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

Comprehensive Annual Financial Report
For the Years Ended December 31, 2017 and 2016

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

2017 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 29, 2018

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, 2017. 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 2017, Midway's passenger enplanements remained steady.

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

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 investments in Midway, with many improvements continuing through 2017. These investments focused on the following core priorities: to address the Airport's steady passenger demand, to continuously improve safety and security for all passengers, and to modernize facilities and amenities to provide its more than 22 million passengers per year a world-class travel experience. In turn, the Airport is committed to engaging the surrounding community in economic opportunities in the process.

The centerpiece of the ongoing capital program is the Midway Modernization Program a $400 million investment announced by Mayor Rahm Emanuel in 2015. The Midway Modernization Program is focused on enhancing the passenger's travel experience and growing non-airline airport revenue. With three key projects, it is expected to create 1,700 permanent and construction jobs.

- Passenger Security Checkpoint Expansion project – This $104 million project will construct an 80,000 square foot security pavilion to increase the number of TSA lanes, allowing five times the volume of the current throughput to improve security checkpoint efficiency and wait times for passengers. Construction for this project began in January 2018.

- Terminal Parking Garage Expansion project – This $179 million project will construct 1,500 additional premium parking spaces through an addition to the existing Terminal Parking Garage. Construction for this project is expected to start in July 2018.

- Concessions Redevelopment Program – To expand concessions offerings for passengers, full design work for the project will begin in 2017 which will overhaul approximately 44,000 square feet of existing concessions areas, stores and restaurants, followed by a major 26,000 square foot expansion of new concessions space, offering a total of nearly 70,000-square-feet to the Airport by 2020. In total, the concessions upgrade, the first to the Airport in 15 years, is expected to double the number of concessions jobs from 700 to 1,400, improve wages and benefits and will create another 250 jobs for construction. Construction began in January 2018 with the first three new restaurants opening in May 2018.

In total, these projects are focused on maintaining and enhancing the Airport's operational capability and efficiency, growing non-airline revenue, and bringing further improvements to the overall travel experience for passengers by 2020.

Finally, the Airport continues to invest in our surrounding community and has invested over $350 million as part of the on-going residential and school sound insulation programs since 1996. To date, Midway has completed the sound insulation of 41 schools and more than 10,000 homes in the community near Midway.

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. As the cost of a control should not exceed the benefits to be derived, the internal control structure is designed to provide reasonable, rather than absolute, assurance to all stakeholders that the financial statements reflect operations free of theft, neglect or material misstatements that could affect the efficiency of operations at the Airport. This objective is being met by adequate supervision of employees, segregation of the duties and multiple approval and budgetary controls over all 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, 2016. This was the 20th 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

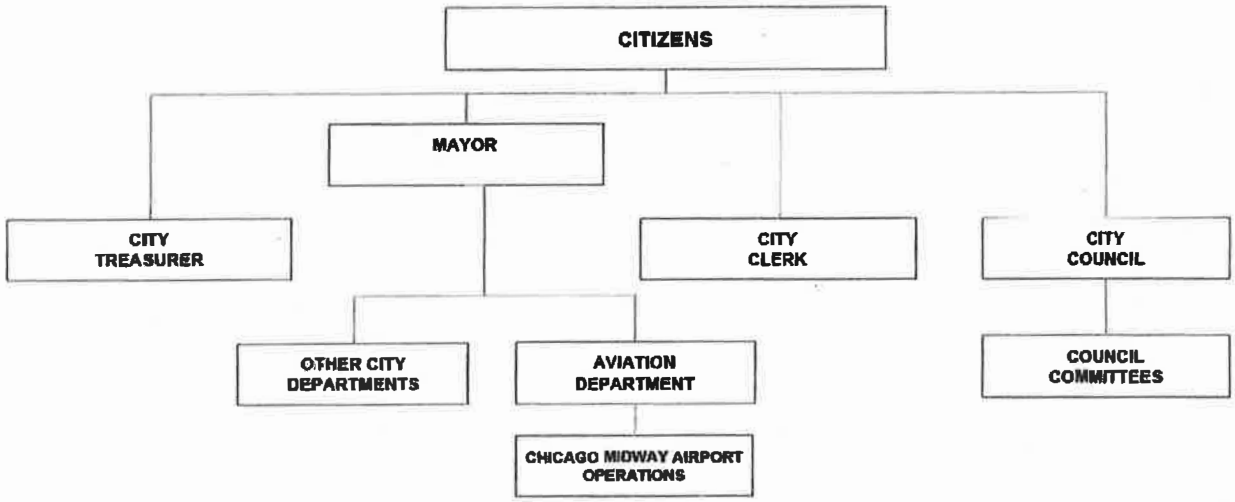
December 31, 2016

Christopher P. Morrill

Executive Director/CEO

CITY OF CHICAGO
CHICAGO MIDWAY INTERNATIONAL AIRPORT
ORGANIZATION CHART

AS OF 12/31/2017



PART II

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable Rahm Emanuel, Mayor
And Members of the City Council
City of Chicago, Illinois

Report on the Financial Statements

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, 2017 and 2016, 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.

Auditor's 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, 2017 and 2016, and the changes in 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, 2017 and 2016, changes in its financial position, or, where applicable, its cash flows, thereof, 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, the Schedule of Changes in the Net Pension Liability and Related Ratios, the Schedule of Contributions, and the Schedule of Other Postemployment Benefits Funding Progress, 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Midway's basic financial statements. The introductory section, additional supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 29, 2018

This following discussion and analysis of the Chicago Midway International Airport's (the "Airport" or "Midway") performance provides an introduction and overview of the Airport's financial activities for the years ended December 31, 2017 and 2016. 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

2017

Operating revenues for 2017 increased by $12,832 compared to 2016 operating revenue primarily due to increases in the landing fees and terminal rental rates to pay for capital development of the airport, increases in concessions revenues (primarily food & beverage and retail) due to a new concessions management contract which the Airport entered into in May 2017 with Midway Partnership LLC, and parking revenues due to a new rate structure implemented in January 2017.

Operating expenses before depreciation and amortization decreased by $11,640 compared to 2016 primarily due to a decrease in pension expenses as a result of the changes under Public Act 100-0023 (P.A. 100-0023), which requires increased future contributions to the Municipal Employees' Annuity and Benefit Fund of Chicago (Municipal Employees') and the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (Laborers') Plans. The increase in future required contributions increased the discount rate used to determine the total pension liability and decreased the current year pension expense. This was offset by an increase in professional and engineering services for pre-construction (planning) related services associated with the Midway Modernization Program.

The Airport's total net deficit at December 31, 2017, was $(307,001). This is a decrease of $3,148 compared to total net deficit at December 31, 2016, primarily due to the non cash portion of pension expense (recorded as an operating expense) that is not collected in rates and charges.

Capital asset additions for 2017 were $35,889, principally due to land acquisition, runway rehabilitation and parking and security improvements. Completed projects totaling, $14,174 were transferred from construction in progress to applicable buildings and other facilities capital account.

2016

Operating revenues for 2016 increased by $6,074 compared to 2015 operating revenue primarily due to increases in the landing fee and terminal rental rates and increase in concession revenues (parking, auto rental and restaurants).

Operating expenses before depreciation and amortization decreased by $1,271 compared to 2015, primarily due to a decrease in pension expenses calculated under the Governmental

Accounting Standards Board ("GASB") Statement No. 68 "*Accounting of Financial Reporting for Pensions—an amendment of GASB Statement No. 27*" ("GASB 68"), offset by increases in salaries and wages and repairs and maintenance.

The Airport's total net deficit at December 31, 2016, was $(303,853). This is a decrease of $60,377 compared to total net deficit at December 31, 2015, primarily due to the increase in net pension liability and revenue bonds payable (due to the issuance of revenue bonds in 2016), partially offset by the increase in restricted cash, cash equivalents and investments.

Capital asset additions for 2016 were $62,680, principally due to land acquisition, runway rehabilitation and parking 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 and deferred outflows and liabilities and deferred inflows 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, 2017, the Airport's financial position included total assets and deferred outflows of $2,086,276 total liabilities and deferred inflows of $2,393,277 and net deficit of $(307,001). A comparative condensed summary of the Airport's net position at December 31, 2017, 2016, and 2015, is as follows:

	Net Position		
	2017	**2016**	**2015**
Current unrestricted assets	$ 72,095	$ 61,717	$ 54,246
Restricted and other assets—noncurrent	692,585	705,534	410,313
Capital assets—net	1,167,134	1,182,688	1,169,550
Total assets	1,931,814	1,949,939	1,634,109
Deferred outflows	154,462	114,005	134,926
Total assets and deferred outflows	$ 2,086,276	$ 2,063,944	$ 1,769,035
Current liabilities	$ 39,668	$ 34,711	$ 31,022
Liabilities payable from restricted assets and noncurrent liabilities	2,244,835	2,324,682	1,979,745
Total liabilities	2,284,503	2,359,393	2,010,767
Deferred inflows	108,774	8,404	1,744
Total liabilities and deferred inflows	$ 2,393,277	$ 2,367,797	$ 2,012,511
Net position:			
Net investment in capital assets	$ (180,803)	$ (152,026)	$ (150,431)
Restricted	127,476	83,048	97,980
Unrestricted	(253,674)	(234,875)	(191,025)
Total net deficit	$ (307,001)	$ (303,853)	$ (243,476)

2017

Current unrestricted assets increased by $10,378 (16.8%) primarily due to an increase in cash and cash equivalents from increased revenues. The Airport's current ratio (current unrestricted assets/current unrestricted liabilities) at December 31, 2017 and 2016, was 1.82:1 and 1.78:1, respectively. Noncurrent restricted and other assets decreased by $12,949 (1.8%) mainly due to decreases in construction funds of $32,119 related to increased activity in the Midway Modernization capital improvement plan during 2017. Net capital assets decreased by $15,554 (1.3%) due principally to projects continually being completed, therefore an overall increase in depreciation.

The increase in current liabilities of $4,957 (14.3%) is mainly related to the increase in advances for terminal rent of $2,013. Pension liability in the amount of $290,610 decreased $26,137 (8.25%) compared to 2016 as a result of the changes under P.A. 100-0023 which requires increased future contributions to the Municipal Employees' and Laborers' plans. The increase in future required contributions increased the discount rate used to determine the total pension liability and therefore decreased the net pension liability.

Liabilities payable from restricted assets and noncurrent liabilities decreased by $79,847 (3.4%) in 2017 mainly due to a decrease in revenue bonds payable from restricted funds of $36,793, which was offset by a decrease in net pension liability as a result of the changes under P.A. 100-0023, which impacted the Municipal Employees' and Laborers' plans. At December 31, 2017, total net deficit was $(307,001), a decrease of $3,148 (1.0%).

Deferred outflows increased by $40.457 million (35.5%) and deferred inflows increased by $100.4 million (1,194.3%) during 2017 due to changes in the required future pension contributions as discussed above in the financial highlights.

2016

Current unrestricted assets increased by $7,471 (13.8%) primarily due to an increase in cash and cash equivalents. The Airport's current ratio (current unrestricted assets/current unrestricted liabilities) at December 31, 2016 and 2015, was 1.78:1 and 1.75:1, respectively. Noncurrent restricted investments and other assets increased by $295,221 (72.0%) mainly due to increases in construction funds of $258,696 (due to the issuance of revenue bonds during 2016) and an increase in capitalized interest of $30,080 from bond proceeds. Net capital assets increased by $13,138 (1.13%) due principally to increased completed construction. Deferred outflows decreased by $20,921 (15.5%) primarily due to the refunding of bonds and changes in the fair value of derivative instruments.

The increase in current liabilities of $3,689 (11.9%) is mainly related to the increase in accounts payable and accrued liabilities of $5,600. Liabilities payable from restricted assets and noncurrent liabilities increased by $344,937 (17.4%) in 2016 mainly due to an increase in revenue bonds payable from restricted funds of $317,020 and an increase in net pension liability of $20,722. At December 31, 2016, total net deficit was $(303,853), a decrease of $60,377 (24.8%).

A comparative condensed summary of the Airport's changes in net position for the years ended December 31, 2017, 2016, and 2015 is as follows (dollars in thousands):

	Changes in Net Position		
	2017	**2016**	**2015**
Operating revenues:			
Landing fees and terminal area use charges	$ 95,416	$ 87,425	$ 84,623
Rents, concessions and other	99,609	94,768	91,496
Total operating revenues	195,025	182,193	176,119
Operating expenses:			
Salaries and wages	48,185	48,548	43,343
Pension expense	40,211	47,879	60,767
Repairs and maintenance	44,506	48,277	44,095
Professional and engineering	24,344	20,851	20,954
Other operating expenses	13,719	17,050	14,717
Depreciation and amortization	51,443	49,118	47,719
Total operating expenses	222,408	231,723	231,595
Operating (loss) income	(27,383)	(49,530)	(55,476)
Nonoperating revenue (expenses):			
Nonoperating revenues	55,245	49,560	53,163
Nonoperating expenses	(62,566)	(88,310)	(84,129)
Total nonoperating revenues/expenses	(7,321)	(38,750)	(30,966)
(Loss) before capital grants	(34,704)	(88,280)	(86,442)
Capital grants	31,556	27,903	9,279
Change in net position	(3,148)	(60,377)	(77,163)
Net deficit beginning of year (*as restated in 2015)	(303,853)	(243,476)	(166,313)
Net deficit end of year	$(307,001)	$(303,853)	$(243,476)

2017

Landing fees and terminal area use charges for the years 2017 and 2016 were $95,416 and $87,425, respectively. Rents, concessions, and other revenues were $99,609 and $94,768 for 2017 and 2016, respectively. The increase in 2017 operating revenues of $12,832 (7.0%) from 2016 was due to increased landing fees and terminal area use charges of $7,991 and rents and other concession revenue of $4,841 due to a new concessions management contract which the Airport entered into in May 2017 with Midway Partnership LLC, and due to a new parking rate structure implemented in January 2017.

Salaries and wages decreased by $363 (0.7%) in 2017 compared to 2016 due to a decrease in the payment of overtime and medical care premiums as well as a retroactive salary adjustment in 2016 that was not applicable in 2017. Professional and engineering expenses increased $3,493 (16.8%) compared to 2017 primarily due to increases in contractor costs associated with public parking facilities and pre-construction planning related to Midway Modernization.

Pension expense decreased $7,668 (16%) from $47,879 in 2016 to $40,211 in 2017 as a result of the changes under P.A. 100-0023, which requires increased future contributions to the Municipal Employees' and Laborers' plans. The increase in future required contributions increased the discount rate used to determine the total pension liability and decreased the current year pension expense. During 2017, $9,548 of the $40,211 was paid under statutory requirements.

The 2017 nonoperating revenues of $55,245 are comprised of Passenger Facility Charges (PFC) revenue of $40,918, Customer Facility Charges (CFC) revenue of $8,130, investment income of $5,722 and other nonoperating revenues of $475. During 2017, nonoperating revenues increased by $5,685 primarily due to fair value changes in investment income resulting from better long-term investment management.

Nonoperating expenses of $62,566 and $88,310 for the years 2017 and 2016, respectively, were primarily comprised of bond interest expense and noise mitigation costs.

Capital grants increased $3,653 in 2017, mainly as a result of when associated capital expenditures became eligible for grant reimbursement from the federal government and increase in the allotment of Airport Improvement Program grant funding from the FAA.

2016

Landing fees and terminal area use charges for the years 2016 and 2015 were $87,425 and $84,623, respectively. Rents, concessions, and other revenues were $94,768 and $91,496 for 2016 and 2015, respectively. The increase in 2016 operating revenues of $6,074 (3.4%) from 2015 was due to increased landing fees and terminal area use charges of $2,802 and rents and other concession revenue (from parking, auto rentals and restaurants) of $3,272.

