City of Chicago, Illinois Chicago O'Hare International Airport

Basic Financial Statements for the
Years Ended December 31, 2007 and 2006,
Required Supplementary Information,
Additional Information, Statistical Information,
and Independent Auditors' Report

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1–2
MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)	3–12
BASIC FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006:	
Statements of Net Assets	13
Statements of Revenues, Expenses, and Changes in Net Assets	14
Statements of Cash Flows	15–16
Notes to Basic Financial Statements	17–36
ADDITIONAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2007:	
First and Second Lien General Airport Revenue Bonds Calculation of Coverage	37–38
Third Lien General Airport Revenue Bonds Calculation of Coverage	39–40
STATISTICAL INFORMATION (UNAUDITED)	
Historical Operating Results, Ten Years Ended December 31, 2007	41
Debt Service Schedule	42
Capital Improvement Plan (CIP), 2008–2012	43
Operations of the Airport, Ten Years Ended December 31, 2007	44
Enplaned Commercial Passengers by Airline, Ten Years Ended December 31, 2007	45
Historical Passenger Traffic, Ten Years Ended December 31, 2007	46
Historical Total Origin and Destination (O&D) Enplanements Chicago Region Airports, Ten Years Ended December 31, 2007	47
Enplanement Summary, Ten Years Ended December 31, 2007	48
Aircraft Operations, Ten Years Ended December 31, 2007	49
Net Airline Requirement and Cost Per Enplaned Passenger, Year Ended December 31, 2007	50
Historical PFC Revenues, Ten Years Ended December 31, 2007	51
Passenger Facility Charge (PFC) Debt Service Coverage, Ten Years Ended December 31, 2007	52

Deloitte.

Deloitte & Touche LLP
111 S. Wacker Drive
Chicago, IL 60606-4301
USA

Tel: +1 312 486 1000
Fax: +1 312 486 1486
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of Chicago O'Hare International Airport (O'Hare) of the City of Chicago, Illinois (City) as of December 31, 2007 and 2006, and for the years then ended, listed in the foregoing table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

In our opinion, such basic financial statements present fairly, in all material respects, the financial position of Chicago O'Hare International Airport as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

The statistical information, as listed in the foregoing table of contents, is also presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such statistical information has not been subjected to auditing procedures and, accordingly, we do not express an opinion on it.

Deloitte + Touche LLP

June 27, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Dollars in thousands)

The following discussion and analysis of Chicago O'Hare International Airport's (Airport) financial performance provides an introduction and overview of the Airport's financial activities for the fiscal years ended December 31, 2007 and 2006. Please read this discussion in conjunction with the Airport's basic financial statements and the notes to basic financial statements immediately following this section.

FINANCIAL HIGHLIGHTS

2007

Operating revenues for 2007 increased by $106,847 (19.6 percent) compared to prior year operating revenues.

Operating expenses before depreciation and amortization increased by $43,549 compared to 2006 primarily due to increased salaries and wages, repairs and maintenance, professional and utilities costs.

The Airport's total net assets at December 31, 2007 were $1,198,759. This is an increase of $174,489 (17.0 percent) over total net assets at December 31, 2006.

Capital asset additions for 2007 were $842,555 (11.6 percent increase over 2006) principally due to land acquisition, terminal improvements, security enhancements, snow dump improvements, runway, roadway and parking improvements.

2006

Operating revenues for 2006 increased by $13,039 (2.4 percent) compared to prior year operating revenues.

Operating expenses before depreciation and amortization increased by $2,620 compared to 2005 primarily due to increased repairs and maintenance, professional and utilities costs.

The Airport's total net assets at December 31, 2006 were $1,024,270. This is an increase of $145,019 (16.5 percent) over total net assets at December 31, 2005.

Capital asset additions for 2006 were $754,808 (116.8 percent increase over 2005) principally due to land acquisition, terminal improvements, security enhancements, snow dump improvements, runway, roadway and parking improvements.

During 2006, the Airport sold $156,150 of Chicago O'Hare International Airport Third Lien Revenue Refunding Bonds, Series 2005 A-D. Total outstanding revenue bonds, net of unamortized discount and loss on refunding, at December 31, 2006 were $5,239,549.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

FINANCIAL ANALYSIS

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

At December 31, 2007 the Airport's financial position continued to be strong with total assets of $7,139,612 total liabilities of $5,940,853 and net assets of $1,198,759. A comparative condensed summary of the Airport's net assets at December 31, 2007, 2006 and 2005 is as follows (dollars in thousands):

	Net Assets		
	2007	**2006**	**2005**
Current assets	$ 204,827	$ 218,446	$ 278,256
Noncurrent assets:			
Restricted and other assets	2,152,284	2,437,659	3,249,907
Capital assets — net	4,782,501	4,062,603	3,427,334
Total noncurrent assets	6,934,785	6,500,262	6,677,241
Total assets	$ 7,139,612	$ 6,718,708	$ 6,955,497
Current liabilities	$ 131,437	$ 158,335	$ 217,422
Noncurrent liabilities	5,809,416	5,536,103	5,858,824
Total liabilities	$ 5,940,853	$ 5,694,438	$ 6,076,246
Net assets:			
Invested in capital — net of related debt	$ 481,321	$ 213,090	$ 211,908
Restricted	644,048	751,069	606,509
Unrestricted	73,390	60,111	60,834
Total net assets	$ 1,198,759	$ 1,024,270	$ 879,251

2007

Current assets decreased by $13,619 (6.23 percent) primarily due to decreased cash and cash equivalents balances at December 31, 2007. The decrease of cash and cash equivalents and investments was primarily due to the payment of current accounts receivable and deferred revenue during 2007. The Airport's current ratio (current assets/current liabilities) at December 31, 2007 and 2006 was 1.56:1 and 1.37:1, respectively. Restricted and other assets decreased by $285,375 (11.7 percent) primarily due to the use of construction funds, capitalized interest and PFC funds of $189,441, $31,725 and $52,188 respectively. Net capital assets increased by $719,898 (17.7 percent) due principally to capital activities of the Capital Development Program and the OMP at the Airport.

The decrease in current liabilities of $26,898 (17.0 percent) is directly related to the increased accounts payable ($9,330), due to other City funds liabilities ($5,011), advances for prepaid terminal and hanger rent ($1,500) offset by the decrease in deferred revenue ($42,739). Noncurrent liabilities increased by $273,313 (4.9 percent) mainly due to the issuance of $334,673 of commercial paper, increased accounts payable balance of $36,263, during 2007 offset by the payment of $101,620 for revenue bonds payable during 2007.

Net assets may serve, over a period of time, as a useful indicator of the Airport's financial position. As of December 31, 2007 total net assets were $1,198,759, an increase of $174,489 (17.0 percent) over 2006. Due to the residual Airport use agreement, this increase is mainly due to the $126,236 and $48,253 gain from operations and nonoperating revenues and expenses, and capital grants recognized, respectively during 2007.

2006

Current assets decreased by $59,810 (21.5 percent) primarily due to decreased cash and cash equivalents balances at December 31, 2006. The decrease of cash and cash equivalents and investments was primarily due to the payment of current accounts receivable and deferred revenue during 2006. The Airport's current ratio (current assets/current liabilities) at December 31, 2006 and 2005 was 1.37:1 and 1.28:1, respectively. Restricted and other assets decreased by $812,248 (25.0 percent) primarily due to the use of construction funds, capitalized interest and debt service funds of $511,436, $57,133 and $320,938, respectively, offset by increased cash balances of $48,495 of PFC funds and increased prepaid insurance expenses related to the O'Hare Modernization Program's (OMP) Owner Controlled Insurance Program (OCIP) of $18,004. Capital assets increased by $635,269 (18.5 percent) due principally to capital activities of the Capital Development Program and the OMP at the Airport.

The decrease in current liabilities of $59,087 (27.2 percent) is directly related to the decreased accounts payable ($12,708), due to other City funds liabilities ($1,645), deferred revenue ($41,288) and advances for prepaid terminal and hanger rent ($3,446). Noncurrent liabilities decreased by $322,721 (5.5 percent) mainly due to the payment of approximately $389,706 to pay off outstanding commercial notes of $389,706 offset by increased accounts payable balance of $68,573 during 2006.

Net assets may serve, over a period of time, as a useful indicator of the Airport's financial position. As of December 31, 2006 total net assets were $1,024,270, an increase of $145,019 (16.5 percent) over 2005. Due to the residual Airport use agreement, this increase is mainly due to the $73,781 and $71,238 gain from operations and nonoperating revenues and expenses and Airport Improvement Program (AIP) capital grants recognized, respectively, during 2006.

The primary sources of Airport operating revenues are landing fees, terminal area use charges, rents and concession revenues as defined within the Airline Use Agreement and Facilities Lease. These revenues fund Airport operating expenses, fund deposits and net debt service requirements. A comparative condensed summary of the Airport's changes in net assets for the years ended December 31, 2007, 2006 and 2005 is as follows (dollars in thousands):

	Changes in Net Assets		
	2007	2006	2005
Operating revenues			
Landing fees and terminal charges	$ 390,808	$ 304,512	$ 297,829
Rents, concessions, and other	261,955	241,404	235,048
Total operating revenues	652,763	545,916	532,877
Operating expenses:			
Salaries and wages	154,892	144,796	134,026
Repairs and maintenance	83,865	73,591	73,903
Professional and engineering	56,506	45,357	52,141
Other operating expenses	102,871	90,841	91,895
Depreciation and amortization	146,756	141,996	141,920
Total operating expenses	544,890	496,581	493,885
Operating income (loss)	107,873	49,335	38,992
Nonoperating revenues	224,892	225,450	190,112
Nonoperating expenses	(206,529)	(201,004)	(199,867)
Capital grants	48,253	71,238	42,475
Increase (decrease) in net assets	$ 174,489	$ 145,019	$ 71,712

2007

Landing fees and terminal area use charges for the years 2007 and 2006 were $390,808 and $304,512, respectively. Rents, concessions and other revenues were $261,955 and $241,404 for the years 2007 and 2006, respectively. The increase in 2007 operating revenues of $106,847 (19.6 percent) compared to 2006 was primarily due to increased landing fees, terminal rental and usage revenues and concession revenues of approximately $19,982, $77,169 and $13,920, respectively, offset by decreased reimbursements of $4,224. Such activity was due to the residual Airport Use Agreement and Terminal Lease that requires airline revenue to be recognized to the extent necessary to pay the Airport's operating and maintenance expenses, net debt service and fund deposit requirements, reduced by non-airline revenues.

