

Sales Tax Securitization Corporation

(A Component Unit of the City of Chicago, Illinois)

Basic Financial Statements as of and for the
Year Ended December 31, 2020, and
Independent Auditors' Report

SALES TAX SECURITIZATION CORPORATION

(A Component Unit of the City of Chicago, Illinois)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of the
Sales Tax Securitization Corporation
City of Chicago, Illinois:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sales Tax Securitization Corporation (the "Corporation"), a component unit of the City of Chicago, Illinois (the "City"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Corporation, as of December 31, 2020, and the respective changes in financial position thereof for the year ended December 31, 2020 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Deloitte & Touche LLP

July 13, 2021

SALES TAX SECURITIZATION CORPORATION

(A Component Unit of the City of Chicago, Illinois)

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts in thousands, except as otherwise noted)

The following is a narrative overview and analysis of the financial activities of the Sales Tax Securitization Corporation (the "STSC" or the "Corporation") as of and for the year ended December 31, 2020. It should be read in conjunction with the STSC's government-wide financial statements, governmental funds financial statements and the notes to the basic financial statements. This report is made up of three sections: (1) management's discussion and analysis (this section); (2) basic financial statements; and (3) the statistical section. The basic financial statements consist of three parts: (1) the government-wide financial statements; (2) the governmental funds financial statements; and (3) the notes to the basic financial statements.

The government-wide financial statements, which include the statement of net position and the statement of activities, are presented to display information about the Corporation as a whole, in accordance with accounting principles generally accepted in the United States of America ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). This is to provide the reader with a broad overview of the STSC's finances. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The STSC's governmental funds financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenue is recognized when it becomes susceptible to accrual; that is, when it becomes both measurable and available to finance expenditures in the current fiscal period. Expenditures are recognized when the related liability is incurred, except for principal and interest on bonds payable, which are recognized when due.

The reconciliations of the governmental funds balance sheet to the statement of net position and the reconciliations of the governmental funds statement of revenues, expenditures and changes in fund balances to the statement of activities are presented to assist the reader in understanding the differences between government-wide and governmental funds financial statements.

Financial Highlights and Overall Analysis—Government-Wide Financial Statements

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic in the face of the global spread of the virus. The COVID-19 pandemic has dramatically altered the behavior of businesses and people in a manner that is having negative effects on global and local economies. Financial markets in the U.S. and globally, have seen significant declines and volatility attributed to concerns over COVID-19. These adverse impacts have intensified and continue to evolve within the United States.

The City of Chicago provides essential services to residents, businesses and visitors and continues to operate throughout this pandemic. The City continues to operate its normal course of business. In response to the pandemic, the City of Chicago issued a stay at home order in March 2020 that closed all non-essential businesses and travel. As a result, Sales Tax Revenue has seen a significant decline in the second quarter of 2020. In July 2020, the City began to ease the restrictions and gradually open the City's businesses back up.

In January 2020, the STSC issued the Second Lien 2020A and 2020B Bonds on January 30, 2020. The 2020A Bonds were issued at interest rates between 4.00% and 5.00% with mandatory sinking funds or maturity dates between January 1, 2040 and January 1, 2043. The 2020B Bonds were issued at interest rates between 2.13% and 3.41%. The bonds are secured by a pledge of the Sales Tax Revenues. Net proceeds of \$1,044.6 million were used to provide funds for the City to refund and tender certain of the City's outstanding general obligation bonds and notes issued by the Chicago Infrastructure Trust, to pay for capitalized interest, and to pay costs of issuance.

The following summarizes the activities of the STSC for the year ended December 31, 2020 and for the year ended December 31, 2019:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Revenues—		
Sales tax revenue	\$ 611,268	\$ 721,769
Investment Income	902	-
Other revenue	<u>85</u>	<u>-</u>
Total revenues	<u>612,255</u>	<u>721,769</u>
Expenses:		
Payment to the City of Chicago	475,658	615,744
Amortization of deferred outflows	164,055	114,838
Interest and other fiscal charges	144,558	111,054
Other	<u>205</u>	<u>238</u>
Total expenses	<u>784,476</u>	<u>841,874</u>
Change in net position (deficit)	(172,221)	(120,105)
Net position—Beginning of period	<u>(138,577)</u>	<u>(18,472)</u>
Net position—End of period	<u>\$ (310,798)</u>	<u>\$ (138,577)</u>

The STSC's revenues decreased by 15.2% in fiscal year 2020 primarily as a result of decreased economic activity associated with the COVID-19 pandemic. Expenses were primarily comprised of payments of residual Sales Tax Revenues to the City, amortization of deferred outflows and interest and other fiscal charges. Expenses decreased for fiscal year 2020 primarily as a result of decreased revenues resulting in decreased payments to the City of Chicago.