Salaries and wages increased by $5,205 (12.0%) in 2016 compared to 2015 due to payment of retroactive salary adjustments and contractual salary increases. Professional and engineering expenses decreased $103 (0.5%) compared to 2016 primarily due to decreases in contractor costs associated with public parking facilities.

Pension expense for 2016 was $47,879 as calculated under GASB 68, of which $6,691 was paid under statutory requirements.

The 2016 nonoperating revenues of $49,560 are comprised of Passenger Facility Charges (PFC) revenue of $41,665, Customer Facility Charges (CFC) revenue of $8,625, investment loss of $(1,094) and other nonoperating revenues of $364. During 2016, nonoperating revenues decreased by $3,603 primarily due to fair value changes in investment income.

Nonoperating expenses of $88,310 and $84,129 for the years 2016 and 2015, respectively, were primarily comprised of bond interest expense, bond issuance costs and noise mitigation costs.

Capital grants increased $18,624 in 2016, 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, 2017, 2016, and 2015, is as follows:

	Cash Flows		
	2017	**2016**	**2015**
Cash provided by (used in) activities:			
Operating	$ 56,535	$ 41,960	$ 44,089
Capital and related financing	(98,141)	287,614	(63,085)
Noncapital financing	(814)	(26,725)	(21,921)
Investing	74,775	(243,563)	75,055
Net change in cash and cash equivalents	32,355	59,286	34,138
Cash and cash equivalents:			
Beginning of year	228,038	168,752	134,614
End of year	$260,393	$ 228,038	$168,752

2017

As of December 31, 2017, the Airport's available cash and cash equivalents of $260,393 increased by $32,355 compared to $228,038 at December 31, 2016, due to operating activities of $56,535 and investing activities of $74,775 offset by capital and related financing of $98,141 and noncapital financing of $814. Total cash and cash equivalents at December 31, 2017, were comprised of unrestricted and restricted cash and cash equivalents of $46,037 and $214,356, respectively.

2016

As of December 31, 2016, the Airport's available cash and cash equivalents of $228,038 increased by $59,286 compared to $168,752 at December 31, 2015, due to operating activities of $41,960 and capital and related financing of $287,614 offset by noncapital financing of $26,725 and investing activities of $243,563. Total cash and cash equivalents at December 31, 2016, were comprised of unrestricted and restricted cash and cash equivalents of $12,615 and $215,423, respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2017 and 2016, the Airport had $1,167,134 and $1,182,688, respectively, invested in net capital assets. During 2017, the Airport had additions of $35,889 related to capital activities. This included $838 for land acquisition and the balance of $35,051 for construction projects relating to runway rehabilitation and parking and security improvements.

During 2017, completed projects totaling $14,174 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 and road and sidewalks.

The Airport's capital assets at December 31, 2017, 2016, and 2015, are summarized as follows:

	Capital Assets at Year-End		
	2017	**2016**	**2015**
Capital assets not depreciated:			
Land	$ 116,475	$ 115,637	$ 115,165
Construction in progress	32,427	11,550	19,126
Total capital assets not depreciated	148,902	127,187	134,291
Capital assets depreciated:			
Buildings and other facilities	1,685,956	1,671,782	1,602,470
Less accumulated depreciation for:			
Buildings and other facilities	(667,724)	(616,281)	(567,211)
Total capital assets depreciated—net	1,018,232	1,055,501	1,035,259
Total property and facilities—net	$1,167,134	$1,182,688	$1,169,550

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.

During 2016, the Airport sold $342,395 of Chicago Midway International Airport Second Lien Revenue Bonds, Series 2016 A-B and having interest rates ranging from 2.0% to 5.0% with maturity dates ranging from January 1, 2017, to January 1, 2046. Certain net proceeds will be used to finance certain special projects. Certain net proceeds were used to refund certain maturities of outstanding bonds, to fund debt service reserve deposit requirement and to pay the cost of issuance of bonds.

The Airport's outstanding debt at December 31, 2017, 2016, and 2015, is summarized as follows (dollars in thousands):

	Outstanding Debt at Year-End		
	2017	**2016**	**2015**
Revenue bonds and notes	$1,755,835	$1,781,605	$1,506,325
Unamortized:			
Bond premium (discount)	114,270	123,133	79,093
Total revenue bonds payable—net of unamortized premium discount	1,870,105	1,904,738	1,585,418
Current bonds payable	(27,930)	(25,770)	(23,470)
Total long-term revenue bonds and notes payable—net	$1,842,175	$1,878,968	$1,561,948

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, 2017, had credit ratings with each of the four major rating agencies as follows:

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

At December 31, 2017 and 2016, 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 2017 and 2016, Southwest Airlines accounted for 92.7% and 92.7%, respectively, of total enplanements at the Airport.

Based on the Airport's rates and charges for 2018, total budgeted operating and maintenance expenses are projected at $161,692 and total net debt service and fund deposit requirements are projected at $61,672. Additionally, 2018 nonairline and nonsignatory revenues are budgeted for $84,883, resulting in a net airline requirement of $138,481 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.

BASIC FINANCIAL STATEMENTS

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2017 AND 2016
($ in thousands)

ASSETS	2017	2016
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	$ 46,037	$ 12,615
Cash and cash equivalents—restricted (Note 2)	85,740	100,918
Investments (Note 2)	5,009	31,164
Accounts receivable—net of allowance for doubtful accounts of approximately $178 in 2017 and $61 in 2016	11,232	7,949
Amounts to be billed	7,747	7,421
Due from other City funds	1,583	2,026
Prepaid expenses	390	218
Interest receivable	97	324
Total current assets	157,835	162,635
NONCURRENT ASSETS:		
Cash and cash equivalents (Note 2)—restricted	128,616	114,505
Investments (Note 2)—restricted	442,809	481,629
Due from other governments—restricted	29,707	1,298
Accounts receivable (Note 1)—restricted	3,068	4,533
Interest receivable—restricted	2,033	1,999
Other assets	612	652
Property and facilities (Note 5):		
Land	116,475	115,637
Buildings and other facilities	1,685,956	1,671,782
Construction in progress	32,427	11,550
Total property and facilities	1,834,858	1,798,969
Less accumulated depreciation	(667,724)	(616,281)
Property and facilities—net	1,167,134	1,182,688
Total noncurrent assets	1,773,979	1,787,304
Total assets	1,931,814	1,949,939
DEFERRED OUTFLOWS (Note 11)	154,462	114,005
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 2,086,276	$ 2,063,944

LIABILITIES, DEFERRED INFLOWS AND NET POSITION	2017	2016
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 23,867	$ 25,900
Due to other City funds	9,185	8,081
Advances for terminal and hangar rent	2,743	730
Billings over amounts earned	3,874	-
Liabilities payable from restricted assets:		
Accounts payable	19,289	36,724
Due to other City funds	352	135
Interest payable	38,168	38,289
Current portion of revenue bond payable (Note 4)	27,930	25,770
Total current liabilities	125,408	135,629
NONCURRENT LIABILITIES:		
Revenue bonds payable—net of current maturities (Note 4)	1,842,175	1,878,968
Net pension liability (Note 7)	290,610	316,747
Derivative instrument (Note 4)	24,319	26,034
Performance deposits	1,991	2,015
Total noncurrent liabilities	2,159,095	2,223,764
Total liabilities	2,284,503	2,359,393
DEFERRED INFLOWS (Note 11)	108,774	8,404
NET POSITION (Note 1):		
Net investment in capital assets (deficit)	(180,803)	(152,026)
Restricted net position:		
Debt service	8,750	-
Capital projects	41,292	10,703
Passenger facility charges	4,035	6,867
Airport use agreement	34,541	31,232
Customer facility charges	31,573	25,850
Other assets	7,285	8,396
Total restricted net position	127,476	83,048
Unrestricted net (deficit) position	(253,674)	(234,875)
Total net (deficit) position	(307,001)	(303,853)
TOTAL	$ 2,086,276	$ 2,063,944

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, 2017 AND 2016
($ in thousands)

	2017	2016
OPERATING REVENUES:		
Landing fees and terminal area use charges	$ 95,416	$ 87,425
Rents, concessions and other (Note 6)	99,609	94,768
Total operating revenues	195,025	182,193
OPERATING EXPENSES:		
Salaries and wages and pension costs	48,185	48,548
Pension expense (Note 7)	40,211	47,879
Repairs and maintenance	44,506	48,277
Professional and engineering services	24,344	20,851
Other operating expenses	13,719	17,050
Total operating expenses before depreciation and amortization	170,965	182,605
Depreciation and amortization	51,443	49,118
Total operating expenses	222,408	231,723
OPERATING LOSS	(27,383)	(49,530)
NONOPERATING REVENUES (EXPENSES):		
Passenger facility charges revenues	40,918	41,665
Customer facility charges revenues	8,130	8,625
Investment income (loss)	5,722	(1,094)
Interest expense (Note 4)	(61,277)	(58,220)
Noise mitigation costs	(1,289)	(27,089)
Costs of issuance	-	(3,001)
Other nonoperating revenues	475	364
Total nonoperating (expenses) revenues	(7,321)	(38,750)
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	(34,704)	(88,280)
CAPITAL GRANTS	31,556	27,903
CHANGE IN NET POSITION	(3,148)	(60,377)
TOTAL NET DEFICIT—Beginning of year	(303,853)	(243,476)
TOTAL NET DEFICIT—End of year	$(307,001)	$(303,853)

See notes to basic financial statements.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
($ in thousands)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Landing fees and terminal area use charges	$ 95,565	$ 85,060
Rents, concessions and other	101,778	92,176
Payments to vendors	(83,615)	(76,572)
Payments to employees	(44,479)	(46,822)
Transactions with other City funds (used in)	(13,157)	(12,532)
Transactions with other City funds provided by	443	650
Cash flows provided by operating activities	56,535	41,960
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from issuance of bonds	-	394,848
Principal paid on bonds	(25,770)	(23,470)
Cash paid to refund bonds	-	(41,713)
Bond issuance costs	(4,061)	(3,002)
Interest paid	(82,336)	(59,681)
Acquisition and construction of capital assets	(39,634)	(58,504)
Grant receipts	3,147	30,314
Passenger Facility Charges revenues	40,700	40,197
Customer Facility Charges revenues	9,813	8,625
Cash flows provided by (used in) capital and related financing activities	(98,141)	287,614
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from settlement agreement	475	364
Cash paid for noise mitigation program	(1,289)	(27,089)
Cash flows (used in) noncapital financing activities	(814)	(26,725)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale (purchases) of investments—net	66,305	(245,356)
Investment interest	8,470	1,793
Cash flows (provided by) used in investing activities	74,775	(243,563)
NET CHANGE IN CASH AND CASH EQUIVALENTS	32,355	59,286
CASH AND CASH EQUIVALENTS—Beginning of year	228,038	168,752
CASH AND CASH EQUIVALENTS—End of year	$ 260,393	$ 228,038

(Continued)

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
($ in thousands)

	2017	2016
RECONCILIATION OF CASH AND CASH EQUIVALENTS REPORTED ON THE STATEMENTS OF NET POSITION:		
Unrestricted	$ 46,037	$ 12,615
Restricted:		
Current	85,740	100,918
Noncurrent	128,616	114,505
TOTAL	$260,393	$228,038
RECONCILIATION OF OPERATING LOSS TO CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$ (27,383)	$ (49,530)
Adjustments to reconcile operating loss to cash flows from operating activities:		
Depreciation and amortization	51,443	49,118
Pension expense other than contributions	30,663	41,188
Provision for uncollectible accounts	41	(390)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(3,324)	1,255
Decrease in due from other City funds	443	650
Increase in prepaid expenses	(171)	(63)
Increase (decrease) in due to other City funds	1,320	(119)
Decrease in amounts to be billed	(327)	(2,411)
Increase (decrease) in billings over amounts earned	3,874	(2,993)
Increase (decrease) in advances for terminal and hangar rent	2,013	(28)
(Decrease) increase in accounts payable and accrued liabilities	(2,057)	5,283
CASH FLOWS FROM OPERATING ACTIVITIES	$ 56,535	$ 41,960

SUPPLEMENTAL DISCLOSURE OF NONCASH ITEMS:
Property additions in 2017 and 2016 of $18,330 and $33,335 respectively, are included in accounts payable.

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") commencing January 1, 2013, 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 fair value equal to the cost of the repurchase agreements plus accrued interest.

Investments generally may not have a maturity in excess of 30 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, pension expense, 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 fair 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 unamortized loss on bond refundings, fair value of derivative instruments that are deemed to be effective hedges and differences between estimated and actual investment earnings related to pensions, and changes in actuarial assumptions related to pensions.

Deferred Inflows—Deferred inflows represent the differences between projected and actual actuarial experience related to pensions.

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 Insurance Costs, and Bond Premiums, and Discounts—Bond insurance costs 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—The Airport imposed PFCs of $4.50 per eligible enplaned passenger for the years ended December 31, 2017 and 2016, respectively. PFCs are available, subject to Federal Aviation Administration regulation and approval, to finance specific eligible capital projects. The City reports PFC revenue as nonoperating revenue and related noncapital expenses as nonoperating expenses in conformity with industry practice.

Customer Facility Charge (CFC) Revenue—Airport imposed a CFC of $4.75 per contract day on each customer for motor vehicle rentals at the Airport for the years ended December 31, 2017 and 2016, respectively. The CFC rate was increased to $4.75 on July 1, 2015. 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. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14* ("GASB 80"), amends the blending requirements for the financial statement presentation of component units of all state and local governments. GASB 80 was effective for Midway for its year ended December 31, 2017. The adoption of this Statement had no impact on the Airport's financial statements.

GASB Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73* ("GASB 82"), addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (Plan member) contribution requirements. GASB 80 was effective for Midway for its year ended December 31, 2017. The adoption of this Statement adjusted the presentation of payroll-related measures in the required supplementary information, but did not have an impact on the Airport's financial statements.

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

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"), replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. GASB 75 will be effective for the Airport beginning with its year ending December 31, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB.

GASB Statement No. 83, *Certain Asset Retirement Obligations*—("GASB 83"), addresses accounting and financial reporting for certain asset retirement obligations (AROs). A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets will have to recognize a liability based on the guidance in this statement. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. GASB 83 will be effective for the Airport beginning with its year ending December 31, 2019.

GASB Statement No. 84, *Fiduciary Activities*—("GASB 84") will improve the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 will be effective for the Airport beginning with its year ending December 31, 2019.

GASB Statement No. 85, *Omnibus*—("GASB 85") the objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. The statement addresses various miscellaneous issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (OPEB). GASB 85 will be effective for the Airport beginning with its year ending December 31, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*—("GASB 86") establishes accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. GASB 86 will be effective for the Airport beginning with its year ending December 31, 2018.

GASB Statement No. 87, *Leases*—("GASB 87") will improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement will establish a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that are currently not reported. GASB 87 will be effective for the Airport beginning with its year ending December 31, 2020.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*—("GASB 88") will improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GASB 88 will be effective for the Airport beginning with its year ending December 31, 2019.

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, 2017, the Airport had the following investments (dollars in thousands):

	Maturities (In Years)				
Investment Type	**Less than 1**	**1–5**	**6–10**	**More than 10**	**Fair Value**
U.S. agencies	$219,922	$135,621	$ -	$ -	$355,543
U.S. treasuries	11,970	-	-	-	11,970
Municipal bonds	17,507	77,640	9,616	11,474	116,237
Corporate bonds	-	-	-	-	-
Certificates of deposits and other short-term	225,997	-	-	-	225,997
Subtotal	$475,396	$213,261	$ 9,616	$11,474	709,747
Share of City's pooled funds					-
Total					$709,747

As of December 31, 2016, the Airport had the following investments (dollars in thousands):

	Maturities (In Years)				
Investment Type	Less than 1	1–5	6–10	More than 10	Fair Value
U.S. agencies	$122,432	$200,747	$ -	$ -	$323,179
Municipal bonds	42,952	86,743	22,620	10,512	162,827
Corporate bonds	4,014	498	-	-	4,512
Certificates of deposits and other short-term	233,517	-	-	-	233,517
Subtotal	$402,915	$287,988	$22,620	$10,512	$724,035
Share of City's pooled funds					51,290
Total					$775,325

Investments Fair Value Measurements—The City categorizes the fair value measurements of its investments based the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation techniques used to measure fair value.

