

City of Chicago, Illinois

Basic Financial Statements as of and for the Year Ended
December 31, 2019, Independent Auditors' Report, and
Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based upon an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards* for the
Year Ended December 31, 2019

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**CITY OF CHICAGO, ILLINOIS
YEAR ENDED DECEMBER 31, 2019
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INDEPENDENT AUDITORS' REPORT

To the Honorable Lori E. Lightfoot, Mayor
And Members of the City Council
City of Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chicago, Illinois (the "City"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City'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 did not audit the financial statements of the City's Pension Plans (the "Plans") which, in aggregate, represent 100 percent, 95 percent, and 100 percent, respectively, of the revenues, assets, and net position of the fiduciary funds, included in the aggregate remaining fund information. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Plans, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The City's Plans, audited by other auditors, were not audited in accordance with *Government Auditing Standards*.

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

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chicago, Illinois, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America and the respective budgetary comparison statements for the General Fund and Pension Special Revenue Fund on the budgetary basis of accounting.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in the Net Pension Liability and Related Ratios, Schedule of Contributions, and Schedule of Changes in Total Other Postemployment Liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Deloitte & Touche LLP

June 30, 2020

**CITY OF CHICAGO, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Management's Discussion and Analysis

As management of the City of Chicago, Illinois (City), we offer readers of the City's Comprehensive Annual Financial Report (CAFR) this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2019. We encourage the readers to consider the information presented here in conjunction with information that we have furnished in our letter of transmittal, contained within this report.

2019 Financial Highlights

- Liabilities and Deferred Inflows of the City, in the government-wide financial statements, exceeded its assets and deferred outflows at the close of the most recent fiscal year by \$29,459.0 million (*net deficit*). The net deficit is composed of \$4,294.1 million in net investment in capital assets and \$4,314.5 million in net position restricted for specific purposes, offset by an unrestricted deficit of \$38,067.6 million. The net deficit increased in 2019 by \$94.3 million due to increases in transportation and public safety expenses, offset by increases in changes in net position for the business-type activities (primarily O'Hare and Water).
- The City's total assets increased by \$1,209.4 million. This increase primarily relates to a \$213.8 million net increase in property taxes and \$981.9 million increase in capital assets as a result of the City's capital improvement program, primarily at O'Hare due to the ongoing O'Hare 21 program. On January 1, 2019, the Hilton O'Hare was transferred to the City as the 30 year lease term with HLT O'Hare, Inc. ended on December 31, 2018. The Hilton O'Hare building was recorded at a fair value of \$68.8 million in the financials as a capital contribution.
- The City's deferred outflows and deferred inflows decreased by \$1,214.7 million and \$1,966.5 million, respectively primarily due to changes in assumptions for pension activities. The City's total liabilities increased by \$2,055.6 million primarily due to net pension liability and Sales Tax Securitization Corporation (STSC).
- Total Revenues and Other Financing Sources (Uses), in the fund financial statements, during 2019 were \$8,633.5 million, an increase of \$757.5 million (9.6%) from 2018. The change was primarily related to an increase in transfers in from the STSC General Fund for Sales Tax bond proceeds, grant and contributions not restricted and tax revenues.
- The General Fund ended 2019 with a total Fund Balance of \$335.9 million, of which \$184.6 million was Unassigned. Total Fund Balance increased from 2018 by \$3.6 million primarily due to increases in inventory.
- The City's General Obligation Bonds and notes outstanding decreased by \$299.3 million during the current fiscal year due to payments on General Obligation Bonds and other debt and refundings of \$787.7 million, as well as a net decrease in Line of Credit balances of \$233.6 million, offset by \$722.0 million General Obligation Bonds issued in 2019.
- The General Fund expenditures on a budgetary basis were \$33.8 million less than budgeted expenditures primarily due to positive variances for General Government expenditures, offset by public safety retroactive salary payments budgeted in 2020 but recorded in 2019 in accordance with GAAP and ratified by City Council.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which include the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements. These components are described below:

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, using accounting methods similar to those used by private-sector companies. The statements provide both short-term and long-term information about the City's financial

**CITY OF CHICAGO, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

position, which assists in assessing the City's economic condition at the end of the fiscal year. These financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This basically means such statements follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid.

The government-wide financial statements include two statements:

The *statement of net position* presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating, respectively. To assess the overall health of the City, the reader should consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's infrastructure.

The *statement of activities* presents information showing how the government's net position changed during each fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (for example, uncollected taxes, and earned but unused vacation). This statement also presents a comparison between direct expenses and program revenues for each function of the City.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and sanitation, transportation, health, and cultural and recreation. The business-type activities of the City include water, sewer, Skyway and airport services.

The government-wide financial statements present information about the City as a primary government, which includes the Chicago Public Library. The government-wide financial statements can be found immediately following this management's discussion and analysis.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of a fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

The City maintains 22 individual governmental funds. Information for the eight funds that qualify as major is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The eight major governmental funds are as follows: the General Fund, the Federal, State and Local Grants Fund, the Special Taxing Areas Fund, the Service Concession and Reserve Fund, the Bond, Note Redemption and Interest Fund, the STSC Debt Service Fund, the Community Development

**CITY OF CHICAGO, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

and Improvement Projects Fund, and the Pension Fund. Data from the other governmental funds is combined into a single, aggregated presentation.

The City adopts an annual appropriation budget for its general and certain special revenue funds on a non-GAAP budgetary basis. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found immediately following the government-wide statements.

Blended Component Unit. The STSC component unit, despite being legally separate from the City, is reported as if it were part of the City because, in addition to being financially accountable for it, the STSC provides services exclusively to the City. The STSC blended component unit is reported as the STSC Debt Service Fund and a Nonmajor Special Revenue Fund.

Proprietary funds. These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge user fees for services provided to outside customers including local governments, they are known as enterprise funds. Proprietary funds, like government-wide statements, use the accrual basis of accounting and provide both long- and short-term financial information. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements. The City uses five enterprise funds to account for its water, sewer, Skyway, and two airport operations.

Proprietary funds provide the same type of information as the government-wide financial statements, but provide more detail. The proprietary fund financial statements provide separate information for the Water Fund, Sewer Fund, Chicago Skyway Fund, Chicago O'Hare International Airport Fund and Chicago Midway International Airport Fund. All the proprietary funds are considered to be major funds of the City. The basic proprietary fund financial statements can be found immediately following the governmental fund financial statements.

Fiduciary funds. Fiduciary funds are used primarily to account for resources held for the benefit of parties outside the primary government. The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City also uses fiduciary funds to account for transactions for assets held by the City as agent for various entities. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund basic financial statements can be found immediately following the proprietary fund financial statements.

Notes to the basic financial statements. The notes provide additional information that is essential for a full understanding of data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fiduciary fund basic financial statements.

Additional Information. The combining statements, which include nonmajor funds, for governmental funds and trust and agency funds are presented immediately following the notes to the basic financial statements.

Financial Analysis of the City as a whole

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, liabilities and deferred inflows exceeded assets by \$29,459.0 million at December 31, 2019. Of this amount, \$4,294.1 million represents the City's investment in capital assets (land, buildings, roads, bridges, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities and deferred inflows.

**CITY OF CHICAGO, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

An additional portion of the City's net position, \$4,314.5 million, represents resources that are subject to external restrictions on how they may be used.

**City of Chicago, Illinois
Summary Statement of Net Position
(in millions of dollars)**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 7,622.4	\$ 6,709.0	\$ 6,741.8	\$ 7,427.6	\$ 14,364.2	\$ 14,136.6
Capital assets	8,790.9	8,798.6	18,440.2	17,450.7	27,231.1	26,249.3
Total Assets	16,413.3	15,507.6	25,182.0	24,878.3	41,595.3	40,385.9
Deferred outflows	2,307.5	3,148.6	529.0	902.6	2,836.5	4,051.2
Total	18,720.8	18,656.2	25,711.0	25,780.9	44,431.8	44,437.1
Long-term liabilities outstanding	41,504.9	39,518.9	20,648.2	20,824.2	62,153.1	60,343.1
Other liabilities	2,613.2	2,423.4	1,617.7	1,561.9	4,230.9	3,985.3
Total Liabilities	44,118.1	41,942.3	22,265.9	22,386.1	66,384.0	64,328.4
Deferred Inflows	5,278.8	6,841.6	2,228.0	2,631.8	7,506.8	9,473.4
Net Position:						
Net investment in capital assets	(344.6)	(332.2)	4,638.7	4,298.9	4,294.1	3,966.7
Restricted	3,154.4	2,509.1	1,160.1	936.5	4,314.5	3,445.6
Unrestricted	(33,485.9)	(32,304.6)	(4,581.7)	(4,472.4)	(38,067.6)	(36,777.0)
Total net (deficit) position	\$ (30,676.1)	\$ (30,127.7)	\$ 1,217.1	\$ 763.0	\$ (29,459.0)	\$ (29,364.7)

Governmental Activities. Net position of the City's governmental activities decreased \$548.4 million to a deficit of \$30,676.1 million primarily due to increases in transportation and public safety expenses, offset by tax revenues and grants and unrestricted contributions. Revenues increased due to higher collection of Utility Tax, Transportation Tax, State Income Tax, State Sales Tax and Miscellaneous Revenues fees from developers for housing opportunity bonuses, special deposit inspection revenue, vacation of street and alley, bike sponsorship, and pension contributions from enterprise funds. Expenditures increased in the areas of Public Safety due to additional enforcement and Transportation due to increase in maintenance of infrastructure, with a decrease in General Government. A significant portion of net position is either restricted as to the purpose they can be used for or they are classified as net investment in capital assets (buildings, roads, bridges, etc.). Consequently, unrestricted net position showed a \$33,485.9 million deficit at the end of this year. This deficit does not mean that the City does not have the resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are greater than currently available resources. Specifically, the City did not include in past annual budgets the full amounts needed to finance future liabilities arising from personnel, property, pollution and casualty claims (\$1,087.6 million) and Municipal Employees', Laborers', Policemen's and Firemen's net pension liability and other post-employment benefits (\$29,081.3 million). The City will include these amounts in future years' budgets as they come due. In addition, the deferred inflow balance of \$1,471.1 million from concession service agreements will be amortized into income over the life of such agreements.

Revenues for all governmental activities in 2019 were \$8,125.3 million, an increase of \$680.2 million from 2018. Over half of the City's revenues were derived from taxes which increased by \$387.3 million (8.3%). In addition, other revenues increased by \$252.0 million (64.9%) primarily due to interest income, fair market value adjustment, and miscellaneous revenues.

Expenses for governmental activities in 2019 were \$8,676.2 million, an increase of \$374.4 million (4.5%) over 2018. The amount that taxpayers paid for these governmental activities through City taxes was \$5,061.1 million. Some of the cost was paid by those who directly benefited from the programs (\$899.5 million), or by other governments and organizations that subsidized certain programs with grants and contributions (\$640.6 million).

**CITY OF CHICAGO, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

The City paid \$1,524.1 million for the “public benefit” portion with other revenues such as state aid, interest and miscellaneous income.

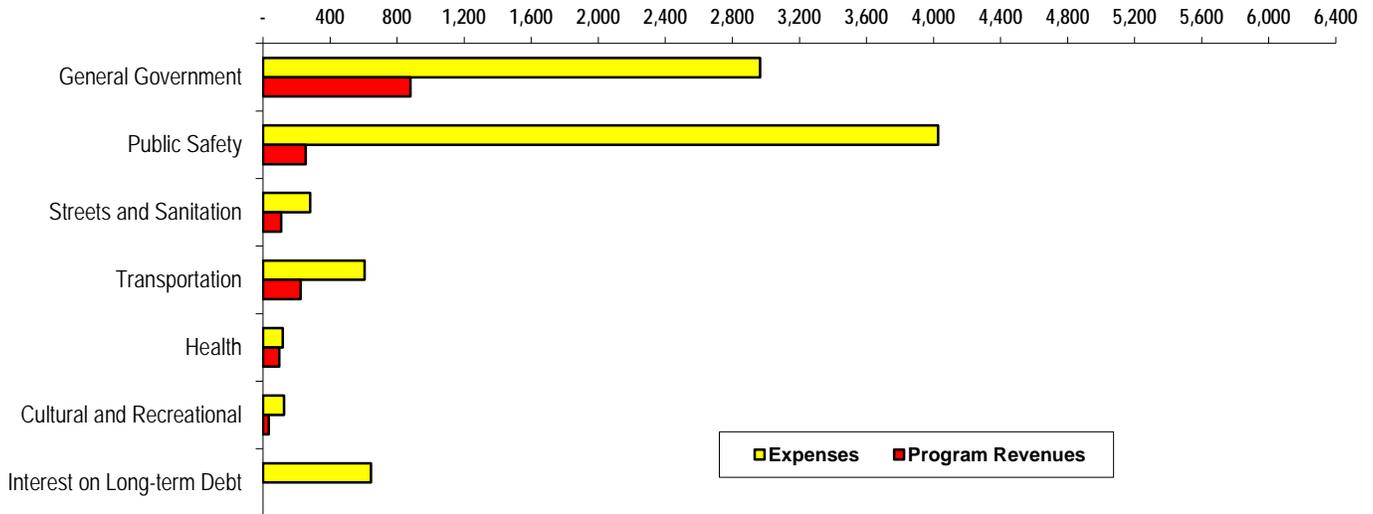
Although total net position of business-types activities was \$1,217.1 million, these resources cannot be used to make up for the deficit in net position in governmental activities. The City generally can only use this net position to finance the continuing operations of the water, sewer, Skyway, and airports activities.

**CITY OF CHICAGO, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

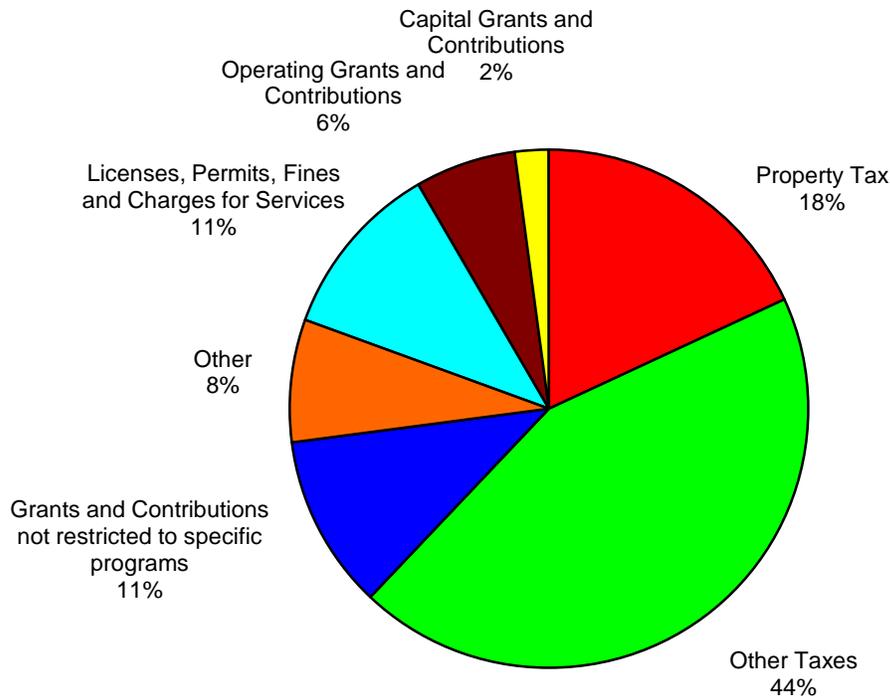
**City of Chicago, Illinois
Changes in Net Position
Years Ended December 31,
(in millions of dollars)**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues and Other Transfers:						
Program Revenues:						
Licenses, Permits, Fines and Charges for Services	\$ 899.5	\$ 911.2	\$ 2,830.4	\$ 2,661.1	\$ 3,729.9	\$ 3,572.3
Operating Grants and Contributions	498.0	511.9	-	-	498.0	511.9
Capital Grants and Contributions	142.6	170.8	150.1	140.1	292.7	310.9
General Revenues:						
Property Taxes	1,474.4	1,405.4	-	-	1,474.4	1,405.4
Other Taxes	3,586.7	3,268.4	-	-	3,586.7	3,268.4
Grants and Contributions not Restricted to Specific Programs	883.5	788.7	-	-	883.5	788.7
Other	640.6	388.7	139.5	96.5	780.1	485.2
Total Revenues	8,125.3	7,445.1	3,120.0	2,897.7	11,245.3	10,342.8
Expenses:						
General Government	2,866.1	2,985.4	-	-	2,866.1	2,985.4
Public Safety	4,078.5	3,746.8	-	-	4,078.5	3,746.8
Streets and Sanitation	280.8	267.4	-	-	280.8	267.4
Transportation	563.0	458.6	-	-	563.0	458.6
Health	118.6	117.2	-	-	118.6	117.2
Cultural and Recreational	124.8	115.1	-	-	124.8	115.1
Interest on Long-term Debt	644.4	611.3	-	-	644.4	611.3
Water	-	-	594.2	577.3	594.2	577.3
Sewer	-	-	270.3	281.9	270.3	281.9
Midway International Airport	-	-	301.2	293.6	301.2	293.6
Chicago-O'Hare International Airport	-	-	1,489.6	1,318.0	1,489.6	1,318.0
Chicago Skyway	-	-	8.1	8.1	8.1	8.1
Total Expenses	8,676.2	8,301.8	2,663.4	2,478.9	11,339.6	10,780.7
Change in Net Position Before Transfers	(550.9)	(856.7)	456.6	418.8	(94.3)	(437.9)
Transfers In (Out)	2.5	2.5	(2.5)	(2.5)	-	-
Change in Net Position	(548.4)	(854.2)	454.1	416.3	(94.3)	(437.9)
Net (Deficit) Position, Beginning of Year .	(30,127.7)	(29,273.5)	763.0	346.7	(29,364.7)	(28,926.8)
Net (Deficit) Position, End of Year	\$ (30,676.1)	\$ (30,127.7)	\$ 1,217.1	\$ 763.0	\$ (29,459.0)	\$ (29,364.7)

