,638
COVERAGE REQUIREMENT—Required deposits from revenues:		
First Lien Debt Service Fund	$ 25,146	$ 54,349
Operation and maintenance reserve account	1,429	
Second Lien Obligation Debt Service Fund	56,838	31,960
Second Lien Obligation Program Fee Fund	3,574	4,961
Repair and Replacement Fund	1,025	1,025
TOTAL FUND DEPOSIT REQUIREMENTS	$ 88,012	$ 92,295
125% OF AGGREGATE FIRST LIEN DEBT SERVICE FOR THE BOND YEAR:		
Aggregate First Lien Debt Service	$ 25,155	$ 54,349
Less amounts transferred from First Lien Capitalized Interest Accounts		
Net aggregate First Lien Debt Service	25,155	54,349
	1.25	1.25
125% OF AGGREGATE FIRST LIEN DEBT SERVICE	$ 31,444	$ 67,936
GREATER OF FUND DEPOSIT REQUIREMENTS OR 125% OF AGGREGATE FIRST LIEN DEBT SERVICE	$ 88,012	$ 92,295
110% OF AGGREGATE FIRST AND SECOND LIEN DEBT SERVICE FOR THE BOND YEAR:		
Aggregate First Lien Debt Service	$ 25,155	$ 54,349
Aggregate Second Lien Debt Service	60,169	33,283
Less amounts transferred from First Lien Capitalized Interest Accounts		
Less amounts transferred from Junior Lien Capitalized Interest Accounts	(4,461)	(190)
Net aggregate First and Second Lien Debt Service	80,863	87,442
	1.10	1.10
110% OF AGGREGATE FIRST AND SECOND LIEN DEBT SERVICE	$ 88,949	$ 96,186
GREATER OF FUND DEPOSIT REQUIREMENTS OR 110% OF AGGREGATE FIRST AND SECOND LIEN DEBT SERVICE	$ 88,949	$ 96,186
GREATER OF FUND DEPOSIT REQUIREMENTS OR 125% OF FIRST LIEN DEBT OR 110% OF AGGREGATE DEBT SERVICE	$ 88,949	$ 96,186
COVERAGE CALCULATION:		
Operation and maintenance expenses	$129,596	$121,116
110% of aggregate First and Second Lien Debt Service	88,949	96,187
Fund Deposit Requirements		
TOTAL COVERAGE REQUIRED	$218,545	$217,303
TOTAL REVENUES	$238,623	$230,638
REVENUES IN EXCESS OF COVERAGE REQUIREMENT	$ 20,078	$ 13,335
COVERAGE RATIO	1.09	1.06

See notes to debt service coverage calculations.

ADDITIONAL SUPPLEMENTARY INFORMATION
CHICAGO MIDWAY AIRPORT SECOND LIEN REVENUE BONDS
NOTES TO DEBT SERVICE COVERAGE CALCULATIONS
YEARS ENDED DECEMBER 31, 2014 AND 2013

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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PART III

STATISTICAL SECTION
(UNAUDITED)

PART III
STATISTICAL SECTION
(UNAUDITED)

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures and required supplementary information says about the Airport's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the Airport's financial performance and well being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the Airport's most significant revenue sources.

Debt Capacity

These schedules present information to help the reader assess the affordability of the Airport's current levels of outstanding debt and the Airport's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the Environment within which the Airport's financial activities takes place.

Operating Information

These schedules contains data to help the reader understand how the information in the Airport's financial report relates to the services the Airport provides and the activities it performs.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