Level 1—Inputs are unadjusted quoted prices in active markets for identical assets

Level 2—Observable inputs other than quoted market prices, and

Level 3—Unobservable Inputs

The investments measured at fair value as of December 31, 2017 and 2016 were (dollars in thousands):

	2017			2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
U.S. treasuries	$ -	$ 5,985	$ -	$ -	$ -	$ -
U.S. agencies	-	292,530	-	-	261,318	-
Corporate bonds	-	-	-	-	498	-
Municipal bonds	-	112,237	-	-	130,937	-
Total investments at fair value	$ -	$410,752	$ -	$ -	$392,753	$ -

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.

Money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less and are held by governments other than the external investment pools are measured at amortized cost and are not reflected in the table above. The total of these investments at amortized cost for Midway are $298.9 million and $331.3 million at December 31, 2017 and 2016, respectively.

The Airport's share in the City's pooled funds of $0 million and $51.3 million as of December 31, 2017 and 2016, respectively, is categorized as Level 2 in the fair value hierarchy; however, pooled funds are not reflected in the table above.

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 30 years from the date of purchase. Certain other investments are held in accordance with the specific provisions of applicable ordinances.

Credit Risk—With regard to credit risk, the Code limits the investments in securities to:

(1) Interest-bearing general obligations of the United States and the State of Illinois;

(2) United States treasury bills and other non-interest bearing general obligations of the United States or United States government agencies when offered for sale at a price below the face value of same, so as to afford the City a return on such investment in lieu of interest;

(3) Tax anticipation warrants, municipal bonds, notes, commercial paper or other instruments representing a debt obligation issued by the City of Chicago;

(4) Commercial paper which: (1) at the time of purchase, is rated in the two highest classifications by at least two accredited ratings agencies; and (2) matures not more than 270 days after the date of purchase;

(5) Reverse repurchase agreement if: (1) the term does not exceed 90 days; and (2) the maturity of the investment acquired with the proceeds of the reverse repurchase agreement does not exceed the expiration date of the reverse repurchase agreement; Reverse repurchase agreements may be transacted with primary dealers and financial institutions, provided that the City has on file a master repurchase agreement;

(6) Certificates of deposit of banks or savings and loan associations designated as municipal depositories which are insured by federal deposit insurance; provided that any amount of the deposit in excess of the federal deposit insurance shall be collateralized as noted in Custodial Credit Risk—Cash and Certificates of Deposit below;

(7) Bankers acceptance of banks whose senior obligations, at the time of purchase, are rated in either the AAA or AA rating categories by at least two accredited ratings agencies;

(8) Tax-exempt securities exempt from federal arbitrage provisions applicable to investments of proceeds of the City's tax-exempt debt obligations;

(9) Domestic money market mutual funds regulated by and in good standing with the Securities and Exchange Commission; provided that such money market mutual funds' portfolios are limited to investments authorized by this section;

(10) Any other suitable investment instrument permitted by state laws governing municipal investments generally, subject to the reasonable exercise of prudence in making investments of public funds;

(11) Except where otherwise restricted or prohibited, a non-interest-bearing savings account, non-interest-bearing checking account or other non-interest bearing demand account established in a national or state bank, or a federal or state savings and loan association, when, in the determination of the treasurer, the placement of such funds in the non-interest bearing account is used as compensating balances to offset fees associated with that account that will result in cost savings to the City;

(12) Bonds of companies organized in the United States with assets exceeding $500.0 million that, at the time of purchase, are rated not less than A-, or equivalent rating, by at least two accredited ratings agencies;

(13) Debt instruments of international financial institutions, including but not limited to the World Bank and the International Monetary Fund, that, at the time of purchase, are rated within 4 intermediate credit ratings of the United States sovereign credit rating by at least two accredited ratings agencies, but not less than an A-rating, or equivalent rating. The maturity of investments authorized in this subsection shall not exceed 10 years. For purposes of this subsection, an “international financial institution” means a financial institution that has been established or chartered by more than one country and the owners or shareholders are generally national governments or other international institutions such as the United Nations;

(14) United States dollar denominated debt instruments of foreign sovereignties that, at the time of purchase, are rated within 4 intermediate credit ratings of the United States sovereign credit rating by at least two accredited ratings agencies, but not less than an A-rating or equivalent rating;

(15) Interest-bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be registered in the name of the city or held under a custodial agreement at a bank. The bonds shall be rated, at the time of purchase, not less than A-, or equivalent rating, by at least two accredited rating agencies with nationally recognized expertise in rating bonds of states and their political subdivisions;

(16) Bonds registered and regulated by the Securities and Exchange Commission and for which the full faith and credit of the State of Israel is pledged for payment; provided that the bonds have an A-rating or above or equivalent rating by at least two accredited ratings agencies;

(17) Bonds, notes, debentures, or other similar obligations of agencies of the United States rated, at the time of purchase, no less than AAA by at least two accredited rating agencies.

Total holdings across all funds held by the Treasurer shall have no less than an overall average rating of Aa1 on a quarterly basis, as rated by two accredited rating agencies. The Airport's exposure to credit risk at December 31, 2017 and 2016, was as follows (dollars in thousands):

Quality Rating	**2017**	**2016**
Moody's/S&P:		
Aaa/AAA*	$190,794	$193,996
Aa/AA	441,972	378,484
P1/A1	47,571	15,000
MIG1/SP-1+	5,502	22,713
MIG2/SP-1	-	999
Not rated*	23,908	112,843
Total funds	$709,747	$724,035

* The Airport was able to obtain quality ratings for a portion of money market mutual funds as of December 31, 2017 that were previously classified as not rated as of December 31, 2016. The remaining investments that are not rated are primarily composed of money market mutual funds.

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 public fund deposits, depository institutions are to maintain collateral pledges on City deposits and certificates of deposit during the term of the deposit.

For certificates of deposit of banks or savings and loan associations designated as municipal depositories which are insured by federal deposit insurance, any amount of the deposit in excess of the federal deposit insurance shall be either: (1) fully collateralized at least 102 percent by: (i) marketable U.S. government securities marked to market at least monthly; (ii) bonds, notes, or other securities constituting the direct and general obligation of any agency or instrumentality of the United States; or (iii) bonds, notes or other securities constituting a direct and general obligation of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois or of any other state, or of any political subdivision or agency of the State of Illinois or any other state which are rated in either the AAA or AA rating categories by at least two accredited ratings agencies and maintaining such rating during the term of such investments; (2) 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 and maintaining such rating during the term of such investment; or (3) fully collateralized at least 102 percent by an irrevocable letter of credit issued in favor of the City of Chicago by the Federal Home Loan

Bank, provided that the Federal Home Loan Bank's short-term debt obligations are rated in the highest rating category by at least one accredited ratings agency throughout the term of the certificate of deposit.

The collateral required to secure City funds must be held in safekeeping and pursuant to collateral agreements which would prohibit release or substitution of pledged assets without proper written notification and authorization of the City Treasurer. The final maturity of acceptable collateral pledged shall not exceed 120 months.

The bank balance of cash and certificates of deposit with the City's various municipal depositories was $902.3 million as of December 31, 2017. Of the bank balance, 96.6% was either insured or collateralized with securities held by City agents in the City's name. An amount of $30.6 million was uncollateralized at December 31, 2017, and thus was subject to custodial credit risk.

The investments reported in the basic financial statements at December 31, 2017 and 2016, are summarized as follows (dollars in thousands):

	2017	2016
Per Note 2:		
Investments—airport	$709,747	$724,035
Investments—City Treasurer Pooled Fund	-	51,290
	$709,747	$775,325
Per basic financial statements:		
Restricted investments	$442,809	$481,629
Unrestricted investments	5,009	31,164
Investments classified as cash and cash equivalents on the statements of net position	261,929	262,532
	$709,747	$775,325

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, 2017 and 2016, were as follows (dollars in thousands):

Account	**2017**	**2016**
Construction	$363,263	$395,382
Capitalized interest	14,941	37,612
Debt service	74,387	62,682
Debt service reserve	128,237	130,120
Operation and maintenance reserve	25,812	23,884
Repair and replacement	8,086	8,218
Emergency reserve	416	405
Customer Facility Charge (CFC)	31,796	26,037
Other	9,265	10,338
Subtotal—master indentures and use agreement accounts	656,203	694,678
Passenger Facility Charges (PFC)	965	2,374
Total	$657,168	$697,052

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 2004 second lien bonds, the Series 2010 second lien bonds, the Series 2013 second lien bonds, the Series 2016 second lien bonds and the Series 2014 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, 2017 and 2016, 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, 2017 and 2016, consisted of the following (dollars in thousands):

	2017	2016
First lien bonds:		
$54,210 Series 1998 C Chicago Midway Airport Revenue Bonds, issued September 10, 1998, due through 2024, interest at 5.25%–5.50%	$ 25,775	$ 28,730
Subtotal—first lien bonds	25,775	28,730
Second lien bonds:		
$152,150 Series 2004 C and D Chicago Midway Airport Second Lien Revenue Bonds, issued December 14, 2004, due through 2035, variable floating interest rate (1.74% and 1.70% at December 31, 2017, respectively)	127,625	132,200
$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%	61,260	62,385
$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%	39,420	50,410
$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	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	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 (1.71% at December 31, 2017)	124,710	124,710
$121,265 Series 2016 A Chicago Midway Airport Second Lien Revenue Bonds, issued June 1, 2016, due through 2033, interest rate at 2.000%–5.000%	120,070	121,265
$221,130 Series 2016 B Chicago Midway Airport Second Lien Revenue Bonds, issued June 1, 2016, due through 2046, interest rate at 2.000%–5.000%	216,200	221,130
Subtotal—second lien bonds	1,730,060	1,752,875
Total revenue bonds and notes	1,755,835	1,781,605
Unamortized premium (discount)	114,270	123,133
Total revenue bonds payable—net of unamortized premium (discount)	1,870,105	1,904,738
Current portion	(27,930)	(25,770)
Total long-term revenue bonds payable	$ 1,842,175	$ 1,878,968

Long-term debt during the years ended December 31, 2017 and 2016, changed as follows (dollars in thousands):

	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017	Due within One Year
Revenue bonds and notes	$1,781,605	$ -	$(25,770)	$1,755,835	$27,930
Unamortized premium (discount)	123,133	-	(8,863)	114,270	-
Total long-term debt	$1,904,738	$ -	$(34,633)	$1,870,105	$27,930

	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016	Due within One Year
Revenue bonds and notes	$1,506,325	$342,395	$(67,115)	$1,781,605	$25,770
Unamortized premium (discount)	79,093	52,453	(8,413)	123,133	-
Total long-term debt	$1,585,418	$394,848	$(75,528)	$1,904,738	$25,770

Interest expense capitalized for 2017 and 2016 totaled $17.6 million and $15.5 million, respectively. Interest income capitalized for 2017 and 2016 totaled $3.9 million and $1.9 million, respectively. Interest expense includes amortization of the deferred loss on bond refunding for 2017 and 2016 of $1.4 million and $1.4 million, and amortization of $8.9 million of premium, net and $7.6 million of premium, net, respectively.

Issuance of Debt—The Airport Commercial Paper Notes, Series A, B, C, and D ($150 million maximum aggregated authorized by City Council) outstanding at December 31, 2017 and 2016, were $0. 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 10, 2020. 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 2.0% and 7.5% (Base Rate). Advances outstanding greater than 90 days will bear interest at the Base Rate, plus 1.0% beginning on the 90-first day after such advance is made. At December 31, 2017, there were no outstanding LOC advances.

In June 2016, the Airport sold $121.3 million of Chicago Midway Airport Second Lien Revenue Bonds, Series 2016A (AMT) at a premium of $19.4 million. The Bonds have interest rates of 2.0% to 5.0%. The bonds are not subject to mandatory sinking fund redemption prior to maturity and have maturity dates ranging from January 1, 2017, through January 1, 2033. Certain proceeds of $9.2 million together with $1.5 million transferred from the debt service and debt service reserve account were deposited into an escrow account to fully defease the Series 2004A Second Lien Bonds ($10.5 million of principal and $0.2 million of interest). Certain proceeds of $113.4 million will be used to finance the costs of the various airport projects; certain proceeds of $12.5 million were used to fund the capitalized interest deposit requirement; certain proceeds of $4.6 million were used to fund the debt service reserve requirement and certain proceeds of $1.0 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 $0.08 million that will be charged to operation over 9 years using the straight-line method. The current refunding decreased the Airport's total debt service by $2.6 million and resulted in an economic gain (difference between the present value of the old debt and the new debt service payments) of $1.1 million.

In June 2016, the Airport sold $221.1 million of Chicago Midway Airport Second Lien Revenue Bonds, Series 2016B (Non-AMT) at a premium of $33.0 million. The Bonds have interest rates of 2.0% to 5.0%. The Bonds are subject to mandatory and optional redemption and have maturity dates from January 1, 2017, to January 1, 2046. Certain proceeds of $27.7 million together with $6.3 million transferred from the debt service and debt service reserve account were deposited into an escrow account to fully defease the Series 2004B Second Lien Bonds ($33.2 million of principal and $0.8 million of interest). Certain proceeds of $192.3 million will be used to finance the costs of the various airport projects; certain proceeds of $23.8 million were used to fund the capitalized interest deposit requirement; certain proceeds of $8.3 million were used to fund the debt service reserve requirement and certain proceeds of $2.0 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 $0.45 million that will be charged to operation over 7 years using the straight-line method. The current refunding decreased the Airport's total debt service by $9.3 million and resulted in an economic gain (difference between the present value of the old debt and the new debt service payments) of $3.2 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 Airport has no outstanding defeased bonds as of December 31, 2017.

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

Years Ending December 31	Principal	Interest	Total
2018	$ 3,115	$1,332	$ 4,447
2019	3,290	1,156	4,446
2020	3,470	970	4,440
2021	3,660	774	4,434
2022	3,860	567	4,427
2023–2024	8,380	467	8,847
Total	$25,775	$5,266	$31,041

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, 2017 (dollars in thousands):

Years Ending December 31	**Principal**	**Interest**	**Total**
2018	$ 24,815	$ 78,279	$ 103,094
2019	31,800	77,397	109,197
2020	42,185	75,959	118,144
2021	47,655	73,948	121,603
2022	53,645	71,588	125,233
2023–2027	348,470	312,445	660,915
2028–2032	428,420	218,716	647,136
2033–2037	372,645	113,177	485,822
2038–2042	232,055	48,533	280,588
2043–2046	148,370	8,329	156,699
Total	$1,730,060	$1,078,371	$2,808,431

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, 2017, 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, 2019.

Irrevocable LOC ($126.1 million) provides for the timely payment of principal and interest on the Series 2014C bonds until July 17, 2020.

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.

Debt Covenants— The Master Indenture of Trust securing Chicago Midway Airport Revenue Bonds requires in each year that the City fix and establish and revise from time to time whenever necessary, such rates and other charges for the use and operation of Midway and for services rendered by the City in the operation of Midway in order that, in each Fiscal year, Revenues, together with any Other Available Monies deposited with the Trustee with respect to such Fiscal Year and any cash balance held in the Revenue Fund on the first day of such Fiscal Year not then required to be deposited in any Fund or Account, will be at least sufficient (a) to provide for the Operation and Maintenance Expenses for the Fiscal Year and (b) to provide for the greater of (i) the amounts needed to make the Deposits required during such Fiscal Year into the Debt Service Funds, the Operations & 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 (ii) an amount not less than 125 percent of the Aggregate Debt Service for the Bond Year commencing during such Fiscal Year reduced by an amount equal to the sum of any amount held in any Capitalized Interest Account for disbursement during such Fiscal Year to pay interest on First Lien Bonds. These requirements were met at December 31, 2017.