The following summarizes the STSC’s assets, liabilities, and net position as of December 31, 2020 and 2019:

	2020	2019
Assets—		
Non-capital	<u>\$ 290,100</u>	<u>\$ 257,292</u>
Total Assets	290,099	257,292
Deferred outflows	<u>3,456,986</u>	<u>2,576,421</u>
Total Assets and Deferred Outflows	<u>3,747,085</u>	<u>2,833,713</u>
Liabilities—		
Current liabilities	189,273	211,685
Long-term liabilities	<u>3,868,610</u>	<u>2,760,605</u>
Total Liabilities	<u>4,057,883</u>	<u>2,972,290</u>
Net Position—		
Unrestricted	<u>(310,798)</u>	<u>(138,577)</u>
Total net position (deficit)	<u>\$ (310,798)</u>	<u>\$ (138,577)</u>

As of December 31, 2020, the STSC’s assets consisted primarily of Sales Tax Receivable from the State and deferred outflows. Assets increased by \$32.8 million (12.8%) due primarily to an increase in cash restricted for debt service, which more than offset a reduction in sales tax receivable.

The deferred outflows of resources represent the unamortized portion of bond proceeds sold by the City to the Corporation in exchange for the Sales Tax Revenue. The deferred outflows will be amortized over the life of the bonds. The deferred outflows increased by \$880.6 million (34.2%) which was due to the net bond proceeds of \$1,044.6 million during 2020 which has been netted with the current year amortization of \$164.1 million.

The STSC’s liabilities are almost entirely composed of residual Sales Tax Revenues Payable to the City, bonds payable, and unamortized original issue premium. Liabilities increased by \$1,085.6 million (36.5%) primarily due to the gross bond proceeds of \$1,130.3 million during 2020 net of the current period amortization of the bond premium of \$19.1 million. The remaining amount of \$25.6 million represents a decrease in accrued interest and sales tax payable to the City.

Financial Highlights and Overall Analysis—Governmental Funds Financial Statements

The STSC reports governmental activity using two funds: (1) a general fund (“GF”) and (2) a debt service fund (“DSF”).

The following summarizes the changes in the GF fund balances for the years ended December 31, 2020 and 2019:

	2020	2019
General Fund		
Revenues:		
Sales tax revenue	<u>\$ 475,861</u>	<u>\$ 615,993</u>
Total revenues	<u>475,861</u>	<u>615,993</u>
Expenditures:		
General and administrative	205	238
Payments to City	<u>475,658</u>	<u>615,744</u>
Total expenditures	<u>475,863</u>	<u>615,982</u>
Net change in fund balances	(2)	11
Fund balances—Beginning of period	<u>243</u>	<u>232</u>
Fund balances—End of period	<u><u>\$ 241</u></u>	<u><u>\$ 243</u></u>

GF revenues were entirely composed of Sales Tax Revenues. Amounts not withheld for operations are returned to the City (“Payments to City”). GF revenues in 2020 were lower than 2019 due primarily to a reduction in Sales tax revenue overall and an increase in debt service withheld due to the issuance of the Series 2020 Bonds.

The following summarizes the changes in the fund balances of the STSC's DSF for the years ended December 31, 2020 and 2019:

	2020	2019
Revenues:		
Sales Tax Revenue	\$ 135,407	\$ 105,776
Investment income	901	-
Interest and other fiscal charges	<u>85</u>	<u>-</u>
Total Revenues	<u>136,393</u>	<u>105,776</u>
Expenditures:		
Principal Retirement	3,150	3,000
Interest and other fiscal charges	165,193	120,314
Amortization of deferred outflows	<u>164,055</u>	<u>114,838</u>
Total Expenditures	<u>332,398</u>	<u>238,152</u>
Other financing sources:		
Bond proceeds	1,016,915	605,430
Premium on bonds	<u>113,387</u>	<u>-</u>
Total other financing sources	<u>1,130,302</u>	<u>605,430</u>
Net change in fund balances	934,297	473,054
Fund balances—Beginning of year	<u>2,621,785</u>	<u>2,148,731</u>
Fund balances—End of year	<u>\$ 3,556,082</u>	<u>\$ 2,621,785</u>

DSF revenues were entirely composed of Sales Tax Revenues. Revenues in the DSF increased due to increased withholding requirements to pay debt service requirements. Expenditures were composed of interest and other fiscal charges and amortization of the deferred outflows related to the issuance of bonds.