Salaries and wages in 2007 increased by $10,096 compared to 2006. This increase was primarily due to scheduled salary increases of approximately $1,813 related to contract wage agreements, Aviation Department overtime of approximately $2,600 and Police overtime of approximately $5,000 related to the Orange security alert effective for the entire year of 2007. Repairs and maintenance expenses increased by approximately $10,274 from $73,591 in 2006 to $83,865 in 2007. This increase was mainly due to increased snow removal costs of $2,700, security costs of $4,000 and terminal maintenance projects of $2,500. Professional and engineering costs increased by approximately $11,149 from $45,357 in 2006 to $56,506 in 2007. These increases were mainly due to increased custodial costs of $2,230, computer programming costs of $2,432, parking management fees of approximately $7,580 in 2007 compared to 2006. Other operating expenses of $102,871 increased by $12,030 in 2007 compared to 2006 mainly due to increased electricity costs and increased de-icer materials costs of approximately $7,005 and $3,584 respectively. Other operating expenses are mainly comprised of employee benefit costs, insurance premiums, indirect costs, materials and supplies and utilities. Depreciation and amortization expense increased $4,760 (3.4 percent) as a result of the increased capital assets due to the activities of the ongoing Capital Improvement Program.

Fiscal year 2007 nonoperating revenues of $224,892 are comprised of passenger facility charges (PFC) revenue ($144,019) and interest income ($80,641). During 2007, nonoperating revenues decreased by $558 principally due to decreased PFC revenues of $4,031 as a result of decreased PFC enplanement activity and interest income of $3,241 due to higher investment yields year over year.

Nonoperating expenses of $206,529 and $201,004 for the years 2007 and 2006, respectively, were comprised of bond interest and PFC expenses. The increase of $5,525 (2.7 percent) for 2007 over 2006 was mainly due to additional interest expense requirements related to variable rate bonds.

Capital grants, comprised mainly of federal grants, decreased from $71,238 in 2006 to $48,253 in 2007, a 32.3 percent decrease, as a result of when capital expenditures were incurred (revenue recognized) and thus became eligible for the related reimbursement from the Federal government.

2006

Landing fees and terminal area use charges for the years 2006 and 2005 were $304,512 and $297,829, respectively. Rents, concessions and other revenues were $241,404 and $235,048 for the years 2006 and 2005, respectively. The increase in 2006 operating revenues of $13,039 (2.4 percent) compared to 2005 was primarily due to increased landing fees, terminal rental and usage revenues and concession revenues of approximately $1,303, $9,186 and $4,740, respectively, offset by decreased reimbursements of $2,190. Such activity was due to the residual Airport Use Agreement and Terminal Lease that requires airline revenue to be recognized to the extent necessary to pay the Airport's operating and maintenance expenses, net debt service and fund deposit requirements, reduced by non-airline revenues.

Salaries and wages in 2006 increased by $10,770 compared to 2005. This increase is primarily due to scheduled salary increases related to contract wage agreements. Repairs and maintenance expenses of $73,591 in 2006 remained flat when compared to 2005. Professional and engineering costs decreased by approximately $6,784 from $52,141 in 2005 to $45,357 in 2006. This decrease is mainly due to decreased parking management fees of approximately $6,000 in 2006 compared to 2005. Other operating expenses of $90,841 decreased by $1,054 in 2006 compared to 2005 mainly due to a reduction in utility costs, and materials and supplies of $2,202 and $2,032, respectively, offset by increased purchases of vehicles ($1,477), increased insurance costs ($1,244) and increased pension costs ($1,192). Other operating expenses are mainly comprised of employee benefit costs, insurance premiums, indirect costs and utilities. Depreciation and amortization expense remained flat compared to 2005 due to certain assets being completely depreciated.

Fiscal year 2006 nonoperating revenues of $225,450 are comprised of passenger facility charges (PFC) revenue ($148,050) and interest income ($77,400). During 2006, nonoperating revenues increased by $35,338 principally due to increased PFC revenues of $3,803 as a result of increased PFC enplanement activity and interest income of $31,535 due to higher investment yields year over year.

Nonoperating expenses of $201,004 and $199,867 for the years 2006 and 2005, respectively, comprised PFC and bond interest expenses. The increase of $1,137 (0.6 percent) for 2006 over 2005 was mainly due to additional interest expense requirements related to variable rate bonds.

Capital grants, comprised mainly of federal grants, increased from $42,475 in 2005 to $71,238 in 2006, a 67.7 percent increase, as a result of when capital expenditures were incurred (revenue recognized) and thus became eligible for the related reimbursement from the Federal government.

A comparative summary of the Airport's changes in cash flows for the years ended December 31, 2007, 2006 and 2005 is as follows (dollars in thousands):

	Cash Flows		
	2007	2006	2005
Cash from activites:			
Operating	$ 227,660	$ 135,387	$ 210,415
Capital and related financing	(595,420)	(1,104,290)	1,220,566
Investing	839,551	(189,249)	(39,486)
Net change in cash and cash equivalents	471,791	(1,158,152)	1,391,496
Cash and cash equivalents:			
Beginning of year	1,003,878	2,162,030	770,534
End of year	$1,475,669	$ 1,003,878	$2,162,030

2007

As of December 31, 2007 the Airport's available cash and cash equivalents of $1,475,669 increased by $471,791 compared to $1,003,878 at December 31, 2006 due to positive flows of cash provided by operating activities of $227,660 and investing activities of $839,551, respectively, offset by the use of capital and related financing activities of $595,420. Total cash and cash equivalents at December 31, 2007 were comprised of unrestricted and restricted cash and cash equivalents of $100,232 and $1,375,437, respectively.

2006

As of December 31, 2006 the Airport's available cash and cash equivalents of $1,003,878 decreased by $1,158,152 compared to $2,162,030 at December 31, 2005 due to positive flows of cash provided by operating activities of $135,387, offset by the use of capital and related financing activities and investing activities of $1,104,290 and $189,249, respectively. Total cash and cash equivalents at December 31, 2006 were comprised of unrestricted and restricted cash and cash equivalents of $116,707 and $887,171, respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2007 and 2006 the Airport had $ 4,782,501 and $4,062,603, respectively, invested in net capital assets. During 2007, the Airport had additions of $842,555 related to capital activities. This included $132,054 for land acquisition and the balance of $710,501 for terminal improvements, security enhancement, snow dump improvements, runway, drainage and parking improvements.

During 2007, completed projects totaling $203,909 were transferred from construction in progress to applicable buildings and other facilities capital accounts. These major completed projects were related to electrical system improvements, runway and taxiway rehab, fueling system upgrades, apron rehab, security enhancement, heating and refrigeration, water drainage and terminal improvements.

The Airport's capital assets at December 31, 2007, 2006 and 2005 are summarized as follows (dollars in thousands):

	Capital Assets at Year-End		
	2007	**2006**	**2005**
Capital assets not depreciated:			
Land	$ 603,164	$ 471,110	$ 234,279
Construction in progress	1,447,666	941,074	535,350
Total capital assets not depreciated	2,050,830	1,412,184	769,629
Capital assets depreciated:			
Buildings and other facilities	4,611,205	4,407,296	4,295,043
Less accumulated depreciation for:			
Buildings and other facilities	(1,879,534)	(1,756,877)	(1,637,338)
Total capital assets depreciated — net	2,731,671	2,650,419	2,657,705
Total property and facilities — net	$ 4,782,501	$ 4,062,603	$ 3,427,334

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

During 2007, the Airport issued $334,673 of Chicago O'Hare International Airport Commercial Paper Notes, Series A, B and C (Taxable) having interest rates ranging from 2.75 percent to 5.1 percent with maturity dates ranging from January 2, 2008 through February 20 , 2008. Note proceeds may be used to finance portions of the costs of authorized airport projects and to repay the expenses of issuing the notes.

In December 2006 the Airport sold $156,150 of Chicago O'Hare International Airport Third Lien Revenue Bonds, Series 2006 A-D. The bonds have maturity and mandatory redemption dates ranging from January 1, 2008 to January 1, 2037. Certain net proceeds were used to refund certain first and second lien bonds and certain proceeds were used to fund capitalized interest deposit requirements for certain third lien bonds.

The Airport's outstanding debt at December 31, 2007, 2006 and 2005 is summarized as follows (dollars in thousands):

	Outstanding Debt at Year-End		
	2007	2006	2005
Revenue bonds and notes payable	$ 5,150,400	$ 5,252,019	$ 5,675,591
Unamortized:			
Bond premium (discount)	48,090	52,932	55,656
Deferred loss on refunding	(57,698)	(65,402)	(75,962)
Total outstanding debt — net	5,140,792	5,239,549	5,655,285
Commercial paper	334,673		
Current portion	(155,860)	(101,620)	(462,076)
Total long-term revenue bonds and notes payable — net	$ 5,319,605	$ 5,137,929	$ 5,193,209

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

The Airport's revenue bonds at December 31, 2007 had credit ratings with each of the three major rating agencies as follows:

	Moody's Investor Services	Standard & Poor's	Fitch Ratings
First Lien Chicago O'Hare Revenue Bonds	A1	A+	AA-
Second Lien Chicago O'Hare Revenue Bonds	A1	A	AA-
Third Lien Chicago O'Hare Revenue Bonds	A2	A-	A
First Lien Passenger Facility Charge Revenue Bonds	A1	A+	A+
Second Lien Passenger Facility Charge Revenue Bonds	A2	A	A

At December 31, 2007 and 2006 the Airport was in compliance with the debt covenants as stated within the Master Trust Indentures.