The Master Indenture of Trust Securing Chicago Midway Airport Second Lien Obligations requires that the City fix and establish and revise from time to time whenever necessary, such rentals, rates and other charges for the use and operation of Midway and for certain services rendered by the City in the operation of Midway in order that in each Fiscal Year, Revenues, together with Other Available Moneys deposited with the First Lien Trustee or the Second Lien Trustee with respect to such Fiscal Year and any cash balance held in the First Lien Revenue Fund or the Second Lien Revenue Fund on the first day of such Fiscal Year not then required to be deposited in any Fund or Account under the First Lien Indenture for the Second Lien Indenture, will be at least sufficient (1) to provide for the payment of Operation and Maintenance Expenses for the Fiscal Year and (2) to provide for the greater of (A) or (B) as follows: (A) the greater of the amounts needed to make the deposits required under the First Lien Indenture described in the immediately preceding paragraph above; or (B) the greater of the amounts needed to make the deposits required under the First Lien Indenture described in the immediately preceding paragraph above or an amount not less than 110 percent of the Aggregate First Lien Debt Service and Aggregate Second Lien Debt Service for the Bond Year commencing during such Fiscal Year, reduced by (X) any amount held in any Capitalized Interest Account for disbursement during such Bond Year to pay interest on First Lien Bonds, and (Y) any amount held in any capitalized interest account established pursuant to a Supplemental Indenture under the Second Lien Indenture for disbursement during such Bond Year to pay interest on Second Lien Obligations. These requirements were met at December 31, 2017.

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 $81.9 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 (dollars in thousands).

	Changes in Fair Value		Fair Value at December 31, 2017		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Cash flow hedges—pay-fixed interest rate swaps	Deferred outflow of resources	$1,715	Deferred outflow of resources	$(24,319)	$127,625

	Changes in Fair Value		Fair Value at December 31, 2016		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Cash flow hedges—pay-fixed interest rate swaps	Deferred outflow of resources	$5,326	Deferred outflow of resources	$(26,034)	$136,475

Pay-Fixed, Receive-Variable Interest Rate Swaps—The swap counterparties are Goldman Sachs and Wells Fargo, with notional amounts as of December 31, 2017, of $76.6 million and $51.1 million, respectively, and as of December 31, 2016, of $79.3 million and $52.3 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, 2017 and 2016, 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 (dollars in thousands).

2017 Associated Bond Issue	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value 2017	Swap Termination Date	Counterparty Credit Rating
Series 2004 C&D Bonds	$ 76,575	December 14, 2004	4.174 %	SIFMA +.05%	$(14,256)	January 1, 2035	A1/A+
Series 2004 C&D Bonds	51,050	April 21, 2011	4.247	SIFMA +.05%	(10,063)	January 1, 2035	Aa2/AA-
Total	$127,625				$(24,319)		

2016 Associated Bond Issue	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value 2016	Swap Termination Date	Counterparty Credit Rating
Series 2004 C&D Bonds	$ 79,320	December 14, 2004	4.174 %	SIFMA +.05%	$(15,213)	January 1, 2035	A1/A+
Series 2004 C&D Bonds	52,280	April 21, 2011	4.247	SIFMA +.05%	(10,821)	January 1, 2035	Aa2/AA-
Total	$131,600				$(26,034)		

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. Derivative instruments are valued in the market using regression analysis. Significant inputs to the derivative valuation for interest rate swaps are observable in active markets and are classified as Level 2 in the fair value hierarchy.

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, 2017, 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 (dollars in thousands):

Years Ending December 31	Variable-Rate Bonds with Swaps		Interest Rate	
	Principal	Interest	Swaps—Net	Total
2018	$ 4,775	$ 2,140	$ 3,041	$ 9,956
2019	5,000	2,053	2,918	9,971
2020	5,225	1,963	2,789	9,977
2021	5,350	1,870	2,658	9,878
2022	5,675	1,772	2,518	9,965
2023–2027	32,400	7,227	10,270	49,897
2028–2032	40,375	4,024	5,719	50,118
2033–2035	28,825	557	792	30,174
Total	$127,625	$21,606	$30,705	$179,936

5. CHANGES IN CAPITAL ASSETS

During the years ended December 31, 2017 and 2016, capital assets changed as follows (dollars in thousands):

	Balance January 1, 2017	Additions	Disposals and Transfers	Balance December 31, 2017
Capital assets not depreciated:				
Land	$ 115,637	$ 838	$ -	$ 116,475
Construction in progress[1]	11,550	35,051	(14,174)	32,427
Total capital assets not depreciated	127,187	35,889	(14,174)	148,902
Capital assets depreciated—buildings and other facilities	1,671,782	14,174	-	1,685,956
Less accumulated depreciation for—buildings and other facilities	(616,281)	(51,443)	-	(667,724)
Total capital assets depreciated—net	1,055,501	(37,269)	-	1,018,232
Total property and facilities—net	$1,182,688	$ (1,380)	$(14,174)	$1,167,134

[1] Includes net capitalized interest of $9,530

	Balance January 1, 2016	Additions	Disposals and Transfers	Balance December 31, 2016
Capital assets not depreciated:				
Land	$ 115,165	$ 472	$ -	$ 115,637
Construction in progress[1]	19,126	62,208	(69,784)	11,550
Total capital assets not depreciated	134,291	62,680	(69,784)	127,187
Capital assets depreciated—buildings and other facilities	1,602,470	69,312	-	1,671,782
Less accumulated depreciation for—buildings and other facilities	(567,211)	(49,070)	-	(616,281)
Total capital assets depreciated—net	1,035,259	20,242	-	1,055,501
Total property and facilities—net	$1,169,550	$ 82,922	$(69,784)	$1,182,688

[1] Includes net capitalized interest of $2,715

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, 2017 (dollars in thousands):

Years Ending December 31	Amount
2018	$ 53,004
2019	27,569
2020	27,569
2021	27,569
2022	27,569
2023–2027	137,845
Total future minimum rental income	$301,125

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 $103.5 million and $95.3 million in 2017 and 2016, respectively. Contingent rentals included in the totals were approximately $40.2 million and $41.5 million for 2017 and 2016, respectively.

7. PENSION PLANS

General Information about the Pension Plan

Plan Description—Eligible Midway Fund employees participate in one of four single-employer defined benefit pension plans (Plans). These Plans are: the Municipal Employees' Annuity and Benefit Fund of Chicago (Municipal Employees'); the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (Laborers'); the Policemen's Annuity and Benefit Fund of Chicago (Policemen's); and the Firemen's Annuity and Benefit Fund of Chicago (Firemen's). The plans are administered by individual retirement boards of trustees comprised of City officials or their designees and of trustees elected by Plan members. Certain employees of the Chicago Board of Education participate in Municipal Employees' or Laborers'. Each Plan issues a publicly available financial report that includes financial statements and required supplementary information that can be obtained at www.meabf.org, www.labfchicago.org, www.chipabf.org, and www.fabf.org.

Benefits provided—The Plans provide retirement, disability, and death benefits as established by State law. Benefits generally vest after 10 years of credited service. Employees qualify for an unreduced retirement age minimum formula annuity based on a combination of years of service and age of retirement. Employees may also receive a reduced retirement age minimum formula annuity if they do not meet the age and service requirements for the unreduced retirement age annuity. The requirements of age and service are different for employees depending on when they first became members of their respective Plans. For all four Plans, employees who became members before January 1, 2011 are considered Tier 1 Employees. For Policemen's and Firemen's, those employees who became members on or after January 1, 2011 are considered Tier 2 Employees. For Municipal Employees' and Laborers', those employees who became members on or after January 1, 2011 but before July 6, 2017 are considered Tier 2 Employees. For Municipal Employees' and Laborers', those employees who became members on or after July 6, 2017 are considered Tier 3 Employees. Public Act 100-0023 (P.A. 100-0023), which established the requirements for Tier 3 employees, includes a provision for Tier 2 employees to elect to be considered as Tier 3 employees. The annuity is computed by multiplying the final average salary by a percentage ranging from 2.2 percent to 2.5 percent per year of credited service. The final average salary is the employee's highest average annual salary for any four consecutive years within the last 10 years of credited service for participants who are Tier 1 Employees and any eight consecutive years within the last 10 years of credited service for participants who are Tier 2 Employees or Tier 3 Employees.

Benefit terms provide for annual adjustments to each employee's retirement allowance subsequent to the employees' retirement date. For Tier 1 Employees, the annual adjustments for Municipal Employees' and Laborers' are 3.0 percent, compounded, and for Policemen's and the majority of participants in Firemen's 3.0 percent, simple, for annuitants born before January 1, 1966 and 1.5 percent, simple, born after January 1, 1966 or later. For Tier 2 Employees and Tier 3 Employees, the annual adjustments are equal to the lesser of 3.0 percent and 50 percent of CPI-U of the original benefit.

Employees Covered by Benefit Terms—At December 31, 2017, the following employees were covered by the benefit terms:

	Municipal Employees'	Laborers'	Policemen's	Firemen's	Total
Inactive employees or beneficiaries currently receiving benefits	25,383	3,703	13,628	4,878	47,592
Inactive employees entitled to but not yet receiving benefits	17,549	1,469	640	77	19,735
Active employees	30,922	2,794	12,633	4,613	50,962
	73,854	7,966	26,901	9,568	118,289

Contributions—Historically State law required City contributions at statutorily, not actuarially, determined rates. State law also requires covered employees to contribute a percentage of their salaries. The City's contribution for payment year 2017 for Municipal Employees' and Laborers' was calculated based on the total amount of contributions by employees to the respective Plans made in the calendar year two years prior, multiplied by 1.25 for Municipal Employees', and 1.00 for Laborers'.

For the Municipal Employees' and Laborers' Plans, P.A. 100-0023 was enacted on July 6, 2017. P.A. 100-0023 requires the City to contribute specific amounts to the Municipal Employees' and the Laborers' Plans in the aggregate amounts as follows: in payment year 2018, $302.0 million; in payment year 2019, $392.0 million; in payment year 2020, $481.0 million; in payment year 2021, $571.0 million; and in payment year 2022, $660.0 million. Additionally, P.A. 100-0023 requires that the City's contributions are at actuarially determined rates beginning in payment year 2023 and future funding be sufficient to produce a funding level of 90% by the year end of 2058.

For Policemen's and Firemen's, Public Act 99-0506 (P.A. 99-0506) was enacted on May 31, 2016. P.A. 99- 0506 requires the City to contribute specific amounts to Policemen's and

Firemen’s Plans in the aggregate amounts as follows: in payment year 2017, $672.0 million; in payment year 2018, $727.0 million; in payment year 2019, $792.0 million; and in payment year 2020, $824.0 million. Additionally, P.A. 99-0506 requires that the City’s contributions are at actuarially determined rates beginning in payment year 2021 and future funding be sufficient to produce a funding level of 90% by the year end of 2055.

The City’s contributions are budgeted in the same year as the applicable levy year for the property taxes funding the contributions. The City’s contributions are then paid to the pension funds in the following year (which is when the levied property taxes are collected and paid to the City by the Cook County Treasurer).

The contribution to all four pension plans from the Airport was $9.5 million and $6.7 million for the years ended December 31, 2017 and 2016, respectively.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At December 31, 2017 and 2016, the Airport reported a liability of $290.6 million and $316.7 million, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Changes in Actuarial Assumptions—Changes under P.A. 100-0023 resulted in an increase in future required contributions to the Municipal Employees’ and Laborers’ pension plans resulting in an increase in the discount rate for the Municipal Employees’ and Laborers’ Pension Plans as discussed in the discount rate section below.

The change in the discount rate and other assumptions decreased the net pension liability by $101.4 million for Municipal Employees’ and $16.0 million for Laborers’. This change is being amortized into expense over a 5 year period for Municipal Employees’ and 4 year period for Laborers’.

The Airport’s proportion of the net pension liability was determined based on the rates of the Airport’s salaries within each corresponding pension plan to the total budgeted salaries for 2017 and 2016. At December 31, 2017 and 2016, the Airport’s proportion was 1.4 percent and 0.9 percent, respectively, of the Municipal Employees’ Plan, 1.5 percent and 1.5 percent, respectively, of the Laborer’s Plan, 0.5 percent and 0.4 percent, respectively, of the Policemen’s Plan and 1.3 percent and 1.4 percent, respectively, of the Firemen’s Plan.

For the years ended December 31, 2017 and 2016, the Airport recognized pension expense of $40.2 million and $47.9 million, respectively.

At December 31, 2017 and 2016, the reported deferred outflows of resources of $59.6 million and $63.3 million, respectively, and deferred inflows of resources of $108.8 million and $8.4 million, respectively, related to pensions from the following sources:

Municipal Employees' (dollars in thousands):

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 3,582	$ -	$1,556
Changes of assumptions	47,561	85,881	48,533	4,300
Net difference between projected and actual earnings on pension plan investments	-	1,499	1,728	-
Total	$47,561	$90,962	$50,261	$5,856

Amounts reported as deferred outflows of resources and deferred inflows of resources related to Municipal Employees' pensions will be recognized in pension expense/(benefit) as follows:

Years Ending December 31	
2018	$ 779
2019	779
2020	(23,379)
2021	(21,580)
Total	$(43,401)

Laborers' (dollars in thousands):

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 940	$ -	$ 625
Changes of assumptions	2,255	11,795	7,515	683
Net difference between projected and actual earnings on pension plan investments	993	1,479	1,481	-
Total	$3,248	$14,214	$8,996	$1,308

Amounts reported as deferred outflows of resources and deferred inflows of resources related to Laborers' pensions will be recognized in pension benefit as follows:

Years Ending December 31	
2018	$ (2,989)
2019	(4,947)
2020	(2,660)
2021	(370)
Total	$(10,966)

Policemen's (dollars in thousands):

	2017		**2016**	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 5	$1,399	$ 7	$312
Changes of assumptions	1,268	-	418	-
Net difference between projected and actual earnings on pension plan investments	646	783	899	-
Total	$1,919	$2,182	$1,324	$312

Amounts reported as deferred outflows of resources and deferred inflows of resources related to Policemen's pensions will be recognized in pension expense/(benefit) as follows:

Years Ending December 31	
2018	$ 51
2019	51
2020	(153)
2021	(171)
2022	(41)
Total	$(263)

Firemen's (dollars in thousands):

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 516	$ 54	$ 277	$ 74
Changes of assumptions	5,825	659	1,627	855
Net difference between projected and actual earnings on pension plan investments	521	703	785	-
Total	$6,862	$1,416	$2,689	$929

Amounts reported as deferred outflows of resources and deferred inflows of resources related to Firemen's pensions will be recognized in pension expense as follows:

Years Ending December 31	
2018	$1,317
2019	1,317
2020	1,111
2021	714
2022	987
Total	$5,446

Deferred Outflows Related to Changes in Proportionate Share of Contributions—For the years ended December 31, 2017 and 2016, the Airport reported pension (charge)/benefit of $(13.6) million and $(1.6) million, respectively, related to changes in its proportionate share of contributions. As of December 31, 2017 and 2016, the airport reported deferred inflows of $0, and deferred outflows of $53.7 million and $6.4 million, respectively, related to changes in its proportionate share of contributions. This deferred amount will be recognized as pension benefit/(charge) over a period of four years.