The following summarizes the GF assets, liabilities and fund balances as of December 31, 2020 and 2019:

	2020	2019
Assets:		
Cash equivalents and investments	\$ 48	\$ 3
Sales tax receivable	<u>107,597</u>	<u>149,940</u>
Total assets	<u>107,645</u>	<u>149,943</u>
Liabilities:		
Accounts payable	<u>107,404</u>	<u>149,700</u>
Total liabilities	<u>107,404</u>	<u>149,700</u>
Fund balances:		
Unassigned	<u>241</u>	<u>243</u>
Total fund balances	<u>241</u>	<u>243</u>
Total liabilities and fund balances	<u>\$ 107,645</u>	<u>\$ 149,943</u>

GF assets were composed primarily of Sales Tax Receivables from the State of Illinois. The GF assets at December 31, 2020 totaled approximately \$107.6 million which is a decrease of \$42.3 million (28.2%) as compared to December 31, 2019. The increase in GF assets was primarily caused by a decrease of approximately \$14.9 million in Sales Tax Receivables being allocated to the DSF to fund debt service and a decrease of approximately \$27.4 million in sales tax revenues accrued during October through December which are received from the State in January through March. Liabilities were composed primarily of residual Sales Tax Revenues not needed for operations or debt service and payable to the City. Liabilities decreased by \$42.3 million (28.3%) caused by a decrease in Sales Tax receivables, which reduced accounts payable to the City of Chicago.

The following summarizes the STSC's DSF assets, liabilities, and fund balances as of December 31, 2020 and 2019:

	2020	2019
Assets:		
Restricted cash	\$ 121,067	\$ 62,433
Sales Tax Receivable and Other Assets	59,800	44,916
Accounts Receivable	<u>98</u>	<u>-</u>
Total assets	180,965	107,349
Deferred outflows	<u>3,456,986</u>	<u>2,576,421</u>
Total assets and deferred outflows	<u>\$ 3,637,951</u>	<u>\$ 2,683,770</u>
Liabilities:		
Bonds payable	\$ 3,150	\$ 3,000
Accrued interest	<u>78,719</u>	<u>58,985</u>
Total liabilities	<u>81,869</u>	<u>61,985</u>
Fund balances:		
Nonspendable	3,456,986	2,576,421
Restricted for debt service	<u>99,096</u>	<u>45,364</u>
Total fund balances	<u>3,556,082</u>	<u>2,621,785</u>
Total liabilities and fund balances	<u>\$ 3,637,951</u>	<u>\$ 2,683,770</u>

At December 31, 2020, the STSC's DSF assets consisted of cash equivalents restricted for payment of cost of issuance related to the 2020 Bonds and Sales Tax Revenues receivable restricted for debt service payments. The Sales Tax Receivable restricted for debt service reflects the amount of bond interest due on July 1 of the following fiscal year. DSF assets increased by \$73.6 million (68.6%) due to an increase in restricted cash due to increased withholding for debt service requirements. The deferred outflows of resources represent the unamortized portion of bond proceeds sold by the City to the Corporation in exchange for the Sales Tax Revenues. The deferred outflows will be amortized over the life of the bonds. The deferred outflows increased by \$880.6 million (34.2%) which was due to the net bond proceeds of \$1,044.6 million during 2020 which has been netted with the current year amortization of \$164.1 million.

At December 31, 2020, the STSC had credit ratings for its Sales Tax Securitization Bonds with three of the major rating agencies as follows:

	Fitch	Kroll	Standard & Poor's
Senior Lien	AA-	AAA	AA-
Second Lien	AA-	AA+	AA-

In January 2020, Fitch downgraded the ratings of the STSC Sales Tax Securitization Bonds from AAA to AA-, with a stable outlook due to a criteria change.

In January 2020, Kroll gave an initial rating of AA+ to the STSC Second Lien Bonds and Fitch gave an initial rating of AA- to the STSC Second Lien Bonds.