ECONOMIC FACTORS AND NEXT YEAR RATES AND CHARGES

In 2007, the Airport was the second busiest airport in the world, measured in terms of total aircraft operations, and the second busiest in terms of total passengers. The Airport had 37,780 and 37,784 enplaned passengers in 2007 and 2006, respectively. The strong origin-destination passenger demand and the Airport's central geographical location near the center of the United States and along the most heavily traveled east/west air routes make the Airport a natural hub location.

United Airlines and American Airlines each use the Airport as one of their major hubs. United Airlines (including its regional affiliates) comprised 46.9 percent of the Airport's enplaned passengers in 2007 and 47.9 percent of the enplaned passengers in 2006. American Airlines (including its regional affiliate) comprised 36.3 percent of the Airport's enplaned passengers in 2007 and 36.5 percent of the enplaned passengers in 2006.

Based on the Airport's rates and charges for fiscal year 2008, total budgeted operating and maintenance expenses are projected at $402,590 and total net debt service and fund deposit requirements are projected at $266,084. Additionally, 2008 nonsignatory revenues are budgeted for $321,175 resulting in a net airline requirement of $347,499 that will be funded through landing fees, terminal area use charges and fuel system use charges.

REQUESTS FOR INFORMATION

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

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

STATEMENTS OF NET ASSETS
DECEMBER 31, 2007 AND 2006
(Dollars in thousands)

ASSETS	2007	2006
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	$ 100,232	$ 116,707
Investments (Note 2)	46,754	44,132
Accounts receivable — net of allowance for doubtful accounts of approximately $3,098 in 2007 and $2,620 in 2006	41,092	36,933
Due from other City funds	14,058	17,339
Prepaid expenses	1,681	2,488
Interest receivable	1,010	847
Total current assets	204,827	218,446
NONCURRENT ASSETS:		
Restricted assets (Note 3):		
Cash and cash equivalents (Note 2)	1,375,437	887,171
Investments (Note 2)	404,140	1,133,586
Passenger facility charges and other receivables	12,947	23,349
Interest receivable	6,195	19,395
Prepaid expenses	27,391	24,506
Due from other City funds	181	6
Due from other governments	10,214	21,205
Total restricted assets	1,836,505	2,109,218
Other assets — deferred soundproofing and financing fees	315,779	328,441
Property and facilities (Note 5):		
Land	603,164	471,110
Buildings and other facilities	4,611,205	4,407,296
Construction in progress	1,447,666	941,074
Total property and facilities	6,662,035	5,819,480
Less accumulated depreciation	1,879,534	1,756,877
Property and facilities — net	4,782,501	4,062,603
Total noncurrent assets	6,934,785	6,500,262
TOTAL	$7,139,612	$6,718,708

LIABILITIES AND NET ASSETS	2007	2006
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 57,134	$ 47,804
Due to other City funds	13,218	8,207
Advances for terminal and hangar rent	14,954	13,454
Deferred revenue	46,131	88,870
Total current liabilities	131,437	158,335
NONCURRENT LIABILITIES:		
Liabilities payable from restricted assets (Note 3):		
Revenue bonds and notes payable (Note 4)	155,860	101,620
Accounts payable	207,224	170,961
Due to other City funds	4	340
Interest payable	126,723	125,253
Total liabilities payable from restricted assets	489,811	398,174
Revenue bonds payable — net of premium (Note 4)	4,984,932	5,137,929
Notes payable (Note 4)	334,673	
Total revenue bonds and notes payable — net	5,319,605	5,137,929
Total noncurrent liabilities	5,809,416	5,536,103
Total liabilities	5,940,853	5,694,438
NET ASSETS (Note 1):		
Invested in capital assets — net of related debt	481,321	213,090
Restricted net assets:		
Debt service	27,904	65,001
Capital projects	152,985	168,420
Passenger facility charges	255,492	312,903
Airport use agreement	103,246	91,455
Other assets	104,421	113,290
Total restricted net assets	644,048	751,069
Unrestricted net assets	73,390	60,111
TOTAL	$7,139,612	$6,718,708

See notes to basic financial statements.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(Dollars in thousands)

	2007	2006
OPERATING REVENUES:		
Landing fees and terminal area use charges (Note 1)	$ 390,808	$ 304,512
Rents, concessions, and other (Note 6)	261,955	241,404
Total operating revenues	652,763	545,916
OPERATING EXPENSES (Notes 7 and 8):		
Salaries and wages	154,892	144,796
Repairs and maintenance	83,865	73,591
Professional and engineering services	56,506	45,357
Other operating expenses	102,871	90,841
Total operating expenses before depreciation and amortization	398,134	354,585
Depreciation and amortization	146,756	141,996
Total operating expenses	544,890	496,581
OPERATING INCOME	107,873	49,335
NONOPERATING REVENUES (EXPENSES):		
Passenger facility charges revenue	144,019	148,050
Passenger facility charges expenses	(68)	(88)
Other nonoperating revenue	232	
Interest income (Note 4)	80,641	77,400
Interest expense (Note 4)	(206,461)	(200,916)
Total nonoperating revenues (expenses)	18,363	24,446
INCOME BEFORE CAPITAL CONTRIBUTIONS	126,236	73,781
CAPITAL GRANTS (Note 1)	48,253	71,238
CHANGE IN NET ASSETS	174,489	145,019
TOTAL NET ASSETS — Beginning of year	1,024,270	879,251
TOTAL NET ASSETS — End of year	$ 1,198,759	$ 1,024,270

See notes to basic financial statements.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(Dollars in thousands)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Landing fees and terminal area use charges	$ 345,579	$ 265,822
Rents, concessions, and other	261,786	240,019
Payments to vendors	(210,227)	(197,891)
Payments to employees	(142,392)	(134,225)
Transactions with other City funds — net	(27,086)	(38,338)
Cash flows from operating activities	227,660	135,387
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from issuance of bonds		158,239
Net proceeds from (payments of) commercial paper notes	334,673	(389,706)
Payments to refund bonds		(120,555)
Acquisition and construction of capital assets	(762,132)	(635,415)
Capital grants	59,244	83,701
Bond issuance costs		(2,805)
Principal paid on bonds	(101,620)	(72,370)
Interest paid on bonds and note	(268,733)	(251,074)
Noise mitigation program	(11,437)	(19,625)
Other nonoperating income	232	
Passenger facility charges and other receipts	154,421	145,408
Passenger facility charges expenses	(68)	(88)
Cash flows used in capital and related financing activities	(595,420)	(1,104,290)
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Purchases) investments — net	726,824	(275,516)
Investment interest	112,727	86,267
Cash flows from (used in) investing activities	839,551	(189,249)
NET CHANGE IN CASH AND CASH EQUIVALENTS	471,791	(1,158,152)
CASH AND CASH EQUIVALENTS — Beginning of year	1,003,878	2,162,030
CASH AND CASH EQUIVALENTS — End of year	$ 1,475,669	$ 1,003,878

(Continued)

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(Dollars in thousands)

	2007	2006
RECONCILIATION TO CASH AND CASH EQUIVALENTS REPORTED ON THE STATEMENTS OF NET ASSETS:		
Unrestricted	$ 100,232	$ 116,707
Restricted	1,375,437	887,171
TOTAL	$ 1,475,669	$ 1,003,878
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 107,873	$ 49,335
Adjustments to reconcile:		
Depreciation and amortization	146,756	141,996
Provision for doubtful accounts	979	(825)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(5,138)	4,660
Decrease (increase) in due from other City funds	3,281	(159)
Decrease (increase) in prepaid expenses	807	(533)
Increase (decrease) in accounts payable and due to other City funds	14,341	(14,352)
Increase (decrease) in prepaid terminal rent	1,500	(3,446)
Decrease in deferred revenue	(42,739)	(41,289)
CASH FLOWS FROM OPERATING ACTIVITIES	$ 227,660	$ 135,387

SUPPLEMENTAL DISCLOSURE OF NONCASH ITEMS:
Property additions in 2007 and 2006 of $201,904 and $174,090, respectively, are included in accounts payable.

The fair market value adjustments (loss) to investments for 2007 and 2006 were ($197) and ($2,601), respectively.

See notes to basic financial statements.

(Concluded)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting and Measurement Focus — The accounting policies of the Airport are based upon accounting principles generally accepted in the United States of America, as prescribed by the Government Accounting Standards Board (GASB). 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. For the year ended December 31, 2007, the City adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*, and GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and the Intra-Entity Transfers of Assets and Future Revenues.*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Passenger Facility Charge (PFC) Revenue — The Airport imposed PFCs of $4.50 per eligible enplaned passenger for the years ended December 31, 2007 and 2006. PFCs are available, subject to Federal Aviation Administration regulation and approval, to finance specific eligible capital projects. The City reports PFC revenue as nonoperating revenue and related expenses as nonoperating expenses in conformity with industry practice.

2. RESTRICTED AND UNRESTRICTED CASH, CASH EQUIVALENTS AND INVESTMENTS

Investments — As of December 31, 2007, the Airport had the following Investments (dollars in thousands):

Investment Type	Investment Maturities (in Years)				
Airport Funds	Less Than 1	1–5	6–10	More Than 10	Fair Value
U.S. Treasuries	$ -	$ -	$ -	$ -	$ -
U.S. Agencies	753,577	158,000			911,577
Commercial Paper	25,852				25,852
Certificates of deposits	755,922				755,922
Subtotal	$ 1,535,351	$ 158,000	$ -	$ -	1,693,351
Share of City's pooled funds					1,096
Total					$ 1,694,447

As of December 31, 2006, the Airport had the following Investments (dollars in thousands):

Investment Type	Investment Maturities (in Years)				
Airport Funds	Less Than 1	1–5	6–10	More Than 10	Fair Value
U.S. Treasuries	$ 97,557	$ -	$ -	$ -	$ 97,557
U.S. Agencies	1,325,800	266,194			1,591,994
Certificates of deposits	495,199				495,199
Subtotal	$ 1,918,556	$ 266,194	$ -	$ -	2,184,750
Share of City's pooled funds					2,232
Total					$ 2,186,982

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

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

Quality Rating	2007	2006
Aaa/AAA	$1,665,400	$2,165,792
A/A	25,851	
Not rated	2,100	18,958
Not applicable		
Total funds	$1,693,351	$2,184,750

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

Custodial Credit Risk — Cash and Certificates of Deposit — This is the risk that in the event of a bank failure, the City's deposits may not be returned. The City's Investment Policy states that in order to protect the City public fund deposits, depository institutions are to maintain collateral pledges on City deposits during the term of the deposit of at least 105 percent of marketable U.S. government, or approved securities or surety bonds, issued by top-rated insurers. Collateral is required as security whenever deposits exceed the insured limits of the FDIC. The bank balance of cash and certificates of deposit with the City's various municipal depositories were $515.7 and $248.4 million at December 31, 2007 and 2006, respectively. Of the bank balance, $509.4 million and $247.6 million or 98.8% and 99.7% at December 31, 2007 and 2006, respectively, were either insured or collateralized with securities held by City agents in the City's name. The remainder was uninsured and uncollateralized.