Actuarial Assumptions—The total pension liability in the December 31, 2017 and 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Municipal Employees'	Laborers'	Policemen's	Firemen's
Inflation	2.50 %	2.25 %	2.75 %	2.50 %
Salary increases	3.50–7.75 (a)	3.00 (b)	3.75 (c)	3.75 (d)
Investment rate of return	7.00 (e)	7.25 (f)	7.25	7.50

[a] (1.50%–6.50% for 2018-2022), varying by years of service

[b] Plus a service—based increase in the first 9 years

(c) Plus additional percentage related to service

(d) Plus additional service based increases

(e) Net of investment expense

(f) Net of investment expense, including inflation

Post-retirement mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table (Blue Collar mortality table for Laborers' and Firemen's) for males or females, as appropriate. Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table (Blue Collar mortality table for Laborers' and Firemen's). Disabled mortality rates were based on the RP-2014 Healthy Annuitant mortality table for Policemen's and Blue Collar mortality table for Firemen's. The actuarial assumptions used in the December 31, 2017 valuation were adjusted based on the results of actuarial experience study for the following periods:

Municipal Employees'	January 1, 2012 - December 31, 2016
Laborers'	January 1, 2012 - December 31, 2016
Policemen's	January 1, 2009 - December 31, 2013
Firemen's	January 1, 2012 - December 31, 2016

The long term expected rate of return on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2017 and 2016 are summarized in the following tables:

	Target Allocation				Long-Term Expected Real Rate of Return			
2017	**Municipal Employees'**	**Laborers'**	**Policemen's**	**Firemen's**	**Municipal Employees'**	**Laborers'**	**Policemen's**	**Firemen's**
Asset Class:								
Equity	- %	- %	- %	60.0 %	- %	- %	- %	7.25 %
Domestic equity	26.0	-	-	-	5.6	-	-	-
U.S. equity	-	25.0	21.0	-	-	5.8	6.1	-
Non U.S. equity	-	20.0	21.0	-	-	5.7	7.7	-
Global low volatility equity	-	5.0	-	-	-	5.0	-	-
International equity	22.0	-	-	-	5.7	-	-	-
Fixed income	27.0	20.0	22.0	20.0	1.0	(0.2)	1.9	7.34
Hedge funds	10.0	10.0	5.0	-	3.6	3.6	4.0	-
Private debt	-	3.0	-	-	-	8.2	-	-
Private equity	5.0	4.0	-	-	9.4	9.4	-	-
Private markets	-	-	17.0	-	-	-	7.4	-
Global asset allocation	-	-	5.0	-	-	-	4.4	-
Real estate	10.0	10.0	5.0	8.0	5.4	5.4	4.6	7.62
Real assets	-	-	4.0	-	-	-	4.4	-
Private real assets	-	3.0	-	-	-	5.8	-	-
Other investments	-	-	-	12.0	-	-	-	7.70
Total	100.0 %	100.0 %	100.0 %	100.0 %				

2016	Target Allocation Municipal Employees'	Laborers'	Policemen's	Firemen's	Long-Term Expected Real Rate of Return Municipal Employees'	Laborers'	Policemen's	Firemen's
Asset Class:								
Domestic equity	26.0 %	- %	- %	- %	4.8 %	- %	- %	- %
Domestic large cap equity	-	-	-	24.0	-	-	-	7.5
Domestic small cap equity	-	-	-	16.0	-	-	-	7.9
U.S. equity	-	12.0	21.0	-	-	6.4	6.1	-
Non U.S. equity	-	18.0	20.0	-	-	8.0	7.6	-
Global equity	-	20.0	-	-	-	6.8	-	-
International equity	22.0	-	-	25.0	5.0	-	-	7.5
Domestic fixed income	-	-	-	21.0	-	-	-	3.0
Fixed income	27.0	16.0	22.0	-	0.5	2.6	1.8	-
Hedge funds	10.0	8.0	7.0	-	2.8	3.9	3.7	-
Private equity	5.0	-	-	3.0	8.6	-	-	8.5
Private markets	-	7.0	11.0	-	-	7.2	7.8	-
GAA	-	7.0	10.0	-	-	4.3	5.0	-
Real estate	10.0	8.0	5.0	2.0	5.2	4.6	4.6	6.2
Alternative investments	-	-	-	2.0	-	-	-	5.3
Commodities	-	-	-	3.0	-	-	-	2.8
Cash deposits and short-term investments	-	-	-	4.0	-	-	-	2.3
Real assets	-	-	4.0	-	-	-	4.8	-
Private real assets	-	4.0	-	-	-	-	-	-
Total	100.0 %	100.0 %	100.0 %	100.0 %				

Discount Rate

Municipal Employees'—The discount rate used to measure the total pension liability as of December 31, 2017 was 7.0 percent, which is an increase from the discount rate of 3.91 percent used to measure the total pension liability as of December 31, 2016. The increase in the discount rate was mainly a result of the increased projected contributions as specified by P.A. 100-0023. This Single Discount Rate for December 31, 2017, was based on an expected rate of return on pension plan investments of 7.0 percent. The Single Discount Rate for December 31, 2016 was based on an expected rate of return of 7.5 percent and a municipal bond rate of 3.78 percent (based on the Bond Buyer 20- Bond Index of general obligation municipal bonds). The projection of cash flows used to determine the discount rate assumed plan member contributions will be made according to the contribution rate applicable for each member's tier and that employer contributions will be made as specified by P.A.100-0023. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions and contributions from future plan members that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The valuation as of December 31, 2016, projected that the pension plan's fiduciary net position would be available to make payments through 2023. As a result of the increase in projected contributions, the pension plan's fiduciary net position is now projected to be available to make all projected future benefit payments of current plan members.

Laborers'— A Single Discount Rate of 7.07 percent was used to measure the total pension liability as of December 31, 2017, which is an increase from the discount rate of 4.17 percent used to measure the total pension liability as of December 31, 2016. The increase in the discount rate was mainly a result of the increased projected contributions as specified by P.A.100-0023. This Single Discount Rate was based on an expected rate of return on pension plan investments of 7.25 percent and 7.5 percent as of December 31, 2017 and 2016, respectively, and a municipal bond rate of 3.31 percent and 3.78 percent as of December 31, 2017 and 2016, respectively (based on the weekly rate closest to but not later than the measurement date of the "state and local bonds" rate from Federal Reserve statistical release (H.15)). The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at under the statutory funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments only through the year 2071. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2071, and the municipal bond rate was applied to all benefit payments after that date. The valuation as of December 31, 2016, projected that the pension plan's fiduciary net position would be available to make payments through 2027. As a result of the increase in projected contributions, the pension plan's fiduciary net position is now projected to be available to make all projected future benefit payments of current plan members through 2071.

Policemen's—A Single Discount Rate of 7.0 percent and 7.07 percent, as of December 31, 2017 and 2016, respectively, was used to measure the total pension liability. This Single Discount Rate was based on an expected rate of return on pension plan investments of 7.25 percent for December 31, 2017 and 2016, and a municipal bond rate of 3.31 percent and 3.78 percent as of December 31, 2017 and 2016, respectively (based on the weekly rate closest to but not later than the measurement date of the "state and local bonds" rate from Federal Reserve statistical release (H.15)). The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions and employer contributions are made in accordance with the statutory requirements. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2070 (for the 2017 valuation) and the year 2068 (for the 2016 valuation). As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2070 (for the 2017 valuation) and the year 2068 (for the 2016 valuation), and the municipal bond rate was applied to all benefit payments after that date.

Firemen's—A Single Discount Rate of 7.23 percent and 7.30 percent, as of December 31, 2017 and 2016, respectively, was used to measure the total pension liability. This Single Discount Rate was based on an expected rate of return on pension plan investments of 7.5 percent for December 31, 2017 and 2016, and a municipal bond rate of 3.31 percent and 3.78 percent as of December 31, 2017 and 2016, respectively (based on the weekly rate closest to but not later than the measurement date of the "state and local bonds" rate from Federal Reserve statistical release (H.15)). The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the statutory contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2070 (for the 2017 valuation) and 2066 (for the 2016 valuation). As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2070 (for the 2017 valuation) and 2066 (for the 2016 valuation), and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the Airport's Net Pension Liability to Changes in the Discount Rate

Municipal Employees'—The following presents the allocated share of the net pension liability to the Airport as of December 31, 2017 and 2016, calculated using the discount rate of 7.00 percent and 3.91 percent, respectively, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate (dollars in thousands):

Net Pension Liability December 31, 2017	1% Decrease	Current Discount Rate	1% Increase
Municipal Employees' discount rate	6.00 %	7.00 %	8.00 %
Municipal Employees' net pension liability	$188,457	$160,076	$136,569

Net pension Liability December 31, 2016	1% Decrease	Current Discount Rate	1% Increase
Municipal Employees' discount rate	2.91 %	3.91 %	4.91 %
Municipal Employees' net pension liability	$207,531	$175,069	$148,410

Laborers'—The following presents the allocated share of the net pension liability to the Airport as of December 31, 2017 and 2016, calculated using the discount rate of 7.07 percent and 4.17 percent, respectively, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate (dollars in thousands):

Net Pension Liability December 31, 2017	1% Decrease	Current Discount Rate	1% Increase
Laborers' discount rate	6.07 %	7.07 %	8.07 %
Laborers' net pension liability	$24,973	$20,249	$16,298

Net Pension Liability December 31, 2016	1% Decrease	Current Discount Rate	1% Increase
Laborers' discount rate	3.17 %	4.17 %	5.17 %
Laborers' net pension liability	$46,549	$38,495	$31,873

Policemen's—The following presents the allocated share of the net pension liability to the Airport as of December 31, 2017 and 2016, calculated using the discount rate of 7.0 percent and 7.07 percent, respectively, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate (dollars in thousands):

Net Pension Liability December 31, 2017	1% Decrease	Current Discount Rate	1% Increase
Policemen's discount rate	6.00 %	7.00 %	8.00 %
Policemen's net pension liability	$55,663	$48,149	$41,838

Net Pension Liability December 31, 2016	1% Decrease	Current Discount Rate	1% Increase
Policemen's discount rate	6.07 %	7.07 %	8.07 %
Policemen's net pension liability	$53,075	$45,971	$40,005

Firemen's—The following presents the allocated share of the net pension liability to the Airport as of December 31, 2017 and 2016, calculated using the discount rate of 7.23 percent and 7.30 percent, respectively, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate (dollars in thousands):

Net Pension Liability December 31, 2017	1% Decrease	Current Discount Rate	1% Increase
Firemen's discount rate	6.23 %	7.23 %	8.23 %
Firemen's net pension liability	$71,334	$62,136	$54,423

Net Pension Liability December 31, 2016	1% Decrease	Current Discount Rate	1% Increase
Firemen's discount rate	6.30 %	7.30 %	8.30 %
Firemen's net pension liability	$65,118	$57,212	$50,488

Pension Plan Fiduciary Net Position—Detailed information about the pension plan's fiduciary net position is available in the separately issued Pension Plans financial report.

8. OTHER POSTEMPLOYMENT BENEFITS

Other Post Employment Benefits—Pension Funds

Applicable state law authorized the four respective Pension Funds (Policemen's, Firemen's, Municipal Employees', and Laborers') to provide a fixed monthly dollar subsidy to each annuitant who had elected coverage under any City health plan through December 31, 2016. After that date, no Pension Fund subsidies were authorized by state law.

Underwood litigation - In 2017, the Illinois Appellate Court held that current and future annuitants hired prior to the execution of a court approved settlement agreement in 2003 in the City of Chicago v. Korshak (those who retired prior to August 23, 1989 and their dependents, Korshak group) litigation, and subject to certain eligibility requirements, are entitled to receive lifetime fixed rate monthly subsidies equal to the subsidy amounts provided in the 1983 and 1985 amendments to the Pension Code. Those subsidies range from $21 - $55 per month, depending on the retiree's Pension Fund and Medicare eligibility. The issue of whether the Pension Funds or the City is obligated to make the subsidy payments to the annuitants is still subject to litigation. The 1983 and 1985 statutes state that the Pension Funds are obligated to make the payments but none of the Pension Funds included the liabilities for the monthly subsidies in their respective actuarial valuation reports under GASB 43. For that reason, the City has included the liabilities for the monthly fixed subsidies for this limited group under GASB 45 and is reported together with the Retirees' Settlement Health Plan liability.

Other Post Employment Benefits—City Obligation

Retirees' Settlement Health Plan— As of January 1, 2014, the City of Chicago agreed to provide a healthcare plan with a subsidy of 55% of the cost of that plan to those City annuitants who retired prior to August 23, 1989, for their lifetimes. The cost of health benefits is recognized as an expenditure in the accompanying financial statements as claims are reported and are funded on a pay-as-you-go basis. The net expense to the City in 2017 for providing these benefits was $22.7 million. Of that amount, $14.8 million was attributed to runoff claims for the retirees who no longer received subsidized healthcare from the City after December 31, 2016, and $7.9 million was attributed to the class of retirees and their dependents (those who retired prior to August 23, 1989), who will continue to receive lifetime subsidized healthcare from the City. The average number of annuitants in this latter group is 2,978 and a total of 3,378 covered lives including dependents. 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.

Special Benefits under the Collective Bargaining Agreements (CBA) —Under the terms of the latest collective bargaining agreements for the Fraternal Order of Police and the International Association of Fire Fighters, certain employees who retire after attaining age 55 with the required years of service are permitted to enroll themselves and their dependents in the healthcare benefit program offered to actively employed members. They may keep this coverage until they reach the age of Medicare eligibility. CBA special early retirement benefits cease at Medicare eligibility age.

An extension of the CBA was negotiated (and finalized in 2014) governing the contract period (through June 30, 2016 for Police Captains, Sergeants and Lieutenants and June 30, 2017 for remaining Police and Fire). As of the date of this report, negotiations are ongoing regarding new agreements which cover the retiree health benefits. Under the "maintenance of effort" protocols, the provisions of the prior agreement are honored until a new agreement is signed. It is not known whether the CBA special health benefits will be specifically eliminated, modified, or extended at this time. Therefore this valuation assumes the expiration of the early retirement special benefits as of the December of the contract expiration year, but includes the liabilities for continuation of payments to those members who would have already retired under the CBA as of December 31 of that year. Based upon prior history, the negotiations are assumed to be executed by December 31,

2019. CBA retirees were required to contribute 2% of their pension for health care coverage beginning at the end of 2017.

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 "ARC" of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities over a period of 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 2017 is the annual OPEB cost (expense).

Annual OPEB Cost and Contributions Made
(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	$50,871	$ 66,091	$116,962
Interest on net OPEB obligation	81	4,935	5,016
Adjustment to annual required contribution	(307)	(18,724)	(19,031)
Annual OPEB cost	50,645	52,302	102,947
Contributions made	38,967	43,548	82,515
Decrease in Net OPEB obligation	11,678	8,754	20,432
Net OPEB obligation, beginning of year	2,698	164,511	167,209
Net OPEB obligation, end of year	$14,376	$173,265	$187,641

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 are 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			
12/31/2017	$ 50,645	76.9 %	$ 14,376
12/31/2016	38,469	130.1	2,698
12/31/2015	43,645	133.5	14,280
CBA Special Benefits			
12/31/2017	$ 52,302	83.3 %	$173,265
12/31/2016	45,560	87.0	164,511
12/31/2015	48,195	79.4	158,571
Total			
12/31/2017	$102,947	80.2 %	$187,641
12/31/2016	84,029	106.7	167,209
12/31/2015	91,840	105.1	172,851

Funded Status and Funding Progress—- As of January 1, 2017, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $842.9 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was approximately $2,627.7 million and the ratio of the unfunded actuarial accrued liability to the covered payroll was 32.1 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the 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, (unaudited) supplementary information following the notes to the financial statements.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (AAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Schedule of Funding Progress (Dollars in thousands)						
Settlement plan						
12/31/2016	$ -	$ 331,496	$ 331,496	0 %	$ 2,627,662	12.6 %
CBA Special Benefits						
12/31/2016	$ -	$ 511,429	$ 511,429	0 %	$ 1,547,102	33.1 %
Total						
12/31/2016	$ -	$ 842,925	$ 842,925	0 %		32.1 %

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 Retirees' Health Plan Benefits, the entry age normal actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 8.0% for 2018, reduced by decrements to an ultimate rate of 5.0% in 2029. 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 lifetime benefits for the class of retirees (those who retired prior to August 23, 1989, Korshak group) and their dependents, lifetime fixed subsidy benefits for the annuitant category (except Korshak) hired prior to 2003, Non-CBA health benefits provided to duty disability participants under the active health plan payable to age 63/65.