The global COVID-19 pandemic will have a significant negative impact on economic conditions in 2020, and likely beyond. The Corporation anticipates that sales tax revenues will decline in FY20, however, the shortfall is not expected to impact the Corporation's ability to pay its debt service obligations.

This financial report is designed to provide a general overview of the STSC's finances. Questions concerning any of the information in this report or requests for additional financial information should be directed to the Sales Tax Securitization Corporation, 55 E Monroe Street, Suite 3800, Chicago, Illinois 60603.

SALES TAX SECURITIZATION CORPORATION
(A Component Unit of the City of Chicago, Illinois)

STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2020
(Amounts in thousands)

ASSETS:	
Unrestricted cash	\$ 48
Restricted cash	121,067
Sales tax receivable	167,397
Accounts receivable	98
Other asset	<u>1,489</u>
Total assets	290,099
Deferred outflows	<u>3,456,986</u>
Total assets and deferred outflows	<u>3,747,085</u>
LIABILITIES:	
Accounts payable	10
Sales tax residual payable to the City	107,394
Accrued interest	78,719
Bonds payable—portion due within one year	3,150
Bonds payable—portion due after one year	<u>3,868,610</u>
Total liabilities	<u>4,057,883</u>
NET DEFICIT—Unrestricted	<u>(310,798)</u>
TOTAL NET DEFICIT	<u>\$ (310,798)</u>

See accompanying notes to basic financial statements.

SALES TAX SECURITIZATION CORPORATION
(A Component Unit of the City of Chicago, Illinois)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(Amounts in thousands)

REVENUES:	
Sales tax revenue	\$ 611,268
Investment income	902
Other revenue	<u>85</u>
Total revenues	<u>612,255</u>
EXPENSES:	
Payment to City	475,658
Amortization of deferred outflow	164,055
Interest and other fiscal charges	144,558
General and administrative	<u>205</u>
Total expenses	<u>784,476</u>
CHANGE IN NET DEFICIT	(172,221)
NET DEFICIT—Beginning of period	<u>(138,577)</u>
NET DEFICIT—End of period	<u><u>\$ (310,798)</u></u>

See accompanying notes to basic financial statements.

SALES TAX SECURITIZATION CORPORATION
(A Component Unit of the City of Chicago, Illinois)

GOVERNMENTAL FUNDS BALANCE SHEET
AS OF DECEMBER 31, 2020
(Amounts in thousands)

	General Fund	Debt Service Fund	Governmental Funds
ASSETS			
Unrestricted cash equivalents	\$ 48	\$ -	\$ 48
Restricted cash equivalents	-	121,067	121,067
Sales tax receivable	107,597	59,800	167,397
Accounts receivable	-	98	98
	<u>107,645</u>	<u>180,965</u>	<u>288,610</u>
TOTAL ASSETS	107,645	180,965	288,610
Deferred Outflows	-	3,456,986	3,456,986
	<u>-</u>	<u>3,456,986</u>	<u>3,456,986</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 107,645</u>	<u>\$ 3,637,951</u>	<u>\$ 3,745,596</u>
LIABILITIES			
Accounts payable	\$ 10	\$ -	\$ 10
Sales tax residual payable to City	107,394	-	107,394
Bonds payable—current	-	3,150	3,150
Accrued interest	-	78,719	78,719
	<u>-</u>	<u>78,719</u>	<u>78,719</u>
Total liabilities	107,404	81,869	189,273
FUND BALANCES:			
Nonspendable	-	3,456,986	3,456,986
Restricted for debt service	-	99,096	99,096
Unassigned	241	-	241
	<u>241</u>	<u>-</u>	<u>241</u>
Total fund balances	<u>241</u>	<u>3,556,082</u>	<u>3,556,323</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 107,645</u>	<u>\$ 3,637,951</u>	<u>\$ 3,745,596</u>

See accompanying notes to basic financial statements.