Expenses and Program Revenues - Governmental Activities
 (in millions of dollars)



Revenues by Source - Governmental Activities

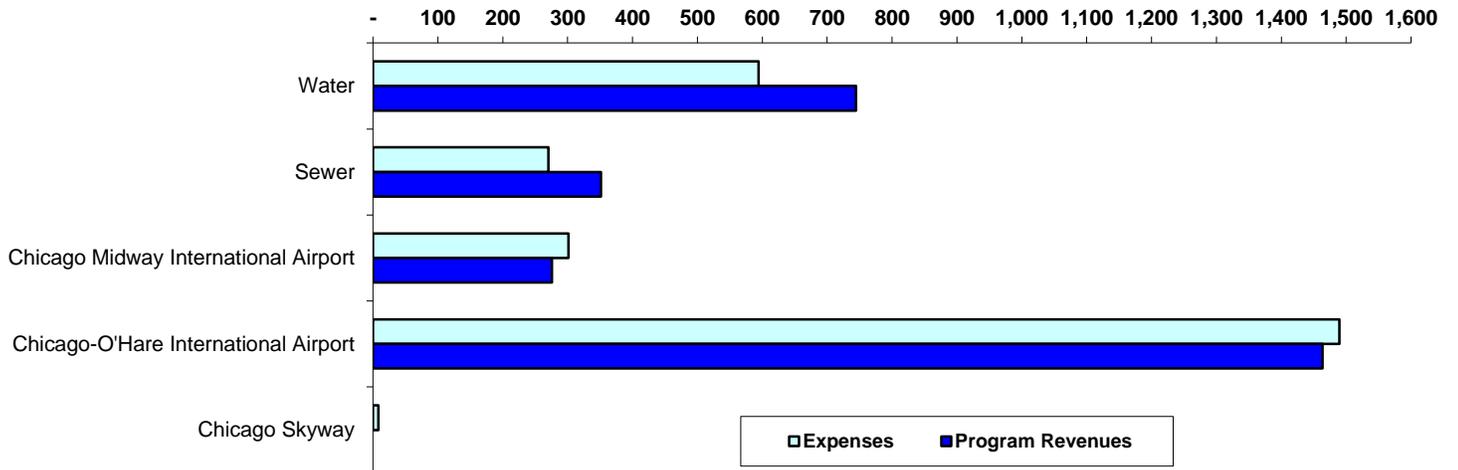


**CITY OF CHICAGO, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

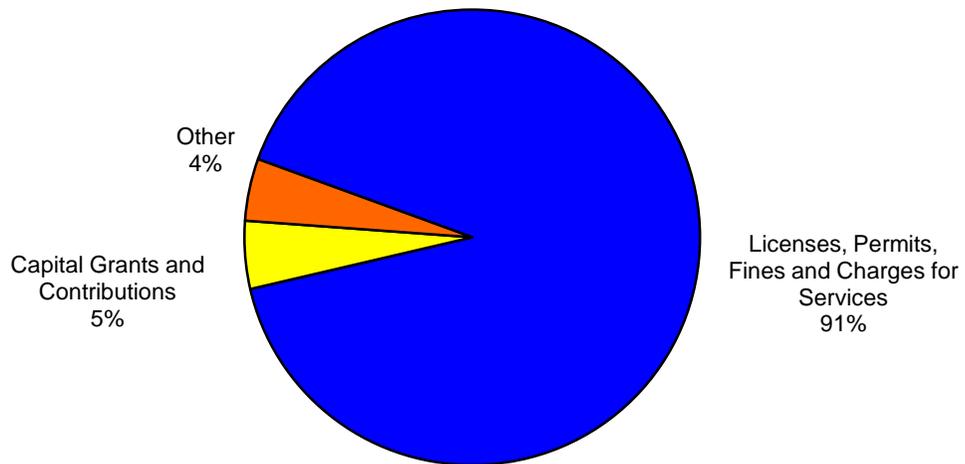
Business-type Activities. Total Revenues of the City's business-type activities increased by \$222.3 million in 2019 mostly from an increase in charges for services, rental income, and other general revenues.

- The Water Fund's total operating revenues decreased by \$29.6 million (3.8%) from 2018 primarily due to an increase in provision for doubtful accounts resulting from uncollected water charges from prior years' accounts receivable and a decrease in water charges of \$16.9 million (2.2%). Operating expenses before depreciation and amortization for the year ended 2019 increased by \$5.96 million (1.4%) from the year ended 2018 primarily due to increases in transmission and distribution of \$12.1 million resulting from increases in salaries, overtime and professional services; customer accounting and collection of \$5.1 million, and purification of \$4.9 million, offset by a decrease in pension expense of \$15.1 million.
- The Sewer Fund's total operating revenues decreased in 2019 by \$18.6 million (5.0%) primarily due to decrease in pumpage and increase in bad debt expense compared to prior year. There was a rate increase of 0.82% during 2019. Operating expenses before depreciation and amortization decreased by \$18.4 million (11.8%) as compared to 2018 primarily due to a decrease in pension expense due to changes in assumptions and reduction in the allocation of pension costs to the Sewer Fund compared to the Governmental and certain Enterprise Funds.
- Chicago Midway International Airport's total operating revenues in 2019 increased by \$21.0 million (10.2%) from 2018 primarily due to increases in terminal rental revenues to pay for Midway Modernization Program and other capital developments of the airport and operational infrastructure reliability. Operating expenses before depreciation and amortization increased by \$6.8 million (3.7%) compared to 2018 due to increases in salaries and wages of \$4.2 million due to annual contractual salary increase and pension expense of \$4.7 million primarily as a result of increased required cash contributions, the composition of amounts being amortized from deferred inflows and outflows related to prior assumptions changes and differences between projected and actual earnings on pension plan investments.
- Chicago O'Hare International Airport's total operating revenues for 2019 increased by \$191.6 million (18.0%) compared to 2018 due to increases in terminal rents and landing fees of \$101.3 million to fund the ongoing capital development of the \$8.5 billion O'Hare 21 Program, which includes the Terminal Area Plan, completion of the O'Hare Modernization Program (OMP) and pre-approved capital projects and allowances; increases in concessions revenue related to restaurant and auto rentals, as well as an increase of revenues from the Hilton O'Hare, an on-airport hotel, as the 30 year hotel lease ended and was transferred to the O'Hare as of January 1, 2019.
- Operating expenses before depreciation, amortization and loss on capital asset disposals increased by \$132.3 million (18.6%) compared to 2018 primarily due to increases in pension expense of \$13.2 million, repairs and maintenance of \$28.2 million due to the provisions of the new 2018 Airline Use and Lease Agreement ("AULA"). The AULA allows for additional ongoing repairs and maintenance of up to \$40 million annually. In addition, the increase is due to professional and engineering services of \$22.4 million primarily due to the inclusion of a full year of the Chicago Airlines Terminal Consortium (CATCo) Operations costs in the Airport's budget based on the new rate structure in the AULA. Other operating expenses of \$34.0 million primarily due to increases in indirect costs and insurance; and the inclusion of \$43.0 million of Hilton O'Hare expenses. These expenses offset by decreases in salaries and wages of \$8.5 million due to decreased fringe benefit costs and certain salaries associated with the capital programs being capitalized.
- The Chicago Skyway was leased for 99 years to a private company in 2005. The agreement granted the company the right to operate the Skyway and to collect toll revenue during the term of the agreement. The City received an upfront payment of \$1.83 billion of which \$446.3 million was used to advance refund all of the outstanding Skyway bonds. The upfront payment is being amortized into nonoperating revenue over the period of the lease (\$18.5 million annually).

Expenses and Program Revenues - Business-type Activities
 (in millions of dollars)



Revenues by Source - Business-type Activities



**CITY OF CHICAGO, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2019, the City's governmental funds reported combined ending fund balances of \$2,136.8 million, an increase of \$408.6 million in comparison with the prior year. Of this total amount, \$953.2 million was committed to specific expenditures, \$123.2 million was assigned to anticipated uses, a deficit of \$4,104.8 million was unassigned, \$2,560.5 million was restricted in use by legislation, and \$2,604.7 million was nonspendable.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$184.6 million with a total fund balance of \$335.9 million. As a measure of the General Fund's liquidity, it may be helpful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total General Fund balance represents 8.9% of total General Fund expenditures. The fund balance of the City's General Fund increased by approximately \$3.6 million during the current fiscal year primarily due to an increase in inventory.

The Federal, State and Local Grants Fund has a total deficit fund balance of \$206.6 million. The deficit is \$7.9 million higher than 2018 primarily due to slower reimbursement of expenditures.

The Special Taxing Areas Fund has a total fund balance of \$1,734.5 million, which is all restricted to specific expenditures.

The Service Concession and Reserve Fund accounts for deferred inflows from nonbusiness type long-term concession and lease transactions and has \$693.6 million committed to specific expenditures. The unassigned deficit of \$1,471.1 million results from the deferred inflows from long-term asset leases.

The Bond, Note Redemption and Interest Fund has a total fund deficit of \$2,540.7 million. This is \$754.9 million lower than 2018, primarily due to the refunding of certain outstanding City bonds and the issuance of the STSC 2019A Series Bonds, the proceeds of which were used to refund bonds that were held by the City. The proceeds were recorded in the STSC Debt Service Fund and refunded amounts to bond escrow agent were recorded in the Bond, Note Redemption and Interest Fund.

The STSC Debt Service Fund has a total fund balance of \$2,621.8 million. The fund balance will be used for future debt service payments for certain outstanding bonds. In 2019, the STSC Fund Balance for nonspendable increased by \$473.1 million due to the issuance of STSC Bond Series 2019A. The net proceeds will be amortized over the life of each bond.

The Community Development and Improvement Projects Fund has a total fund balance of \$633.9 million. This is \$286.1 million higher than 2018 due to issuances of Series 2019A General Obligation Bonds

Changes in fund balance. The fund balance for the City's governmental funds increased by \$408.6 million in 2019. This includes an increase in inventory of \$2.8 million.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water, Sewer, Chicago Skyway, Chicago O'Hare International Airport, and Chicago Midway International Airport Funds at the end of the year amounted to a deficit of \$4,581.7 million. The unrestricted net position deficit increased by \$109.3 million primarily due to an increase in net pension liability. Other factors

**CITY OF CHICAGO, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

concerning the finances of these five funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's 2019 General Fund Budget of \$3,888.5 million was approved by City Council on November 21, 2018. General Fund revenues ended the year \$55.2 million over the 2019 Final General Fund Budget primarily as a result of not using \$82 million of budgeted prior year available fund balance and lower than anticipated revenues from other sources. Expenditures were \$33.8 million less than budgeted amounts as a result of favorable variances in general government expenditures. Additional information on the City's budget can be found in Note 3 under Stewardship, Compliance and Accountability within this report.

Capital Asset and Debt Administration

Capital Assets. The City's capital assets for its governmental and business-type activities as of December 31, 2019 amount to \$27,231.1 million (net of accumulated depreciation). These capital assets include land, buildings and system improvements, machinery and equipment, roads, highways and bridges, and property, plant and equipment.

Major capital asset events during the current fiscal year included the following:

- During 2019, the City completed \$420.4 million in infrastructure projects including \$202.3 million in street construction and resurfacing projects, \$108.3 million in street lighting and transit projects, and \$108.4 million in bridge and viaduct reconstruction, and \$1.4 million in storm water projects. At year end, infrastructure projects still in process had expenses totaling nearly \$461.5 million.
- The Department of Assets, Information and Services new \$27.8 million headquarters opened in February 2019 at 69th and Wentworth. The new facility is used for the repair and maintenance of City equipment, and also houses administrative offices for AIS and various other trade shops to support City operations.
- At the end of 2019, the Water Fund had \$4,953.0 million invested in utility plant, net of accumulated depreciation. During 2019, the Water Fund expended \$307.1 million on capital activities. This included \$0.6 million for structures and improvements, \$90.9 million for distribution plant, \$8.7 million for equipment and \$206.9 million for construction in progress. During 2019, net completed projects totaling \$201.4 million were transferred from construction in progress to applicable capital accounts. The major completed projects were installation and replacements of water mains (\$152.9 million), meter save program (\$11.3 million) and Jardine Water Purification Plant mixing and settling basin equipment (\$32.9 million).
- At the end of 2019, the Sewer Fund had net utility plant of \$2,889.8 million. During 2019, the Sewer Fund had capital additions being depreciated of \$130.8 million, and completed projects totaling \$19.5 million were transferred from construction in progress to applicable facilities and structures capital accounts.
- At the end of 2019, Chicago Midway International Airport had \$1,288.7 million invested in net capital assets. During 2019, the Airport had additions of \$144.1 million related to capital activities. Construction projects include runway rehabilitation, passenger security checkpoint expansion and terminal garage enhancements. During 2019, completed projects totaling \$34.2 million were transferred from construction in progress to applicable buildings and other facilities capital accounts. These major completed projects were related to building security, runway and taxi improvements and parking enhancements.
- At the end of 2019, Chicago O'Hare international Airport had \$9.1 billion invested in net capital assets. During 2019, the Airport had additions of \$810.3 million related to capital activities. This included construction for HVAC system upgrades, Central Deicing Pad utilities, concourse improvements, terminal improvements, and runway and taxiway construction and improvements. During 2019, completed projects totaling \$860.7 million were transferred from construction and \$68.8 million of contributed capital from the transfer of Hilton O'Hare to applicable buildings and other facilities capital accounts. These major completed projects were related to the

**CITY OF CHICAGO, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

relocation of airline terminal facilities, Central Deicing Pad utilities, Fuel Line Relocation projects, terminal improvements, and runway and taxiway construction and improvements.

**City of Chicago, Illinois
Capital Assets (net of depreciation)
(in millions of dollars)**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,409.3	\$ 1,409.5	\$ 1,028.5	\$ 1,028.5	\$ 2,437.8	\$ 2,438.0
Works of Art and Historical Collections	48.3	48.1	-	-	48.3	48.1
Construction in Progress	505.1	637.2	2,075.5	1,922.0	2,580.6	2,559.2
Buildings and Other Improvements	1,519.6	1,492.8	14,954.3	14,134.0	16,473.9	15,626.8
Machinery and Equipment	291.5	299.1	381.9	366.2	673.4	665.3
Infrastructure	5,017.1	4,911.9	-	-	5,017.1	4,911.9
Total	\$ 8,790.9	\$ 8,798.6	\$18,440.2	\$ 17,450.7	\$ 27,231.1	\$ 26,249.3

Information on the City's capital assets can be found in Note 7 Capital Assets in this report.

Debt. At the end of the current fiscal year, the City had \$7,745.0 million in General Obligation Bonds and \$163.5 million in General Obligation Certificates and Other Obligations outstanding. Other outstanding long-term debt is as follows: \$2,641.9 million in Sales Tax Securitization Corporation Bonds (STSC Bonds); \$245.4 million in Motor Fuel Tax Revenue Bonds; \$16.2 million in Tax Increment Financing Bonds; and \$16,117.2 million in Enterprise Fund Bonds and long-term obligations. For more detail, refer to Note 10 Long-term Obligations in the Basic Financial Statements.

**City of Chicago, Illinois
General Obligation and Revenue Bonds
(in millions of dollars)**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation ..	\$ 7,908.5	\$ 8,207.8	\$ -	\$ -	\$ 7,908.5	\$ 8,207.8
Tax Increment	16.2	19.9	-	-	16.2	19.9
Revenue Bonds	245.4	249.9	16,117.2	16,382.4	16,362.6	16,632.3
STSC Bonds	2,641.9	2,036.4	-	-	2,641.9	2,036.4
Total	\$ 10,812.0	\$ 10,514.0	\$ 16,117.2	\$ 16,382.4	\$ 26,929.2	\$ 26,896.4

**CITY OF CHICAGO, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

During 2019, the City and the STSC issued the following:

Enterprise Fund Revenue Bonds and Notes:

No Revenue Bonds and Notes issued in 2019.

Sales Tax Securitization Corporation Bonds:

- Sales Tax Securitization Bonds Series 2019A (\$605.4 million).