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

	2007	2006
Per Note 2:		
Investments — Airport	$ 1,693,351	$ 2,184,750
Investments — City Treasurer Pooled Fund	1,096	2,232
	$ 1,694,447	$ 2,186,982
Per financial statements:		
Restricted investments	$ 404,140	$ 1,133,586
Unrestricted investments	46,754	44,132
Investments included as cash and cash equivalents on the statements of net assets	1,243,553	1,009,264
	$ 1,694,447	$ 2,186,982

3. RESTRICTED ASSETS

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

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

Account	2007	2006
Construction	$ 583,035	$ 772,476
Capitalized interest	198,492	230,217
Debt service reserve	321,263	331,331
Debt service interest	251,041	217,654
Debt service principal	30,747	29,405
Operation and maintenance reserve	101,312	89,304
Maintenance reserve	3,000	3,000
Other funds	43,495	47,990
Subtotal — Bond Ordinance, Second Lien Indenture and Third Lien Indenture accounts	1,532,385	1,721,377
Passenger facility charge	247,192	299,380
Total	$ 1,779,577	$ 2,020,757

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

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

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

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

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

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

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

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

At December 31, 2007 and 2006, the Airport was in compliance with the funding requirements and restrictions as stated in the Bond Ordinance, Second Lien Indenture and Third Lien Indenture.

4. LONG-TERM DEBT

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

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

Revenue Bonds Outstanding — The following summarizes revenue bonds outstanding at December 31, 2007 and 2006 (dollars in thousands):

	2007	2006
First lien bonds:		
$324,270 1993 Series A first lien revenue refunding bonds issued November 30, 1993, due through 2016; interest rates at 4.8%–5.0%	$ 72,795	$ 72,795
Second lien bonds:		
$50,000 Series 1984 B second lien bonds issued December 27, 1984, due through 2015 at variable floating interest rates (3.27% at December 31, 2007)	24,060	26,250
$25,000 Series 1988 B second lien bonds issued December 21, 1988, due through 2018 at variable floating interest rates (3.40% at December 31, 2007)	16,500	17,400
$320,430 1993 Series C second lien revenue refunding bonds issued November 30, 1993, due through 2018; interest at 4.9%–5.75%	163,750	163,750
$274,940 1994 Series A second lien revenue refunding bonds issued November 29, 1994, due through 2015; interest rate at 6.0%–6.75%		
$68,700 1994 Series B second lien revenue bonds issued October 12, 1994, due through 2018; variable floating interest rate (3.40% at December 31, 2007)	45,700	45,700
$83,800 1994 Series C second lien revenue bonds issued November 9, 1994, due through 2018; variable floating interest rate (3.40% at December 31, 2007)	56,300	56,300
$179,625 1996 Series A second lien revenue bonds issued October 31, 1996, due through 2018; interest rate at 4.7%–6.25%	100,440	103,260
$409,850 Series 1999 second lien revenue refunding bonds issued October 4, 1999, due through 2018; interest at 5.5%	314,720	320,185
Subtotal — second lien bonds	721,470	732,845
Third lien bonds:		
$490,515 Series 2002 A third lien revenue refunding bonds issued March 20, 2002, due through 2032; interest at 5.25%–5.75%	490,515	490,515
$248,910 Series 2003 A-1 and A-2 third lien revenue refunding bonds issued August 14, 2003, due through 2034; interest at 4.50%–6.00%	248,910	248,910
$382,155 Series 2003 B-1 and B-2 third lien revenue bonds issued August 21, 2003, due through 2034; interest at 5.25%–6.00%	382,155	382,155
$355,245 Series 2003 C-1 and C-2 third lien revenue refunding bonds issued August 21, 2003, due through 2034; interest at 5.25%	355,245	355,245
$149,330 Series 2003 D, E and F third lien revenue bonds issued December 2, 2003, due through 2034; interest at 2.125%–5.5%	135,950	136,415
$281,055 Series 2004 A and B third lien revenue refunding bonds issued December 2, 2004, due through 2035; interest at 4.75%–5.0%	220,870	281,055
$39,700 Series 2004 C and D third lien revenue refunding bonds issued December 2, 2004, due through 2026; interest at 4.70%–5.25%	39,700	39,700

(Continued)

	2007	2006
Third lien bonds:		
$64,290 Series 2004 E, F, G and H third lien revenue refunding bonds issued December 2, 2004, due through 2023; interest at 3.49%–5.35%	$ 29,925	$ 30,525
$961,010 Series 2005 A third lien revenue bonds issued December 22, 2005, due through 2033; interest at 5.0%–5.25%	961,010	961,010
$238,990 Series 2005 B third lien revenue refunding bonds issued December 22, 2005, due through 2018; interest at 5.25%	238,990	238,990
$300,000 Series 2005 C and D third lien revenue bonds issued December 22, 2005, due through 2035; variable floating interest rate (3.47% at December 31, 2007)	300,000	300,000
$112,630 Series 2006 A, B and C third lien revenue refunding bonds issued December 13, 2006, due through 2037; interest at 4.55%–5.50%	112,630	112,630
$43,520 Series 2006 D third lien revenue bonds issued December 13, 2006, due through 2037; interest at 4.55%–5.00%	43,520	43,520
Subtotal — third lien bonds	3,559,420	3,620,670
Passenger facility charge revenue bonds:		
$218,890 Series 1996 A Passenger Facility Charge Revenue Bonds issued July 30, 1996, due through 2015; interest at 5.0%–6.0%	151,920	166,705
$430,415 Series 2001 A and B Passenger Facility Charge Revenue Bonds issued June 19, 2001, due through 2032: interest at 4.0%–5.75%	402,475	410,020
$215,065 Series 2001 C and D Passenger Facility Charge Revenue Bonds issued August 21, 2001, due through 2032: interest at 3.4%–5.5%	200,590	204,460
$54,520 Series 2001 E Passenger Facility Charge Revenue Bonds issued October 4, 2001, due through 2018: interest at 3.5%–5.5%	41,730	44,524
Subtotal — passenger facility charge revenue bonds	796,715	825,709
Commercial Paper Notes:		
$334,673 Series A, B and C (Taxable) Commercial Paper Notes outstanding at December 31, 2007, due through 2008; interest at 2.75% to 5.1%	334,673	
Total revenue bonds and notes	5,485,073	5,252,019
Unamortized premium (discount)	48,090	52,932
Unamortized deferred loss on bond refunding	(57,698)	(65,402)
	5,475,465	5,239,549
Current portion	(155,860)	(101,620)
Total long-term revenue bonds payable	$5,319,605	$5,137,929

During the years ended December 31, 2007 and 2006, long-term debt changed as follows (dollars in thousands):

2007	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
Revenue bonds	$5,252,019	$	$(101,619)	$5,150,400	$155,860
Unamortized (discount) premium	52,932	(7,111)	2,269	48,090	
Deferred loss on refunding	(65,402)		7,704	(57,698)	
Total revenue bonds	5,239,549	(7,111)	(91,646)	5,140,792	155,860
Commercial paper		334,673		334,673	
Total long-term debt	$5,239,549	$327,562	$ (91,646)	$5,475,465	$155,860

2006	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
Revenue bonds	$5,285,885	$156,150	$(190,016)	$5,252,019	$101,620
Unamortized (discount) premium	55,656	(7,738)	5,014	52,932	
Deferred loss on refunding	(75,962)	(1,512)	12,072	(65,402)	
Total revenue bonds	5,265,579	146,900	(172,930)	5,239,549	101,620
Commercial paper	389,706		(389,706)		
Total long-term debt	$5,655,285	$146,900	$(562,636)	$5,239,549	$101,620

Interest expense capitalized for 2007 and 2006 totaled $66.6 million and $74.2 million, respectively. Interest income capitalized for 2007 and 2006 totaled $19.0 million and $35.7 million, respectively. Interest expense includes amortization of the deferred loss on bond refunding for 2007 and 2006 of $7.7 million and $12.1 million, respectively, and amortization of $4.8 million of premium, net and $5.3 million of premium, net, respectively.

Issuance of Debt — Chicago O'Hare International Airport Commercial Paper Notes, Series A (Tax-Exempt), Series B (Tax-Exempt) and Series C (Taxable) ($600,000,000 maximum aggregated authorized) outstanding at December 31, 2007 were $334,673,000 having interest rates ranging from 2.75 percent to 5.1 percent with maturity dates ranging from January 2, 2008 through February 20, 2008. Note proceeds may be used to finance portions of the costs of authorized airport projects and to repay the expenses of issuing the notes. An irrevocable letter of credit ($667,500,000) provides for the timely payment of principal and interest on the notes until July 20, 2010. Amounts paid by drawing on the letter of credit shall be reimbursed by the Airport on said day paid; any amounts not reimbursed shall constitute an advance and will bear interest at the greater of the most recent prime rate or the Federal Funds rate plus 0.5 percent (Base Rate). Advances outstanding greater than sixty days will bear interest at the Base Rate plus 1.0 percent beginning on the sixty-first day after such advance is made. At December 31, 2007, there were no outstanding letter of credit advances.

