

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, 2023, and
Independent Auditor's Report

SALES TAX SECURITIZATION CORPORATION

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

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1–3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4–11
BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023:	
Government-Wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Governmental Funds Financial Statements:	
Governmental Funds Balance Sheet	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	17
Notes to the Basic Financial Statements	18–22
STATISTICAL SECTION	23–27

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a

guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

Management is responsible for the other information included in the annual report. The other information comprises the statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Deloitte & Touche LLP

June 28, 2024

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, 2023

(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, 2023. 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

The following summarizes the activities of the STSC for the year ended December 31, 2023 and for the year ended December 31, 2022:

	2023	2022
General revenues:		
Sales tax revenue	\$ 915,854	\$ 887,164
Investment income	<u>21</u>	<u>2,214</u>
Total general revenues	<u>915,875</u>	<u>889,378</u>
Expenses:		
Payment to the City of Chicago	474,348	567,348
Amortization of deferred outflows	283,009	223,473
Interest and other fiscal charges	198,996	163,507
Other	<u>233</u>	<u>218</u>
Total expenses	<u>956,586</u>	<u>954,546</u>
Change in net position (deficit)	(40,711)	(65,168)
Net deficit—beginning of period	<u>(516,903)</u>	<u>(451,735)</u>
Net deficit—end of period	<u>\$ (557,614)</u>	<u>\$ (516,903)</u>

The STSC's revenues increased by 3.0% in fiscal year 2023 primarily as a result of the ongoing economic recovery from the COVID-19 pandemic. Expenses were primarily composed of payments of residual sales tax revenues collected by the State of Illinois (the "Sales Tax Revenues") to the City, amortization of deferred outflows and interest and other fiscal charges. Expenses increased for fiscal year 2023 due to increased debt service.

The following summarizes the STSC’s assets, deferred outflows of resources, liabilities, and net position as of December 31, 2023 and 2022:

	2023	2022
Assets—		
Non-capital	\$ 593,622	\$ 497,788
Total assets	593,622	497,788
Deferred outflows	<u>4,777,566</u>	<u>4,074,372</u>
Total assets and deferred outflows	<u>5,371,188</u>	<u>4,572,160</u>
Liabilities—		
Current liabilities	451,566	374,432
Long-term liabilities	<u>5,477,236</u>	<u>4,714,631</u>
Total liabilities	<u>5,928,802</u>	<u>5,089,063</u>
Net position—		
Unrestricted	<u>(557,614)</u>	<u>(516,903)</u>
Total net position (deficit)	<u>\$ (557,614)</u>	<u>\$ (516,903)</u>

As of December 31, 2023, the STSC’s assets and deferred outflows consisted primarily of sales tax receivable from the State, restricted cash, and deferred outflows. Assets increased by \$95.8 million (19.3%) due primarily to an increase in sales tax receivable.

The deferred outflows of resources represent the unamortized portion of bond proceeds paid to the City by the Corporation in exchange for the right, title and interest in sales tax revenue. The deferred outflows will be amortized over the life of the bonds. The deferred outflows increased by \$703.2 million (17.3%) due to the issuance of the STSC Series 2023ABC Bonds and the STSC Second Lien Series 2023ABC Bonds in February 2023.

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 \$839.7 million (16.5%) primarily due to increases in accrued interest (\$33.3 million) and bonds payable (\$825.9 million), offset by decreases in sales tax residual payable (\$19.7 million).

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, 2023 and 2022:

	2023	2022
General Fund		
Revenues:		
Sales tax revenue	<u>\$ 474,575</u>	<u>\$ 565,428</u>
Total revenues	<u>474,575</u>	<u>565,428</u>
Expenditures:		
General and administrative	233	218
Payments to City	<u>474,348</u>	<u>567,348</u>
Total expenditures	<u>474,581</u>	<u>567,566</u>
Other Financing Sources:		
Transfers in	<u>-</u>	<u>2,140</u>
Total other financing sources	<u>-</u>	<u>2,140</u>
Net change in fund balances	(6)	2
Fund balances—beginning of period	<u>245</u>	<u>243</u>
Fund balances—end of period	<u>\$ 239</u>	<u>\$ 245</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 2023 were lower than 2022 due to an increase in debt service withheld for principal retirement.