SALES TAX SECURITIZATION CORPORATION
(A Component Unit of the City of Chicago, Illinois)

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2020
(Amounts in thousands)**

TOTAL FUND BALANCES—Governmental funds	\$ 3,556,323
AMOUNTS REPORTED IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:	
Bond premiums are reported as other financing sources in the governmental funds financial statements when received. However, in the statement of net position, bond premiums are reported as a component of bonds payable and amortized over the life of the bonds.	(215,980)
Costs for bond insurance are reported as expenditures in governmental funds financial statements. However, in the statement of net position (deficit), those costs are reported as other assets and amortized over the life of the bonds.	1,489
Some liabilities are not due and payable from currently available financial resources at year end and are therefore not reported in the governmental fund financial statements, but are reported in the statement of net position. Those liabilities consist of bonds payable due after one year.	<u>(3,652,630)</u>
NET DEFICIT OF GOVERNMENTAL ACTIVITIES	<u>\$ (310,798)</u>

See accompanying notes to basic financial statements.

SALES TAX SECURITIZATION CORPORATION
(A Component Unit of the City of Chicago, Illinois)

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (Amounts in thousands)**

	General Fund	Debt Service Fund	Total Governmental Fund
REVENUES:			
Sales tax revenue	\$ 475,861	\$ 135,407	\$ 611,268
Investment income	-	901	901
Other revenue	-	85	85
	<u>475,861</u>	<u>136,393</u>	<u>612,254</u>
Total revenues			
EXPENDITURES:			
Principal retirement	-	3,150	3,150
Interest and other fiscal charges	-	165,193	165,193
General and administrative	205	-	205
Payments to City	475,658	-	475,658
Amortization of deferred outflow	-	164,055	164,055
	<u>475,863</u>	<u>332,398</u>	<u>808,261</u>
Total expenditures			
OTHER FINANCING SOURCES			
Bond proceeds	-	1,016,915	1,016,915
Premium on bonds	-	113,387	113,387
	<u>-</u>	<u>1,130,302</u>	<u>1,130,302</u>
Total other financing sources			
NET CHANGE IN FUND BALANCE	(2)	934,297	934,295
FUND BALANCE—Beginning of period	<u>243</u>	<u>2,621,785</u>	<u>2,622,028</u>
FUND BALANCE—End of period	<u>\$ 241</u>	<u>\$ 3,556,082</u>	<u>\$ 3,556,323</u>

See accompanying notes to the basic financial statements.

SALES TAX SECURITIZATION CORPORATION
(A Component Unit of the City of Chicago, Illinois)

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(Amounts in thousands)**

NET CHANGE IN FUND BALANCES—Total governmental funds \$ 934,295

AMOUNTS REPORTED IN THE STATEMENT OF ACTIVITIES ARE
DIFFERENT BECAUSE:

Bond proceeds less principal retirement provide current financial
resources to governmental funds, but bonds issued increase long-term
liabilities in the statement of net position. (1,013,765)

Costs for bond insurance are reported as expenditures in governmental
funds financial statements. However, in the statement of net position
(deficit), those costs are reported as other assets and amortized
over the life of the bonds. 1,489

Governmental funds report bond premiums as other financing sources.
However, in the statement of activities, premiums are amortized over
the life of the debt. (94,240)

CHANGE IN NET POSITION/(DEFICIT)—Governmental activities \$ (172,221)

See accompanying notes to the basic financial statements.

SALES TAX SECURITIZATION CORPORATION

(A Component Unit of the City of Chicago, Illinois)

NOTES TO BASIC FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts in thousands, except as noted)

1. ORGANIZATION

The Corporation is a special purpose, not-for-profit corporation incorporated under the provisions of the General Not For Profit Corporation Act of 1986 of the State of Illinois (805 ILCS 105), as amended, and organized in accordance with an ordinance adopted by the City Council (the “City Council”) of the City of Chicago (the “City”) on October 11, 2017. The Corporation was organized for the limited purpose of purchasing the Sales Tax Revenue from the City and issuing bonds, notes, or other obligations for the benefit of the City. The Corporation is a non-stock corporation, has no members, and is governed by a board of directors (the “Board”).

The Corporation has no employees. The Corporation and the City have entered into a services agreement pursuant to which the City provides administrative and support services to the Corporation. The STSC provides benefits exclusively to the City, and as a result, is presented as a blended component unit of the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements—The government-wide financial statements of STSC, which include the statement of net position and the statement of activities, are presented to display information about the reporting entity as a whole, in accordance with GAAP as prescribed by the GASB. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The STSC’s governmental funds financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenue is recognized when it becomes susceptible to accrual; that is, when it becomes both measurable and available to finance expenditures in the current fiscal period. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures are recognized when the related liability is incurred, except for principal and interest on bonds payable, which is recognized when due.