At December 31, 2019 the City had credit ratings with each of the four major rating agencies as follows:

Rating Agency	Moody's	Standard & Poors	Fitch	Kroll
General Obligation:				
City	Ba1	BBB+	BBB-	A
Revenue Bonds:				
O'Hare Airport:				
Senior Lien General Airport Revenue Bonds	A2	A	A	A+
Senior Lien Passenger Facility Charge (PFC)	A2	A	A	NR
Customer Facility Charge (CFC)	Baa1	BBB	NR	NR
Midway Airport:				
First Lien	A2	A	NR	NR
Second Lien	A3	A	A	A
Water:				
Second Lien	Baa2	A	AA-	AA
Wastewater:				
First Lien	Baa2	A+	NR	NR
Second Lien	Baa3	A	AA-	AA-
Motor Fuel Tax	Ba1	BB+	BBB-	NR
Sales Tax Securitization Corporation Bonds:				
First Lien	NR	AA-	AAA	AAA
Second Lien	NR	AA-	NR	NR

In December 2019, Fitch Ratings, Moody's, and Standard and Poor's withdrew their ratings on the City's Water revenue bonds (First Lien) as all of the outstanding Water bonds were defeased.

In November 2019, S&P Global Ratings assigned an AA- rating to the Sales Tax Securitization Corporation's second lien sales tax securitization bonds.

During 2020, there were rating changes for the STSC Senior Lien Sales Tax Securitization bonds and the MFT bonds, and there were rating outlook changes for the City's General Obligation Bonds and STSC First and Second Lien Bonds. See Subsequent Events in the footnotes for ratings changes in 2020.

Economic Factors and Next Year's Budgets and Rates

Regional, national, and global economies play a major role in the City's finances and economic growth. In 2019, the unemployment rate in the Chicago metropolitan area was 3.8%, continuing the long downward trend since the Recession. Across the Chicagoland area and in Chicago, home prices continued to rise. In Chicago, the median home prices increased to \$290,000, which is a 2.8% increase over the 2018 median sale price. Tourism and business

**CITY OF CHICAGO, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

travel to Chicago increased by 2% over 2018 levels. The Chicago tourism industry supported an estimated 153,000 jobs in 2019.

The City's 2020 General Fund Budget, totaling \$4,507.7 million, was approved by a 39 to 11 vote of City Council on November 26, 2019. The 2020 budget closed an operating budget deficit of \$838 million through a combination of savings and efficiencies, new revenues, and growth of existing revenue. With the 2020 budget the city intends to continue its practice of making deposits to its operating liquidity funds from any growth in fund balance that may occur.

The global COVID-19 pandemic, will have a significant negative impact on economic conditions in 2020, and likely beyond. The City stated in May 2020 that it anticipates a \$700 million revenue shortfall compared to budget for 2020. This shortfall will be addressed through a combination of expenditure reductions, delayed programs, and prioritizing pandemic response efforts that are reimbursable through Federal assistance. See Subsequent Events footnote for further details.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Chicago Department of Finance.

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Exhibit 1
CITY OF CHICAGO, ILLINOIS
STATEMENT OF NET POSITION
December 31, 2019
(Amounts are in Thousands of Dollars)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
Cash and Cash Equivalents	\$ 1,284,997	\$ 229,055	\$ 1,514,052
Investments	1,878,845	834,628	2,713,473
Receivables (Net of Allowances):			
Property Tax	2,217,812	-	2,217,812
Accounts and Due From Other Governments	993,466	433,717	1,427,183
Internal Balances	(54,524)	54,524	-
Inventories	28,272	20,327	48,599
Restricted Assets:			
Cash and Cash Equivalents	123,109	1,946,066	2,069,175
Investments	667,741	3,135,498	3,803,239
Cash and Investments with Escrow Agent	474,791	-	474,791
Interest Receivable	-	17,606	17,606
Other Assets	7,906	70,335	78,241
Capital Assets:			
Land, Art, and Construction in Progress	1,962,683	3,104,068	5,066,751
Other Capital Assets, Net of Accumulated Depreciation	6,828,217	15,336,173	22,164,390
Total Capital Assets	8,790,900	18,440,241	27,231,141
Total Assets	16,413,315	25,181,997	41,595,312
Deferred Outflows	2,307,476	529,014	2,836,490
Total Assets and Deferred Outflows	<u>\$ 18,720,791</u>	<u>\$ 25,711,011</u>	<u>\$ 44,431,802</u>
LIABILITIES AND DEFERRED INFLOWS			
Voucher Warrants Payable	\$ 926,585	\$ 642,742	\$ 1,569,327
Accrued Interest	309,245	342,150	651,395
Accrued and Other Liabilities	1,279,765	296,841	1,576,606
Unearned Revenue	97,572	310,998	408,570
Derivative Instrument Liability	-	24,959	24,959
Long-term Liabilities:			
Due Within One Year	391,841	494,380	886,221
Due in More Than One Year	41,113,050	20,153,858	61,266,908
Total Liabilities	44,118,058	22,265,928	66,383,986
Deferred Inflows	5,278,793	2,228,029	7,506,822
Total Liabilities and Deferred Inflows	49,396,851	24,493,957	73,890,808
NET POSITION			
Net Investment in Capital Assets	(344,556)	4,638,682	4,294,126
Restricted for:			
Capital Projects	730,565	318,633	1,049,198
Debt Service	689,373	28,582	717,955
Special Taxing Areas	1,734,473	-	1,734,473
Passenger Facility Charges	-	242,068	242,068
Contractual Use Agreement	-	354,994	354,994
Airport General Fund	-	132,137	132,137
Customer Facility Charges	-	58,939	58,939
Other Purposes	-	24,728	24,728
Unrestricted (Deficit)	(33,485,915)	(4,581,709)	(38,067,624)
Total Net (Deficit)/Position	<u>\$ (30,676,060)</u>	<u>\$ 1,217,054</u>	<u>\$ (29,459,006)</u>

See notes to basic financial statements.

Exhibit 2
CITY OF CHICAGO, ILLINOIS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2019
(Amounts are in Thousands of Dollars)

Functions/Programs	Expenses	Licenses, Permits, Fines and Charges for Services
Primary Government		
Governmental Activities:		
General Government	\$ 2,866,146	\$ 502,785
Public Safety	4,078,494	215,402
Streets and Sanitation	280,823	105,124
Transportation	562,992	53,035
Health	118,574	6,820
Cultural and Recreational	124,766	16,350
Interest on Long-term Debt	644,432	-
Total Governmental Activities	8,676,227	899,516
Business-type Activities:		
Water	594,173	744,378
Sewer	270,333	351,076
Chicago Midway International Airport	301,175	271,630
Chicago-O'Hare International Airport	1,489,612	1,463,298
Chicago Skyway	8,138	-
Total Business-type Activities	2,663,431	2,830,382
Total Primary Government	\$ 11,339,658	\$ 3,729,898

See notes to basic financial statements.

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
		Governmental Activities	Business-type Activities	Total
\$ 378,500	\$ -	\$ (1,984,861)	\$ -	\$ (1,984,861)
36,963	-	(3,826,129)	-	(3,826,129)
-	-	(175,699)	-	(175,699)
-	142,557	(367,400)	-	(367,400)
71,490	-	(40,264)	-	(40,264)
11,042	-	(97,374)	-	(97,374)
-	-	(644,432)	-	(644,432)
<u>497,995</u>	<u>142,557</u>	<u>(7,136,159)</u>	<u>-</u>	<u>(7,136,159)</u>
-	-	-	150,205	150,205
-	(5)	-	80,738	80,738
-	3,397	-	(26,148)	(26,148)
-	146,723	-	120,409	120,409
-	-	-	(8,138)	(8,138)
-	<u>150,115</u>	-	<u>317,066</u>	<u>317,066</u>
<u>\$ 497,995</u>	<u>\$ 292,672</u>	<u>(7,136,159)</u>	<u>317,066</u>	<u>(6,819,093)</u>
General Revenues				
Taxes:				
Property Tax		1,474,432	-	1,474,432
Utility Tax		749,518	-	749,518
Sales Tax		373,339	-	373,339
Transportation Tax		545,736	-	545,736
Transaction Tax		548,325	-	548,325
Special Area Property Tax		914,803	-	914,803
Recreation Tax		275,501	-	275,501
Other Taxes		179,454	-	179,454
Grants and Contributions not Restricted to				
Specific Programs		883,509	-	883,509
Unrestricted Investment Earnings		217,324	110,114	327,438
Miscellaneous		423,312	29,393	452,705
Transfers		2,540	(2,540)	-
Total General Revenues and Transfers		<u>6,587,793</u>	<u>136,967</u>	<u>6,724,760</u>
Change in Net Position		(548,366)	454,033	(94,333)
Net Position - Beginning		(30,127,694)	763,021	(29,364,673)
Net Position - Ending		<u>\$ (30,676,060)</u>	<u>\$ 1,217,054</u>	<u>\$ (29,459,006)</u>

Exhibit 3
CITY OF CHICAGO, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019
(Amounts are in Thousands of Dollars)

	General	Federal, State and Local Grants	Special Taxing Areas
ASSETS			
Cash and Cash Equivalents	\$ 74,578	\$ 897	\$ 568,249
Investments	239,915	86,058	828,617
Receivables (Net of Allowances):			
Property Tax	-	-	730,968
Accounts	250,202	2,333	3,412
Due From Other Funds	310,359	26,826	326,764
Due From Other Governments	60,738	355,937	-
Inventories	28,272	-	-
Restricted Cash and Cash Equivalents	-	3,218	-
Restricted Investments	-	-	-
Restricted Cash and Investments with Escrow Agent	-	-	-
Other Assets	-	3,267	-
Total Assets	<u>\$ 964,064</u>	<u>\$ 478,536</u>	<u>\$ 2,458,010</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE			
Liabilities:			
Voucher Warrants Payable	\$ 263,328	\$ 138,266	\$ 54,173
Bonds, Notes and Other Obligations Payable - Current	-	-	-
Accrued Interest	-	-	-
Due To Other Funds	179,052	208,726	2,364
Accrued and Other Liabilities	165,775	6,442	3,821
Claims Payable	16,004	-	-
Unearned Revenue	606	96,966	-
Total Liabilities	<u>624,765</u>	<u>450,400</u>	<u>60,358</u>
Deferred Inflows	<u>3,376</u>	<u>234,759</u>	<u>663,179</u>
Fund Balance:			
Nonspendable	28,272	-	-
Restricted	-	10,318	1,734,473
Committed	-	-	-
Assigned	123,000	-	-
Unassigned	184,651	(216,941)	-
Total Fund Balance	<u>335,923</u>	<u>(206,623)</u>	<u>1,734,473</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 964,064</u>	<u>\$ 478,536</u>	<u>\$ 2,458,010</u>

See notes to basic financial statements.

Service Concession and Reserve	Bond, Note Redemption and Interest	STSC Debt Service	Community Development and Improvement Projects	Pension	Nonmajor Governmental Funds	Total Governmental Funds
\$ 308	\$ 54,492	\$ -	\$ 200,191	\$ 318,400	\$ 67,882	\$ 1,284,997
-	25,248	-	563,261	-	135,746	1,878,845
-	503,530	-	-	950,774	32,540	2,217,812
3,496	1,896	44,916	4,005	788	225,793	536,841
-	-	2,576,421	7,805	-	229,233	3,477,408
-	1,200	-	-	-	38,750	456,625
-	-	-	-	-	-	28,272
43,169	-	-	-	-	76,722	123,109
667,741	-	-	-	-	-	667,741
-	382,405	62,433	-	-	29,953	474,791
-	-	-	-	-	-	3,267
<u>\$ 714,714</u>	<u>\$ 968,771</u>	<u>\$ 2,683,770</u>	<u>\$ 775,262</u>	<u>\$ 1,269,962</u>	<u>\$ 836,619</u>	<u>\$ 11,149,708</u>
\$ 1	\$ -	\$ -	\$ 70,585	\$ 319,357	\$ 78,598	\$ 924,308
-	125,721	3,000	-	-	-	128,721
-	250,188	58,985	-	-	72	309,245
21,136	2,684,508	-	69,017	94,856	367,117	3,626,776
-	-	-	1,754	-	12,434	190,226
-	-	-	-	-	-	16,004
-	-	-	-	-	-	97,572
<u>21,137</u>	<u>3,060,417</u>	<u>61,985</u>	<u>141,356</u>	<u>414,213</u>	<u>458,221</u>	<u>5,292,852</u>
<u>1,471,127</u>	<u>449,094</u>	<u>-</u>	<u>-</u>	<u>855,749</u>	<u>42,734</u>	<u>3,720,018</u>
-	-	2,576,421	-	-	-	2,604,693
-	-	45,364	633,906	-	136,452	2,560,513
693,577	-	-	-	-	259,657	953,234
-	-	-	-	-	242	123,242
<u>(1,471,127)</u>	<u>(2,540,740)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(60,687)</u>	<u>(4,104,844)</u>
<u>(777,550)</u>	<u>(2,540,740)</u>	<u>2,621,785</u>	<u>633,906</u>	<u>-</u>	<u>335,664</u>	<u>2,136,838</u>
<u>\$ 714,714</u>	<u>\$ 968,771</u>	<u>\$ 2,683,770</u>	<u>\$ 775,262</u>	<u>\$ 1,269,962</u>	<u>\$ 836,619</u>	<u>\$ 11,149,708</u>

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	8,790,900
Other long-term assets are not available to pay for current-period expenditures and therefore are recorded as deferred inflows in the funds	2,248,891
Bond issuance costs that are expensed in statement of revenues, expenditures and changes in fund balances but reported as other assets in the statement of activities	4,639
Certain liabilities, including bonds payable, deferred inflows and deferred outflows are not due and payable in the current period and therefore are not reported in the funds	(43,857,328)
Net position of governmental activities	<u>\$ (30,676,060)</u>

Exhibit 4
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2019
(Amounts are in Thousands of Dollars)

	General	Federal, State and Local Grants	Special Taxing Areas
Revenues:			
Property Tax	\$ -	\$ -	\$ -
Utility Tax	416,660	-	-
Sales Tax (Local)	63,730	-	-
Transportation Tax	336,958	-	-
State Income Tax	469,814	-	-
State Sales Tax	-	-	-
Transaction Tax	487,786	-	-
Special Area Property Tax	-	-	681,630
Recreation Tax	275,501	-	-
Other Taxes	150,002	-	-
Federal/State Grants	1,534	642,351	-
Internal Service	283,067	-	-
Licenses and Permits	135,980	-	-
Fines	319,182	-	-
Investment Income	31,353	-	74,617
Charges for Services	204,212	-	62
Miscellaneous	116,993	-	555
Total Revenues	3,292,772	642,351	756,864
Expenditures:			
Current:			
General Government	1,113,660	376,805	406,919
Health	33,612	84,501	-
Public Safety	2,307,483	58,204	411
Streets and Sanitation	213,451	-	-
Transportation	56,627	116,034	68,670
Cultural and Recreational	-	13,721	18
Employee Pensions	-	-	-
Other	7,054	911	-
Capital Outlay	-	50	-
Debt Service:			
Principal Retirement	13,236	-	-
Interest and Other Fiscal Charges	7,218	-	-
Total Expenditures	3,752,341	650,226	476,018
Revenues (Under) Over Expenditures ..	(459,569)	(7,875)	280,846

Continued on following pages.

Service Concession and Reserve	Bond, Note Redemption and Interest	STSC Debt Service	Community Development and Improvement Projects	Pension	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 475,243	\$ -	\$ -	\$ 802,848	\$ -	\$ 1,278,091
-	21,476	-	-	-	306,493	744,629
-	-	45,130	-	-	264,479	373,339
-	12,393	-	-	-	196,385	545,736
-	-	-	-	-	-	469,814
-	-	60,647	-	-	351,514	412,161
-	-	-	-	-	60,539	548,325
-	-	-	-	-	23,525	705,155
-	-	-	-	-	-	275,501
-	-	-	-	-	29,452	179,454
-	-	-	-	-	-	643,885
-	-	-	-	-	29,662	312,729
-	2,744	-	-	-	-	138,724
-	-	-	-	-	18,176	337,358
62,250	11,496	-	22,952	285	14,371	217,324
-	-	-	-	-	39,294	243,568
21,040	15,778	-	18,246	126,011	124,689	423,312
83,290	539,130	105,777	41,198	929,144	1,458,579	7,849,105
-	-	-	-	-	303,468	2,200,852
-	-	-	-	-	104	118,217
-	-	-	39,451	-	119,971	2,525,520
-	-	-	-	-	57,921	271,372
-	-	-	-	-	108,998	350,329
-	-	-	-	-	92,173	105,912
-	-	-	-	1,149,157	-	1,149,157
-	-	-	-	-	252	8,217
-	-	-	276,795	-	36,031	312,876
-	523,503	3,000	-	-	38,735	578,474
-	469,860	120,314	-	-	9,389	606,781
-	993,363	123,314	316,246	1,149,157	767,042	8,227,707
83,290	(454,233)	(17,537)	(275,048)	(220,013)	691,537	(378,602)

Exhibit 4 - Concluded
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2019
(Amounts are in Thousands of Dollars)

	<u>General</u>	<u>Federal, State and Local Grants</u>	<u>Special Taxing Areas</u>
Other Financing Sources (Uses):			
Issuance of Debt	\$ -	\$ -	\$ -
Premium/(Discount)	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-
Transfers In	650,880	-	15,659
Transfers Out	(190,524)	-	(33,764)
Total Other Financing Sources (Uses)	<u>460,356</u>	<u>-</u>	<u>(18,105)</u>
Net Changes in Fund Balance	787	(7,875)	262,741
Fund Balance, Beginning of Year	332,327	(198,748)	1,471,732
Change in Inventory	2,809	-	-
Fund Balance, End of Year	<u>\$ 335,923</u>	<u>\$ (206,623)</u>	<u>\$ 1,734,473</u>

See notes to basic financial statements.