For the Special Benefits under the CBA for Police and Fire, the contracts expiration dates are of June 30, 2016 (for Police Captains, Sergeants and Lieutenants) and June 30, 2017 for all other Police and Fire. The expectations consistent with the City's posture on sunsetting retiree health benefits, was that the CBA benefits would expire at the end of the current contract period and not be renewed. Negotiations are ongoing and expected to continue, based upon prior history, for two to three years. Since the City is required to honor the provisions of the existing contract until a new agreement is negotiated under the "Maintenance of Effort" protocol, the valuation has included liabilities for CBA benefits as if the actual expiration of the contracts was extended to 12/31/2019. This would mean liabilities are included only for payments on behalf of early retired, already retired and in pay status as of December 31 of the assumed expiration year of the contract (2019). The entry age normal method was selected. The actuarial assumptions included an annual health care cost trend rate of 8.0% in 2018, reduced by decrements to an ultimate rate of 5.0% in 2029. 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, 2016	December 31, 2016
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	1.9% for 2017 then 8.0% to 5.0% in 2029	1.9% for 2017 then 8.0% to 5.0% in 2029

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 $22.0 million in 2017 and $20.5 million in 2016.

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, 2017 and 2016, are as follows (dollars in thousands):

	2017	2016
Beginning balance—January 1	$ 620	$ 507
Total claims incurred	4,141	4,955
Claims paid	(4,250)	(4,842)
Claims liability—December 31	$ 511	$ 620

The City’s property and liability insurance premiums are approximately $10 million per year. The City maintains property and liability insurance coverage for both O’Hare and Midway and allocates the cost of the premiums between the two airports. The property coverage was renewed on December 31, 2017 with a limit of $3.5 billion and includes $3.5 billion in terrorism coverage, and the liability coverage was renewed May 15, 2018 with a limit of $1 billion and includes $1 billion in war and terrorism liability coverage. Claims have not exceeded the purchased insurance coverage in the past 12 years.

At December 31, 2017 and 2016, the Airport had commitments in the amount of approximately $116.3 million and $44.7 million, respectively, in connection with contracts entered into for construction projects.

11. DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

	2017	2016
Deferred outflows of resources:		
Deferred outflows from pension activities accumulated	$ 59,589	$ 63,269
Changes in proportionate share of pension contribution	53,694	6,444
Unamortized deferred bond refunding costs	16,860	18,258
Derivatives	24,319	26,034
Total deferred outflows of resources	$ 154,462	$114,005
Deferred inflows of resources deferred inflows from pension activities	$(108,774)	$ (8,404)

12. SUBSEQUENT EVENTS

Midway has evaluated subsequent events through June 29, 2018, the date the financial statements were available to be issued and concluded no subsequent events have occurred that would require recognition that have not already been recognized or that require disclosure that have not already been disclosed.

* * * * * *

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS
(Dollars are in thousands)

	2017	2016	2015
MUNICIPAL EMPLOYEES':			
Total pension liability:			
Service cost	$ 572,534	$ 619,743	$ 226,816
Interest	915,711	878,369	909,067
Benefit changes	-	-	2,140,009
Differences between expected and actual experience	(177,755)	(127,119)	(109,865)
Assumption changes	(7,431,191)	(578,920)	8,711,755
Benefit payments including refunds	(888,174)	(859,672)	(826,036)
Net change in total pension liability	(7,008,875)	(67,599)	11,051,746
Total pension liability—beginning	23,291,271	23,358,870	12,307,094
Total pension liability—ending (a)	16,282,396	23,291,271	23,358,840
Plan fiduciary net position:			
Contributions—employer	261,764	149,718	149,225
Contributions—employee	134,765	130,391	131,428
Net investment income	610,515	281,419	114,025
Benefit payments including refunds of employee contribution	(888,174)	(859,672)	(826,036)
Administrative expenses	(6,473)	(7,056)	(6,701)
Other	5,394	-	-
Net change in plan fiduciary net position	117,791	(305,200)	(438,059)
Plan fiduciary net position—beginning	4,436,227	4,741,427	5,179,486
Plan fiduciary net position—ending (b)	4,554,018	4,436,227	4,741,427
NET PENSION LIABILITY—Ending (a)-(b)	$ 11,728,378	$ 18,855,044	$ 18,617,413
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	27.97 %	19.05 %	20.30 %
COVERED PAYROLL*	$ 1,686,533	$ 1,646,939	$ 1,643,481
EMPLOYER'S NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	695.41 %	1,144.85 %	1,132.81 %
ALLOCATED NET PENSION LIABILITY	$ 160,076	$ 175,069	$ 171,485
ALLOCATED PERCENTAGE	1.36 %	0.93 %	0.92 %

* Covered payroll is the amount in force as of the actuarial valuation date and likely differs from actual payroll paid during fiscal year.

Ten year information will be provided prospectively starting with year 2015.

(Continued)

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS
(Dollars are in thousands)

	2017	2016	2015
LABORERS':			
Total pension liability:			
Service cost*	$ 80,232	$ 82,960	$ 38,389
Interest	154,047	150,166	153,812
Benefit changes	150	-	384,033
Differences between expected and actual experience	(62,178)	(30,428)	(46,085)
Assumption changes	(1,074,754)	(62,905)	1,175,935
Benefit payments including refunds	(157,050)	(154,683)	(152,530)
Pension plan administrative expense	(3,985)	(4,080)	(3,844)
Net change in total pension liability	(1,063,538)	(18,970)	1,549,710
Total pension liability—beginning	3,693,645	3,712,615	2,162,905
Total pension liability—ending (a)	2,630,107	3,693,645	3,712,615
Plan fiduciary net position:			
Contributions—employer	35,457	12,603	12,412
Contributions—employee	17,411	17,246	16,844
Net investment income	207,981	57,997	(22,318)
Benefit payments including refunds of employee contribution	(157,050)	(154,683)	(152,530)
Administrative expenses	(3,985)	(4,080)	(3,844)
Net change in plan fiduciary net position	99,814	(70,917)	(149,436)
Plan fiduciary net position—beginning	1,167,740	1,238,657	1,388,093
Plan fiduciary net position—ending (b)	1,267,554	1,167,740	1,238,657
NET PENSION LIABILITY—Ending (a)-(b)	$ 1,362,553	$ 2,525,905	$ 2,473,958
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	48.19 %	31.61 %	33.36 %
COVERED PAYROLL**	$ 208,442	$ 208,155	$ 204,773
EMPLOYER'S NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	653.68 %	1,213.47 %	1,208.15 %
ALLOCATED NET PENSION LIABILITY	$ 20,249	$ 38,495	$ 36,973
ALLOCATED PERCENTAGE	1.49 %	1.52 %	1.50 %

* Includes pension plan administrative expense.

** Covered payroll is the amount in force as of the actuarial valuation date and likely differs from actual payroll paid during fiscal year.

Ten year information will be provided prospectively starting with year 2015.

(Continued)

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS
(Dollars are in thousands)

	2017	2016	2015
POLICEMEN'S:			
Total pension liability:			
Service cost*	$ 237,333	$ 220,570	$ 213,585
Interest	917,720	851,098	832,972
Benefit changes	-	606,250	-
Differences between expected and actual experience	(299,923)	1,801	(105,969)
Assumption changes	238,975	112,585	-
Benefit payments including refunds	(747,891)	(707,196)	(676,777)
Pension plan administrative expense	(4,843)	(4,750)	(4,508)
Net change in total pension liability	341,371	1,080,358	259,303
Total pension liability—beginning	13,113,091	12,032,733	11,773,430
Total pension liability—ending (a)	13,454,462	13,113,091	12,032,733
Plan fiduciary net position:			
Contributions—employer	494,483	272,428	572,836
Contributions—employee	103,011	101,476	107,626
Net investment income	412,190	142,699	(5,334)
Benefit payments including refunds of employee contribution	(747,891)	(707,196)	(676,777)
Administrative expenses	(4,843)	(4,750)	(4,508)
Other	97	1,413	3,092
Net change in plan fiduciary net position	257,047	(193,930)	(3,065)
Plan fiduciary net position—beginning	2,865,019	3,058,949	3,062,014
Plan fiduciary net position—ending (b)	3,122,066	2,865,019	3,058,949
NET PENSION LIABILITY—Ending (a)-(b)	$ 10,332,396	$ 10,248,072	$ 8,973,784
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	23.20 %	21.85 %	25.42 %
COVERED PAYROLL**	$ 1,150,406	$ 1,119,527	$ 1,086,608
EMPLOYER'S NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	898.15 %	915.39 %	825.85 %
ALLOCATED NET PENSION LIABILITY	$ 48,149	$ 45,971	$ 36,344
ALLOCATED PERCENTAGE	0.47 %	0.45 %	0.41 %

* Includes pension plan administrative expense

** Covered payroll is the amount in force as of the actuarial valuation date and likely differs from actual payroll paid during fiscal year.

Ten year information will be provided prospectively starting with year 2015.

(Continued)

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS
(Dollars are in thousands)

	2017	2016	2015
FIREMEN'S:			
Total pension liability:			
Service cost	$ 93,367	$ 94,115	$ 87,203
Interest	371,622	342,085	338,986
Benefit changes	-	227,213	-
Differences between expected and actual experience	26,954	24,110	(7,981)
Assumption changes	414,219	(74,373)	176,282
Benefit payments including refunds	(306,098)	(286,759)	(278,017)
Pension plan administrative expense	(3,172)	(3,217)	(3,149)
Net change in total pension liability	596,892	323,174	313,324
Total pension liability—beginning	5,149,258	4,826,084	4,512,760
Total pension liability—ending (a)	5,746,150	5,149,258	4,826,084
Plan fiduciary net position:			
Contributions—employer	228,453	154,101	236,104
Contributions—employee	47,364	48,960	46,552
Net investment income	140,570	60,881	7,596
Benefit payments including refunds of employee contribution	(306,098)	(286,759)	(278,017)
Administrative expenses	(3,172)	(3,217)	(3,149)
Other	22	(53)	7
Net change in plan fiduciary net position	107,139	(26,087)	9,093
Plan fiduciary net position—beginning	1,019,014	1,045,101	1,036,008
Plan fiduciary net position—ending (b)	1,126,153	1,019,014	1,045,101
NET PENSION LIABILITY—Ending (a)-(b)	$ 4,619,997	$ 4,130,244	$ 3,780,983
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	19.60 %	19.79 %	21.66 %
COVERED PAYROLL*	$ 469,407	$ 478,471	$ 465,232
EMPLOYER'S NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	984.22 %	863.22 %	812.71 %
ALLOCATED NET PENSION LIABILITY	$ 62,136	$ 57,212	$ 51,244
ALLOCATED PERCENTAGE	1.34 %	1.39 %	1.36 %

* Covered payroll is the amount in force as of the actuarial valuation date and likely differs from actual payroll paid during fiscal year.

Ten year information will be provided prospectively starting with year 2015.

(Concluded)

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

SCHEDULE OF CONTRIBUTIONS
LAST TEN YEARS
(Dollars are in thousands)

Municipal Employees'

Years Ended December 31	Actuarially Determined Contributions*	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency	Covered Payroll**	Contributions as a Percentage of Covered Payroll
2008	$ 360,387	$ 146,803	$ 213,584	$ 1,543,977	9.51 %
2009	413,509	148,047	265,462	1,551,973	9.54
2010	483,948	154,752	329,196	1,541,388	10.04
2011	611,756	147,009	464,747	1,605,993	9.15
2012	690,823	148,859	541,964	1,590,794	9.36
2013	820,023	148,197	671,826	1,580,289	9.38
2014	839,039	149,747	689,292	1,602,978	9.34
2015	677,200	149,225	527,975	1,643,481	9.08
2016	961,770	149,718	812,052	1,646,939	9.09
2017	1,005,457	261,764	743,693	1,686,533	15.52

* The funding method mandated by the Illinois Pension Code is insufficient to avoid insolvency, and without a change, the Fund is projected to become insolvent within the next 10 years (during 2025). Therefore, the actuarially determined contribution is comprised of an employer normal cost payment and a 30-year, level dollar amortization payment on the unfunded actuarial accrued liability.

** Covered payroll is the amount in force as of the actuarial valuation date and likely differs from actual payroll paid during fiscal year.

Laborers'

Years Ended December 31	Actuarially Determined Contributions*	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency	Covered Payroll**	Contributions as a Percentage of Covered Payroll
2008	$ 17,652	$ 15,233	$ 2,419	$ 216,744	7.03 %
2009	33,518	14,627	18,891	208,626	7.01
2010	46,665	15,352	31,313	199,863	7.68
2011	57,259	12,779	44,480	195,238	6.55
2012	77,566	11,853	65,713	198,790	5.96
2013	106,199	11,583	94,616	200,352	5.78
2014	106,019	12,161	93,858	202,673	6.00
2015	79,851	12,412	67,439	204,773	6.06
2016	117,033	12,603	104,430	208,155	6.05
2017	124,226	35,457	88,769	208,442	17.01

* The LABF Statutory Funding does not conform to Actuarial Standards of Practice, therefore, the actuarially determined contribution is equal to the normal cost plus an amount to amortize the unfunded liability using dollar payments and a 30 year open amortization period.

** Covered payroll is the amount in force as of the actuarial valuation date and likely differs from actual payroll paid during fiscal year.

(Continued)

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

SCHEDULE OF CONTRIBUTIONS
LAST TEN YEARS
(Dollars are in thousands)

Policemen's:

Years Ended December 31	Actuarially Determined Contributions*	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency	Covered Payroll**	Contributions as a Percentage of Covered Payroll
2008	$ 318,235	$ 172,836	$ 145,399	$ 1,023,581	16.89 %
2009	339,488	172,044	167,444	1,011,205	17.01
2010	363,625	174,501	189,124	1,048,084	16.65
2011	402,752	174,035	228,717	1,034,404	16.82
2012	431,010	197,885	233,125	1,015,171	19.49
2013	474,177	179,521	294,656	1,015,426	17.68
2014	491,651	178,158	313,493	1,074,333	16.58
2015	785,501	575,928	209,573	1,086,608	53.00
2016	785,695	273,840	511,855	1,119,527	24.46
2017	910,938	494,580	416,358	1,150,406	42.99

* The PABF Statutory Funding does not conform to Actuarial Standards of Practice; therefore, the 2015 and after, the actuarially determined contribution is equal to the normal cost plus a 30-year dollar amortization of the unfunded actuarial liability. Prior to 2015 the actuarially determined contribution was equal to the "ARC" which was equal to normal cost plus a 30-year open level percent amortization of the unfunded actuarial liability.

** Covered payroll is the amount in force as of the actuarial valuation date and likely differs from actual payroll paid during fiscal year.

Firemen's:

Years Ended December 31	Actuarially Determined Contributions*	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency	Covered Payroll**	Contributions as a Percentage of Covered Payroll
2008	$ 189,941	$ 81,258	$ 108,683	$ 396,182	20.51 %
2009	203,867	89,212	114,655	400,912	22.25
2010	218,388	80,947	137,441	400,404	20.22
2011	250,056	82,870	167,186	425,385	19.48
2012	271,506	81,522	189,984	418,965	19.46
2013	294,878	103,669	191,209	416,492	24.89
2014	304,265	107,334	196,931	460,190	23.32
2015	323,545	236,104	87,441	465,232	50.75
2016	333,952	154,101	179,851	478,471	32.21
2017	372,845	228,453	144,392	469,407	48.67

* The FABF Statutory Funding does not conform to Actuarial Standards of Practice, therefore, the Actuarially Determined Contribution is equal to the normal cost plus an amount to amortize the unfunded liability using level dollar payments and a 30 year open amortization period. Amounts for fiscal years prior to 2015 were based on the "ARC" which was equal to normal cost plus an amount to amortize the unfunded liability using a 30-year open period level dollar amortization.