HISTORICAL OPERATING RESULTS
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2005–2014 (UNAUDITED)
($ in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
OPERATING REVENUES:										
Landing fees	$15,668	$ 20,834	$ 19,606	$ 28,901	$ 21,939	$ 35,299	$ 38,583	$ 32,143	$ 42,516	$ 42,539
Rental revenues:										
Terminal area use charges	17,179	21,804	17,308	26,084	30,701	42,895	40,862	38,769	47,486	40,916
Other rentals and fueling system fees	12,942	14,520	17,784	15,683	20,367	21,488	24,978	32,202	26,004	24,197
Subtotal rental revenues	30,121	36,324	35,092	41,767	51,068	64,383	65,840	70,971	73,490	65,113
Concessions:										
Auto parking	25,675	27,433	29,740	31,561	27,902	27,849	29,112	30,830	32,721	34,226
Auto rentals	8,417	7,698	8,440	8,355	8,505	8,182	8,776	9,021	10,255	10,743
Restaurant	6,879	7,391	8,136	8,099	7,396	8,151	8,875	9,686	10,179	11,090
News and gifts	3,852	3,905	3,876	3,816	3,437	3,488	3,551	3,486	3,619	3,761
Other	1,616	1,985	2,363	2,486	2,054	1,704	2,634	1,696	2,409	2,787
Subtotal concessions	46,439	48,412	52,555	54,317	49,294	49,374	52,948	54,719	59,183	62,607
Reimbursements										
Total operating revenues [1]	92,228	105,570	107,253	124,985	122,301	149,056	157,371	157,833	175,189	170,259
OPERATING AND MAINTENANCE EXPENSES:										
Salaries and wages [2]	32,259	35,316	39,998	36,931	39,521	42,105	43,554	44,463	43,998	47,836
Repairs and maintenance	31,690	32,762	36,863	37,399	37,967	31,942	40,732	37,990	39,606	44,160
Energy	6,040	5,076	7,495	7,228	8,245	6,724	6,415	7,258	7,205	7,060
Materials and supplies	1,170	437	1,751	2,377	1,252	1,522	1,418	1,318	1,927	1,971
Professional and engineering services	11,274	13,326	14,780	19,775	6,727	15,832	15,650	15,011	19,144	23,255
Other operating expenses	5,794	10,466	10,395	5,942	5,929	10,211	2,320	8,257	9,236	5,314
Total operating and maintenance expenses before depreciation and amortization [3]	88,227	97,383	111,282	109,652	99,641	108,336	110,089	114,297	121,116	129,596
NET OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION [4]	$ 4,001	$ 8,187	$ (4,029)	$ 15,333	$ 22,660	$ 40,720	$ 47,282	$ 43,536	$ 54,073	$ 40,663
DEBT SERVICE COVERAGE RATIO [5]	1.23	1.23	1.08	1.08	1.08	1.10	1.07	1.07	1.06	1.09

[1] Average annual compound growth rate for 2005–2014 for Total operating revenues is 7.0%.

[2] Salaries and wages includes charges for pension, health care and other employee benefits.

[3] Average annual compound growth rate for 2005–2014 for Total operating and maintenance expenses before depreciation and amortization is 4.4%.

[4] Amount for 2014 may be reconciled to operating loss of $5,500 reported in the 2014 Statement of Revenues, Expenses and Changes in Net Position by deducting depreciation and amortization of $129,596. 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 1998 First Lien Bonds	(First Lien) Total Debt Service	Debt Service Series 2004 Second Lien Bonds	Debt Service 2010 Second Lien Bonds	Debt Service Series 2013 Second Lien Bonds	Debt Service Series 2014 Second Lien Bonds	(Second Lien) Total Debt Service [(1)]	Total Debt Service
2015	$ 4,450	$ 4,450	$ 12,302	$ 8,439	$ 20,601	$ 40,815	$ 82,157	$ 86,607
2016	4,450	4,450	12,369	10,920	25,145	38,671	87,105	91,555
2017	4,454	4,454	12,658	10,911	26,367	38,671	88,607	93,061
2018	4,447	4,447	12,850	10,912	29,150	38,671	91,583	96,030
2019	4,446	4,446	13,058	10,906	30,321	43,478	97,763	102,209
2020	4,440	4,440	13,267	10,900	33,611	43,417	101,195	105,635
2021	4,434	4,434	13,384	10,894	24,463	56,007	104,748	109,182
2022	4,427	4,427	13,700	10,881	24,812	59,070	108,463	112,890
2023	4,429	4,429	7,562	10,880	28,030	65,819	112,291	116,720
2024	4,418	4,418	7,832	10,871	27,561	65,687	111,951	116,369
2025		-	6,531	10,873	27,218	71,440	116,062	116,062
2026		-	6,826	10,852	26,111	71,332	115,121	115,121
2027		-	7,071	10,843	25,230	71,065	114,209	114,209
2028		-	7,417	10,837	23,775	71,286	113,315	113,315
2029		-	7,737	10,828	22,759	71,146	112,470	112,470
2030		-	8,106	10,816	24,479	68,244	111,645	111,645
2031		-	8,451	10,804	27,944	63,651	110,850	110,850
2032		-	8,820	10,791	24,260	66,222	110,093	110,093
2033		-	9,189	10,785	23,329	66,071	109,374	109,374
2034		-	9,608	10,774	22,384	65,921	108,687	108,687
2035		-	10,051	10,759	18,825	68,400	108,035	108,035
2036		-		10,740		24,449	35,189	35,189
2037		-		10,732		28,427	39,159	39,159
2038		-		10,708		28,402	39,110	39,110
2039		-		10,692		28,371	39,063	39,063
2040		-		10,670		28,343	39,013	39,013
2041		-		10,652		28,732	39,384	39,384
2042		-				35,070	35,070	35,070
2043		-				36,659	36,659	36,659
2044		-				38,312	38,312	38,312
2045		-					-	-
	$44,395	$44,395	$208,789	$289,670	$536,375	$1,521,849	$2,556,683	$2,601,078