<u>Service Concession and Reserve</u>	<u>Bond, Note Redemption and Interest</u>	<u>STSC Debt Service</u>	<u>Community Development and Improvement Projects</u>	<u>Pension</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 177,542	\$ 605,430	\$ 495,029	\$ -	\$ 49,409	\$ 1,327,410
-	-	-	55,024	-	-	55,024
-	(600,573)	-	-	-	-	(600,573)
-	230,501	-	11,116	220,013	144,560	1,272,729
<u>(21,136)</u>	<u>(108,087)</u>	<u>(114,838)</u>	<u>-</u>	<u>-</u>	<u>(801,840)</u>	<u>(1,270,189)</u>
<u>(21,136)</u>	<u>(300,617)</u>	<u>490,592</u>	<u>561,169</u>	<u>220,013</u>	<u>(607,871)</u>	<u>784,401</u>
62,154	(754,850)	473,055	286,121	-	83,666	405,799
(839,704)	(1,785,890)	2,148,730	347,785	-	251,998	1,728,230
-	-	-	-	-	-	2,809
<u>\$ (777,550)</u>	<u>\$ (2,540,740)</u>	<u>\$ 2,621,785</u>	<u>\$ 633,906</u>	<u>\$ -</u>	<u>\$ 335,664</u>	<u>\$ 2,136,838</u>

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Exhibit 5
CITY OF CHICAGO, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2019
(Amounts are in Thousands of Dollars)

Amounts reported for governmental activities in the statement of activities are different from amounts reported for governmental funds in the statement of revenues, expenditures and changes in fund balances because:

Net change in fund balances - total governmental funds	\$ 405,799
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period	(5)
In the Statement of Activities, gain or loss on disposal and sale of capital assets is reported, whereas in the governmental funds, the entire proceeds are recorded	(7,549)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	422,679
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments	(241,038)
Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	<u>(1,128,252)</u>
Change in the net position of governmental activities	<u>\$ (548,366)</u>

See notes to basic financial statements.

Exhibit 6
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND (BUDGETARY BASIS)
Year Ended December 31, 2019
(Amounts are in Thousands of Dollars)

	Original Budget	Final Budget	Actual Amounts	Variance
Revenues:				
Utility Tax	\$ 430,000	\$ 430,000	\$ 416,660	\$ (13,340)
Sales Tax	48,073	48,073	63,730	15,657
Transportation Tax	341,891	341,891	336,958	(4,933)
Transaction Tax	440,363	440,363	487,786	47,423
Recreation Tax	270,087	270,087	275,501	5,414
Other Taxes	141,753	141,753	150,002	8,249
State Income Tax	392,187	392,187	469,814	77,627
Federal/State Grants	2,000	2,000	1,534	(466)
Internal Service	297,595	297,595	283,067	(14,528)
Licenses and Permits	134,100	134,100	135,980	1,880
Fines	345,000	345,000	319,182	(25,818)
Investment Income	6,500	6,500	31,353	24,853
Charges for Services	208,440	208,440	204,212	(4,228)
Miscellaneous	143,903	143,903	116,993	(26,910)
Issuance of Debt, Net of				
Original Discount	8,000	8,000	-	(8,000)
Budgeted Prior Years' Surplus				
and Reappropriations	82,008	82,008	-	(82,008)
Transfers In	596,580	596,580	650,880	54,300
Total Revenues	3,888,480	3,888,480	3,943,652	55,172
Expenditures:				
Current:				
General Government	1,337,651	1,337,651	1,253,385	84,266
Health	36,003	36,003	33,241	2,762
Public Safety	2,226,230	2,226,230	2,282,153	(55,923)
Streets and Sanitation	213,717	213,717	212,855	862
Transportation	59,177	59,177	57,329	1,848
Debt Service:				
Principal Retirement	13,236	13,236	13,236	-
Interest and Other Fiscal Charges	2,466	2,466	2,465	1
Total Expenditures	3,888,480	3,888,480	3,854,664	33,816
Revenues (Under) Over Expenditures ...	\$ -	\$ -	\$ 88,988	\$ 88,988

See notes to basic financial statements.

Exhibit 7
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
PENSION FUND (BUDGETARY BASIS)
Year Ended December 31, 2019
(Amounts are in Thousands of Dollars)

	Original Budget	Final Budget	Actual Amounts	Variance
Revenues:				
Property Taxes	\$ 989,437	\$ 989,437	\$ 802,848	\$ (186,589)
Investment Income	-	-	285	285
Other Revenue	126,011	126,011	126,011	-
Transfers In	193,096	193,096	220,013	26,917
Total Revenues	<u>1,308,544</u>	<u>1,308,544</u>	<u>1,149,157</u>	<u>(159,387)</u>
Expenditures:				
Current:				
City Contribution to - Municipal Employees' Annuity and Benefit Fund	421,000	421,000	361,140	59,860
City Contribution to - Laborers' and Retirement Board Employees' Annuity and Benefit Fund	60,000	60,000	42,456	17,544
City Contribution to - Policemen's Annuity and Benefit Fund	579,000	579,000	523,280	55,720
City Contribution to - Firemen's Annuity and Benefit Fund	248,544	248,544	222,281	26,263
Total Expenditures	<u>1,308,544</u>	<u>1,308,544</u>	<u>1,149,157</u>	<u>159,387</u>
Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to basic financial statements.

Exhibit 8
CITY OF CHICAGO, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2019
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					Total
	Water	Sewer	Chicago-Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	
ASSETS AND DEFERRED OUTFLOWS						
CURRENT ASSETS:						
Cash and Cash Equivalents	\$ 40,849	\$ 11,818	\$ 35,147	\$ 140,430	\$ 811	\$ 229,055
Investments	401,032	206,370	28,401	198,093	732	834,628
Accounts Receivable (Net of Allowances)	194,386	107,016	18,950	80,189	4	400,545
Interest Receivable	1,518	-	130	81	3	1,732
Due from Other Funds	43,344	22,665	1,809	45,974	-	113,792
Inventories	19,595	732	-	-	-	20,327
Cash and Cash Equivalents - Restricted	62,634	123,790	149,625	834,260	-	1,170,309
Investments - Restricted	112,938	102,770	-	-	-	215,708
Interest Receivable - Restricted	375	2,687	-	-	-	3,062
Other Assets - Restricted	-	-	-	5,371	-	5,371
TOTAL CURRENT ASSETS	876,671	577,848	234,062	1,304,398	1,550	2,994,529
NONCURRENT ASSETS:						
Cash and Cash Equivalents - Restricted	-	-	26,639	749,118	-	775,757
Investments - Restricted	-	54,107	325,556	2,540,127	-	2,919,790
Interest Receivable - Restricted	-	-	1,954	12,590	-	14,544
Other Assets - Restricted	-	-	2,961	42,547	-	45,508
Due from Other Governments - Restricted	-	-	20,013	11,427	-	31,440
Other Assets	2,620	1,105	534	5,805	9,392	19,456
Property, Plant, and Equipment:						
Land	6,858	560	116,250	892,248	12,609	1,028,525
Structures, Equipment and Improvements	5,819,841	3,401,325	1,738,200	11,033,354	490,818	22,483,538
Accumulated Depreciation	(1,290,896)	(708,832)	(771,114)	(4,101,384)	(275,139)	(7,147,365)
Construction Work in Progress	417,223	196,790	205,399	1,256,131	-	2,075,543
Total Property, Plant and Equipment	4,953,026	2,889,843	1,288,735	9,080,349	228,288	18,440,241
TOTAL NONCURRENT ASSETS:	4,955,646	2,945,055	1,666,392	12,441,963	237,680	22,246,736
TOTAL ASSETS	5,832,317	3,522,903	1,900,454	13,746,361	239,230	25,241,265
DEFERRED OUTFLOWS	78,074	22,259	108,523	320,158	-	529,014
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 5,910,391	\$ 3,545,162	\$ 2,008,977	\$ 14,066,519	\$ 239,230	\$ 25,770,279

See notes to basic financial statements.

Business-type Activities - Enterprise Funds

	Major Funds					Total
	Water	Sewer	Chicago- Midway International Airport	Chicago- O'Hare International Airport	Chicago Skyway	
LIABILITIES						
CURRENT LIABILITIES:						
Voucher Warrants Payable	\$ 27,563	\$ 3,144	\$ 23,916	\$ 92,297	\$ -	\$ 146,920
Due to Other Funds	10,502	32,355	11,448	4,948	15	59,268
Accrued and Other Liabilities	179,278	44,168	568	15,456	-	239,470
Unearned Revenue	16,305	12,954	9,639	272,100	-	310,998
Current Liabilities Payable from Restricted Assets	175,947	226,560	149,425	834,260	-	1,386,192
TOTAL CURRENT LIABILITIES	409,595	319,181	194,996	1,219,061	15	2,142,848
NONCURRENT LIABILITIES:						
Revenue Bonds and Commercial Paper Payable	2,564,900	1,997,305	1,725,802	10,051,964	-	16,339,971
Line of Credit and TIFIA Loan Payable	-	-	-	278,756	-	278,756
Net Pension Liability	1,207,548	460,173	360,795	1,506,615	-	3,535,131
Derivative Instrument Liability	-	-	24,959	-	-	24,959
Other	1,577	-	1,954	-	-	3,531
TOTAL NONCURRENT LIABILITIES ...	3,774,025	2,457,478	2,113,510	11,837,335	-	20,182,348
TOTAL LIABILITIES	4,183,620	2,776,659	2,308,506	13,056,396	15	22,325,196
DEFERRED INFLOWS	268,569	91,092	56,690	258,951	1,552,727	2,228,029
NET POSITION:						
Net Investment in Capital Assets	2,351,097	862,065	(165,290)	1,362,522	228,288	4,638,682
Restricted Net Position:						
Debt Service	-	-	9,105	19,477	-	28,582
Capital Projects	375	139,618	38,418	140,222	-	318,633
Passenger Facility Charges	-	-	3,475	238,593	-	242,068
Airport/Airline Use Agreement	-	-	39,811	315,183	-	354,994
Airport General/Development Fund	-	-	-	132,137	-	132,137
Customer Facility Charge	-	-	15,508	43,431	-	58,939
Other	-	-	14,776	9,952	-	24,728
Unrestricted Net (Deficit)	(893,270)	(324,272)	(312,022)	(1,510,345)	(1,541,800)	(4,581,709)
TOTAL NET POSITION/(DEFICIT)	\$ 1,458,202	\$ 677,411	\$ (356,219)	\$ 751,172	\$ (1,313,512)	\$ 1,217,054

See notes to basic financial statements.

Exhibit 9
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2019
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago-Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
Operating Revenues:						
Charges for Services - Net of Provision for Doubtful Accounts of \$20,370 for Water and \$23,849 for Sewer	\$ 717,496	\$ 350,053	\$ 125,431	\$ 811,270	\$ -	\$ 2,004,250
Rent	-	-	102,103	375,601	-	477,704
Hilton Revenues	-	-	-	66,614	-	66,614
Other	26,882	1,023	-	-	-	27,905
Total Operating Revenues	744,378	351,076	227,534	1,253,485	-	2,576,473
Operating Expenses:						
Personnel Services	141,589	12,367	55,571	214,069	-	423,596
Contractual Services	68,258	3,515	22,113	133,994	-	227,880
Repairs and Maintenance	2,293	64,572	47,021	143,231	-	257,117
Commodities and Materials	25,369	-	-	-	-	25,369
Depreciation and Amortization	79,870	52,933	52,007	287,648	8,138	480,596
Loss on Capital Asset Disposal	-	-	-	37,505	-	37,505
General Fund Reimbursements	85,675	53,688	-	-	-	139,363
Pension Expense	70,335	3,266	47,537	159,153	-	280,291
Hilton Expenses	-	-	-	43,021	-	43,021
Other	23,748	-	15,940	149,116	-	188,804
Total Operating Expenses	497,137	190,341	240,189	1,167,737	8,138	2,103,542
Operating Income (Loss)	247,241	160,735	(12,655)	85,748	(8,138)	472,931
Nonoperating Revenues (Expenses):						
Investment Income (Loss)	21,035	11,663	11,241	66,102	73	110,114
Interest Expense	(97,036)	(79,992)	(58,490)	(319,369)	-	(554,887)
Passenger Facility Charges	-	-	36,669	169,498	-	206,167
Customer Facility Charges	-	-	7,427	40,315	-	47,742
Noise Mitigation Costs	-	-	(2,496)	(2,475)	-	(4,971)
Cost of Issuance	-	-	-	(31)	-	(31)
Other	3,480	74	(8,488)	15,792	18,535	29,393
Total Nonoperating Revenues (Expenses)	(72,521)	(68,255)	(14,137)	(30,168)	18,608	(166,473)
Transfers Out	(2,420)	(120)	-	-	-	(2,540)
Capital Grants	-	(5)	3,397	77,923	-	81,315
Capital Contributions (1)	-	-	-	68,800	-	68,800
Net Income (Loss)	172,300	92,355	(23,395)	202,303	10,470	454,033
Net Position (Deficit) -						
Beginning of Year	1,285,902	585,056	(332,824)	548,869	(1,323,982)	763,021
Net Position (Deficit) - End of Year	\$ 1,458,202	\$ 677,411	\$ (356,219)	\$ 751,172	\$ (1,313,512)	\$ 1,217,054

(1) Capital contribution acquisition of the Hilton O'Hare building of \$68,800
See notes to basic financial statements.

Exhibit 10
CITY OF CHICAGO, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2019
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago-Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
Cash Flows from Operating Activities:						
Received from Customers	\$ 743,684	\$ 353,790	\$ 219,303	\$ 1,255,332	\$ -	\$ 2,572,109
Payments to Vendors	(114,302)	(27,242)	(130,766)	(441,803)	-	(714,113)
Payments to Employees	(141,581)	(50,362)	(50,731)	(214,851)	-	(457,525)
Transactions with Other City Funds	(129,832)	(72,995)	28,315	(100,585)	-	(275,097)
Cash Flows Provided By						
Operating Activities	357,969	203,191	66,121	498,093	-	1,125,374
Cash Flows from Capital and Related Financing Activities:						
Proceeds from Issuance of Bonds/Commercial Paper/IEPA Loans/TIFIA Loans/LOC						
	86,820	65,308	-	33,120	-	185,248
Acquisition and Construction of Capital Assets						
	(291,326)	(147,493)	(100,142)	(695,861)	-	(1,234,822)
Capital Grant Receipts	-	(5)	7,243	93,930	-	101,168
Bond Issuance Costs	-	-	(2,657)	(6,172)	-	(8,829)
Payment to Commercial Paper Note/LOC	-	-	-	(2,040)	-	(2,040)
Payment to Refund Bonds	-	-	-	(78)	-	(78)
Principal Paid on Debt	(111,714)	(63,374)	(36,480)	(291,035)	-	(502,603)
Interest Paid	(115,299)	(88,111)	(78,673)	(492,867)	-	(774,950)
Passenger and Customer Facility Charges	-	-	44,440	225,521	-	269,961
Concessionaire Funds	-	-	-	-	50	50
Cash Flows (Used in) Provided By Capital and Related Financing Activities	(431,519)	(233,675)	(166,269)	(1,135,482)	50	(1,966,895)
Cash Flows from Non Capital Financing Activities:						
Noise Mitigation Program	-	-	(2,496)	(2,475)	-	(4,971)
Proceeds from Settlement Agreement	-	-	68	106	-	174
Cash Flows Provided by (used in) Non Capital Financing Activities	-	-	(2,428)	(2,369)	-	(4,797)
Cash Flows from Investing Activities:						
Purchases (Sale) of Investments, Net	(163,860)	(88,160)	(49,074)	(1,739,358)	(49)	(2,040,501)
Investment Income	6,939	7,609	12,714	140,668	74	168,004
Cash Flows Provided By Investing Activities	(156,921)	(80,551)	(36,360)	(1,598,690)	25	(1,872,497)
Net Increase in Cash and Cash Equivalents	(230,471)	(111,035)	(138,936)	(2,238,448)	75	(2,718,815)
Cash and Cash Equivalents, Beginning of Year	333,954	246,643	350,347	3,962,256	736	4,893,936
Cash and Cash Equivalents, End of Year	\$ 103,483	\$ 135,608	\$ 211,411	\$ 1,723,808	\$ 811	\$ 2,175,121

See notes to basic financial statements.