** Covered payroll is the amount in force as of the actuarial valuation date and likely differs from actual payroll paid during fiscal year.

(Continued)

SCHEDULE OF CONTRIBUTIONS

Actuarial Methods and Assumptions	Municipal Employees'		Laborers'		Policemen's		Firemen's	
Actuarial valuation date	12/31/2017	(a)	12/31/2017	(b)	12/31/2017		12/31/2017	
Actuarial cost method	Entry age normal		Entry age normal		Entry age normal		Entry age normal	
Asset valuation method	5-yr. Smoothed Market		5-yr. Smoothed Market		5-yr. Smoothed Market		5-yr. Smoothed Market	
Actuarial assumptions:								
Inflation	2.50 %		2.25%		2.75%		2.50%	
Salary increases	3.50%–7.75%	(c)	3.00%	(d)	3.75%	(e)	3.75%	(e)
Investment rate of return	7.0%	(f)	7.25%	(g)	7.25%		7.50%	
Retirement age	(h)		(i)		(j)		(i)	
Mortality	(k)		(l)		(m)		(n)	
Other information	(o)		(p)		(q)		(q)	

(a) Actuarially determined contribution amount is determined as of December 31, with appropriate interest to the middle of the year.
(b) Actuarially determined contribution rates are calculated as of December 31, which is 12 months prior to the end of the fiscal year in which contributions are reported.
(c) (1.50%–6.50% for 2018-2022), varying by years of service.
(d) Plus a service-based increase in the first 9 years.
(e) Salary increase rates based on age-related productivity and merit rates plus inflation.
(f) Net of investment expense.
(g) Net of investment expense, including inflation.
(h) For employees first hired prior to January 1, 2011, rates of retirement are based on the recent experience of the Fund (effective December 31, 2017).
For employees first hired on or after January 1, 2011 and before July 6, 2017, rates of retirement for each age from 62 to 80 were used (effective Decemebr 31, 2011).
For employees first hired on or after July 6, 2017, rates of retirement for each age from 62 to 80 were used (effective Decemebr 31, 2017).
(i) Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the December 31, 2017, valuation pursuant to an experience study of the period January 1, 2012, through December 31, 2016.
(j) Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the December 31, 2014, actuarial valuation pursuant to an experience study of the period January 1, 2009, through December 31, 2013.
(k) Post-retirement mortality rates were based on the RP-2014 Healthy Annuitant Mortality Tables, set forward two years for males and one year for females, and projected generationally using scale MP-2016. Pre-retirement mortality rates were based on 120% of the RP-2014 Employee Mortality Tables projected generationally using scale MP-2016.
(l) Post Retirement Mortality: Scaling factors of 117% for males, and 102% for females of the RP-2014 Blue Collar Healthy Annuitant mortality table, sex distinct, with generational mortality improvement using MP-2017 2-dimensional mortality improvement scales. No adjustment is made for post-disabled mortality.
Pre Retirement Mortality: Scaling factors of 109% for males, and 103% for females of the RP-2014 Blue Collar Employee mortality table, sex distinct, with generational mortality improvement using MP-2017 2-dimensional mortality improvement scales.
(m) Post-Retirement Healthy mortality rates: Sex distinct Retirement Plans 2014 Healthy Annuitant mortality table weighted 108% for males and 97% for females.
Pre-Retirement mortality rates: Sex distinct Retirement Plans 2014 Total Employee mortality table weighted 85% for males and 115% for females. Disabled Mortality: Sex distinct Retirement Plans 2014 Healthy Annuitant mortality table weighted 115% for males and 115% for females
(n) Post Retirement Mortality: Scaling factors of 106% for males, and 98% for females of the RP-2014 Blue Collar Healthy Annuitant mortality table, sex distinct, with generational mortality improvement using MP-2017 2-dimensional mortality improvement scales.
Disabled Mortality: Scaling factors of 107% for males, and 99% for females of the RP-2014 Blue Collar Healthy Annuitant mortality table, sex distinct, with generational mortality improvement using MP-2017 2-dimensional mortality improvement scales.
Pre-Retirement Mortality: Scaling factors of 92% for males, and 100% for females of the RP-2014 Blue Collar Employee mortality table, sex distinct, with generational mortality improvement using MP-2017 2-dimensional mortality improvement scales.
Future mortality improvements in pre- and post-retirement mortality are reflected by projecting the base mortality tables back from the year 2014 to the year 2006 using the MP-2014 projection scale and projecting from 2006 using the MP-2017 projection scale.
(o) Other assumptions: Same as those used in the December 31, 2017, actuarial funding valuations.
(p) The actuarial valuation is based on the statutes in effect as of December 31, 2017. Benefit changes as a result of Public Act 100-0023 were recognized in the Total Pension Liability as of December 31, 2017.
(q) The actuarial valuation is based on the statutes in effect as of Decemebr 31, 2017.

(Concluded)

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS FUNDING PROGRESS
LAST THREE YEARS
(Dollars are in thousands)

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Surplus) AAL as a Percentage of Covered Payroll ((b-a)/c)
Municipal Employees'							
2015	12/31/2014	$ -	$ 17,495	$ 17,495	- %	$1,602,978	0.01 %
2016	12/31/2015	-	8,147	8,147	-	1,643,481	0.50
2017	12/31/2016	-	-	-	-	-	-
Laborers'							
2015	12/31/2014	$ -	$ 4,593	$ 4,593	- %	$ 202,673	2.27 %
2016	12/31/2015	-	2,133	2,133	-	204,773	1.04
2017	12/31/2016	-	-	-	-	-	-
Policemen's							
2015	12/31/2014	$ -	$ 18,762	$ 18,762	- %	$1,074,333	1.75 %
2016	12/31/2015	-	9,255	9,255	-	1,086,608	0.85
2017	12/31/2016	-	-	-	-	-	-
Firemen's							
2015	12/31/2014	$ -	$ 4,995	$ 4,995	- %	$ 460,190	1.09 %
2016	12/31/2015	-	2,399	2,399	-	465,232	0.52
2017	12/31/2016	-	-	-	-	-	-
City of Chicago							
2015	12/31/2014	$ -	$964,626	$964,626	- %	$2,425,000	39.78 %
2016	12/31/2015	-	780,637	780,637	-	2,487,787	31.38
2017	12/31/2016	-	-	-	-	-	-

ADDITIONAL INFORMATION

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

ADDITIONAL SUPPLEMENTARY INFORMATION
CHICAGO MIDWAY AIRPORT REVENUE BONDS
DEBT SERVICE COVERAGE CALCULATIONS
YEARS ENDED DECEMBER 31, 2017 AND 2016
($ in thousands)

	2017	2016
REVENUES:		
Total revenues—as defined	$198,510	$185,014
Other available moneys (passenger facility charges and letter of intent)	40,918	41,666
Revenue Fund balance on first day of fiscal year (Note 2)	8,427	13,437
TOTAL REVENUES	$247,855	$240,117
COVERAGE REQUIREMENT—Required deposits from revenues:		
Debt Service Fund	$ 4,526	$ 4,533
Operation and maintenance reserve account	2,682	1,771
Second/Junior Lien Obligation Debt Service Fund	85,380	77,692
Second Lien Obligation Program Fee Fund	2,364	3,843
Repair and Maintenance Fund	1,017	1,017
TOTAL FUND DEPOSIT REQUIREMENTS	$ 95,969	$ 88,856
AGGREGATE FIRST LIEN DEBT SERVICE FOR THE BOND YEAR	$ 4,526	$ 4,533
LESS AMOUNTS TRANSFERRED FROM CAPITALIZED INTEREST ACCOUNTS	$ -	$ -
NET AGGREGATE DEBT SERVICE	$ 4,526	$ 4,533
	1.25	1.25
NET DEBT SERVICE REQUIRED COVERAGE	$ 5,658	$ 5,666
OPERATION AND MAINTENANCE EXPENSES	$140,303	$141,417
COVERAGE REQUIRED (Greater of total fund deposit requirements or 125% of aggregate debt service)	95,969	88,856
TOTAL COVERAGE REQUIRED	$236,272	$230,273
TOTAL REVENUES	$247,855	$240,117
COVERAGE RATIO	1.05	1.04

See notes to debt service coverage calculations.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

ADDITIONAL SUPPLEMENTARY INFORMATION
CHICAGO MIDWAY AIRPORT REVENUE BONDS
NOTES TO DEBT SERVICE COVERAGE CALCULATIONS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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.

Of the $40.2 million of pension expense for 2017, $9.5 million is the portion of the City's pension contribution payable in 2017 to the pension funds and allocable to Midway Airport. The remaining portion of the pension expense for 2017, $30.7 million, is recognized on the income statement of Midway Airport for 2017 but is not due and payable by the City during 2017; accordingly, that portion is not included in Operating Expenses for purposes of calculation of the debt service coverage ratios.

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, 2017 AND 2016
($ in thousands)

	2017	2016
REVENUES:		
Total revenues—as defined	$198,510	$185,014
Other available moneys (passenger facility charges and letter of intent)	40,918	41,666
Revenue fund balance on first day of fiscal year (Note 2)	8,427	13,437
TOTAL REVENUES FOR CALCULATION OF COVERAGE	$247,855	$240,117
COVERAGE REQUIREMENT—Required deposits from revenues:		
First Lien Debt Service Fund	$ 4,526	$ 4,533
Operation and maintenance reserve account	2,682	1,771
Second Lien Obligation Debt Service Fund	85,380	77,692
Second Lien Obligation Program Fee Fund	2,364	3,843
Repair and Replacement Fund	1,017	1,017
TOTAL FUND DEPOSIT REQUIREMENTS	$ 95,969	$ 88,856
125% OF AGGREGATE FIRST LIEN DEBT SERVICE FOR THE BOND YEAR:		
Aggregate First Lien Debt Service	$ 4,526	$ 4,533
Net aggregate First Lien Debt Service	4,526	4,533
	1.25	1.25
125% OF AGGREGATE FIRST LIEN DEBT SERVICE	$ 5,658	$ 5,666
GREATER OF FUND DEPOSIT REQUIREMENTS OR 125% OF AGGREGATE FIRST LIEN DEBT SERVICE	$ 95,969	$ 88,856
110% OF AGGREGATE FIRST AND SECOND LIEN DEBT SERVICE FOR THE BOND YEAR:		
Aggregate First Lien Debt Service	$ 4,526	$ 4,533
Aggregate Second Lien Debt Service	98,930	90,663
Less amounts transferred from Junior Lien Capitalized Interest Accounts	(13,495)	(14,397)
Net aggregate First and Second Lien Debt Service	89,961	80,799
	1.10	1.10
110% OF AGGREGATE FIRST AND SECOND LIEN DEBT SERVICE	$ 98,957	$ 88,879
GREATER OF FUND DEPOSIT REQUIREMENTS OR 110% OF AGGREGATE FIRST AND SECOND LIEN DEBT SERVICE	$ 98,957	$ 88,879
GREATER OF FUND DEPOSIT REQUIREMENTS OR 125% OF FIRST LIEN DEBT OR 110% OF AGGREGATE DEBT SERVICE	$ 98,957	$ 88,879
COVERAGE CALCULATION:		
Operation and maintenance expenses	$140,303	$141,417
110% of aggregate First and Second Lien Debt Service	98,957	88,879
TOTAL COVERAGE REQUIRED	$239,260	$230,296
TOTAL REVENUES	$247,855	$240,117
REVENUES IN EXCESS OF COVERAGE REQUIREMENT	$ 8,595	$ 9,821
COVERAGE RATIO	1.04	1.04

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, 2017 AND 2016

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.

Of the $40.2 million of pension expense for 2017, $9.5 million is the portion of the City's pension contribution payable in 2017 to the pension funds and allocable to Midway Airport. The remaining portion of the pension expense for 2017, $30.7 million, is recognized on the income statement of Midway Airport for 2017 but is not due and payable by the City during 2017; accordingly, that portion is not included in Operating Expenses for purposes of calculation of the debt service coverage ratios.

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 INFORMATION
(UNAUDITED)

STATISTICAL INFORMATION
(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, 2008–2017 (UNAUDITED)
($ in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
OPERATING REVENUES:										
Landing fees	$ 28,901	$ 21,939	$ 35,299	$ 38,583	$ 32,143	$ 42,516	$ 42,539	$ 48,350	$ 49,186	$ 54,165
Rental revenues:										
Terminal area use charges	26,084	30,701	42,895	40,862	38,769	47,486	40,916	36,273	38,239	41,251
Other rentals and fueling system fees	15,683	20,367	21,488	24,978	32,202	26,004	24,197	25,945	26,396	27,912
Subtotal rental revenues	41,767	51,068	64,383	65,840	70,971	73,490	65,113	62,218	64,635	69,163
Concessions:										
Auto parking	31,561	27,902	27,849	29,112	30,830	32,721	34,226	35,772	36,665	38,317
Auto rentals	8,355	8,505	8,182	8,776	9,021	10,255	10,743	11,104	11,390	11,287
Restaurant	8,099	7,396	8,151	8,875	9,686	10,179	11,090	12,150	13,019	14,912
News and gifts	3,816	3,437	3,488	3,551	3,486	3,619	3,761	4,128	4,471	4,729
Other	2,486	2,054	1,704	2,634	1,696	2,409	2,787	2,397	2,827	2,452
Subtotal concessions	54,317	49,294	49,374	52,948	54,719	59,183	62,607	65,551	68,372	71,697
Reimbursements	-	-	-	-	-	-	-	-	-	-
Total operating revenues(1)	124,985	122,301	149,056	157,371	157,833	175,189	170,259	176,119	182,193	195,025
OPERATING AND MAINTENANCE EXPENSES:										
Salaries and wages(2)	36,931	39,521	42,105	43,554	44,463	43,998	47,836	43,343	48,548	48,185
Pension expense	-	-	-	-	-	-	-	60,767	47,879	40,211
Repairs and maintenance	37,399	37,967	31,942	40,732	37,990	39,606	44,160	44,095	48,277	44,506
Energy	7,228	8,245	6,724	6,415	7,258	7,205	7,060	6,868	7,221	6,984
Materials and supplies	2,377	1,252	1,522	1,418	1,318	1,927	1,971	2,522	2,016	1,932
Professional and engineering services	19,775	6,727	15,832	15,650	15,011	19,144	23,255	20,954	20,851	24,344
Other operating expenses	5,942	5,929	10,211	2,320	8,257	9,236	5,314	5,327	7,813	4,803
Total operating and maintenance expenses before depreciation and amortization(3)	109,652	99,641	108,336	110,089	114,297	121,116	129,596	183,876	182,605	170,965
NET OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION(4)	$ 15,333	$ 22,660	$ 40,720	$ 47,282	$ 43,536	$ 54,073	$ 40,663	$ (7,757)	$ (412)	$ 24,060
DEBT SERVICE COVERAGE RATIO(5)	1.08	1.08	1.10	1.07	1.07	1.06	1.09	1.11	1.04	1.05

(1) Average annual compound growth rate for 2007–2016 for Total operating revenues is 5.1%.
(2) Salaries and wages includes charges for pension, health care and other employee benefits for years 2008–2017.
(3) Average annual compound growth rate for 2007–2016 for Total operating and maintenance expenses before depreciation and amortization is 2.8%.
(4) Amount for 2017 may be reconciled to operating income of $3,281 reported in the 2017 Statement of Revenues, Expenses and Changes in Net Position by deducting depreciation and amortization of $51,443. Amount for prior years may be reconciled through similar calculations.
(5) Represents debt service coverage ratio on first and second lien bonds.