(1) Assumes an interest rate effective at December 31, 2014, on $265,385,000 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, 2014.

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, 2014 (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 2015–2021
ESTIMATED SOURCES AND USES OF FUNDS
AS OF DECEMBER 31, 2014 (UNAUDITED)
($ in thousands)

ESTIMATED SOURCES:	
AIP—entitlements	$ 18,753
Other Airport Funds	8,167
Series 2010 Bonds	26,269
Series 2014 Bonds	119,377
Future Bonds	225,182
TOTAL ESTIMATED SOURCES	$ 397,748
ESTIMATED USES:	
Terminal area projects	$ 118,210
Land acquisition	6,500
Airfield projects	122,845
Parking/roadway projects	38,075
Noise projects	76,431
Safety and security	8,584
Implementation	27,103
TOTAL ESTIMATED USES	$ 397,748

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

TERMINAL DEVELOPMENT PROGRAM
ESTIMATED SOURCES AND USES OF FUNDS
AS OF DECEMBER 31, 2014 (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 (2)	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, 2014.

(2) Terminal ramp of a reclassification of projects, which were previously included in Airfield and airfield and Terminal projects.

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, 2005–2014 (UNAUDITED)

Years	Domestic Air Carrier	Domestic Commuter [1]	Total Domestic	International Enplanements	Total Enplanements	Percent Change
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
2013	10,003,167		10,003,167	264,314	10,267,481	5.0
2014	10,315,089		10,315,089	292,907	10,607,996	3.3
Average Annual Compound Growth Rates						
2005–2014	2.2 %	(100.0)%	2.0 %	12.1 %	2.2 %	

Source: City of Chicago Department of Aviation.

[1] "Domestic Air Carrier" includes General Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

ENPLANED COMMERCIAL PASSENGERS BY AIRLINE
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2005–2014 (UNAUDITED)

	2005		2006		2007		2008		2009		2010		2011		2012		2013		2014	
	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	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 %	8,885,118	86.5 %	9,262,733	87.3 %
American Trans Air [1]	1,714,873	19.6	783,224	8.5	686,065	7.3	54,650	0.7												
AirTran	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	462,680	4.5	383,443	3.6
Northwest Airlines	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	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	161,456	1.6	157,835	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		4,281	0.1	7,830	0.1
Atlantic Southeast			99,373	1.1	61,460	0.6	882		3,715	0.1	29,314	0.3				0.1				
Continental Airlines	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	5,123	0.1	4,371	0.1	19,264	0.1	21,135	0.1			14,156	0.2			36,968					
American	113,818	1.3	60,793	0.7	164															
Delta	86,621	1.0							144,037	1.7	176,231	2.0	239,357	2.5	231,644	2.5	239,361	2.3	265,134	2.5
United	106,951	1.3	74,520	0.8																
American Eagle/Simmons	7,599	0.1	27,863	0.3																
Chicago Express	41,410	0.5																		
All other airlines	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	514,585	5.0	531,021	5.0
Total	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 %	10,267,481	100.0 %	10,607,996	100.0 %