In December 2006, the Airport sold $112.6 million of Chicago O'Hare International Airport Third Lien Revenue Refunding Bonds, Series 2006 A (Non-AMT), B (AMT) and C (Taxable) at a $1.5 million premium. The Bonds have interest rates ranging from 4.55 percent to 5.50 percent and maturity and mandatory redemption dates ranging from January 1, 2008 to January 1, 2037. Certain net proceeds of $112.3 million together with $8.3 million transferred from the debt service account and debt service reserve funds established for the first, second and third Lien Bonds were deposited in escrow accounts to partially defease outstanding Series 1993 A First Lien Refunding Bonds ($40.5 million) and Series 1999 Second Lien Refunding Bonds ($43.4 million) and fully defease Series 2004 E Refunding Bonds ($33.8 million); certain proceeds of $1.8 million were used to pay the cost of issuance of the bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $1.5 million that will be charged to operations over 4 to 32 years using the straight-line method. The advance refunding increased the Airport's total debt service payments by $21.6 million and resulted in an economic loss (difference between the present value of the old debt and the new debt service payments) of $1.1 million.

In December 2006, the Airport sold $43.5 million of Chicago O'Hare International Airport Third Lien Revenue Bonds, Series 2006 D at a $.64 million premium. The Bonds have interest rates ranging from 4.55 percent to 5.0 percent and maturity and mandatory redemption dates ranging from January 1, 2019 to January 1, 2037. Certain proceeds of $43.2 million were used to fund capitalized interest deposit requirements for certain third lien bonds and certain proceeds of $1.0 million were used to pay the cost of issuance of the bonds.

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
2008	$ -	$ 3,640	$ 3,640
2009		3,640	3,640
2010		3,640	3,640
2011		3,640	3,640
2012	46,340	2,481	48,821
2013–2016	26,455	3,412	29,867
Total	$ 72,795	$ 20,453	$ 93,248

Following is a schedule of debt service requirements to maturity of the second lien bonds. For issues with variable rates, interest is imputed at the effective rate at December 31, 2007 (dollars in thousands).

Years Ending December 31	Principal	Interest	Total
2008	$ 64,595	$ 34,665	$ 99,260
2009	71,795	31,113	102,908
2010	79,500	27,208	106,708
2011	95,360	22,866	118,226
2012	54,290	19,130	73,420
2013–2017	298,955	51,287	350,242
2018	56,975	1,415	58,390
Total	$ 721,470	$ 187,684	$ 909,154

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, 2007, the second lien bonds were in the weekly rate interest mode. An irrevocable letter of credit ($30.3 million) provides for the timely payment of principal and interest on the Series 1984 bonds until October 1, 2011. An irrevocable letter of credit ($18.5 million) provides for the timely payment of principal and interest on the Series 1988 bonds until November 30, 2015. An irrevocable letter of credit ($103.8 million) provides for the timely payment of principal and interest on the Series 1994 bonds until October 1, 2011. At December 31, 2007 there were nom outstanding letter of credit advances.

Following is a schedule of debt service requirements to maturity of the third lien bonds. For issues with variable rates, interest is imputed at the effective rate at December 31, 2007 (dollars in thousands):

Years Ending December 31	**Principal**	**Interest**	**Total**
2008	$ 60,805	$ 180,305	$ 241,110
2009	59,335	177,298	236,633
2010	50	175,814	175,864
2011	44,555	174,688	219,243
2012	50	173,562	173,612
2013–2017	304,300	835,778	1,140,078
2018–2022	631,920	707,613	1,339,533
2023–2027	817,945	511,181	1,329,126
2028–2032	1,027,335	268,871	1,296,206
2033–2037	613,125	35,975	649,100
Total	$ 3,559,420	$ 3,241,085	$ 6,800,505

The Airport's third lien variable rate bonds may bear interest from time to time at a flexible rate, a daily rate, a weekly rate, an adjustable long rate or the fixed rate as determined from time to time by the remarketing agent, in consultation with the City. At December 31, 2007, the third lien bonds were in the weekly rate interest mode. An irrevocable letter of credit ($303.4 million) provides for the timely payment of principal and interest on the Series 2005 bonds until December 22, 2012. At December 31, 2007 there were nom outstanding letter of credit advances.

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

Years Ending December 31	**Principal**	**Interest**	**Total**
2008	$ 30,460	$ 42,220	$ 72,680
2009	32,105	40,537	72,642
2010	33,835	38,759	72,594
2011	35,655	36,900	72,555
2012	37,545	34,914	72,459
2013–2017	172,110	142,393	314,503
2018–2022	118,205	105,109	223,314
2023–2027	146,740	70,773	217,513
2028–2032	190,060	26,239	216,299
Total	$ 796,715	$ 537,844	$ 1,334,559

The Series A, B and C (Taxable) Commercial Paper Notes outstanding at December 31, 2007 of $334.7 million will be refunded with new commercial paper notes as the existing notes mature. The Airport plans to refinance these notes with future bonds.

Defeased Bonds — Defeased bonds have been removed from the balance sheet because the related assets have been placed in irrevocable trusts that, together with interest earned thereon, will provide amounts sufficient for payment of all principal and interest. Defeased bonds at December 31, 2007, are as follows (dollars in thousands):

	Amount Defeased	Outstanding
Chicago O'Hare International Airport Second Lien Bonds, Series 1999	$ 43,350	$ 43,350

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

5. CHANGES IN CAPITAL ASSETS

During the years ended December 31, 2007 and 2006, capital assets changed as follows (dollars in thousands):

2007	Balance January 1	Additions	Disposals and Transfers	Balance December 31
Capital assets not depreciated:				
Land	$ 471,110	$ 132,054	$	$ 603,164
Construction in progress	941,074	710,501	(203,909)	1,447,666
Total capital assets not depreciated	1,412,184	842,555	(203,909)	2,050,830
Capital assets depreciated:				
Buildings and other facilities	4,407,296	203,909		4,611,205
Less accumulated depreciation for:				
Buildings and other facilities	(1,756,877)	(122,657)		(1,879,534)
Total capital assets depreciated — net	2,650,419	81,252		2,731,671
Total property and facilities — net	$ 4,062,603	$ 923,807	$ (203,909)	$ 4,782,501

2006	Balance January 1	Additions	Disposals and Transfers	Balance December 31
Capital assets not depreciated:				
Land	$ 234,279	$ 236,831	$	$ 471,110
Construction in progress	535,350	517,977	(112,253)	941,074
Total capital assets not depreciated	769,629	754,808	(112,253)	1,412,184
Capital assets depreciated:				
Buildings and other facilities	4,295,043	112,253		4,407,296
Less accumulated depreciation for:				
Buildings and other facilities	(1,637,338)	(119,539)		(1,756,877)
Total capital assets depreciated — net	2,657,705	(7,286)		2,650,419
Total property and facilities — net	$ 3,427,334	$ 747,522	$ (112,253)	$ 4,062,603

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

6. LEASING ARRANGEMENTS WITH TENANTS

Most of the Airport's land, buildings and terminal space are leased under operating lease agreements with airlines and other tenants. The following is a schedule of the minimum future rental income on noncancelable operating leases as of December 31, 2007 (dollars in thousands):

Years Ending December 31	Amount
2008	$ 29,399
2009	28,399
2010	16,433
2011	15,951
2012	15,708
2013–2017	78,780
2018–2022	21,035
2023–2027	8,867
2028–2032	9,656
2033–2034	1,913
Total minimum future rental income	$ 226,141

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

Rental income, consisting of all rental and concession revenues except ramp rentals and automobile parking, amounted to approximately $367.8 million and $310.9 million in 2007 and 2006, respectively. Contingent rentals included in the totals were approximately $81.8 million and $75.7 million and for 2007 and 2006, respectively.

7. PENSION PLANS

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

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

Participating employees contribute 8.5 percent of their salary to these funds as required by State law. By law, the City's contributions are based on the amounts contributed by the employees. Financing of the City's contribution is through a separate property tax levy and the personal property replacement tax. The Airport reimburses the City's General Fund for the estimated pension cost applicable to the covered payroll of O'Hare Fund employees. These reimbursements, recorded as expenses of the O'Hare Fund, were $14.1 million in 2007 and $14.0 million in 2006. The annual pension costs are determined using the entry age actuarial cost method and the level dollar amortization method.

The funding policy mandated by State law requires City contributions at statutorily, not actuarially, determined rates. The rates are expressed as multiples of employee contributions. These contributions equal employee contributions made in the calendar year two years prior multiplied by the statutory rates. The statutory rates in effect for the City's contributions made during the years ended December 31, 2007, 2006 and 2005 were 1.25 for the Municipal Employees' and 1.00 for the Laborers' and Retirement Board Employees' Annuity and Benefit Funds, respectively. The City has made the required contributions under State law.

The following table as of December 31, 2007 assists users in assessing each fund's progress in accumulating sufficient assets to pay benefits when due. The three-year historical information for each annuity and benefit fund will be accumulated over the next year (dollars in thousands):

	Annual Pension Cost	Annual Pension Cost Contributed	Required Contribution	Required Contributions Contributed	Net Pension Assets
Municipal employees':					
2005	284,587	54.5	285,291	54.4	169,895
2006	325,514	48.3	325,914	48.3	1,442
2007	343,127	40.7	343,123	40.7	(202,078)
Laborers':					
2005	12,138	0.3	12,774	0.3	258,125
2006	20,536	0.5	17,600	0.6	237,696
2007	22,260	59.3	21,726	61.0	228,692

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

In addition to providing pension benefits, under State law, the City provides certain health benefits to employees who retire from the City based upon their participation in the City's pension plans. Substantially all employees who qualify as Municipal Employees' or Laborers' pension plan participants older than age 55 with at least 20 years of service may become eligible for post-employment benefits if they eventually become annuitants. Health benefits include basic benefits for annuitants and supplemental benefits for Medicare-eligible annuitants. Currently, the City does not segregate benefit payments to annuitants by fund. The cost of health benefits is recognized as claims are reported and funded on a pay-as-you-go basis. The total cost to the City for providing health benefits to approximately 24,350 and 24,374 annuitants and their dependents was approximately $87.5 million and $79.3 million in 2007 and 2006, respectively.