Exhibit 10 - Concluded
CITY OF CHICAGO, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2019
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					Total
	Water	Sewer	Chicago- Midway International Airport	Chicago- O'Hare International Airport	Chicago Skyway	
Reconciliation of Operating Income to Cash Flows from Operating Activities:						
Operating Income (Loss)	\$ 247,241	\$ 160,735	\$ (12,655)	\$ 85,748	\$ (8,138)	\$ 472,931
Adjustments to Reconcile:						
Depreciation, Amortization and Loss on Capital						
Asset Disposals	79,870	52,933	52,007	325,153	8,138	518,101
Pension Expense Other than Contribution	30,260	(12,572)	33,633	102,959	-	154,280
Provision for Uncollectible Accounts	20,370	23,849	64	-	-	44,283
Change in Assets and Liabilities:						
(Increase) Decrease in Receivables	(21,429)	(21,436)	(202)	12,551	-	(30,516)
(Increase) Decrease in Due From Other Funds	(4,636)	(2,589)	213	(6,045)	-	(13,057)
(Decrease) Increase in Voucher Warrants						
Payable and Due to Other Funds	4,516	(1,025)	1,232	9,922	-	14,645
Increase in Unearned Revenue and						
Other Liabilities	919	3,239	(8,157)	(10,644)	-	(14,643)
Increase (Decrease) in Inventories and						
Other Assets	858	57	(14)	(21,551)	-	(20,650)
Cash Flows from						
Operating Activities	<u>\$ 357,969</u>	<u>\$ 203,191</u>	<u>\$ 66,121</u>	<u>\$ 498,093</u>	<u>\$ -</u>	<u>\$ 1,125,374</u>
Supplemental Disclosure of						
Noncash Items:						
Capital asset additions in 2019						
with outstanding accounts payable,						
accrued, or other liabilities	<u>\$ 57,232</u>	<u>\$ 114,301</u>	<u>\$ 64,650</u>	<u>\$ 258,210</u>	<u>\$ -</u>	<u>\$ 494,393</u>
The fair value adjustments (loss) to						
investments for 2019	<u>\$ 2,383</u>	<u>\$ 1,097</u>	<u>\$ (150)</u>	<u>\$ (140)</u>	<u>\$ -</u>	<u>\$ 3,190</u>
The accretion adjustments to capital						
appreciation bonds for 2019	<u>\$ 1,143</u>	<u>\$ 5,649</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,792</u>
Property contribution in 2019 included in						
buildings and other facilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,800</u>	<u>\$ -</u>	<u>\$ 68,800</u>

See notes to basic financial statements.

Exhibit 11
CITY OF CHICAGO, ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2019
(Amounts are in Thousands of Dollars)

	Pension Trust	Agency
ASSETS		
Cash and Cash Equivalents	\$ 229,667	\$ 180,307
Investments	-	153,463
Investments, at Fair Value		
Bonds and U.S. Government		
Obligations	1,575,166	-
Stocks	4,221,052	-
Mortgages and Real Estate	649,746	-
Other	1,573,532	-
Cash and Investments with		
Escrow Agent	-	9,257
Property Tax Receivable	-	142,417
Accounts Receivable, Net	1,414,764	7,549
Due From City	94,844	-
Property, Plant, Equipment and other	562	-
Invested Securities Lending Collateral	348,664	-
Total Assets	<u>\$ 10,107,997</u>	<u>\$ 492,993</u>
Deferred Outflows	<u>\$ 1,054</u>	<u>\$ -</u>
LIABILITIES		
Voucher Warrants Payable	\$ 179,863	\$ 50,948
Accrued and Other Liabilities	-	442,045
Securities Lending Collateral	348,664	-
Total Liabilities	<u>\$ 528,527</u>	<u>\$ 492,993</u>
Deferred Inflows	<u>\$ 81</u>	<u>\$ -</u>
Total Liabilities and Deferred Inflows	<u>\$ 528,608</u>	<u>\$ 492,993</u>
NET POSITION		
Restricted for Pension Benefits	<u>9,580,443</u>	
Total Net Position	<u>\$ 9,580,443</u>	

See notes to basic financial statements.

Exhibit 12
CITY OF CHICAGO, ILLINOIS
STATEMENT OF CHANGES IN PLAN NET POSITION
FIDUCIARY FUNDS - PENSION TRUST FUNDS
Year Ended December 31, 2019
(Amounts are in Thousands of Dollars)

	<u>Total</u>
ADDITIONS	
Contributions:	
Employees	\$ 322,203
City	<u>1,318,230</u>
Total Contributions	<u>1,640,433</u>
Investment Income:	
Net Depreciation in	
Fair Value of Investments	1,122,424
Interest, Dividends and Other	190,364
Investment Expense	<u>(38,209)</u>
Net Investment Income	<u>1,274,579</u>
Securities Lending Transactions:	
Securities Lending Income	9,320
Securities Lending Expense	<u>(7,327)</u>
Net Securities Lending Transactions	<u>1,993</u>
Total Additions	<u>2,917,005</u>
DEDUCTIONS	
Benefits and Refunds of Deductions	2,267,913
Administrative and General	<u>18,391</u>
Total Deductions	<u>2,286,304</u>
Net Increase in Net Position	630,701
Net Position:	
Beginning of Year	<u>8,949,742</u>
End of Year	<u><u>\$ 9,580,443</u></u>

See notes to basic financial statements.

CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

1) Summary of Significant Accounting Policies

The City of Chicago (City), incorporated in 1837, is a “home rule” unit under State of Illinois law. The City has a mayor-council form of government. The Mayor is the Chief Executive Officer of the City and is elected by general election. The City Council is the legislative body and consists of 50 members, each representing one of the City’s 50 wards. The members of the City Council are elected through popular vote by ward for four-year terms.

The accounting policies of the City are based upon accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). Effective January 1, 2019, the City adopted the following GASB Statement:

GASB Statement No. 95, *Postponement of The Effective Dates of Certain Authoritative Guidance* (“GASB 95”), which provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. GASB 95 postponed the effective date of certain provisions in the Statements and Implementation Guides that first become effective or were scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions within the following pronouncements were postponed by one year: Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities*, Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 90, *Majority Equity Interests*, and Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus 2020*, Statement No. 93, *Replacement of Interbank Offered Rates*. The effective date for GASB Statement No. 87, *Leases* was postponed by 18 months. The City has elected to postpone the implementation of the Standards included within Statement No. 95 and have disclosed the expected implementation dates below.

Other accounting standards that the City is currently reviewing for applicability and potential impact on the financial statements include:

GASB Statement No. 83, *Certain Asset Retirement Obligations* – (“GASB 83”), addresses accounting and financial reporting for certain asset retirement obligations (AROs). A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets will have to recognize a liability based on the guidance in this statement. This Statement also requires disclosure of information about the nature of a government’s AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. GASB 83 will be effective for the City beginning with its year ending December 31, 2020.

GASB Statement No. 84, *Fiduciary Activities* – (“GASB 84”) will improve the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 will be effective for the City beginning with its year ending December 31, 2020.

GASB Statement No. 87, *Leases* – (“GASB 87”) will improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement will establish a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This Statement will increase the usefulness of governments’ financial statements by requiring reporting of certain lease liabilities that are currently not reported. GASB 87 will be effective for the City beginning with its year ending December 31, 2022.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* – (“GASB 88”) will improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GASB 88 will be effective for the

CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

City beginning with its year ending December 31, 2020.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* – (“GASB 89”) will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. GASB 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 will be effective for the City beginning with its year ending December 31, 2021.

GASB Statement No. 90, *Majority Equity Interests*, an amendment of GASB Statements No. 14 and No. 61 (“GASB 90”) aims to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. GASB 90 will be effective for the City beginning with its year ending December 31, 2020.

GASB Statement No. 91, *Conduit Debt Obligations* – (“GASB 91”) provides a single method of reporting conduit debt obligations by issuers and aims to eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB 91 will be effective for the City beginning with its year ending December 31, 2022.

GASB Statement No. 92, *Omnibus 2020* – (“GASB 92”) This Statement aims to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB 92 will address a variety of topics and include specific provisions about individual Statements including Statement No. 87, *Leases*, Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 84, *Fiduciary Activities*. GASB 92 will be effective for the City beginning with its year ending December 31, 2022 or when the Statement referred to is implemented, whichever is earlier.

GASB Statement No. 93, *Replacement of Interbank Offered Rates* – (“GASB 93”) This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. GASB 93 will be effective for the City beginning with its year ending December 31, 2022.

GASB Statement No. 96, *Subscription-based Information Technology Arrangements* – (“GASB 96”) This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). GASB 96 will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. GASB 96 will be effective for the City beginning with its year ending December 31, 2023.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – (“GASB 97”) The Statement aims to provide more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. GASB 97 will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. Certain elements of GASB 97 are effective immediately, including the removal of the requirement to treat a primary government that performs the duties of a governing board as the governing board in absence of a governing board, and these elements have been implemented by the City for the year ended December 31, 2019 with no material impact. The remainder of

CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

GASB 97 will be effective for the City beginning with its year ending December 31, 2022.

- a) **Reporting Entity** – The financial reporting entity consists of the City and its component units, which are legally separate organizations for which the City is financially accountable. The financial statements for the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), applicable to governmental units, as required by the Municipal Code of Chicago (Code). The City includes the Chicago Public Library.

The City's financial statements include the following legal entities as fiduciary trust funds:

The Municipal Employees' Annuity and Benefit Fund of Chicago is governed by a five-member board: three members are elected by plan participants and two are members ex-officio.

The Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago is governed by an eight-member board: two members are elected by plan participants, two are members ex-officio, two members are appointed by the City Department of Human Resources, one member is elected by retired plan participants and one member is elected by the local labor union.

The Policemen's Annuity and Benefit Fund of Chicago is governed by an eight-member board: four members are elected by plan participants and four are appointed by the Mayor.

The Firemen's Annuity and Benefit Fund of Chicago is governed by an eight-member board: four members are elected by plan participants and four are members ex-officio.

Financial statements for each of these four pension plans (collectively, "Pension Plans") may be obtained at the respective Pension Plans' offices.

Blended Component Unit

The City's financial statements also include, as a blended component unit, the Sales Tax Securitization Corporation (the "STSC"). The STSC 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) (the "State"), as amended, and organized in accordance with an ordinance adopted by the City of Chicago City Council on October 11, 2017. The STSC is a non-stock corporation, has no members, and is governed by a board of directors (the "Board"). Except as described in the following sentence, the Board has five voting directors all of whom are officials of the City. The STSC's Bylaws require the vote of an additional "independent director" as a condition to taking certain actions. The independent director would be appointed by the Mayor of the City prior to any such actions.

Pursuant to a sale agreement authorized by Division 13 of Article 8 of the Illinois Municipal Code, in 2017 the City entered into an Assignment, Purchase and Sale Agreement ("Sale Agreement") with the STSC under which the City sold its right, title and interest in and to certain sales tax revenues collected by the State (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 statute; and (b) revenues resulting from the collection of four separate taxes (collectively, the "Local Share Sales Tax Revenues") imposed by the State. 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.

The STSC provides benefits exclusively to the City, and as a result, is presented as a blended component unit of the City.

The City reports the General Fund of the STSC as a non-major special revenue fund and the Debt Service

CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

Fund of the STSC as a major debt-service fund.

Complete financial statements of the STSC can be obtained at www.salestaxsecuritizationcorporation.com.

The City's officials are responsible for appointing a voting majority of the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making appointments and no financial accountability or fiscal dependency exists between the City and these organizations. Therefore, the Chicago Park District, Chicago Public Building Commission, Chicago Public Schools, Community College District No. 508, Chicago Housing Authority and the Chicago Transit Authority are deemed to be related organizations.

- b) **Government-wide and fund financial statements** - The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues. Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

- c) **Measurement focus, basis of accounting, and financial statement presentation** - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *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 with the exception of property tax revenue, which is recorded as deferred inflows unless taxes are received within 60 days subsequent to year-end. Licenses and permits, charges for services and miscellaneous revenues are not considered to be susceptible to accrual and are recorded as revenues when received in cash. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting, except for interest and principal on long-term debt, the long-term portion of compensated absences, claims and judgments, and pension obligations.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.

Federal, State and Local Grants Fund accounts for the expenditures for programs, which include

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

general government, health, public safety, transportation, aviation, cultural and recreational, and capital outlays. The majority of revenues are provided by several agencies of the Federal government, departments of the Illinois State government and City resources.

Special Taxing Areas Fund accounts for expenditures for special area operations and maintenance and for redevelopment project costs as provided by tax levies on special areas.

Service Concession and Reserve Fund accounts for monies committed for mid- and long-term uses. The Mid-term portion is subject to appropriation for neighborhood human infrastructure programs, health, and other initiatives, whereas the Long-term portion is committed for future budgetary and credit rating stabilization. These reserves were created as a result of the Skyway Lease and Parking Meter System transactions. The deferred inflows result from long-term concession and lease transactions whose proceeds are recognized as revenue over the term of the agreements.

Bond, Note Redemption and Interest Fund accounts for the expenditures for principal and interest as provided by property tax, utility tax, sales tax, transportation tax, and investment income.

STSC Debt Service Fund accounts for the expenditures for principal and interest as provided by sales tax revenues.

Community Development and Improvement Projects Funds account for proceeds of debt used to acquire property, finance construction, and finance authorized expenditures and supporting services for various activities.

Pension Fund accounts for the City's contribution to the City's four Employees' Annuity and Benefit Funds as provided by the tax levy and other sources of revenue, including the allocable share from Enterprise Funds and Special Revenue Funds.

Within the governmental fund types, fund balances are reported in one of the following classifications:

Nonspendable includes amounts that cannot be spent because they are either: (a) not in a spendable form; or (b) legally or contractually required to be maintained intact.

Restricted includes amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed includes amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority (i.e., City Council); to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint. The City's highest level of decision-making authority is held by the City Council. The City Council passes Ordinances to commit their fund balances.

Assigned includes amounts that are constrained by the City's intent to be used for specific purposes, but that are neither restricted nor committed. Intent is expressed by: (a) the City Council itself; or (b) a body or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes. The Budget Director or Comptroller has authority to assign amounts related to certain legal obligations outside of the appropriation process within the General Fund. Within the other governmental fund types (special revenue, debt service, and capital projects) resources are assigned in accordance with the established fund purpose and approved appropriation. Residual fund balances in these fund types that are not restricted or committed are reported as assigned.

Unassigned includes the residual fund balance that has not been restricted, committed, or assigned within the General Fund and deficit fund balances of other governmental funds.

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

The City reports the following major proprietary funds as business-type activities:

Water Fund accounts for the operations of the Chicago Water System (Water). The Water system purifies and provides Lake Michigan water for the City and 125 suburbs. The Water Fund operates two water purification facilities with a combined output pumping capacity of 2,160 million gallons per day and 12 pumping stations with a combined pumping capacity of 3,661 million gallons per day.

Sewer Fund accounts for the operations of the Wastewater Transmission System (Sewer). The Sewer system transports wastewater to the Metropolitan Water Reclamation District of Greater Chicago for processing and disposal. This service is provided for the residents and businesses of the City and certain suburban customers.

Chicago Midway International Airport Fund records operations of Chicago Midway International Airport (Midway) that provides regional travelers with access to airlines that generally specialize in low-cost, point-to-point, origin and destination passenger services. Midway Airport is conveniently located 10 miles from downtown Chicago.

Chicago-O'Hare International Airport Fund records operations of Chicago-O'Hare International Airport (O'Hare), the primary commercial airport for the City. The airlines serving the Airport operate out of four terminal buildings with a total of 191 gates as of December 31, 2019. Three domestic terminal buildings, having a total of 171 aircraft gates serve domestic flights and certain international departures. Terminal 5 with 20 aircraft gates and four hardstand positions, serves the remaining international departures and all international arrivals.

On January 1, 2019, the Hilton O'Hare was transferred to the City as the 30 year lease term with HLT O'Hare, Inc. ended on December 31, 2018. O'Hare has entered into a 10 year operating lease agreement with Hilton Management, LLC for hotel operations and Hyde Park Hospitality, LLC and food and beverage operations. 2019 is the first year where the operations of Hilton O'Hare have been included in O'Hare financial statements.

Chicago Skyway Fund records operations of the Chicago Skyway (Skyway) which provides vehicle passage across the Calumet River, between the State of Indiana and the State of Illinois (State) through the operation of a tollway which consists of a 7.8-mile span connecting the Dan Ryan Expressway to the Indiana Toll Road. Facilities include a single toll plaza consisting of a central office, maintenance garage and toll collection area. In January 2005, the City entered into a long-term Concession and Lease Agreement of the Skyway, granting a private company the ability to operate and to collect toll revenue during the 99-year term of the agreement. The City received a one-time upfront payment of \$1.83 billion.

Additionally, the City reports the following fiduciary funds:

Pension Trust Funds report expenditures for employee pensions as provided by employee and employer contributions and investment earnings.

Agency Funds account for transactions for assets held by the City as agent for certain activities or for various entities. Payroll deductions and special deposits are the primary transactions accounted for in these funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between the City's water, sewer, airports and skyway funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods and services, or privileges provided, or fines; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. General revenues include internally dedicated resources and taxes.

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

Certain indirect costs have been included as part of the program expenses reported for the various functional activities.

In the fund financial statements, proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer funds are charges to customers for sales and services. The airport funds' principal operating revenues are derived from landing fees and terminal use charges as well as rents and concessions. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted (committed, assigned or unassigned) resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the City that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Accordingly, actual results could differ from those estimates.

d) Assets, liabilities, deferred inflows, deferred outflows, and net position or equity

i) Cash, Cash Equivalents and Investments generally are held with the City Treasurer as required by the Code. Interest earned on pooled investments is allocated to participating funds based upon their average combined cash and investment balances. Due to contractual agreements or legal restrictions, the cash and investments of certain funds are segregated and earn and receive interest directly. The City uses separate escrow accounts in which certain tax revenues are deposited and held for payment of debt. The Code permits deposits only to City Council-approved depositories, which must be regularly organized state or national banks and federal and state savings and loan associations, located within the City, whose deposits are federally insured.