[1] 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, 2005–2014 (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
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
2013	10,267,481	23.6	33,297,578	76.4	43,565,059
2014	10,607,996	23.4	34,646,832	76.6	45,254,828
Average Annual Compound Growth Rates					
2005–2014	2.2 %		(1.0)%		(0.3)%

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, 2005–2014 (UNAUDITED)

	Chicago Midway International Airport		Chicago O'Hare International Airport		
Years	Total O&D Enplanements [1]	Percent of Total Chicago	Total O&D Enplanements	Percent of Total Chicago	Total O&D Enplanements
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	6,308,718	27.2	16,867,283	72.8	23,176,001
2013	6,505,206	27.6	17,044,643	72.4	23,549,849
2014	6,446,497	27.4	17,115,535	72.6	23,562,032
Average Annual Compound Growth Rates					
2005–2014	- %		(0.3)%		(0.2)%

[1] Originating enplanements, resulting connecting enplanements and percentages have been recalculated based on updated information.

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, 2005–2014 (UNAUDITED)

	Aircraft Operations						
Years	Domestic Air Carrier	International Air Carrier	Total Air Carrier	Domestic Commuter	General Aviation	Military	Total
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
2013	182,643	7,046	189,689	8,401	54,036		252,126
2014	178,518	7,299	185,817	10,013	53,422		249,252
	Average Annual Compound Growth Rates						
2005–2014	(0.4)%	17.8 %	- %	3.3 %	(6.3)%		

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

NET POSITION BY COMPONENT
EACH OF THE NINE YEARS ENDED DECEMBER 31, 2006–2014 (UNAUDITED)
($ in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014
NET POSITION:									
Investment in capital assets	$ 45,388	$ 31,251	$ 40,352	$ (1,936)	$ (39,755)	$ (70,876)	$ (87,279)	$ (131,057)	$ (115,080)
Restricted	215,589	232,344	184,019	201,158	190,641	208,100	80,507	99,427	86,526
Unrestricted	31,561	18,795	19,614	5,792	20,040	37,224	36,572	46,613	21,856
TOTAL NET POSITION	$292,538	$282,390	$243,985	$205,014	$170,926	$174,448	$ 29,800	$ 14,983	$ (6,698)

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

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

CHANGE IN NET POSITION
EACH OF THE NINE YEARS ENDED DECEMBER 31, 2006–2014 (UNAUDITED)
($ in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014
OPERATING REVENUES	$105,570	$652,763	$124,985	$122,301	$149,056	$157,371	$157,833	$175,189	$170,259
OPERATING EXPENSES	135,276	544,890	155,596	147,308	161,103	161,156	159,530	162,654	175,759
OPERATING (LOSS) GAIN	(29,706)	107,873	(30,611)	(25,007)	(12,047)	(3,785)	(1,697)	12,535	(5,500)
NONOPERATING (EXPENSES) REVENUES	(5,325)	18,363	(14,571)	(13,964)	(24,502)	4,246	(31,708)	(32,327)	(21,007)
(LOSS) GAIN BEFORE CAPITAL GRANTS	(35,031)	126,236	(45,182)	(38,971)	(36,549)	461	(33,405)	(19,792)	(26,507)
CAPITAL GRANTS	22,217	48,253	6,777		2,461	3,061	4,681	4,975	4,826
CHANGE IN NET POSITION	$ (12,814)	$174,489	$ (38,405)	$ (38,971)	$ (34,088)	$ 3,522	$ (28,724)	$ (14,817)	$ (21,681)

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 NINE YEARS ENDED DECEMBER 31, 2006–2014 (UNAUDITED)
($ in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014
First lien bonds	$ 849,400	$ 835,780	$ 821,275	$ 806,015	$ 783,595	$ 780,205	$ 758,560	$ 624,545	$ 34,180
Second lien bonds	422,715	422,715	422,715	399,140	685,780	681,285	648,130	812,750	1,489,410
Commercial paper notes	10,269	10,674	10,674	61,360	4,005		34,639	57,713	
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	$ 1,495,008	$ 1,523,590
Enplanements [1]	9,198,532	9,414,181	8,358,287	8,571,847	8,856,025	9,458,810	9,779,609	10,267,481	10,607,996
Total debt per enplanements	139.41	134.81	150.11	147.75	166.37	154.51	147.38	145.61	143.63