8. OTHER POST-EMPLOYMENT BENEFITS – CITY OBLIGATION

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

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

The annuitants who retired prior to July 1, 2005 received a 55 percent subsidy from the City and the annuitants who retired on or after July 1, 2005 received a 50, 45, 40 and zero percent subsidy from the City based on the annuitant's length of actual employment with the City for the gross cost of retiree health care under a court approved settlement agreement. The pension funds contributed $55 for each Medicare eligible annuitant and $85 for each Non-Medicare eligible annuitant to their gross cost. The annuitants contributed a total of $54.8 million in 2007 to the gross cost of their retiree heath care pursuant to premium amounts set forth in the above-referenced settlement agreement.

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. In 2007, the net expense to the City for providing these benefits to approximately 24,350 annuitants plus their dependents was approximately $87.5 million.

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

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

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

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

The following table shows the components of the City's annual OPEB costs for the year for the Settlement Plan, the amount actually contributed to the plan and changes in the City's net OPEB obligation to the Retiree Health Plan. The *Net OPEB Obligation* is the amount entered upon the City's Statement of Net Assets as of year end as the net liability for the other post employment benefits – the retiree health plan. The amount of the annual cost for the retiree health plan which is to be recorded in the Statement of Changes in Net Assets for 2007 is the *Annual OPEB Cost (expense)*.

Annual OPEB Cost and Contributions Made
(dollars in thousands)

	Retiree Settlement Health Plan
Contribution Rates:	
City	Pay As You Go
Plan Members	N/A
Annual Required Contribution	$ 245,591
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost	245,591
Contributions Made	97,245
Increase (Decrease) in Net OPEB Obligation	148,346
Net OPEB Obligation (Excess), Beginning of Year	-

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2007 is as follows (dollars in thousands):

Schedule of Contributions, OPEB Costs and Net Obligations

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2007	$ 245,591	39.6%	$ 148,346

The City, as required, adopted GASB 45 in fiscal year 2007. Information is provided for Fiscal Year End 2007 only, the year of adoption. Subsequent years' disclosure will provide information for the reporting year and for the prior two years, as applicable.

Funded Status and Funding Progress - As of January 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $1,301,417 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was approximately $2,502,154 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 52%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in to 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, supplementary information following the notes to the financial statements (dollars in thousands).

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll
12/31/2006	$ -	$ 1,301,417	$ 1,301,417	0%	$ 2,502,154

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 Settlement Plan benefits (not provided by the Pension Funds) in the actuarial valuation for the fiscal year ended December 31, 2007, the projected unit credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 12% initially, reduced by decrements to an ultimate rate of 7%. Both rates included a 3% 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 4.35% (percent). The Unfunded Accrued Actuarial Liability is being amortized as a level dollar amount over 6.5 years.

Summary of Assumptions and Methods

	Settlement Health Plan
Actuarial Valuation Date	December 31, 2006
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	6.5 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.35%
Projected Salary Increases	2.5%
Healthcare Inflation Rate	12% initial to 7% ultimate

The pension benefit information pertaining to Airport fund is not available

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 certain payments made on behalf of the Airport. Such reimbursements amounted to $54.6 million and $56.8 million in 2007 and 2006, respectively.

10. COMMITMENTS AND CONTINGENCIES

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

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, 2007 and 2006 are as follows (dollars in thousands):

	2007	2006
Beginning balance — January 1	$ 1,467	$ 1,695
Total claims incurred (expenditures)	16,284	15,652
Claims paid	(16,162)	(15,880)
Claims liability — December 31	$ 1,589	$ 1,467

The City purchases annuity contracts from commercial insurers to satisfy certain liabilities. The City renewed its property insurance for the City's Airports, effective December 31, 2007, at a limit of $2.5 billion. Claims have not exceeded the purchased insurance coverage in the past four years. Accordingly, no liability is reported for those claims. Property and casualty risks for the Airport are transferred to commercial insurers.

At December 31, 2007 and 2006, the Airport had commitments in the amounts of approximately $356.2 million and $484.1 million, respectively, in connection with contracts entered into for construction projects.

* * * * * *

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

ADDITIONAL INFORMATION
FIRST AND SECOND LIEN GENERAL AIRPORT REVENUE BONDS
CALCULATIONS OF COVERAGE
YEAR ENDED DECEMBER 31, 2007
(Dollars in thousands)

NET REVENUES FOR CALCULATION OF COVERAGE:	
Change in net assets	$ 174,489
Capital grants	(48,253)
Passenger facility charges	(143,951)
	(17,715)
ADJUSTMENTS:	
Interest on bonds	270,202
Interest capitalized for financial reporting purposes	(47,556)
	222,646
Change in net assets of the Land Support area — net of amount to be deposited in the Revenue Fund	(11,113)
Revenue Fund balance — January 1, 2007 (Note 2)	87,923
Depreciation and amortization of sound proofing, bond discount, financing fees and loss on refunding	149,619
Income earned on Airport Development, Emergency Reserve and Construction Funds	(62,056)
NET REVENUES FOR CALCULATION OF COVERAGE	$ 369,304
COVERAGE REQUIREMENT:	
Required deposits from revenues:	
Operation and maintenance reserve	$ 11,026
Maintenance reserve	1,554
Special capital projects	425
Total fund deposit requirements	13,005
Aggregate first and junior debt service for the bond year	107,700
	1.10
	118,470
Less amounts transferred from capitalized interest accounts	
Net debt service required	118,470
COVERAGE REQUIREMENT	$ 131,475
COVERAGE RATIO:	
Net revenues for calculation of coverage	$ 369,304
Total fund deposit requirements	(13,005)
NET REVENUES	$ 356,299
AGGREGATE DEBT SERVICE FOR THE BOND YEAR	$ 107,700
COVERAGE RATIO	3.31

ADDITIONAL INFORMATION
FIRST AND SECOND LIEN GENERAL AIRPORT REVENUE BONDS
NOTES TO CALCULATIONS OF COVERAGE
YEAR ENDED DECEMBER 31, 2007

1. RATE COVENANT

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

2. REVENUE FUND BALANCE

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

* * * * * *

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

ADDITIONAL INFORMATION
THIRD LIEN GENERAL AIRPORT REVENUE BONDS
CALCULATIONS OF COVERAGE
YEAR ENDED DECEMBER 31, 2007
(Dollars in thousands)

REVENUES:	
Total revenues — as defined	$ 670,776
Other available moneys (passenger facility charges)	5,434
Cash balance in Revenue Fund on the first day of fiscal year (Note 2)	87,923
TOTAL REVENUES	$ 764,133
COVERAGE REQUIREMENTS:	
Required deposits from revenues:	
Operation and maintenance reserve	$ 11,026
Maintenance reserve	1,554
Special capital projects	425
First lien obligation debt service fund	3,640
Junior lien obligation debt service fund	104,061
Third lien obligation debt service fund	163,531
TOTAL FUND DEPOSITS REQUIRED	$ 284,237
AGGREGATE FIRST LIEN, JUNIOR LIEN AND THIRD LIEN DEBT SERVICE	$ 350,840
LESS AMOUNTS TRANSFERRED FROM CAPITALIZED INTEREST ACCOUNTS	(79,560)
Net aggregate debt service	271,280
	1.10
NET DEBT SERVICE REQUIRED	$ 298,408
OPERATION AND MAINTENANCE EXPENSES — As defined	$ 391,999
COVERAGE REQUIREMENT (Greater of total fund deposit requirements or 110 percent of aggregate debt service)	298,408
TOTAL COVERAGE REQUIRED	$ 690,407
TOTAL REVENUES	$ 764,133
COVERAGE RATIO	1.11

See notes to calculations of coverage.

ADDITIONAL INFORMATION
THIRD LIEN GENERAL AIRPORT REVENUE BONDS
NOTES TO CALCULATIONS OF COVERAGE
YEAR ENDED DECEMBER 31, 2007

1. RATE COVENANT

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

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

2. REVENUE FUND BALANCE

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

* * * * * *

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

HISTORICAL OPERATING RESULTS
TEN YEARS ENDED DECEMBER 31, 2007 (UNAUDITED)
(Dollars in thousands)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
OPERATING REVENUES:										
Landing fees	$ 124,086	$ 128,819	$ 105,909	$ 136,375	$ 131,369	$ 141,426	$ 131,406	$ 157,791	$ 159,094	$ 179,076
Rental revenues:										
Terminal rental and use charges	164,395	158,307	152,536	144,653	138,440	150,151	96,870	140,038	145,417	211,732
Other rentals and fueling system fees	19,052	32,381	31,694	31,283	32,102	33,511	35,316	36,365	40,172	51,026
Subtotal rental revenues	183,447	190,688	184,230	175,936	170,542	183,662	132,186	176,403	185,589	262,758
Concessions:										
Auto parking	74,456	79,887	91,252	84,688	81,580	83,210	90,421	95,521	98,613	103,137
Auto rentals	20,074	20,221	19,846	18,077	17,511	17,325	17,340	19,604	19,928	22,376
Restaurants	13,391	15,112	16,963	16,951	20,247	22,088	27,161	29,790	33,401	34,904
News and gifts	7,792	8,049	7,250	7,071	9,389	10,185	11,001	11,893	12,357	13,267
Other	21,301	23,328	27,340	24,307	17,826	21,560	21,501	33,125	30,374	34,909
Subtotal concessions	137,014	146,597	162,651	151,094	146,553	154,368	167,424	189,933	194,673	208,593
Reimbursements	2,323	3,752	2,561	2,354	2,582	2,501	11,553	8,750	6,560	2,336
Total operating revenues (1)	446,870	469,856	455,351	465,759	451,046	481,957	442,569	532,877	545,916	652,763
OPERATING AND MAINTENANCE EXPENSES										
Salaries and wages (2)	132,200	141,473	150,264	154,507	166,964	167,891	153,926	157,116	168,361	177,800
Repairs and maintenance	55,517	72,287	70,411	71,117	66,310	65,870	66,066	73,903	73,591	83,865
Energy	20,377	20,452	22,067	24,661	23,445	23,011	22,270	30,894	29,118	35,924
Materials and supplies	6,870	7,230	8,401	5,362	5,198	5,702	8,228	9,338	5,120	10,411
Engineering and other professional services	27,903	37,489	36,324	41,540	33,494	35,759	35,533	52,142	45,357	56,506
Other operating expenses	27,948	26,187	30,040	28,205	29,959	33,317	31,807	28,572	33,038	33,628
Total operating and maintenance expenses before depreciation and amortization (3)	270,815	305,118	317,507	325,392	325,370	331,550	317,830	351,965	354,585	398,134
NET OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION (4)	$ 176,055	$ 164,738	$ 137,844	$ 140,367	$ 125,676	$ 150,407	$ 124,739	$ 180,912	$ 191,331	$ 254,629
NET REVENUES FOR CALCULATING COVERAGE LESS FUND DEPOSIT REQUIREMENTS	$ 195,055	$ 144,127	$ 167,433	$ 171,359	$ 147,895	$ 167,952	$ 179,862	$ 292,193	$ 354,363	$ 356,299
AGGREGATE DEBT SERVICE LESS DISBURSEMENTS FROM CAPITALIZED INTEREST ACCOUNTS (5)	$ 125,456	$ 131,025	$ 152,212	$ 155,781	$ 115,154	$ 101,791	$ 116,932	$ 92,773	$ 56,563	$ 107,700
DEBT SERVICE COVERAGE RATIO (6)	1.55	1.10	1.10	1.10	1.28	1.65	1.54	3.15	6.26	3.31