Investments authorized by the Code include interest-bearing general obligations of the City, State and U.S. Government; U.S. Treasury bills and other noninterest-bearing general obligations of the U.S. Government purchased in the open market below face value; commercial paper and State and Local Government Series (SLGS), domestic money market funds regulated 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 City values its investments at fair value or amortized cost. U.S. Government securities purchased at a price other than par with a maturity of less than or equal to one year are reported at amortized cost.

The City's four retirement plans are authorized to invest in bonds, notes, and other obligations of the U.S. Government; corporate debentures and obligations; insured mortgage notes and loans; common and preferred stocks; stock options; real estate; and other investment vehicles as set forth in the Illinois Compiled Statutes. These investments are reported at fair value.

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 that are pledged to secure these agreements have a fair value equal to the cost of the repurchase agreements plus accrued interest.

Investments generally may not have a maturity date in excess of thirty years from the date of purchase. Certain other investments are held in accordance with the specific provisions of applicable ordinances. Cash equivalents include certificates of deposit and other investments with maturities of three months or less when purchased.

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Deficit cash balances result in interfund borrowings from the aggregate of funds other than escrowed funds. Interest income and expense are generally not recognized on these interfund borrowings.

State statutes, the City and the City's Pension Plans' policies permit lending securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. Securities lent at year-end for cash collateral are presented as not categorized in the schedule of custodial credit risk; securities lent for securities collateral are classified according to the category for the collateral.

Securities Lending by the Pension Plans - The State Statutes and the Board of Trustees permit the Pension Plans to lend its securities to broker-dealers and other entities with a simultaneous agreement to return collateral for the same securities in the future. The Plans' custodians, acting as the lending agent, lend securities for collateral in the form of cash, U.S. Government obligations and irrevocable letters of credit equal to 102% of the fair value of domestic securities plus accrued interest and 105% of the fair value of foreign securities plus accrued interest. The Plan does not have the right to sell or pledge securities received as collateral unless the borrower defaults. All securities loans can be terminated on demand within a period specified in each agreement by either the Funds or the borrowers. The contracts with the Fund's custodian require the securities lending agent to indemnify the Funds.

Municipal Employees' - The average term of securities loaned was 78 days at December 31, 2019. The cash collateral is invested in tri-party repurchase agreements and bank deposits which had a weighted average maturity of 25 days at December 31, 2019.

Laborers'- The average term of securities loaned was 87 days at December 31, 2019. Cash collateral may be invested in a short-term investment pool, which had a weighted average maturity of 38 days at December 31, 2019.

Policemen's- The average term of the Fund's loan was approximately 1 day as of December 31, 2019. Cash collateral was reinvested in indemnified repurchase agreements which had an interest sensitivity of 1 day at December 31, 2019.

Firemen's- The average term of securities loaned was 53 days in 2019. Cash collateral may be invested in a short-term investment pool, which had a weighted average maturity of 25 days at December 31, 2019.

- ii) **Receivables and Payables** activity between funds are representative of services rendered, outstanding at the end of the fiscal year, and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowance is based on historical trends. The estimated value of services provided but unbilled at year-end has been included in receivables.

- iii) **Inventory** includes government-wide inventories, which are stated at cost determined principally, using the average cost method. For proprietary funds, the costs of inventories are recorded as expenses when used (consumption method). Governmental fund inventories are accounted for using the purchases method and represent nonspendable resources because they do not represent expendable available financial resources.
- iv) **Restricted Assets** include certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment. These assets are classified as restricted or committed in the basic financial statements because they are maintained in separate bank accounts and their use is limited by applicable bond covenants or specific City Council action.

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The Water and Sewer funds maintain Rate Stabilization Accounts where any net revenues remaining after providing sufficient funds for all required deposits in the bond accounts may be transferred upon the direction of the City to be used for any lawful purpose of the specific fund.

The O'Hare and Midway funds maintain Passenger Facility Charge accounts as restricted as they are subject to Federal Aviation Administration regulation and approval, to finance specific eligible capital and debt related activities.

- v) **Capital Assets**, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets, or a network of assets, with an initial cost of more than \$5,000 (not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalization value of the assets constructed. The total interest expense (Governmental and Business Activities) incurred by the City during the current fiscal year was \$1,358.2 million, of which \$158.9 million was capitalized as part of the capital assets under construction projects in proprietary funds.

Property, plant, and equipment of the City are depreciated using the straight-line method, in the year subsequent to acquisition or when placed into service, over the following estimated useful lives:

Utility plant.....	25 - 100 years
Utility structures and improvements.....	50 - 100 years
Buildings and improvements.....	10 - 40 years
Airport runways, aprons, tunnels, taxiways, and paved roads.....	30 years
Bridge infrastructure.....	10 - 40 years
Lighting infrastructure.....	25 years
Street infrastructure.....	10 - 25 years
Transit infrastructure.....	25 - 40 years
Equipment (vehicle, office, and computer)	5 - 20 years

The City has a collection of artwork and historical treasures presented for public exhibition and education that are being preserved for future generations. The proceeds from sales of any pieces of the collection are used to purchase other acquisitions. A portion of this collection is not capitalized or depreciated as part of capital assets.

- vi) **Deferred Outflows** represent unamortized loss on bond refundings, the fair value of derivative instruments that are deemed to be effective hedges, differences between estimated and actual investment earnings related to pensions, changes in actuarial assumptions related to pensions and other pension related changes. Deferred Outflows for OPEB represent the difference between expected and actual non-investment experience and assumption changes.

- vii) **Employee Benefits** are granted for vacation and sick leave, workers' compensation and health care. Unused vacation leave is accrued and may be partially 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

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estimated and recorded in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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. Third-party administrators who maintain the investment portfolio administer the Plan. 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. Expenditures for workers' compensation are recorded when paid in the governmental funds. A liability for these amounts is recorded in the government-wide and proprietary fund financial statements.

viii) Judgments and claims are included in the government-wide financial statements and proprietary fund types. 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. In the fund financial statements, expenditures for judgments and claims are recorded on the basis of settlements reached or judgments entered within the current fiscal year. Amounts that relate to deferred compensatory time and reserves for questioned costs are treated the same way.

ix) Long-term obligations are included in the government-wide financial statements and proprietary fund types in the fund financial statements. Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as bond insurance costs, 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.

The City enters into interest rate swap agreements to modify interest rates and/or cash flows on outstanding debt. For existing swaps, the net interest expenditures resulting from these arrangements are recorded as interest expense. The fair value of derivative instruments that are deemed to be effective is accounted for as deferred outflows. Derivative instruments that are deemed not effective are adjusted to fair value with the change in fair value recorded to investment earnings. Under certain bond ordinances adopted by the City Council, interest rate swaps and swaptions are authorized to be entered into by designated City officials in connection with certain bonds issued by the City. For swaps related to Midway Bonds, airline approval is also required before entering into a swap agreement.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received and discounts given on debt issued are reported as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Certain debt obligations are to be paid from sales tax, motor fuel or special area taxes.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's four pension plans and additions to/deductions from the City's Pension Plans' fiduciary net position have been determined on the same basis as they are reported by the Pension Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The financial statements of

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the Plans are prepared using the accrual basis of accounting.

x) Deferred inflows represent amounts to be recognized as revenue on a straight line basis over the life of the related long-term lease and concession agreements and differences between projected and actual actuarial experience related to pensions, and other pension related changes. In the fund financials, grants that meet all of the eligibility criteria except for time availability and property taxes levied for a future period are also included in deferred inflows. Deferred inflows for OPEB represent the difference between expected and actual non-investment experience and assumption changes.

xi) Net Position in the government-wide statements is classified in three components:

(1) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or any other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

(2) Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or are legally restricted through constitutional provisions or enabling legislation.

Restricted net position for business activities are provided in Exhibit 8, Statement of Net Position, Proprietary Funds.

(3) Unrestricted - All other net positions that do not meet the definition of "restricted" or "net investment in capital assets." As of December 31, 2019, the unrestricted net position represents a deficit.

2) Reconciliation of Government-wide and Fund Financial Statements

a) Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position.

i) The governmental funds balance sheet includes a reconciliation between fund balance – total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds." The details of this \$2,248.9 million are as follows (dollars in thousands):

Deferred inflows - property tax	\$ 1,997,910
Deferred inflows - grants	234,759
Deferred inflows - charges for services	3,376
Deferred inflows - utility tax	12,846
Net adjustment to increase fund balance - total governmental funds	
- to arrive at net position - governmental activities	<u>\$ 2,248,891</u>

ii) Another element of that reconciliation explains that "Certain liabilities, deferred inflows and deferred outflows, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$43,857.3 million are as follows (dollars in thousands):

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Long-term liabilities:	
Total bonds, notes and certificates payable	\$ (11,336,027)
Pension benefits	(28,252,526)
Other postemployment benefits	(828,787)
Pollution remediation	(43,838)
Claims and judgments	<u>(1,043,713)</u>
Total Long-term liabilities	(41,504,891)
Accounts payable - infrastructure retainage	(2,277)
Bonds, notes and other obligations payable current	128,721
Deferred outflows - unamortized loss on refunding	196,711
Deferred outflows - pension costs	1,822,871
Deferred outflows - other postemployment benefits costs.....	287,894
Deferred inflows - pension	(3,746,696)
Deferred inflows - other postemployment benefits.....	(60,970)
Accrued and other liabilities - compensated absences	(81,585)
Accrued and other liabilities - pension payable to pension funds ...	<u>(897,106)</u>
Net adjustment to reduce fund balance - total governmental funds - to arrive at net position - governmental activities	<u>\$ (43,857,328)</u>

b) Explanation of certain differences between the governmental funds' statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

i) The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position - governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures." However, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this (\$5) thousand are as follows (dollars in thousands):

Capitalized asset expenditures	\$ 450,392
Depreciation expense	<u>(450,397)</u>
Net adjustment to increase net changes in fund balances - total governmental funds - to arrive at changes in net position - governmental activities	<u>\$ (5)</u>

ii) Another element of that reconciliation states that "Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position." The details of this decrease of \$241.0 million are as follows (dollars in thousands):

Proceeds of debt	\$ (1,327,410)
(Premium) / Discount	(55,024)
Payment to refunded bond escrow agent	600,573
Principal retirement	578,474
Interest expense	<u>(37,651)</u>
Net adjustment to reduce net changes in fund balances - total governmental funds - to arrive at changes in net position - governmental activities ..	<u>\$ (241,038)</u>

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Another element of that reconciliation states that “Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this decrease of \$1,128.3 million are as follows (dollars in thousands):

Claims and judgments	\$ (11,328)
Pension costs	(1,230,330)
Other post employment benefit liabilities	109,798
Pollution remediation	577
Vacation	222
Inventory	<u>2,809</u>
Net adjustment to reduce net changes in fund balances - total governmental funds - to arrive at changes in net position - governmental activities	<u>\$ (1,128,252)</u>

3) Stewardship, Compliance and Accountability

- a) **Annual Appropriation Budgets** are established for the General Fund and the Vehicle Tax, Pension, Chicago Public Library and certain Miscellaneous, Special Events, Tourism and Festivals nonmajor Special Revenue Funds, on a non-GAAP budgetary basis:
 - i) In October, the Mayor submits to the City Council a proposed budget of expenditures and the means of financing them for the next year.
 - ii) The budget document is available for public inspection for at least ten days prior to passage of the annual appropriation ordinance by the City Council, which is also required to hold at least one public hearing.
 - iii) Prior to January 1, the budget is legally enacted through passage of the appropriation ordinance.
 - iv) Subsequent to the enactment of the appropriation ordinance, the City Council has the authority to make necessary adjustments to the budget, which results in a change in total or individual appropriations. The legal level of budgetary control is designated in the budget by object grouped by purpose.
 - v) All annual appropriations unused and unencumbered lapse at year-end. Encumbered appropriations are carried forward to the following year. Project-length financial plans are adopted for Capital Project Funds. Appropriations for Debt Service Funds are established by bond ordinance.

- b) **Reconciliation of GAAP Basis to Budgetary Basis** - The City’s budgetary basis of accounting used for budget vs. actual reporting differs from GAAP. For budgetary purposes, encumbrances are recorded as expenditures but are included in “Unassigned” fund balance for GAAP purposes. For budgetary purposes, proceeds of long-term debt and transfers in are classified as revenues. For budgetary purposes prior years’ resources used to cover current year budgetary expenditures are recorded as revenues. For GAAP purposes, proceeds of long-term debt and transfers out are treated as other financing sources. Provision for doubtful account expenditures are not budgeted. A reconciliation of the different basis of revenue and expenditure recognition for the year ended December 31, 2019 is as follows (dollars in thousands):

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	General Fund
Revenues, GAAP Basis	\$ 3,292,772
Add:	
Transfers In	650,880
Revenues, Budgetary Basis	<u>\$ 3,943,652</u>
Expenditures, GAAP Basis	\$ 3,752,341
Add:	
Transfers Out	190,524
Encumbered in 2019.....	11,844
Deduct:	
Payments on Prior Years' Encumbrances	(28,301)
Payments on Prior Years' Assignments	(64,240)
Provision for Doubtful Accounts and Other.....	<u>(7,504)</u>
Expenditures, Budgetary Basis	<u>\$ 3,854,664</u>

- c) **Individual Fund Deficits** include the Chicago Skyway Fund, an Enterprise Fund, which has a deficit fund balance of \$1,313.5 million which management anticipates will be funded through recognition of deferred inflows. Midway International Airport Fund has a deficit fund balance of \$356.2 million which will be funded through future revenues. Federal State and Local Grants, a governmental fund, has a deficit fund balance of \$206.6 million and will be funded by the recognition of deferred grant inflows. The Service Concession and Reserve Fund, a Special Revenue Fund, has a deficit fund balance of \$777.6 million which will be funded through the recognition of deferred inflows. The Bond, Note Redemption and Interest Fund, a Debt Service Fund, has a deficit fund balance of \$2,540.7 million which will be funded through the amortization of the deferred inflow associated with the City's sale of sales tax revenues to the STSC. The STSC is a blended component unit and for presentation purposes deferred inflows have been reclassified as internal balances.

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4) Restricted and Unrestricted Cash, Cash Equivalents and Investments

a) **Investments** As of December 31, 2019, the City had the following Investments (dollars in thousands):

Investment Type	Maturities (in Years)				Total
	Less Than 1	1-5	6-10	More Than 10	
City Funds					
U.S. Treasuries	\$ 54,378	\$ -	\$ -	\$ -	\$ 54,378
U.S. Agencies*	502,886	953,116	9,982	-	1,465,984
Commercial Paper	2,819,309	-	-	-	2,819,309
Corporate Bonds	253,857	551,527	546,602	234,285	1,586,271
Corporate Equities	971	-	-	-	971
Other Short-term	2,759,846	-	-	-	2,759,846
Municipal Bonds	134,966	223,149	271,229	240,267	869,611
Supranational Bank.....	81,602	-	-	-	81,602
State and Local					
Government Series	46,161	-	-	-	46,161
Asset Backed Securities.....	17,417	179,893	216,756	210,045	624,111
Total City Funds	<u>\$ 6,671,393</u>	<u>\$ 1,907,685</u>	<u>\$ 1,044,569</u>	<u>\$ 684,597</u>	<u>\$10,308,244</u>

*U.S. Agencies include investments in government-sponsored enterprises such as Federal National Mortgage Association, Federal Home Loan Banks, and Federal Home Loan Mortgage Corporation.

Included in the table above are investments held with escrow agent.

Pension Trust Funds					
U.S. and Foreign					
Government Agencies	\$ 43,456	\$ 132,046	\$ 132,834	\$ 292,281	\$ 600,617
Corporate Bonds	731,673	365,782	211,479	158,143	1,467,077
Corporate Equities	4,212,065	-	-	-	4,212,065
Pooled Funds	230,473	3,022	17,509	-	251,004
Real Estate	612,339	-	-	-	612,339
Securities Received from					
Securities Lending	348,664	-	-	-	348,664
Venture Capital	626,421	-	-	-	626,421
Certificates of Deposit and					
Other Short-term	241,638	-	-	-	241,638
Derivatives	222	-	-	-	222
Other	93,470	110,408	33,388	-	237,266
Total Pension Trust Funds	<u>\$ 7,140,421</u>	<u>\$ 611,258</u>	<u>\$ 395,210</u>	<u>\$ 450,424</u>	<u>\$ 8,597,313</u>
Total	<u>\$ 13,811,814</u>	<u>\$ 2,518,943</u>	<u>\$ 1,439,779</u>	<u>\$ 1,135,021</u>	<u>\$18,905,557</u>

City's Fair Value Measurements for Investments:

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

- Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets
- Level 2 - Observable inputs other than quoted market prices, and
- Level 3 - Unobservable Inputs

Investments that are valued using net asset value per share (NAV) (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. Investments that are valued through other observable inputs

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(Level 2), are valued using methods that include, but are not limited to, model processes, benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing.

The City's investments measured at fair value as of December 31, 2019 are as follows (dollars in thousands):

Investments by Fair Value Level	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Agencies	\$ -	\$ 1,311,054	\$ -
Commercial Paper	-	19,708	-
Corporate Bonds	-	1,461,996	-
Municipal Bonds	-	850,628	-
Supranational Bank	-	50,000	-
State and Local Government Series	-	46,161	-
Asset Backed Securities	-	624,110	-
Total Investments at Fair Value	<u>\$ -</u>	<u>\$ 4,363,657</u>	<u>\$ -</u>

Money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less and are held by governments other than the external investment pools are measured at amortized cost and are not reflected in the table above. The total of these investments at amortized cost for the City are \$5,944.6 million.