The STSC uses two governmental funds for reporting its activities: a debt service fund (“DSF”), and a general fund (“GF”). The DSF is used to account for the accumulation of resources for payment of principal and interest on debt and the GF is used to account for all financial resources and activities not accounted for in the DSF, which are STSC’s administrative and operating expenditures. Revenues are recognized within the DSF for payment of principal and interest on debt due in the following fiscal year and the residual is then recognized within the GF.

Fund balances of the governmental funds are classified as either: 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned. Fund balance that cannot be spent because it is not in spendable form is defined as nonspendable. Resources constrained for debt service or redemption in accordance with STSC's Master Trust Indenture, dated December 1, 2017, as supplemented (the "Indenture") are classified as restricted on the statement of net position and the governmental funds balance sheet.

The Board constitutes the STSC's highest level of decision-making authority. If and when resolutions are adopted by the Board that constrain fund balances for a specific purpose, such resources are accounted for and reported as committed for such purpose; unless and until a subsequent resolution altering the commitment is adopted by the Board.

Fund balances which are constrained for use for a specific purpose based on the direction of any officer of the STSC who is duly authorized under the Indenture to direct the movement of such funds are accounted for and reported as assigned for such purpose unless and until a subsequent authorized action by the same, or another duly authorized officer, or by the Board, is taken which removes or changes the assignment. Resources that are not constrained are reported as unassigned in the governmental funds balance sheets and unrestricted in the statement of net position.

When both restricted and unrestricted resources are available for use for a specific purpose, it is the STSC's policy to use restricted resources first then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use for a specific purpose, it is the STSC's policy to use committed resources first, then assigned resources, and then unassigned resources as they are needed.

The nonspendable portion represents a deferred outflow from the acquisition of sales tax revenues that will be amortized into expenditures over the life of the related bonds.

Long-Term Obligations—Bond premiums are capitalized and amortized over the life of the related debt using the effective interest method in the government-wide financial statements. The amounts of unamortized bond premium at December 31, 2020, were \$216.0 million, which were net of accumulated amortization of \$41.4 million.

Bond issuance costs are recognized as an expense/expenditure in the period incurred on both government-wide and governmental funds financial statements.

The governmental funds financial statements recognize bond premiums and discounts during the period of the related bond issuance. The face amount of debt issued is reported as another financing source, as is the premium on debt issued. Principal payments are reported as expenditures in the period made.

Interest expense is recognized as it is incurred on the accrual basis in the government-wide financial statements. Interest expenditures are recognized when due in the governmental funds' financial statements.

Debt—Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. For disclosure purposes, debt does not include leases, except for contracts reported as financed purchase of the underlying asset, or accounts payable.

Sale Agreement—Pursuant to a sale agreement authorized by Division 13 of Article 8 of the Illinois Municipal Code, in 2017 the STSC entered into an Assignment, Purchase and Sale Agreement (“Sale Agreement”) with the City under which the City sold to the STSC its right, title and interest in and to certain sales tax revenues collected by the State of Illinois (the “Sales Tax Revenues”). The Sales Tax Revenues consist of (a) revenues resulting from collection of three separate taxes (collectively, the “Home Rule Sales Tax Revenues”) imposed by the City pursuant to its home rule powers and authority granted by State of Illinois statute; and (b) revenues resulting from the collection of four separate taxes (collectively, the “Local Share Sales Tax Revenues”) imposed by the State of Illinois. In exchange for selling its right, title and interest in the Sales Tax Revenues, the City received a residual certificate which represents the City’s ownership interest in excess Sales Tax Revenues to be received by the STSC to pay debt service requirements of any outstanding obligations and administrative costs during the term of the Sale Agreement. The Sale Agreement is effective until there are no secured obligations outstanding for the STSC.

Deferred Outflow—Represents bond proceeds paid to the City for the right, title and interest in the Sales Tax Revenues. The deferred outflow is amortized on a straight-line basis over the life of the related bond issuance.

Use of Estimates—The preparation of the basic financial statements in accordance with GAAP requires the STSC’s management to make estimates and assumptions in determining the reported amounts of assets, deferred inflows of resources, liabilities, and deferred outflows of resources as of the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

3. BONDS PAYABLE

In connection with the City’s sale of the Sales Tax Revenue to the STSC, the STSC issued the Second Lien 2020A and 2020B Bonds on January 30, 2020. The 2020A Bonds were issued at interest rates between 4.00% and 5.00% with mandatory sinking funds or maturity dates between January 1, 2040 and January 1, 2043. The 2020B Bonds were issued at interest rates between 2.13% and 3.41%. The bonds are secured by a pledge of the Sales Tax Revenues. Net proceeds of \$1,044.6 million were used to provide funds for the City to refund and tender certain of the City’s outstanding general obligation bonds and notes issued by the Chicago Infrastructure Trust, to pay for capitalized interest, and to pay costs of issuance.