(1) Average annual compound growth rate for 1998-2007 for Total operating revenues is 4.4 percent.
(2) Salaries and wages includes charges for pension, health care and other employee benefits.
(3) Average annual compound growth rate for 1998-2007 for Total operating and maintenance expenses before depreciation and amortization is 4.4 percent.
(4) Amount for 2007 may be reconciled to operating income of $107,873 reported in the 2007 Statements of Revenues, Expenses and Changes in Net Assets by deducting depreciation and amortization of $146,756. Amount for prior years may be reconciled through similar calculations.
(5) Represents debt service on first and second lien bonds.
(6) Represents debt service coverage ratio on first and second lien bonds.

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

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

DEBT SERVICE SCHEDULE (UNAUDITED)
(Dollars in thousands)

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

Year Ending December 31	Total Debt Service on First Lien Bonds	Total Debt Service on Second Lien Bonds (1)	Total Debt Service on Third Lien Bonds (1)	Total Debt Service
2008	$ 3,640	$ 99,260	$ 241,110	$ 344,010
2009	3,640	102,908	236,633	343,181
2010	3,640	106,708	175,864	286,212
2011	3,640	118,226	219,243	341,109
2012	48,821	73,420	173,612	295,853
2013	9,235	73,711	189,098	272,044
2014	917	73,992	234,083	308,992
2015	917	74,467	241,061	316,445
2016	18,798	70,939	221,208	310,945
2017		57,133	254,628	311,761
2018		58,390	252,861	311,251
2019			271,489	271,489
2020			274,593	274,593
2021			270,272	270,272
2022			270,319	270,319
2023			268,856	268,856
2024			268,296	268,296
2025			268,112	268,112
2026			263,961	263,961
2027			259,901	259,901
2028			259,618	259,618
2029			259,473	259,473
2030			259,306	259,306
2031			259,032	259,032
2032			258,776	258,776
2033			250,905	250,905
2034			218,541	218,541
2035			167,363	167,363
2036			6,148	6,148
2037			6,143	6,143
2038				
	$93,248	$909,154	$ 6,800,505	$ 7,802,907

(1) Assumes an interest rate effective at December 31, 2007 on $142,560 of Second Lien Bonds and $300,000 of Third Lien Bonds that are variable-rate demand obligations.

Note: The annual debt service tables in the Official Statements for the above debt were presented with a year ended January 1. The information above is presented with a year ended December 31. The change has been made to facilitate reconciliation to revenue bonds payable at December 31, 2007.

Source: City of Chicago Comptroller's Office.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

CAPITAL IMPROVEMENT PLAN (CIP), 2008-2012 (UNAUDITED)
(Dollars in thousands)

ESTIMATED USES:	
Five-Year Capital Improvement Program:	
Airfield improvements	$ 474,900
Terminal improvements	263,600
Noise mitigation	95,700
Parking/roadway projects	327,700
Heating and refrigeration	96,000
Safety and security	64,600
Planning and other costs	2,800
Implementation	118,400
TOTAL ESTIMATED USES	$ 1,443,700
ESTIMATED SOURCES:	
Existing PFC revenue bond proceeds	$ 23,800
PFC revenues (pay-as-you-go)	262,200
Future PFC revenue bond proceeds	
Federal AIP entitlements grants	3,000
Federal AIP discretionary grants	15,900
TSA funds	21,000
Prior airport revenue bond proceeds	18,900
Future airport obligation proceeds	1,093,600
Other airport funds	5,300
TOTAL ESTIMATED SOURCES	$ 1,443,700

Source: City of Chicago Department of Aviation.

OPERATIONS OF THE AIRPORT
TEN YEARS ENDED DECEMBER 31, 2007 (UNAUDITED)

AIRPORT ACTIVITY

According to statistics compiled by Airports Council International, the Airport was the second busiest airport in the world as measured by total aircraft operations, the second busiest airport as measured by total passengers and the seventh busiest airport in the world in terms of total cargo tonnage handled. According to the Official Airline guide, as of December 31, 2007, nonstop service was provided from the Airport to 217 destinations, 147 domestic airports and 70 foreign airports.

Chicago O'Hare International Airport Historical Connecting Passengers

Year	Total Enplanements	Total Originating Enplanements (1)	Total Connecting Enplanements	Connecting Enplanements Percentage
1998	35,789,961	16,764,341	19,025,620	53.2
1999	35,947,716	16,849,260	19,098,456	53.1
2000	35,700,949	17,215,087	18,485,862	51.8
2001	33,329,966	15,750,781	17,579,185	52.7
2002	32,938,702	15,279,859	17,658,843	53.6
2003	34,454,921	15,331,493	19,123,428	55.5
2004	37,464,632	16,799,401	20,665,231	55.2
2005	37,970,886	17,548,038	20,422,848	53.8
2006	37,784,336	18,058,904	19,725,432	52.2
2007	37,779,576	18,223,460	19,556,116	51.8
Average Annual Compound Growth Rates				
1998-2007	0.6 %	0.9 %	0.3 %	

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

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

ENPLANED COMMERCIAL PASSENGERS BY AIRLINE
TEN YEARS ENDED DECEMBER 31, 2007 (UNAUDITED)

Airline (1)	1998 Enplanements	% of Total	1999 Enplanements	% of Total	2000 Enplanements	% of Total	2001 Enplanements	% of Total	2002 Enplanements	% of Total	2003 Enplanements	% of Total	2004 Enplanements	% of Total	2005 Enplanements	% of Total	2006 Enplanements	% of Total	2007 Enplanements	% of Total
United Airlines	15,792,852	44.1 %	16,257,105	45.2 %	15,284,974	42.8 %	14,057,978	42.2 %	13,935,560	42.3 %	13,780,164	40.0 %	14,222,780	38.0 %	13,035,044	34.3 %	12,905,929	34.2%	12,798,917	34.0%
American Airlines	11,165,048	31.2	10,568,809	29.4	10,881,991	30.5	9,696,773	29.1	9,436,168	28.7	9,552,465	27.7	10,641,646	28.4	10,880,167	28.7	10,283,798	27.2	10,277,846	27.2
Simmons Airlines (dba American Eagle)	1,675,520	4.7	1,621,501	4.5	1,626,148	4.6	1,666,814	5.0	1,841,764	5.6	2,319,637	6.7	2,993,453	8.0	3,249,766	8.5	3,524,127	9.3	3,424,753	9.1
Sky West (dba United Express)															1,385,206	3.6	2,333,968	6.2	2,231,622	5.9
Mesa (dba United Express)															517,511	1.4	1,032,938	2.7	1,227,446	3.2
Northwest Airlines	686,487	1.9	692,348	1.9	700,337	2.0	603,497	1.8	527,303	1.6	547,737	1.6	505,278	1.3	576,618	1.5	626,705	1.7	680,695	1.8
Shuttle America (dba United Express)															282,928	0.7	870,661	2.3	721,642	1.9
Continental Airlines	615,011	1.7	599,488	1.7	600,994	1.7	525,146	1.6	461,407	1.4	437,571	1.3	423,693	1.1	461,804	1.2	486,762	1.3	584,908	1.5
US Airways	603,719	1.7	529,712	1.5	565,734	1.6	511,215	1.5	532,549	1.6	465,034	1.3	489,918	1.3	580,460	1.5	474,309	1.3	578,879	1.5
Go Jet (UA Express)																	432,179	1.0	449,979	1.2
Delta Airlines	1,125,365	3.2	1,090,189	3.0	1,040,698	2.9	874,228	2.6	658,086	2.0	616,039	1.8	607,226	1.6	603,677	1.6	518,373	1.4	443,342	1.2
Trans State Air (dba United Express)															259,510	0.7	384,147	1.0	390,640	1.0
America West											342,750	1.0	367,469	1.0	426,571	1.1	442,308	1.2	320,778	0.8
Air Canada	268,806	0.8	327,778	0.9	333,599	0.9	352,240	1.1	344,910	1.0	270,105	0.8	268,824	0.7	204,485	0.5	161,023	0.4	132,572	0.4
Chautauqua (dba United Express)															489,195	1.5	188,805	0.5	47,800	0.1
Air Wisconsin (dba United Express)	548,638	1.5	527,779	1.5	794,489	2.2	987,094	2.9	854,881	2.6	1,561,285	4.5	2,172,712	5.8	1,906,211	5.0	21,100	0.1		
Independence Air													48,804	0.1	86,154	0.2	1,559			
Trans World Airlines	397,602	1.1	441,312	1.2	400,520	1.1	304,432	0.9												
Atlantic Coast											1,829,053	5.3	770,768	2.1						
All Other (2)	2,909,846	8.1	3,291,511	9.2	3,471,242	9.7	3,750,549	11.3	4,346,074	13.2	2,733,081	8.0	3,952,061	10.5	3,025,579	8.0	3,095,645	8.2	3,467,757	9.2
Total	35,788,894	100.0 %	35,947,532	100.0 %	35,700,726	100.0 %	33,329,966	100.0 %	32,938,702	100.0 %	34,454,921	100.0 %	37,464,632	100.0 %	37,970,886	100.0 %	37,784,336	100.0 %	37,779,576	100.0%

(1) Each airline listed is a signatory to a 1983 Airport Use Agreement.
(2) Included in All Other are the signatories to the 1990 International Terminal Use Agreement not already listed on this table (Aer Lingus, Aeromexico, Air France, Air India, Air Jamaica, Alitalia, All Nippon, Asiana, Austrian Air Aviacsa, British Airways, British Midland, Cathay Pacific, China Eastern, El Al Israel, Iberia, Japan , KLM, Korean, Kuwait, Lot Polish, Lufthansa, Mexicana, Royal Jordanian, Scandinavian, Singapore, Spirit Airlines, Swiss Airlines (Cross Air), TACA / LOCSA, Turkish Airlines, USA 3000 and Virgin Air) and all other U.S. and foreign flag airlines operating at the Airport.