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Pension Trust Funds' Investments measured at fair value as of December 31, 2019 are as follows (Dollars in thousands):

Summary	Total	Level 1	Level 2	Level 3
U.S. and Foreign				
Government Agencies	\$ 600,617	\$ 375	\$ 599,557	\$ 685
Corporate Bonds	1,058,125	-	1,056,360	1,765
Corporate Equities	3,736,498	3,734,151	2,088	259
Pooled Funds	183,998	46,783	137,215	-
Securities Received from				
Securities Lending	348,664	-	348,664	-
Venture Capital.....	-	-	-	-
Certificates of Deposit and Other Short-term.....	192,405	26,843	165,537	25
Derivatives	222	-	222	-
Other	145,555	-	145,555	-
Subtotal	<u>6,266,084</u>	<u>3,808,152</u>	<u>2,455,198</u>	<u>2,734</u>

Pension Trust Funds' Investments measured at net asset value:		Unfunded Commitments	Redemption Frequency	Redemption Notice
Corporate Bonds	\$ 408,952	\$ 17,315	Daily	5 days
Corporate Equities	475,567	-		
Pooled Funds	67,006	-		
Real Estate	612,339	50,306	Note eligible - Closed - end, As needed, N/A, Illiquid	Open-end, 30 - 45 days Not eligible, N/A
Venture Capital	626,421	99,516	Not eligible, As needed, N/A, Illiquid, Close-end	N/A, 30 - 95 days, Not eligible
Certificates of Deposit and Other Short-term	49,233	-		
Other *	91,711	88,563	Quarterly, Illiquid	45 Days, N/A
Subtotal	<u>2,331,229</u>			
Pension Trust Funds' Investments Total.....	<u>\$ 8,597,313</u>			

* Other includes Fixed Assets & Hedge Fund of Funds.

Corporate bonds - Include debt instruments created by companies for the purpose of raising capital and pay a specified amount of interest on a regular basis.

Corporate equities - Include investments in funds primarily holding publicly traded US and non-US equity securities.

Pooled funds - Include investments that are pooled to maximize the total return.

Real estate funds - Include investments in open and closed-end real estate funds. Investments in open-end funds have limited redemption availability as redemption opportunities are based on available liquidity. Closed-end funds do not offer redemptions. Distributions from closed-end funds will be received as the underlying investments are liquidated.

Venture capital - Includes investments where the objective is to achieve long-term capital appreciation, preserve capital, and achieve a consistent pattern of returns through investments in limited partnerships, privately issued securities, private equity funds, and other pooled investments with a focus on the venture sector and undervalued alternative investments. Closed-end limited partnership interests are generally illiquid and cannot be redeemed.

Short-term investments - Include short-term investments of high quality and low risk to protect capital while achieving investment returns.

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Other - Includes Hedge Funds of long/short equity hedge fund-of-funds.

- i) *Interest Rate Risk* – The interest rate risk, or market risk, refers to the chance that investments in bonds – also known as fixed-income securities – will suffer as the result of unexpected interest rate changes. However, the City mitigates interest rate risks by diversifying portfolios to include a multitude of different bonds that have varying maturation schedules.
- ii) *Credit Risk* – With regard to credit risk, the Code limits the investments in securities to:
- (1) Interest-bearing general obligations of the United States and the State of Illinois;
 - (2) United States treasury bills and other non-interest-bearing general obligations of the United States or United States government agencies when offered for sale at a price below the face value of same, so as to afford the City a return on such investment in lieu of interest;
 - (3) Tax anticipation warrants, municipal bonds, notes, commercial paper or other instruments representing a debt obligation issued by the City, the Chicago Board of Education, the Chicago Housing Authority, the Chicago Park District, the Chicago Transit Authority, and the City Colleges of Chicago;
 - (4) Commercial paper which: (1) at the time of purchase, is rated in the two highest classifications by at least two accredited ratings agencies; and (2) matures not more than 270 days after the date of purchase;
 - (5) Reverse repurchase agreement if: (1) the term does not exceed 90 days; and (2) the maturity of the investment acquired with the proceeds of the reverse repurchase agreement does not exceed the expiration date of the reverse repurchase agreement; Reverse repurchase agreements may be transacted with primary dealers and financial institutions, provided that the City has on file a master repurchase agreement;
 - (6) Certificates of deposit of banks or savings and loan associations designated as municipal depositories which are insured by federal deposit insurance; provided that any amount of the deposit in excess of the federal deposit insurance shall be collateralized as noted in *Custodial Credit Risk – Cash and Certificates of Deposit* below;
 - (7) Bankers acceptance of banks whose senior obligations, at the time of purchase, are rated in either the AAA or AA rating categories by at least two accredited ratings agencies;
 - (8) Tax-exempt securities exempt from federal arbitrage provisions applicable to investments of proceeds of the City's tax-exempt debt obligations;
 - (9) Domestic money market mutual funds regulated by and in good standing with the Securities and Exchange Commission; provided that such money market mutual funds' portfolios are limited to investments authorized by this section;
 - (10) Any other suitable investment instrument permitted by state laws governing municipal investments generally, subject to the reasonable exercise of prudence in making investments of public funds;
 - (11) Except where otherwise restricted or prohibited, a non-interest-bearing savings account, non-interest-bearing checking account or other non-interest bearing demand account established in a national or state bank, or a federal or state savings and loan association, when, in the determination of the treasurer, the placement of such funds in the non-interest bearing account is used as compensating balances to offset fees associated with that account that will result in cost savings to the City;
 - (12) Bonds of companies organized in the United States with assets exceeding \$1.0 billion that, at the time of purchase, are rated not less than two classes above investment grade, or equivalent rating, by at least two accredited ratings agencies;
 - (13) Debt instruments of international financial institutions, including but not limited to the World Bank and

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

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

- (14) United States dollar denominated debt instruments of foreign sovereignties that, at the time of purchase, are rated within four intermediate credit ratings of the United States sovereign credit rating by at least two accredited ratings agencies, but not less than an A-rating or equivalent rating;
- (15) Interest-bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be registered in the name of the City or held under a custodial agreement at a bank. The bonds shall be rated, at the time of purchase, not less than A-, or equivalent rating, by at least two accredited rating agencies with nationally recognized expertise in rating bonds of states and their political subdivisions;
- (16) Bonds registered and regulated by the Securities and Exchange Commission and for which the full faith and credit of the State of Israel is pledged for payment; provided that the bonds have an A-rating or above or equivalent rating by at least two accredited ratings agencies;
- (17) Bonds, notes, debentures, or other similar obligations of agencies of the United States rated, at the time of purchase, no less than AAA by at least two accredited rating agencies.
- (18) Asset-backed or agency mortgage-backed securities, any of which are rated at least investment grade by at least two accredited rating agencies, but no funds may be invested in: (1) obligations the payment of which represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral that pays no principal (e.g., MBS Interest-Only Strips); (2) obligations the payment of which represents the principal balance repayments from the underlying mortgage-backed security collateral that pays no interest (e.g., MBS Principal-Only Strips); (3) collateralized mortgage obligations ("CMOs") that have a stated final maturity date of greater than 10 years; and (4) CMOs the interest rate of which is determined in a manner that adjusts in the opposite direction to the changes in a market index (e.g., Inverse Floating Rate CMOs).
- (19) Interests in the Chicago Community Catalyst Fund.

Total holdings across all funds held by the City shall have no less than an overall average rating of Aa1 on a quarterly basis, as rated by two accredited rating agencies.

The following schedule summarizes the City's and Pension Trust Funds' exposure to credit risk (in thousands):

**CITY OF CHICAGO, ILLINOIS
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Quality Rating	City	Quality Rating	Pension Trust Funds
Aaa/AAA	\$ 5,171,427	Aaa/AAA	\$ 148,733
Aa/AA	1,225,384	Aa/AA	101,675
A/A	765,686	A/A	220,070
Baa/BBB	150,622	Baa/BBB	236,458
Ba/BB	-	Ba/BB	159,169
B/B	-	B/B	112,855
Caa/CCC	-	Caa/CCC	19,937
Ca	-	Ca/CC	437
C/CC	-	CC/C	393
D/D	-	D/D	666
P1/A1	2,771,869	Not Rated	203,681
P2/A2	175,732	Other	411,066
MIG1/SP-1+	-		
MIG2/SP-1+	-		
Not Rated*	47,524		
Total Funds	<u>\$ 10,308,244</u>		<u>\$ 1,615,140</u>

* Not rated is primarily composed of money market mutual funds.

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

For deposits in banks or savings and loan associations designated as municipal depositories which are insured by federal deposit insurance, any amount of the deposit in excess of the federal deposit insurance shall be either: (1) fully collateralized at least 102 percent by: (i) marketable U.S. government securities marked to market at least monthly; (ii) bonds, notes, or other securities constituting the direct and general obligation of any agency or instrumentality of the United States; or (iii) bonds, notes or other securities constituting a direct and general obligation of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois or of any other state, or of any political subdivision or agency of the State of Illinois or any other state which are rated in either the AAA or AA rating categories by at least two accredited ratings agencies and maintaining such rating during the term of such investments; (2) secured by a corporate surety bond issued by an insurance company licensed to do business in the State of Illinois and having a claims-paying rating in the top rating category as rated by a nationally recognized statistical rating organization and maintaining such rating during the term of such investment; or (3) fully collateralized at least 102 percent by an irrevocable letter of credit issued in favor of the City by the Federal Home Loan Bank, provided that the Federal Home Loan Bank’s short-term debt obligations are rated in the highest rating category by at least one accredited ratings agency throughout the term of the deposit.

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

The bank balance of cash and certificates of deposit with the City’s various municipal depositories was \$455.3 million. 99.0 percent of the bank balance was either insured or collateralized with securities held by City agents in the City’s name. \$4.8 million was uncollateralized at December 31, 2019, and thus was subject to custodial credit risk.

- iv) *Custodial Credit Risk - Investments:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of

CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

investment or collateral securities that are in the possession of an outside party. The City limits custodial credit risk exposure because investment securities are registered in the City's name and held by the City's third-party custodians.

- v) *Foreign Currency Risk* - In the case of the Pension Trust Funds, this is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The risk of loss is managed by limiting its exposure to fair value loss by requiring their international securities managers to maintain diversified portfolios. The following schedule summarizes the Pension Trust Funds' exposure to foreign currency risk (in thousands):

Foreign Currency Risk	
Argentine Peso.....	\$ 212
Australian Dollar.....	58,353
Brazilian Real.....	46,189
British Pound.....	210,902
Canadian Dollar.....	54,992
Chilean Peso.....	1,328
Chinese Yuan.....	2,128
Columbian Peso.....	3,980
Czech Republic Koruna.....	2,568
Danish Krone.....	39,186
Egyptian Pound.....	572
European Euro.....	392,516
HK Chinese Yuan Renminbi.....	553
Hong Kong Dollar.....	168,973
Hungarian Forint.....	4,240
Indian Rupee.....	37,608
Indonesian Rupiah.....	16,590
Japanese Yen.....	316,045
Kenyan Shilling.....	333
Malaysian Ringgit.....	5,529
Mexican Peso.....	17,020
New Israeli Shekel.....	11,681
New Taiwan Dollar.....	51,891
New Zealand Dollar.....	9
Norwegian Krone.....	20,175
Pakistan Rupee.....	66
Peruvian Nuevo Sol.....	188
Philippines Peso.....	4,925
Polish Zloty.....	4,082
Qatari Rial.....	832
Russian Ruble.....	2,380
Singapore Dollar.....	10,436
South African Rand.....	18,885
South Korean Won.....	54,490
Swedish Krona.....	46,739
Swiss Franc.....	73,427
Taiwan Dollar.....	7,425
Thailand Baht.....	8,071
Turkish Lira.....	2,527
United Arab Emirates Dirham...	1,664
Vietnamese Dong.....	226
Total Pension Trust Funds	<u>\$ 1,699,936</u>

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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

Per Note 4:	
Investments - City	\$ 10,308,244
Investments - Pension Trust Funds	8,597,313
	<u>\$ 18,905,557</u>
Per Financial Statements:	
Restricted Investments	\$ 3,803,239
Unrestricted Investments	2,713,473
Investments with Fiduciary Funds	8,172,959
Investments with Escrow Agent	484,048
Invested Securities Lending Collateral	348,664
Investments Included as Cash and Cash	
Equivalents on the Statement of Net Position	3,383,174
	<u>\$ 18,905,557</u>

5) Property Tax

The City's property tax becomes a lien on real property on January 1 of the year it is levied. The Cook County Assessor (Assessor) is responsible for the assessment of all taxable real property within Cook County (County), except for certain railroad property assessed directly by the State. The County Board has established a triennial cycle of reassessment in which one-third of the County will be reassessed each year on a repeating schedule established by the Assessor.

Property in the County is separated into multiple classifications for assessment purposes. After the Assessor establishes the fair market value of a parcel of land, that value is multiplied by one of the classification percentages to arrive at the assessed valuation (Assessed Valuation) for that parcel. These percentages range from 10.0 percent for certain residential, commercial, and industrial property to 25.0 percent for other commercial and industrial property.

In addition, the City uses Tax Increment Financing (TIF) for Special Areas. TIF Funds are used to build and repair roads and infrastructure, clean polluted land and put vacant properties back to productive use, usually in conjunction with private development projects. Funds are generated by growth in the Equalized Assessed Valuation (EAV) of properties within a designated district over a period of 23 years. Funding levels for specific projects are coordinated with area plans and goals. When an area is declared a TIF district, the amount of property tax the area generates is set as a base EAV amount. As property values increase, all property tax growth above that amount can be used to fund redevelopment projects within the district. The increase, or increment, can be used to pay back bonds issued to pay upfront costs, or can be used on a pay-as-you-go basis for individual projects. At the conclusion of the 23-year period, the increase in revenue over the base amount is distributed annually among the seven taxing bodies in the city that are based on property values.

The Illinois Department of Revenue has the statutory responsibility of ensuring uniformity of real property assessments throughout the State. Each year, the Illinois Department of Revenue furnishes the county clerks with an adjustment factor to equalize the level of assessment among counties. This factor (Equalization Factor) is then applied to the Assessed Valuation to compute the valuation of property to which a tax rate will be applied (Equalized Assessed Valuation). The County Clerk adds the Equalized Assessed Valuation of all real property in the County to the valuation of property assessed directly by the State of Illinois and subtracts total amounts of EAV in Tax Increment Financing Districts to arrive at the base amount (Tax Base) used in calculating the annual tax rates.

The County Clerk computes the annual tax rate by dividing the levy by the Tax Base and then computes the rate for each parcel of real property by aggregating the tax rates of all governmental units having jurisdiction over that particular parcel. The County Treasurer then issues the tax bills. Property taxes are deposited with the County Treasurer, who remits to the City its respective share of the collections. Taxes levied in one year become due and payable in two installments during the following year on March 1 and August 1 or 30 days from mailing of tax bills if

CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
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later than July 1. The first installment is 55.0 percent of the prior year's tax bill. The second installment tax bill equals the total tax liability for the year minus the first installment tax bill amount.

The City Council adopted an ordinance effective in 1994 limiting the City's aggregate property tax levy to an amount equal to the prior year's aggregate property tax levy plus the lesser of (a) five percent or (b) the percentage increase in the annualized Consumer Price Index. The ordinance provides an exception for that portion of any property tax debt service levy equal to the aggregate interest and principal payments on the City's general obligation bonds and notes during the 12-month period ended January 1, 1994, subject to annual increase in the manner described above for the aggregate levy, all as provided by the ordinance. Most general obligation bond levies approved after 2001 have also been excluded from this limit. In 2015, the City Council added an exception for portions of the property tax levy used to meet the City's pension obligations.

6) Interfund Balances and Transfers

- a) The following balances at December 31, 2019 represent due from/to balances among all funds (dollars in thousands):

Fund Type/Fund	Due From	Due To
Governmental Funds:		
General	\$ 310,359	\$ 179,052
Federal, State and Local Grants	26,826	208,726
Special Taxing Areas	326,764	2,364
Service Concession and Reserve	-	21,136
Bond, Note Redemption and Interest *	-	2,684,508
STSC Debt Service *	2,576,421	-
Community Development and Improvement Projects ...	7,805	69,017
Pension	-	94,856
Nonmajor Governmental Funds	229,233	367,117
Total Governmental Funds	3,477,408	3,626,776
Enterprise Funds:		
Water	43,344	10,502
Sewer	22,665	32,355
Chicago Midway International Airport	1,809	11,448
Chicago-O'Hare International Airport	45,974	4,948
Chicago Skyway	-	15
Total Enterprise Funds	113,792	59,268
Fiduciary activities:		
Pension Trust	94,844	-
Total Fiduciary activities	94,844	-
Total	\$ 3,686,044	\$ 3,686,044

The balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

* The STSC is a blended component unit of the City. The due from balance within the STSC Debt Service fund relates to the reclassification of amounts as a result of blending deferred outflows. The Due From within the STSC Debt Service fund and the Due To within the City's Bond, Notes Redemption and Interest fund represent the sale of sales tax revenues that will be amortized over the duration of the related bonds.