A summary of changes in outstanding bonds during the year ended December 31, 2020, is as follows (figures in thousands of dollars):

	Year Ended December 31, 2020			
	Balance December 31, 2019	Additions	Reductions	
Series 2017A	\$ 172,065	\$ -	\$ 3,000	\$ 169,065
Series 2017B	400,630	-	-	400,630
Series 2017C	171,040	-	-	171,040
Series 2018A	376,305	-	-	376,305
Series 2018B	303,975	-	-	303,975
Series 2018C	612,420	-	-	612,420
Series 2019A	605,430	-	-	605,430
Series 2020A	-	521,105	-	521,105
Series 2020B	-	495,810	-	495,810
	<hr/>	<hr/>	<hr/>	<hr/>
Total before premium	2,641,865	1,016,915	3,000	3,655,780
Premium	<hr/>	<hr/>	<hr/>	<hr/>
	121,740	113,387	19,147	215,980
	<hr/>	<hr/>	<hr/>	<hr/>
Total bonds payable and premium	<u>\$ 2,763,605</u>	<u>\$ 1,130,302</u>	<u>\$ 22,147</u>	<u>\$ 3,871,760</u>
Due within one year				<u>\$ 3,150</u>

The amount due within one year of \$3.15 million is presented as an expense within the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and as current portion of bonds payable on the Governmental Funds Balance Sheet. The total bonds payable of \$3,872 million in the table above includes the current portion of \$3.15 million and long-term portion of \$3,869 million of bonds payable and agrees to the Statement of Net Position. The current portion of \$3.15 million was paid on January 1, 2021.

Debt service requirements listed below for each year include amounts payable January 1 of the following year. Bonds maturing and interest payable January 1, 2021 have been excluded because funds for their payment have been provided for. Debt service requirements, including principal and interest, at December 31, 2020, are as follows:

Year Ended December 31	Principal	Interest	Total
2021	\$ 47,685	\$ 157,282	\$ 204,967
2022	79,165	155,207	234,372
2023	109,985	152,375	262,360
2024	113,600	148,762	262,362
2025	118,135	144,227	262,362
2026–2030	676,940	632,630	1,309,570
2031–2035	668,580	488,238	1,156,818
2036–2040	777,110	336,869	1,113,979
2041–2045	741,790	169,632	911,422
2046–2049	<u>319,640</u>	<u>21,732</u>	<u>341,372</u>
Total	<u>\$ 3,652,630</u>	<u>\$ 2,406,954</u>	<u>\$ 6,059,584</u>

4. SUBSEQUENT EVENTS

The Corporation has evaluated events occurring subsequent to December 31, 2020, and through July 13, 2021, the date the financial statements were available to be issued. The Corporation did not identify any subsequent events to be disclosed apart from those discussed below.

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**STATISTICAL SECTION
(UNAUDITED)**

TABLE 1**Annual Sales Tax Revenues (Unaudited)**

The following table shows the historical annual Sales Tax Revenues on a cash basis from 2011 through 2020.

Annual Sales Tax Revenues 2012–2020
(Dollars in thousands)

Years Ended December 31	Home Rule Sales Tax Revenues⁽¹⁾	Percent Change Over Prior Year	Local Share Sales Tax Revenues	Percent Change Over Prior Year	Total Sales Tax Revenues	Percent Change Over Prior Year
2011	\$ 235,908	7.6	\$ 281,189	8.7	\$ 517,097	8.2
2012	251,055	6.4	295,912	5.2	546,967	5.8
2013	263,984	5.1	312,378	5.6	576,361	5.4
2014	276,192	4.6	327,379	4.8	603,571	4.7
2015	292,512	5.9	352,841	7.8	645,353	6.9
2016	295,299	1.0	363,448	3.0	658,746	2.1
2017	292,991	(0.8)	368,647	1.4	661,638	0.4
2018	301,275	2.8	386,152	4.7	687,427	3.9
2019	307,056	1.9	406,764	5.3	713,820	3.8
2020	251,101	(18.2)	387,625	(4.7)	638,726	(10.5)

Source: City of Chicago

⁽¹⁾ Shown net of all past fees and will be net of all applicable fees going forward.