AIRLINES PROVIDING SERVICE AT THE AIRPORT

As of December 31, 2007, the Airport had scheduled air service by 78 airlines, including 25 domestic airlines, 30 foreign flag airlines, and 23 all-cargo airlines. Service to the Airport is provided by 10 of the 14 "Major Air Carriers," which are defined by the U.S. Department of Transportation, Research and Special Programs Administration to include domestic air carriers with annual operating revenues in excess of $1 billion.

United Airlines and American Airlines (including their commuter affiliates) together accounted for 83.6 percent of the enplaned commercial passengers at the Airport in 2007.

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

HISTORICAL PASSENGER TRAFFIC
TEN YEARS ENDED DECEMBER 31, 2007 (UNAUDITED)

Year	Total Domestic Passengers	Percent of Total Passengers	Total International Passengers	Percent of Total Passengers	Total Passengers	Annual Percent Change
1998	63,583,029	87.7	8,902,199	12.3	72,485,228	3.0
1999	62,878,889	86.6	9,730,302	13.4	72,609,191	0.2
2000	61,682,172	85.5	10,463,317	14.5	72,145,489	(0.6)
2001	57,913,099	85.9	9,534,965	14.1	67,448,064	(6.5)
2002	57,626,957	86.6	8,938,995	13.4	66,565,952	(1.3)
2003	60,197,706	86.6	9,310,966	13.4	69,508,672	4.4
2004	64,685,299	85.6	10,849,393	14.4	75,534,692	8.7
2005	64,772,036	85.1	11,382,369	14.9	76,154,405	0.8
2006	64,573,153	84.6	11,726,137	15.4	76,299,290	0.2
2007	64,376,479	84.5	11,801,376	15.5	76,177,855	(0.2)

Average Annual Compound Growth Rates

1998-2007	0.1 %		3.2 %		0.6 %	

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

HISTORICAL TOTAL ORIGIN AND DESTINATION (O&D) ENPLANEMENTS
CHICAGO REGION AIRPORTS
TEN YEARS ENDED DECEMBER 31, 2007 (UNAUDITED)

	Chicago O'Hare International Airport		Chicago Midway International Airport		
Year	Total O&D Enplanements (1)	Percent of Total Chicago	Total O&D Enplanements (1)	Percent of Total Chicago	Total O&D Enplanements
1998	16,764,341	78.9	4,493,259	21.1	21,257,600
1999	16,849,260	75.9	5,353,193	24.1	22,202,453
2000	17,215,087	74.6	5,865,172	25.4	23,080,259
2001	15,750,751	74.1	5,503,697	25.9	21,254,448
2002	15,279,859	72.8	5,700,605	27.2	20,980,464
2003	15,331,493	71.1	6,243,039	28.9	21,574,532
2004	16,799,401	71.7	6,634,138	28.3	23,433,539
2005	17,548,038	73.2	6,431,517	26.8	23,979,555
2006	18,058,904	72.9	6,708,494	27.1	24,767,398
2007	18,223,460	73.6	6,532,362	26.4	24,755,822

Average Annual Compound Growth Rates

1998–2007	0.9%		4.2%		1.7%

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

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

ENPLANEMENT SUMMARY
TEN YEARS ENDED DECEMBER 31, 2007 (UNAUDITED)

	Total O'Hare Enplanements						
Year	Domestic Air Carrier	Domestic Commuter	Total Domestic (1)	Percent of Total O'Hare	Total International Enplanements	Percent of Total O'Hare	Total (2) Enplanements
1998	31,230,603	222,850	31,453,453	87.9	4,336,508	12.1	35,789,961
1999	30,998,049	192,666	31,190,715	86.8	4,757,001	13.2	35,947,716
2000	30,450,074	201,678	30,651,752	85.9	5,049,197	14.1	35,700,949
2001	28,627,443	85,251	28,712,694	86.1	4,617,272	13.9	33,329,966
2002	28,555,307	24,816	28,580,123	86.8	4,358,579	13.2	32,938,702
2003	29,909,585	1,173	29,910,758	86.8	4,544,163	13.2	34,454,921
2004	32,192,142		32,192,142	85.9	5,272,490	14.1	37,464,632
2005	32,426,920		32,426,920	85.4	5,543,966	14.6	37,970,886
2006	32,136,521		32,136,521	85.1	5,647,815	14.9	37,784,336
2007	32,126,121		32,126,121	85.0	5,653,455	15.0	37,779,576
Average Annual Compound Growth Rates							
1998–2007	0.3%	(100.0)%	0.2%		3.0%		0.6%

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

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

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

AIRCRAFT OPERATIONS
TEN YEARS ENDED DECEMBER 31, 2007 (UNAUDITED)

	Annual Aircraft Operations							
Year	Domestic Air Carrier	International Air Carrier	Total Air Carrier	Commuter	All-Cargo	General Aviation	Military	Total
1998	721,675	72,736	794,411	32,212	23,999	43,222	2,266	896,110
1999	725,517	78,187	803,704	28,174	23,984	39,596	770	896,228
2000	734,682	85,164	819,846	28,952	24,626	35,565		908,989
2001	757,133	81,885	839,018	14,940	21,105	36,854		911,917
2002	794,878	70,103	864,981	6,736	20,790	30,216	94	922,817
2003	802,234	76,455	878,689	498	21,257	28,247		928,691
2004	859,696	82,394	942,090		21,588	28,749		992,427
2005	835,414	84,778	920,192		21,979	30,077		972,248
2006	821,586	83,986	905,572		21,165	31,906		958,643
2007	802,933	87,043	889,976		20,702	16,295		926,973
	Average Annual Compound Growth Rates							
1998–2007	1.2%	2.0%	1.3%	(100.0)%	(1.6)%	(10.3)%	(100.0)%	0.4%

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

NET AIRLINE REQUIREMENT AND COST PER ENPLANED PASSENGER
YEAR ENDED DECEMBER 31, 2007 (UNAUDITED)
(Dollars in thousands)

Calculation of Cost per Enplaned Passenger

Operating and maintenance expenses (1)	$ 388,244
Net debt service (1) (2)	254,328
Debt service coverage requirement (3)	6,139
Fund deposits (4)	12,088
Total Airport expenses (1)	660,799
Less:	
Non-airline revenue (1)	(223,543)
PFC revenue applied to eligible debt service	(5,434)
Net Airline Requirement (5)	$ 431,822
Enplaned Passengers	37,779,576
Cost per Enplaned Passenger	$ 11.43

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

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

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

HISTORICAL PFC REVENUES
TEN YEARS ENDED DECEMBER 31, 2007 (UNAUDITED)
(Dollars In Thousands)

Year	Total Enplanements	PFC Enplanements (1)	PFC Revenues (Net of Airline Collection Fees) (2) (3)	PFC Interest Income	Total PFC Revenues
1998	35,789,961	30,165,995	$ 88,085	$ 7,431	$ 95,516
1999	35,947,716	30,086,119	87,851	3,898	91,749
2000	35,700,949	30,814,619	89,979	4,654	94,633
2001	33,329,966	28,184,459	107,007	664	107,671
2002	32,938,702	29,556,221	130,638	2,139	132,777
2003	34,454,921	28,993,623	128,152	1,667	129,819
2004	37,464,632	30,810,007	136,180	2,548	138,728
2005	37,970,886	32,546,469	143,855	5,662	149,517
2006	37,784,336	33,765,769	148,232	10,052	158,284
2007	37,779,576	34,243,364	150,329	18,922	169,251

(1) Historical collection information reflects an actual percentage of eligible PFC enplanements of 90.6 percent in 2007. PFC enplanements for 2001 were estimated since the PFC fee was changed from $3.00 to $4.50 on April 1, 2001.
(2) This amount is net of the airline collection fee of $.11 per enplaning passenger since May 1, 2004.
(3) Actual amounts above are recorded on a cash basis but are reported in the Airport's audited financial statements on an accrual basis. For 1998-2006, a separate cash basis PFC audit was performed as required by the PFC Regulations. The cash basis PFC audit for 2007 has not yet been completed.

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

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

PASSENGER FACILITY CHARGE (PFC) DEBT SERVICE COVERAGE
TEN YEARS ENDED DECEMBER 31, 2007 (UNAUDITED)
(Dollars In Thousands)

Bond Year Ended	PFC Revenues (2)	PFC Bonds Debt Service	Coverage by PFC Revenues (1)
1/1/1999	$ 95,516	$ 13,977	6.83
1/1/2000	91,750	24,092	3.81
1/1/2001	94,633	24,096	3.93
1/1/2002	107,670	41,227	2.61
1/1/2003	132,777	63,685	2.08
1/1/2004	129,819	73,498	1.77
1/1/2005	138,728	73,512	1.89
1/1/2006	149,518	73,502	2.03
1/1/2007	158,284	73,502	2.15
1/1/2008	169,251	73,498	2.30

(1) Ratio represents the amount of PFC revenues to debt service on the Series 1996 PFC and Series 2001 PFC Bonds.
(2) Actual amounts above are recorded on a cash basis and includes interest earnings.

Source: City of Chicago Comptroller's Office.