The following summarizes the changes in the fund balances of the STSC's DSF for the years ended December 31, 2023 and 2022:

	2023	2022
Revenues:		
Sales tax revenue	\$ 441,279	\$ 321,736
Investment income	<u>21</u>	<u>2,214</u>
Total revenues	<u>441,300</u>	<u>323,950</u>
Expenditures:		
Principal retirement	212,455	149,165
Interest and other fiscal charges	234,722	193,878
Amortization of deferred outflows	<u>283,009</u>	<u>223,473</u>
Total expenditures	<u>730,186</u>	<u>566,516</u>
Other financing sources (uses):		
Bond proceeds	959,541	-
Premium on bonds	51,087	-
Transfers out	<u>-</u>	<u>(2,140)</u>
Total other financing sources	<u>1,010,628</u>	<u>(2,140)</u>
Net change in fund balances	721,742	(244,706)
Fund balances—beginning of year	<u>4,197,740</u>	<u>4,442,446</u>
Fund balances—end of year	<u>\$ 4,919,482</u>	<u>\$ 4,197,740</u>

DSF revenues were almost entirely composed of Sales Tax Revenues. Revenues in the DSF increased due to increased withholding requirements to pay debt service. Expenditures were composed of principal retirement, interest and other fiscal charges and amortization of the deferred outflows related to the issuance of bonds. Expenditures increased by \$163.7 million (28.9%) due to the issuance of the STSC Series 2023ABC Bonds and the STSC Second Lien Series 2023ABC Bonds in February 2023.

The following summarizes the GF assets, liabilities and fund balances as of December 31, 2023 and 2022:

	2023	2022
Assets:		
Cash equivalents and investments	\$ 190	\$ 37
Sales tax receivable	109,252	126,867
Due from other funds	<u>-</u>	<u>2,140</u>
Total assets	<u>109,442</u>	<u>129,044</u>
Liabilities:		
Accounts payable	<u>109,203</u>	<u>128,799</u>
Total liabilities	<u>109,203</u>	<u>128,799</u>
Fund balances:		
Unassigned	<u>239</u>	<u>245</u>
Total fund balances	<u>239</u>	<u>245</u>
Total liabilities and fund balances	<u><u>\$ 109,442</u></u>	<u><u>\$ 129,044</u></u>

GF assets were composed primarily of Sales Tax Receivables from the State of Illinois. The GF assets at December 31, 2023 totaled approximately \$109.4 million, which is an decrease of \$19.6 million (15.2%) as compared to December 31, 2022. The decrease in GF assets was primarily caused by a decrease of \$17.6 million in sales tax receivable as a result of a decrease in Sales Tax Revenues. Liabilities were composed primarily of residual Sales Tax Revenues not needed for operations or debt service and payable to the City. Liabilities decreased by \$19.6 million (15.2%) caused by a decrease in Sales Tax receivables.

The following summarizes the STSC's DSF assets, deferred outflows, liabilities, and fund balances as of December 31, 2023 and 2022:

	2023	2022
Assets:		
Restricted cash	\$ 350,047	\$ 257,667
Sales tax receivable and other assets	132,859	111,837
Accounts receivable	<u>-</u>	<u>34</u>
Total assets	482,906	369,538
Deferred outflows	<u>4,778,939</u>	<u>4,075,975</u>
Total assets and deferred outflows	<u>\$5,261,845</u>	<u>\$4,445,513</u>
Liabilities:		
Accounts payable	\$ 95	\$ -
Due to other funds	-	2,140
Bonds payable	212,455	149,165
Accrued interest	<u>129,813</u>	<u>96,468</u>
Total liabilities	<u>342,363</u>	<u>247,773</u>
Fund balances:		
Nonspendable	4,778,939	4,075,975
Restricted for debt service	<u>140,543</u>	<u>121,765</u>
Total fund balances	<u>4,919,482</u>	<u>4,197,740</u>
Total liabilities and fund balances	<u>\$5,261,845</u>	<u>\$4,445,513</u>

At December 31, 2023, the STSC's DSF assets consisted of Sales Tax Revenues receivable restricted for debt service payments. The Sales Tax Receivable restricted for debt service reflects the amounts required to be withheld in January through March of 2024 to pay bond interest due on July 1, 2024. DSF assets increased by \$113.4 million (30.7%) due to an increase in Sales Tax Receivable due to increased withholding for debt service requirements. The deferred outflows of resources represent the unamortized portion of bond proceeds paid to the City by the Corporation for the rights, title and interest in Sales Tax Revenues. The deferred outflows will be amortized over the life of the bonds. The deferred outflows increased by \$703.0 million (17.2%) due to the issuance of the STSC Series 2023ABC Bonds and the STSC Second Lien Series 2023ABC Bonds in February 2023.