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

[1] Enplaned Commercial Passengers by Airline Schedule as shown on page 52.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

FULL TIME EQUIVALENT CHICAGO MIDWAY AIRPORT EMPLOYEES BY FUNCTION
EACH OF THE NINE YEARS ENDED DECEMBER 31, 2006–2014 (UNAUDITED)

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business communication	-	7	6	-	-	-	-	-	-
Capital development	4								
Airfield operations	59	60	59	75	75	75	70	70	85
Landside operations	6								21
Security management	64	60	61	60	60	60	60	60	69
Facility management	37	37	32	28	32	35	33	35	14
Midway administration	13	12	12	11	10	10	10	10	10
Safety management		3	2	2	2	2	2	2	
Total	183	179	172	176	179	182	175	177	199

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)

	2014 (1)			2005 (4)		
Employer	**Number of Employees**	**Rank**	**Percentage of Total City Employment**	**Number of Employees**	**Rank**	**Percentage of Total City Employment**
Advocate Health Care	18,556	1	1.47 %			
University of Chicago	16,025	2	1.27			
JP Morgan Chase & Co. (2)	15,015	3	1.19	9,200	1	0.87 %
Northwestern Memorial Healthcare	14,550	4	1.15			
United Continental Holdings Inc.	14,000	5	1.11	5,995	2	0.56
Walgreen Co	13,797	6	1.09			
AT&T (3)	13,000	7	1.03	4,311	5	0.41
Presence Health	11,279	8	0.89			
University of Illinois at Chicago	10,100	9	0.80			
Abbott Laboratories	10,000	10	0.79			
Accenture LLP				4,341	4	0.41
Northern Trust Corporation				4,574	3	0.43
Ford Motor Company				2,992	7	0.28
Bank of America NT & SA				2,811	9	0.26
American Airlines				4,054	6	0.38
UPS				2,464	10	0.23
ABN Amro				2,876	8	0.27

NOTES:

(1) Source: Reprinted with permission, Crain's Chicago Business (January 19, 2015), Crain Communications, Inc.
(2) J.P. Morgan Chase formerly known as Banc One.
(3) AT&T Inc. formerly known as SBC Ameritech. 2014 number of employees is a state wide number.
(4) Source: City of Chicago, Department of Revenue, Employer’s Expense Tax Returns.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

STATISTICAL DATA
POPULATION AND INCOME STATISTICS
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2005–2014
(Unaudited)

Year	Population [1]	Median Age [2]	Number of Households [2]	Unemployment Rate [3]	Per Capita Income [4]	Total Income
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	1,054,488	8.9	48,305	130,210,861,390
2013	2,695,598	33.5	1,062,029	8.3	49,071	132,275,689,458
2014	2,695,598	N/A	N/A	5.7	N/A [5]	N/A [5]

Notes:

[1] Source: U.S. Census Bureau.

[2] Source: World Business Chicago Website and Environmental System Research Institute data estimates.

[3] Source: Bureau of Labor Statistics 2013, 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 2014 dollars).

[5] N/A means not available at time of publication.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

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

Landing Fees and Terminal Area Use Charges	**2014**
Signatory Landing Fee (Rate/1000 lbs)	$ 3.38
Non-Signatory Landing Fee (Rate/1000 lbs)	4.23
Signatory Joint Use Fee (Base Usage/1000 lbs)	1.10
Non-Signatory Joint Use Fee (Base Usage/1000 lbs)	1.38
Signatory Joint Use Fee (Per Capita/Annual)	$ 191,329
Non-Signatory Joint Use Fee (Per Capita/Annual)	239,161
Signatory Terminal Rental Rate	$ 97.85
Non-Signatory Terminal Rental Rate	122.32
Terminal Ramp Rate	3.57
Signatory FIS Fee per Deplaned Passenger	4.78
Non-Signatory F/S Fee per Deplaned Passenger	5.97
Cost per Departure Rate (1)	103.83

(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 12/31/14.