TABLE 2**Monthly Home Rule Sales Tax Revenues (Unaudited)**

The following table shows the historical monthly Home Rule Sales Tax Revenues on a cash basis from 2017 through 2020.

**Monthly Home Rule Sales Tax Revenues 2017–2020
(Dollars in thousands)**

Month	2017	2018	2019	2020
January	\$ 25,379	\$ 24,723	\$ 26,520	\$ 27,689
February	24,036	23,926	24,795	25,246
March	27,607	27,585	28,139	29,071
April	20,064	20,774	19,720	21,463
May	20,301	20,721	20,592	19,908
June	24,033	25,433	25,751	17,108
July	23,935	23,918	25,011	12,937
August	25,163	26,888	27,206	15,970
September	26,535	27,942	28,124	18,623
October	25,205	25,902	26,972	21,286
November	25,206	27,205	27,536	20,542
December	<u>25,525</u>	<u>26,257</u>	<u>26,690</u>	<u>21,258</u>
	<u>\$ 292,991</u>	<u>\$ 301,275</u>	<u>\$ 307,056</u>	<u>\$ 251,101</u>

Source: City of Chicago

TABLE 3**Monthly Local Share Sales Tax Revenues (Unaudited)**

The following table shows the historical monthly Local Share Sales Tax Revenues on a cash basis from 2017 through 2020.

Monthly Local Share Sales Tax Revenues 2017–2020
(Dollars in thousands)

Month	2017	2018	2019	2020
January	\$ 31,241	\$ 31,621	\$ 34,696	\$ 37,308
February	29,967	31,625	33,781	34,313
March	36,939	37,515	38,976	41,229
April	26,245	27,757	27,484	31,192
May	25,812	27,258	28,806	28,465
June	30,631	32,625	33,906	29,739
July	29,353	30,141	33,057	26,359
August	30,940	33,356	34,948	28,985
September	32,517	34,564	35,693	31,273
October	30,948	32,705	35,177	33,348
November	32,020	33,351	34,862	32,111
December ⁽¹⁾	<u>32,034</u>	<u>33,634</u>	<u>35,379</u>	<u>33,303</u>
	<u>\$ 368,647</u>	<u>\$ 386,152</u>	<u>\$ 406,764</u>	<u>\$ 387,625</u>

Source: City of Chicago

⁽¹⁾ The City's receipt of its allocable portions of the Illinois Use Tax and the Illinois Service Use Tax was delayed in September, October and November 2015, because the Illinois General Assembly did not make the appropriation required for the City to receive such revenues. The appropriation was made, and the City received the revenues which it was to have received, in December 2015.

TABLE 4**Components of Sales Tax Revenues (Unaudited)**

The following table shows on a cash basis the components of the Sales Tax Revenues from January 1, 2017 through December 31, 2020.

**Components of Sales Tax Revenues 2017–2020
(Dollars in thousands)**

Tax	2017		2018		2019		2020	
	Amount Collected	% of Total	Amount Collected	% of Total	Amount Collected	% of Total	Amount Collected	% of Total
Home rule sales tax revenues:								
Retailers' and service occupation	\$256,238	38.7 %	\$263,974	38.4 %	\$268,012	37.5 %	\$211,321	33.1 %
Use	36,753	5.6	37,301	5.4	38,044	5.3	39,780	6.20
Local share sales tax revenues:								
Retailers' and service occupation ⁽¹⁾	283,815	42.9	293,204	42.7	299,963	42.0	256,775	40.2
Use ⁽²⁾	<u>84,832</u>	<u>12.8</u>	<u>92,948</u>	<u>13.5</u>	<u>106,801</u>	<u>15.0</u>	<u>130,850</u>	<u>20.5</u>
Total	<u>\$661,638</u>	<u>100.0 %</u>	<u>\$687,427</u>	<u>100.0 %</u>	<u>\$713,820</u>	<u>100.0 %</u>	<u>\$638,726</u>	<u>100.0 %</u>

Source: City of Chicago

⁽¹⁾ Includes Illinois Use Tax on titled personal property.

⁽²⁾ Excludes Illinois Use Tax on titled personal property.