At December 31, 2023, the STSC had credit ratings for its Sales Tax Securitization Bonds with three of the major rating agencies as follows:

Type	Fitch	Kroll	Standard & Poor's
Senior Lien	AA+ (Stable)	AAA (Stable)	AA- (Positive)
Second Lien	AA- (Stable)	AA+ (Stable)	AA- (Positive)

In October 2023, Fitch Ratings upgraded the rating of the Sales Tax Securitization Corporation Senior Lien Bonds to AA+ from AA. The outlook was also revised from Positive to Stable.

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, 332 South Michigan Avenue, Suite 900, Chicago, Illinois 60604.

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

STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2023
(Amounts in thousands)

	Governmental Activities
ASSETS:	
Unrestricted cash	\$ 190
Restricted cash	350,047
Sales tax receivable	242,111
Other asset	<u>1,274</u>
Total assets	593,622
DEFERRED OUTFLOWS	<u>4,777,566</u>
Total assets and deferred outflows	<u>5,371,188</u>
LIABILITIES:	
Accounts payable	272
Sales tax residual payable to the City	109,026
Accrued interest	129,813
Bonds payable—portion due within one year	212,455
Bonds payable—portion due after one year	<u>5,477,236</u>
Total liabilities	<u>5,928,802</u>
NET DEFICIT—Unrestricted	<u>(557,614)</u>
TOTAL NET DEFICIT	<u>\$ (557,614)</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, 2023
(Amounts in thousands)

	Governmental Activities
GENERAL REVENUES:	
Sales tax revenue	\$ 915,854
Investment income	<u>21</u>
Total general revenues	<u>915,875</u>
EXPENSES:	
Payment to City	474,348
Amortization of deferred outflow	283,009
Interest and other fiscal charges	198,996
General and administrative	<u>233</u>
Total expenses	<u>956,586</u>
CHANGE IN NET DEFICIT	(40,711)
NET DEFICIT—Beginning of period	<u>(516,903)</u>
NET DEFICIT—End of period	<u>\$ (557,614)</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, 2023
(Amounts in thousands)

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
UNRESTRICTED CASH EQUIVALENTS	\$ 190	\$ -	\$ 190
RESTRICTED CASH EQUIVALENTS	-	350,047	350,047
SALES TAX RECEIVABLE	<u>109,252</u>	<u>132,859</u>	<u>242,111</u>
Total assets	109,442	482,906	592,348
DEFERRED OUTFLOWS	<u>-</u>	<u>4,778,939</u>	<u>4,778,939</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u><u>\$ 109,442</u></u>	<u><u>\$ 5,261,845</u></u>	<u><u>\$ 5,371,287</u></u>
LIABILITIES			
ACCOUNTS PAYABLE	\$ 177	\$ 95	\$ 272
SALES TAX RESIDUAL PAYABLE TO CITY	109,026	-	109,026
BONDS PAYABLE—Current	-	212,455	212,455
ACCRUED INTEREST	<u>-</u>	<u>129,813</u>	<u>129,813</u>
Total liabilities	<u>109,203</u>	<u>342,363</u>	<u>451,566</u>
FUND BALANCES:			
Nonspendable	-	4,778,939	4,778,939
Restricted for debt service	-	140,543	140,543
Unassigned	<u>239</u>	<u>-</u>	<u>239</u>
Total fund balances	<u>239</u>	<u>4,919,482</u>	<u>4,919,721</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 109,442</u></u>	<u><u>\$ 5,261,845</u></u>	<u><u>\$ 5,371,287</u></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, 2023
(Amounts in thousands)**

TOTAL FUND BALANCES—Governmental funds \$ 4,919,721

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. (270,350)

Costs for bond insurance are reported as expenditures in governmental funds financial statements. However, in the statement of net position, those costs are reported as other assets and amortized over the life of the bonds. 1,274

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 and unamortized bond refundings. (5,208,259)

NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$ (557,614)

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, 2023
 (Amounts in thousands)**