Of the $40.2 million of pension expense for 2017, $9.5 million is the portion of the City's pension contribution payable in 2017 to the pension funds and allocable to Midway Airport. The remaining portion of the pension expense for 2017 $30.7 million is recognized on the income statement of Midway Airport for 2017 pursuant to GASB 68 but is not due and payable by the City during 2017; accordingly, that portion is not included in Operating Expenses for purposes of calculation of the debt service coverage ratios.

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	Debt Service Series 2016 Second Lien Bonds	(Second Lien) Total Debt Service[1]	Total Debt Service
2018	$ 4,447	$ 4,447	$ 6,914	$ 5,320	$ 29,150	$ 40,717	$ 20,993	$ 103,094	$ 107,541
2019	4,446	4,446	7,053	5,318	30,321	45,524	20,981	109,197	113,643
2020	4,440	4,440	7,188	5,316	33,611	45,462	26,567	118,144	122,584
2021	4,434	4,434	7,220	5,313	24,462	58,052	26,556	121,603	126,037
2022	4,427	4,427	7,447	5,308	24,812	61,115	26,551	125,233	129,660
2023	4,429	4,429	7,595	5,305	28,030	67,865	21,778	130,573	135,002
2024	4,418	4,418	7,762	5,302	27,561	67,732	21,772	130,129	134,547
2025	-	-	7,925	5,300	27,218	73,485	20,523	134,451	134,451
2026	-	-	8,108	5,287	26,111	73,377	20,516	133,399	133,399
2027	-	-	8,237	5,282	25,230	73,110	20,504	132,363	132,363
2028	-	-	8,459	5,277	23,775	73,331	20,494	131,336	131,336
2029	-	-	8,651	5,273	22,759	73,191	20,483	130,357	130,357
2030	-	-	8,886	5,268	24,479	70,290	20,474	129,397	129,397
2031	-	-	9,090	5,261	27,944	65,696	20,463	128,454	128,454
2032	-	-	9,313	5,252	24,260	68,267	20,500	127,592	127,592
2033	-	-	9,529	5,249	23,329	68,116	20,498	126,721	126,721
2034	-	-	9,788	5,242	22,384	67,966	20,485	125,865	125,865
2035	-	-	10,066	5,230	18,826	70,445	20,473	125,040	125,040
2036	-	-	-	5,221	-	26,494	20,403	52,118	52,118
2037	-	-	-	5,214	-	30,472	20,392	56,078	56,078
2038	-	-	-	5,203	-	30,447	20,376	56,026	56,026
2039	-	-	-	5,192	-	30,416	20,356	55,964	55,964
2040	-	-	-	5,180	-	30,388	20,338	55,906	55,906
2041	-	-	-	5,169	-	30,555	20,319	56,043	56,043
2042	-	-	-	-	-	36,347	20,302	56,649	56,649
2043	-	-	-	-	-	37,337	20,280	57,617	57,617
2044	-	-	-	-	-	38,366	20,262	58,628	58,628
2045	-	-	-	-	-	-	20,241	20,241	20,241
2046	-	-	-	-	-	-	20,213	20,213	20,213
	-	-	-	-	-	-	-	-	-
	$31,041	$31,041	$149,231	$126,282	$464,262	$1,454,563	$614,093	$2,808,431	$2,839,472

[1] Assumes an interest rate effective at December 31, 2017, on $232,335 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, 2017.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

MIDWAY AIRPORT REVENUE BONDS
SERIES 1996 ESTIMATED BOND-FUNDED COSTS
AS OF DECEMBER 31, 2017 (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 2018–2024
ESTIMATED SOURCES AND USES OF FUNDS
AS OF DECEMBER 31, 2017 (UNAUDITED)
($ in thousands)

ESTIMATED SOURCES:	
AIP—entitlements	$ 33,921
Other Airport Funds	4,388
Series 2010 Bonds	13,773
Series 2014 Bonds	66,074
Series 2016 Bonds	280,804
Future Bonds	102,155
TOTAL ESTIMATED SOURCES	$501,115
ESTIMATED USES:	
Terminal area projects	$150,246
Land acquisition	8,020
Airfield projects	75,820
Parking/roadway projects	177,567
Noise projects	52,304
Safety and security	6,997
Implementation	30,161
TOTAL ESTIMATED USES	$501,115

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, 2017 (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, 2017.

[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, 2008–2017 (UNAUDITED)

Years	Domestic Air Carrier	Domestic Commuter[1]	Total Domestic	International Enplanements	Total Enplanements	Percent Change
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
2015	10,731,246	-	10,731,246	386,977	11,118,223	4.8
2016	10,953,566	-	10,953,566	392,182	11,345,748	2.0
2017	10,825,564	-	10,825,564	406,708	11,232,272	(1.0)
		Average Annual Compound Growth Rates				
2008–2017	3.0 %	(100.0)%	2.9 %	42.8 %	3.3 %	

[1] “Domestic Air Carrier” includes General Aviation.

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

ENPLANED COMMERCIAL PASSENGERS BY AIRLINE
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2008–2017 (UNAUDITED)

	2008		2009		2010		2011		2012		2013		2014		2015		2016		2017	
	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	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 %	10,281,189	92.5 %	10,520,571	92.7 %	10,415,087	92.7 %
American Trans Air[1]	54,650	0.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
AirTran	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	237,969	2.8	267,433	3.1	14,726	0.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Frontier	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	8,658	0.1	-	-	-	-
Shuttle America (Delta Express)	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	640	-	3,535	0.0	-	-
Atlantic Southeast	882	-	3,715	0.1	29,314	0.3	-	-	-	0.1	-	-	-	-	-	-	-	-	-	-
Continental Airlines	6,601	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Continental Express	4,372	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Comair	21,135	0.1	-	-	14,156	-	-	-	36,968	-	-	-	-	-	-	-	-	-	-	-
Delta	-	-	144,037	1.7	176,231	2.0	239,357	2.5	231,644	2.5	239,361	2.3	265,134	2.5	278,356	2.5	266,281	2.3	247,076	2.2
All other airlines	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	549,380	4.9	555,361	4.9	570,109	5.1
Total	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 %	11,118,223	100.0 %	11,345,748	100.0 %	11,232,272	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, 2008–2017 (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
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
2015	11,118,223	22.5	38,395,905	77.5	49,514,128
2016	11,345,748	22.6	38,872,669	77.4	50,218,417
2017	11,232,272	22.0	39,815,888	78.0	51,048,160
Average Annual Compound Growth Rates					
2008–2017	3.3 %		1.5 %		1.9 %

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, 2008–2017 (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**
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
2015	6,890,633	25.5	20,096,191	74.5	26,986,824
2016	7,181,858	25.5	20,991,241	74.5	28,173,099
2017	7,446,996	24.9	22,429,433	75.1	29,876,429
Average Annual Compound Growth Rates					
2008–2017	2.6%		2.7%		2.7%

[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, 2008–2017 (UNAUDITED)

Years	Aircraft Operations Domestic Air Carrier	International Air Carrier	Total Air Carrier	Domestic Commuter	General Aviation	Total
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
2015	177,658	8,474	186,132	11,857	55,530	253,519
2016	178,346	8,220	186,566	9,822	56,658	253,046
2017	185,471	8,374	193,845	-	57,496	251,341
Average Annual Compound Growth Rates						
2008–2017	(0.1)%	35.1 %	0.4 %	(100.0)%	(3.3)%	

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

NET POSITION BY COMPONENT
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2008–2017 (UNAUDITED)
($ in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
NET POSITION:										
Net investment in capital assets	$ 40,352	$ (1,936)	$ (39,755)	$ (70,876)	$ (87,279)	$ (131,057)	$ (115,080)	$ (150,431)	$ (152,026)	$ (180,803)
Restricted	184,019	201,158	190,641	208,100	80,507	99,427	86,526	97,980	83,048	127,476
Unrestricted	19,614	5,792	20,040	37,224	36,572	46,613	21,856	(191,025)	(234,875)	(253,674)
TOTAL NET POSITION	$ 243,985	$ 205,014	$ 170,926	$ 174,448 *	$ 29,800 *	$ 14,983	$ (6,698)	$ (243,476) **	$ (303,853)	$ (307,001)

* Amounts were restated due to the implementation of GASB 65.

** Amounts were restated due to the implementation of GASB 68.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

CHANGE IN NET POSITION
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2008–2017 (UNAUDITED)
($ in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
OPERATING REVENUES	$ 124,985	$ 122,301	$ 149,056	$ 157,371	$ 157,833	$ 175,189	$ 170,259	$ 176,119	$ 182,193	$ 195,025
OPERATING EXPENSES	155,596	147,308	161,103	161,156	159,530	162,654	175,759	231,595	231,723	222,408
OPERATING (LOSS) GAIN	(30,611)	(25,007)	(12,047)	(3,785)	(1,697)	12,535	(5,500)	(55,476)	(49,530)	(27,383)
NONOPERATING (EXPENSES) REVENUES	(14,571)	(13,964)	(24,502)	4,246	(31,708)	(32,327)	(21,007)	(30,966)	(38,750)	(7,321)
(LOSS) GAIN BEFORE CAPITAL GRANTS	(45,182)	(38,971)	(36,549)	461	(33,405)	(19,792)	(26,507)	(86,442)	(88,280)	(34,704)
CAPITAL GRANTS	6,777	-	2,461	3,061	4,681	4,975	4,826	9,279	27,903	31,556
CHANGE IN NET POSITION	$ (38,405)	$ (38,971)	$ (34,088)	$ 3,522 *	$ (28,724) *	$ (14,817)	$ (21,681)	$ (77,163) **	$ (60,377)	$ (3,148)

* Amounts were restated due to the implementation of GASB 65.

** Amounts were restated due to the implementation of GASB 68.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

LONG-TERM DEBT
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2008–2017 (UNAUDITED)
($ in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
First lien bonds	$ 821,275	$ 806,015	$ 783,595	$ 780,205	$ 758,560	$ 624,545	$ 34,180	$ 31,530	$ 28,730	$ 25,775
Second lien bonds	422,715	399,140	685,780	681,285	648,130	812,750	1,489,410	1,474,795	1,752,875	1,730,060
Commercial paper notes	10,674	61,360	4,005	-	34,639	57,713	-	-	-	-
Total revenue bonds and notes	1,254,664	1,266,515	1,473,380	1,461,490	1,441,329	1,495,008	1,523,590	1,506,325	1,781,605	1,755,835
Unamortized premium	(9,411)	(8,812)	8	(281)	160	4,325	84,609	79,093	123,133	114,270
Total revenue bonds payable, net of unamortized premium (discount)	1,245,253	1,257,703	1,473,388	1,461,209	1,441,489	1,499,333	1,608,199	1,585,418	1,904,738	1,870,105
Enplanements[1]	8,358,287	8,571,847	8,856,025	9,458,810	9,779,609	10,267,481	10,607,996	11,118,223	11,345,748	11,232,272
Total debt per enplanements	$ 150	$ 148	$ 166	$ 155	$ 147	$ 146	$ 144	$ 135	$ 157	$ 156

[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 TEN YEARS ENDED DECEMBER 31, 2008–2017 (UNAUDITED)

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business communication	6	-	-	-	-	-	-	-	-	-
Capital development	-	-	-	-	-	-	-	-	-	-
Airfield operations	59	75	75	75	70	70	85	88	94	127
Landside operations	-	-	-	-	-	-	21	20	21	21
Security management	61	60	60	60	60	60	69	62	62	63
Facility management	32	28	32	35	33	35	14	15	15	15
Midway administration	12	11	10	10	10	10	10	10	10	12
Safety management	2	2	2	2	2	2	-	-	-	-
Total	172	176	179	182	175	177	199	195	202	238

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 (NOTE AT THE END OF THIS PAGE)
(Unaudited)

	2017[1]			2008[3]		
Employer	**Number of Employees**	**Rank**	**Percentage of Total City Employment**	**Number of Employees**	**Rank**	**Percentage of Total City Employment**
Advocate Health Care	19,049	1	1.48 %	-		- %
Northwestern Memorial Healthcare	16,667	2	1.29	-		-
University of Chicago	16,583	3	1.29	-		-
JP Morgan Chase & Co.	15,701	4	1.22	8,865	1	0.81
Amazon.com Inc.	13,240	5	1.03	-		-
United Continental Holdings Inc.[2]	12,994	6	1.01	6,403	2	0.58
Walgreen Boots Alliance Inc.	12,751	7	0.99	-		-
Northwestern University	10,847	8	0.84	-		-
Presence Health	10,225	9	0.79	-		-
Wal-mart Stores Inc.	10,220	10	0.79	-		-
Jewel Food Stores, Inc	-		-	5,977	3	0.55
Northern Trust	-		-	5,084	4	0.46
Accenture LLP	-		-	4,532	5	0.41
American Airlines	-		-	3,582	6	0.33
SBC/AT&T	-		-	3,459	7	0.32
Ford Motor Company	-		-	3,325	8	0.30
CVS Corporation	-		-	3,161	9	0.29
Bonded Maintenance Company	-		-	2,955	10	0.27

NOTES:
[1] Source: Reprinted with permission from the January 15, 2018 issue of Crain's Chicago Business.
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[2] United Continental Holdings Inc. formerly known as United Airlines.
[3] Source: City of Chicago, Department of Revenue, Employer's Expense Tax Returns.
Prior to 2014, the source information was the City of Chicago, Bureau of Revenue-Tax Division Report which is no longer available.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

STATISTICAL DATA
POPULATION AND INCOME STATISTICS
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2008–2017
(Unaudited)

Year	Population[1]	Median Age[2]	Number of Households[2]	City Employment	Unemployment Rate[3]	Per Capita Income[4]	Total Income
2008	2,896,016	34.1	1,032,746	1,237,856	6.4	45,328	131,270,613,248
2009	2,896,016	34.5	1,037,069	1,171,841	10.0	43,727	126,634,091,632
2010	2,695,598	34.8	1,045,666	1,116,830	10.1	45,957	123,881,597,286
2011	2,695,598	33.2	1,048,222	1,120,402	9.3	45,977	123,935,509,246
2012	2,695,598	33.0	1,054,488	1,144,896	8.9	48,305	130,210,861,390
2013	2,695,598	33.5	1,062,029	1,153,725	8.3	49,071	132,275,689,458
2014	2,695,598	33.9	1,031,672	1,264,234	5.7	50,690	136,639,862,620
2015	2,695,598	34.2	1,053,229	1,273,733	5.7	53,886	145,254,993,828
2016	2,695,598	34.4	1,053,986	1,282,117	5.4	55,621	149,931,856,358
2017	2,695,598	N/A [5]	N/A [5]	1,289,325	4.7	N/A [5]	N/A [5]

Notes:

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

[2] Source: American Fact Finder—United States Census Bureau data estimates.
Data not available for 2017.

[3] Source: Bureau of Labor Statistics 2017, 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.

[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
RATES AS OF JULY 1, 2017
(Unaudited)

Landing Fees and Terminal Area Use Charges	**2017**
Signatory landing fee (rate/1000 lbs)	$ 4.283
Non-signatory landing fee (rate/1000 lbs)	5.354
Signatory joint use fee (base usage/1000 lbs)	1.351
Non-signatory joint use fee (base usage/1000 lbs)	1.689
Signatory joint use fee (per capita/annual)	356,378
Non-signatory joint use fee (per capita/annual)	445,473
Signatory terminal rental rate	120.29
Non-signatory terminal rental rate	150.36
Terminal ramp rate	3.66
Signatory FIS fee per deplaned passenger	2.40
Non-signatory F/S fee per deplaned passenger	3.00
Cost per departure rate(1)	123.04

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