	General Fund	Debt Service Fund	Total Governmental Fund
REVENUES:			
Sales tax revenue	\$ 474,575	\$ 441,279	\$ 915,854
Investment income	-	21	21
	<u>474,575</u>	<u>441,300</u>	<u>915,875</u>
Total revenues			
EXPENDITURES:			
Principal retirement	-	212,455	212,455
Interest and other fiscal charges	-	234,722	234,722
General and administrative	233	-	233
Payments to City	474,348	-	474,348
Amortization of deferred outflows	-	283,009	283,009
	<u>474,581</u>	<u>730,186</u>	<u>1,204,767</u>
Total expenditures			
OTHER FINANCING SOURCES:			
Bond proceeds	-	959,541	959,541
Premium on bonds	-	51,087	51,087
	<u>-</u>	<u>1,010,628</u>	<u>1,010,628</u>
Total other financing sources			
NET CHANGE IN FUND BALANCE	(6)	721,742	721,736
FUND BALANCE—Beginning of period	<u>245</u>	<u>4,197,740</u>	<u>4,197,985</u>
FUND BALANCE—End of period	<u>\$ 239</u>	<u>\$ 4,919,482</u>	<u>\$ 4,919,721</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, 2023
(Amounts in thousands)**

NET CHANGE IN FUND BALANCES—Total governmental funds \$ 721,736

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. (747,086)

Costs for bond insurance are reported as expenditures in governmental funds financial statements. However, in the statement of net position, those costs are reported as other assets and amortized over the life of the bonds. (72)

Governmental funds report bond premiums as other financing sources. However, in the statement of activities, premiums are amortized over the life of the debt. (15,518)

Governmental funds report payment to refunded bond escrow agent as other financing uses. However, in the statement of activities, the costs of bond refundings are amortized over the shorter of the life of the bonds refunded or the life of the bonds issued to refund the bonds. 229

CHANGE IN NET POSITION (DEFICIT)—Governmental activities \$ (40,711)

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, 2023

(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 that 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, 2023, were \$270.4 million, which were net of accumulated amortization of \$140.7 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, 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

A summary of changes in outstanding bonds during the year ended December 31, 2023, is as follows (figures in thousands of dollars):

	Year Ended December 31, 2023			Balance December 31, 2023
	Balance December 31, 2022	Additions	Reductions	
Series 2017A	\$ 150,870	\$ -	\$ 15,800	\$ 135,070
Series 2017B	400,630	-	-	400,630
Series 2017C	159,040	-	17,905	141,135
Series 2018A	376,305	-	-	376,305
Series 2018B	303,975	-	-	303,975
Series 2018C	597,660	-	14,905	582,755
Series 2019A	599,550	-	6,150	593,400
2L Series 2020A	521,105	-	-	521,105
2L Series 2020B	495,810	-	24,405	471,405
2L Series 2021A	394,155	-	-	394,155
2L Series 2021B	609,865	-	70,000	539,865
Series 2023A	-	100,449	-	100,449
Series 2023B	-	59,422	-	59,422
Series 2023C	-	74,985	-	74,985
Series 2023D	-	42,270	-	42,270
2L Series 2023A	-	142,145	-	142,145
2L Series 2023B	-	363,455	-	363,455
2L Series 2023C	-	176,815	-	176,815
Total before premium	4,608,965	959,541	149,165	5,419,341
Premium	254,831	51,087	35,568	270,350
Total bonds payable and premium	<u>\$ 4,863,796</u>	<u>\$ 1,010,628</u>	<u>\$ 184,733</u>	<u>\$ 5,689,691</u>
Due within one year				<u>\$ 212,455</u>

The amount due within one year 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 \$5.4 billion in the table above includes the current portion of \$212.5 million and long-term portion of \$5.2 billion of bonds payable and agrees to the Statement of Net Position.

Debt service requirements listed below for each year include amounts payable January 1 of the following year. Bonds maturing and interest payable January 1, 2024, have been excluded because funds for their payment have been provided for. Debt service requirements, including principal and interest, at December 31, 2023, are as follows:

Year Ended December 31	Principal	Interest	Total
2024	\$ 173,080	\$ 227,261	\$ 400,341
2025	185,925	219,872	405,797
2026	193,434	211,235	404,669
2027	239,754	202,189	441,943
2028	198,632	190,825	389,457
2029–2033	1,395,783	780,686	2,176,469
2034–2038	1,105,116	501,569	1,606,685
2039–2043	1,075,317	267,902	1,343,219
2044–2048	<u>639,845</u>	<u>72,918</u>	<u>712,763</u>
Total	<u>\$ 5,206,886</u>	<u>\$ 2,674,457</u>	<u>\$ 7,881,343</u>

4. SUBSEQUENT EVENTS

The Corporation has evaluated events occurring subsequent to December 31, 2023, and through June 28, 2024, 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.

On February 22, 2024, S&P affirmed its rating for the Senior Lien and Second Lien Sales Tax Securitization Bonds at AA- while revising its outlook from Positive to Stable.

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STATISTICAL SECTION

TABLE 1**Annual Sales Tax Revenues**

The following table shows the historical annual Sales Tax Revenues on a cash basis from 2014 through 2023.

Annual Sales Tax Revenues 2014–2023

(Dollars in thousands)

Years Ended December 31	Home Rule Sales Tax Revenues⁽¹⁾	Change Over Prior Year	Local Share Sales Tax Revenues	Change Over Prior Year	Total Sales Tax Revenues	Change Over Prior Year
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)
2021	312,360	24.4	435,439	12.3	747,799	17.1
2022	383,543	22.8	486,201	11.7	869,744	16.3
2023	403,722	5.3	508,725	4.6	912,447	4.9

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**

The following table shows the historical monthly Home Rule Sales Tax Revenues on a cash basis from 2020 through 2023.

Monthly Home Rule Sales Tax Revenues 2020–2023
(Dollars in thousands)

Month	2020	2021	2022	2023
January	\$ 27,689	\$ 20,313	\$ 30,085	\$ 34,004
February	25,246	18,108	29,989	32,267
March	29,071	22,204	35,467	37,106
April	21,463	19,000	24,313	27,734
May	19,908	18,841	24,364	27,458
June	17,108	29,178	32,080	33,042
July	12,937	27,630	31,751	32,066
August	15,970	29,751	33,957	34,453
September	18,623	32,572	36,068	37,013
October	21,286	31,614	34,020	34,765
November	20,542	31,196	37,088	38,980
December	<u>21,258</u>	<u>31,953</u>	<u>34,361</u>	<u>34,834</u>
	<u>\$ 251,101</u>	<u>\$ 312,360</u>	<u>\$ 383,543</u>	<u>\$ 403,722</u>

Source: City of Chicago

TABLE 3**Monthly Local Share Sales Tax Revenues**

The following table shows the historical monthly Local Share Sales Tax Revenues on a cash basis from 2020 through 2023.

Monthly Local Share Sales Tax Revenues 2020–2023
(Dollars in thousands)

Month	2020	2021	2022	2023
January	\$ 37,308	\$ 33,205	\$ 38,420	\$ 43,395
February	34,313	32,247	40,235	42,491
March	41,229	41,320	47,088	49,441
April	31,192	28,722	33,988	37,469
May	28,465	27,627	33,416	36,053
June	29,739	38,295	40,860	43,335
July	26,359	36,340	38,825	40,324
August	28,985	38,128	41,841	42,538
September	31,273	40,735	44,898	42,250
October	33,348	38,818	41,208	43,129
November	32,111	39,379	41,506	44,167
December	<u>33,303</u>	<u>40,623</u>	<u>43,916</u>	<u>44,133</u>
	<u>\$ 387,625</u>	<u>\$ 435,439</u>	<u>\$ 486,201</u>	<u>\$ 508,725</u>

Source: City of Chicago

TABLE 4**Components of Sales Tax Revenues**

The following table shows on a cash basis the components of the Sales Tax Revenues from January 1, 2020 through December 31, 2023.

Components of Sales Tax Revenues 2020–2023
(Dollars in thousands)

Tax	2020		2021		2022		2023	
	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 Use	\$211,321	33.1 %	\$264,243	35.4 %	\$338,635	38.9 %	\$359,317	39.4 %
Use	39,780	6.2	48,117	6.4	44,908	5.2	44,405	4.9
Local share sales tax revenues:								
Retailers' and service occupation ⁽¹⁾	256,775	40.2	303,559	40.6	359,987	41.4	382,512	41.9
Use ⁽²⁾	<u>130,850</u>	<u>20.5</u>	<u>131,880</u>	<u>17.6</u>	<u>126,214</u>	<u>14.5</u>	<u>126,213</u>	<u>13.8</u>
Total	<u>\$638,726</u>	<u>100.0 %</u>	<u>\$747,799</u>	<u>100.0 %</u>	<u>\$869,744</u>	<u>100.0 %</u>	<u>\$912,447</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.