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NOTES TO BASIC FINANCIAL STATEMENTS
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b) The following balances at December 31, 2019 represent interfund transfers among all funds (dollars in thousands):

<u>Fund Type/Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General	\$ 650,880	\$ 190,524
Special Taxing Areas	15,659	33,764
Service Concession and Reserve	-	21,136
Bond, Note Redemption and Interest	230,501	108,087
STSC Debt Service *	-	114,838
Community Development and Improvement Projects ...	11,116	-
Pension	220,013	-
Nonmajor Governmental Funds *	144,560	801,840
Total Governmental Funds	<u>1,272,729</u>	<u>1,270,189</u>
Business-type activities:		
Water	-	2,420
Sewer	-	120
Total Business-type activities	<u>-</u>	<u>2,540</u>
Total	<u>\$ 1,272,729</u>	<u>\$ 1,272,729</u>

Transfers are used to move revenues from the fund that the statute or budget requires to collect them to the fund that the statute or budget requires to expend them and to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

* The STSC is a blended component unit of the City. Included within the Transfer Out balance of the Nonmajor Governmental Funds is the transfer of the residual sales tax revenues from the STSC General Fund (blended as a nonmajor special revenue fund) to the City's General Fund.

CITY OF CHICAGO, ILLINOIS
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YEAR ENDED DECEMBER 31, 2019

7) Capital Assets

a) **Capital Assets** activity for the year ended December 31, 2019 was as follows (dollars in thousands):

	<u>Balance January 1, 2019</u>	<u>Additions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Balance December 31, 2019</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,409,546	\$ -	\$ (260)	\$ 1,409,286
Works of Art and Historical Collections	48,147	198	-	48,345
Construction in Progress	637,198	350,294	(482,440)	505,052
Total capital assets, not being depreciated	<u>2,094,891</u>	<u>350,492</u>	<u>(482,700)</u>	<u>1,962,683</u>
Capital assets, being depreciated:				
Buildings and Other Improvements	2,692,976	97,675	(3,442)	2,787,209
Machinery and Equipment	1,657,866	59,263	(18,170)	1,698,959
Infrastructure	10,000,619	420,886	(450)	10,421,055
Total capital assets, being depreciated	<u>14,351,461</u>	<u>577,824</u>	<u>(22,062)</u>	<u>14,907,223</u>
Less accumulated depreciation for:				
Buildings and Other Improvements	1,200,227	70,160	(2,798)	1,267,589
Machinery and Equipment	1,358,788	65,011	(16,351)	1,407,448
Infrastructure	5,088,743	315,226	-	5,403,969
Total accumulated depreciation	<u>7,647,758</u>	<u>450,397</u>	<u>(19,149)</u>	<u>8,079,006</u>
Total capital assets, being depreciated, net	<u>6,703,703</u>	<u>127,427</u>	<u>(2,913)</u>	<u>6,828,217</u>
Total governmental activities	<u>\$ 8,798,594</u>	<u>\$ 477,919</u>	<u>\$ (485,613)</u>	<u>\$ 8,790,900</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,028,525	\$ -	\$ -	\$ 1,028,525
Construction in Progress	1,922,035	1,285,602	(1,132,094)	2,075,543
Total capital assets, not being depreciated	<u>2,950,560</u>	<u>1,285,602</u>	<u>(1,132,094)</u>	<u>3,104,068</u>
Capital assets, being depreciated:				
Buildings and Other Improvements	20,457,573	1,353,207	(171,503)	21,639,277
Machinery and Equipment	807,390	42,892	(6,021)	844,261
Total capital assets, being depreciated	<u>21,264,963</u>	<u>1,396,099</u>	<u>(177,524)</u>	<u>22,483,538</u>
Less accumulated depreciation for:				
Buildings and Other Improvements	6,323,608	452,107	(90,686)	6,685,029
Machinery and Equipment	441,253	23,414	(2,331)	462,336
Total accumulated depreciation	<u>6,764,861</u>	<u>475,521</u>	<u>(93,017)</u>	<u>7,147,365</u>
Total capital assets, being depreciated, net	<u>14,500,102</u>	<u>920,578</u>	<u>(84,507)</u>	<u>15,336,173</u>
Total business-type activities	<u>\$ 17,450,662</u>	<u>\$ 2,206,180</u>	<u>\$ (1,216,601)</u>	<u>\$ 18,440,241</u>
Total Capital Assets	<u>\$ 26,249,256</u>	<u>\$ 2,684,099</u>	<u>\$ (1,702,214)</u>	<u>\$ 27,231,141</u>

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

b) **Depreciation expense** was charged to functions/programs of the City as follows (dollars in thousands):

Governmental activities:	
General Government	\$ 28,219
Public Safety	59,386
Streets and Sanitation	18,602
Transportation	324,448
Health	788
Cultural and Recreational	18,954
Total Depreciation Expense - Governmental activities	<u>\$ 450,397</u>
Business-type activities:	
Water	\$ 78,282
Sewer	49,557
Chicago Midway International Airport	52,007
Chicago-O'Hare International Airport	287,648
Chicago Skyway	8,027
Total Depreciation Expense - Business-type activities	<u>\$ 475,521</u>

8) **Leases**

a) **Operating Leases**

The City leases building and office facilities under noncancelable operating leases. Total costs for such leases were approximately \$17.4 million for the year ended December 31, 2019.

The future minimum lease payments for these leases are as follows (dollars in thousands):

2020	\$ 8,426
2021	5,245
2022	4,671
2023.....	4,282
2024.....	1,946
2025-2029.....	3,280
2030-2034.....	859
2035-2039.....	559
2040-2042.....	66
Total Future Rental Expense.....	<u>\$ 29,334</u>

b) **Lease Receivables**

Most of the O'Hare land, buildings and terminal space are leased under operating lease agreements to airlines and other tenants. The following is a schedule of the minimum future rental income on noncancelable operating leases as of December 31, 2019 (dollars in thousands):

2020	\$ 345,961
2021	333,518
2022	331,343
2023	322,275
2024	305,347
2025 - 2029	1,520,008
2030 - 2034	1,261,859
2035 - 2039	301,533
2040 - 2044	296,209
2045 - 2049	246,050
2050 - 2054	97,457
2055 - 2059	100
Total Minimum Future Rental Income	<u>\$ 5,361,660</u>

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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 for O'Hare, consisting of all rental and concession revenues except ramp rentals and automobile parking, amounted to \$548.4 million, including contingent rentals of \$68.0 million.

Most of the Midway land and terminal space is leased under operating lease agreements to airlines and other tenants. The following is a schedule of the minimum future rental income on noncancelable operating leases as of December 31, 2019 (dollars in thousands):

2020.....	\$	67,243
2021.....		68,902
2022.....		70,109
2023.....		68,542
2024.....		69,501
2025 - 2029		281,296
2030 - 2034		118,071
2035 - 2039		2,502
2040 - 2044		2,127
Total Minimum Future Rental Income	\$	<u>748,293</u>

Contingent rentals that may be received under certain leases based on tenants' revenues are not included in minimum future rental income. Rental income for Midway, consisting of all rental and concession revenues except aircraft parking fees and certain departure fees (turns) and automobile parking, amounted to \$141.6 million, including contingent rentals of \$54.1 million.

As discussed in Note 18, airports in the United States have been acutely impacted by the broad-based economic shutdown resulting from efforts to stop the spread of COVID-19, including reductions in flights and declines in passenger volumes. Given the length of the closure cannot be determined as of the date of this report, the Airport is currently reviewing the potential financial impact, specifically on the future minimum rental income, which could be material.

9) Short-term Debt

Line of Credit At December 31, 2019, there was \$0 outstanding on a revolving line of credit for O'Hare International Airport. The City has elected to terminate the line of credit on June 28, 2019.

2019	Balance January 1	Additions	Reductions	Balance December 31
Revolving Line of Credit	\$ 2,040	\$ -	\$ (2,040)	\$ -

Commercial Paper At December 31, 2019, there was \$0 outstanding of the City's General Obligation Commercial Paper Notes. The Commercial Paper Notes were terminated in June.

2019	Balance January 1	Additions	Reductions	Balance December 31
General Obligation Commercial Paper Notes	\$ -	\$ 150,230	\$ (150,230)	\$ -

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
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10) Long-term Obligations

a) **Long-term Debt** activity for the year ended December 31, 2019 was as follows (in thousands):

	<u>Balance January 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2019</u>	<u>Amounts Due within One Year</u>
Governmental activities:					
Bonds and notes payable:					
General obligation and other debt	\$ 7,974,152	\$ 721,980	\$ 787,643	\$ 7,908,489	\$ 151,500
Line of Credit (LOC)	233,627	-	233,627	-	-
Total General Obligation Debt, other debt and LOC....	<u>8,207,779</u>	<u>721,980</u>	<u>1,021,270</u>	<u>7,908,489</u>	<u>151,500</u>
Tax increment	19,945	-	3,750	16,195	4,135
Revenue	249,929	-	4,515	245,414	4,972
STSC	2,036,435	605,430	-	2,641,865	3,000
	<u>10,514,088</u>	<u>1,327,410</u>	<u>1,029,535</u>	<u>10,811,963</u>	<u>163,607</u>
Add unamortized premium/(discount)	158,298	55,024	19,432	193,890	-
Add accretion of capital appreciation bonds	323,485	28,982	22,293	330,174	22,936
Total bonds, notes and certificates payable	<u>10,995,871</u>	<u>1,411,416</u>	<u>1,071,260</u>	<u>11,336,027</u>	<u>186,543</u>
Other liabilities:					
Net pension liability	26,761,592	1,490,934	-	28,252,526	-
Net other postemployment benefits liability.....	684,632	144,155	-	828,787	-
Pollution remediation	44,415	-	577	43,838	-
Claims and judgments	1,032,385	181,977	170,649	1,043,713	205,298
Total other liabilities	<u>28,523,024</u>	<u>1,817,066</u>	<u>171,226</u>	<u>30,168,864</u>	<u>205,298</u>
Total governmental activities	<u>\$ 39,518,895</u>	<u>\$ 3,228,482</u>	<u>\$ 1,242,486</u>	<u>\$ 41,504,891</u>	<u>\$ 391,841</u>
Business-type activities:					
Revenue bonds and notes payable:					
Water	\$ 2,457,341	\$ 141,035	\$ 101,220	\$ 2,497,156	\$ 99,172
Sewer	1,893,561	65,308	63,374	1,895,495	63,160
Chicago-O'Hare International Airport	10,317,980	20,606	291,035	10,047,551	276,715
Chicago Midway International Airport	1,713,485	-	36,480	1,677,005	48,185
	<u>16,382,367</u>	<u>226,949</u>	<u>492,109</u>	<u>16,117,207</u>	<u>487,232</u>
Add unamortized premium/(discount)	1,006,798	-	86,012	920,786	-
Add accretion of capital appreciation bonds	78,816	6,792	10,494	75,114	7,148
Net pension liability	3,356,211	178,920	-	3,535,131	-
Total business-type activities	<u>\$ 20,824,192</u>	<u>\$ 412,661</u>	<u>\$ 588,615</u>	<u>\$ 20,648,238</u>	<u>\$ 494,380</u>
Total long-term obligations	<u>\$ 60,343,087</u>	<u>\$ 3,641,143</u>	<u>\$ 1,831,101</u>	<u>\$ 62,153,129</u>	<u>\$ 886,221</u>

The Net pension liability will be liquidated through a Special Revenue Fund (Pension Fund) as provided by tax levy and other operating revenues. The Net other postemployment benefit liability will be liquidated with resources from the General Fund.

b) Issuance of New Debt

i) General Obligation Commercial Paper Notes

During 2019, the City drew \$150.2 million from its Commercial Paper to fund certain capital projects and retire the outstanding balance on the General Obligation Line of Credit. The City refinanced the obligation on a long-term basis in April. The Commercial Paper Notes were terminated in June.

ii) General Obligation Bonds

The General Obligation Bonds, Series 2019A bonds were sold at a premium in March 2019. The bonds have interest rates ranging from 5.0 percent to 5.5 percent and maturity dates from January 1, 2027 to January 1, 2049. The net proceeds of \$743.0 million were used by the City to retire all outstanding General Obligation Commercial Paper Notes and to fund certain capital projects.

iii) Enterprise Fund Revenue Bonds and Notes

In August 2013, the City entered into a loan agreement with the United States Department of Transportation under the Transportation Infrastructure Finance and Innovation Act (TIFIA) program to fund a portion of Consolidated Rental Car Facility at O'Hare, additions, extensions and improvements to the airport transit system (ATS) including the purchase of new ATS vehicles and certain public parking facilities. The loan amount of \$288.1 million is subordinate to the O'Hare Customer Facility Charge Senior Lien Revenue Bonds, Series 2013. The interest rate is 3.86 percent and the final maturity of the loan is January 1, 2052. Disbursements of \$20.6 million were made in 2019. As of December 31, 2019, the outstanding TIFIA loan amount is \$278.8 million that includes accrued interest of \$6.9 million.

A loan agreement signed on April 5, 2018, with the Illinois Environment Protection Agency to replace lining of aging sewer mains throughout city. In 2019, the Sewer Fund drew \$16.5 million from this loan agreement. The loan agreement has an interest rate of 1.76 percent with the maturity dates from October 26, 2019 to April 26, 2039.

A loan agreement signed on April 5, 2018, with the Illinois Environment Protection Agency to replace 55 miles of existing sewer mains, throughout city. In 2019, the Sewer Fund drew \$46.5 million from this loan agreement. The loan agreement has an interest rate of 1.76 percent with the maturity dates from December 19, 2019 to December 19, 2038.

A loan agreement signed on May 16, 2017, with the Illinois Environment Protection Agency as part of a 5-year rehabilitation program conducted throughout the city. Approximately 27,600 linear feet of 12 to 60 inch diameter sewer main will replace existing aging sewer main. In 2019, the Sewer Fund drew \$1.6 million from this loan agreement. The loan agreement has an interest rate of 1.75 percent with the maturity dates from May 7, 2019 to November 7, 2038.

A loan agreement signed on May 17, 2016, with the Illinois Environment Protection Agency to line approximately 157 miles of existing sewer main. In 2019, the Sewer Fund drew \$0.01 million from this loan agreement. The loan agreement has an interest rate of 1.86 percent with the maturity dates from November 30, 2018 to May 30, 2038.

A loan agreement was signed on November 4, 2016, with the Illinois Environment Protection Agency to install approximately 5,300 lineal feet of reinforced concrete sewer main pipes in the Avenue "L" corridor. In 2019 the Sewer fund drew \$0.7 million. Total funds drawn from this loan agreement is \$6.8 million. The loan agreement has an interest rate of 1.75 percent with the maturity date from May 3, 2018 to November 3, 2037.

A loan agreement signed on May 10, 2017, with the Illinois Environment Protection Agency for the improvement of chlorine systems at Jardine Water Purification Plant. In 2019, the Water Fund drew \$5.5

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million from this loan agreement. The loan agreement has an interest rate of 1.64 percent and maturity dates from February 13, 2020 to August 13, 2039.

A loan agreement signed on April 13, 2018, with the Illinois Environment Protection Agency for the citywide water main replacement program. In 2019, the Water Fund drew \$95.2 million from this loan agreement. The loan agreement has an interest rate of 1.76 percent and maturity dates from November 25, 2020 to May 25, 2039.

A loan agreement signed on July 2, 2018 with the Illinois Environment Protection Agency for the installation of water meters equipped with AMR (Automatic Meter Reading) at residences throughout the City that are currently unmetered. In 2019, the Water Fund drew \$11.4 million from this loan agreement. The loan agreement has an interest rate of 1.76 percent and maturity dates April 9, 2020 to October 9, 2039.

A loan agreement signed on August 18, 2016, with the Illinois Environment Protection Agency for the full replacement of filter controls at Eugene Sawyer Water Purification Plant. In 2019, the Water Fund drew \$28.8 million from this loan agreement. The loan agreement has an interest rate of 1.86 percent and maturity dates from September 2, 2019 to September 2, 2038.

A loan agreement signed on May 27, 2014, with the Illinois Environment Protection Agency for the Eugene Sawyer Water Purification Plant Switchgear and Generator Improvement Project. In 2019, the Water Fund drew \$0.2 million from this loan agreement. The loan agreement has an interest rate of 1.99 percent with maturity dates from March 9, 2018 to September 9, 2037.

iv) STSC Bonds and Notes

The Sales Tax Securitization Corporation Sales Tax Securitization Bonds Taxable Series 2019A bonds were sold at par in January 2019. The bonds have interest rates ranging from 4.637 percent to 4.787 percent and maturity dates on January 1, 2040 and January 1, 2048. The net proceeds of \$600.6 million were transferred to the City in exchange for a pledge of the City's Sales Tax Revenues and used by the City to refund all or a portion of certain outstanding General Obligation bonds. The current refunding of the bonds increased the City's total debt service payments by \$197.7 million, resulting in a net economic gain of approximately \$19.2 million and a book loss of approximately \$101.8 million

- c) **Annual requirements** listed below for each year include amounts payable January 1 of the following year. Except for the Business-type activities, bonds maturing and interest payable January 1, 2019 have been excluded because funds for their payment have been provided for. Annual requirements to amortize debt outstanding as of December 31, 2019 are as follows (dollars in thousands):

Year Ending December 31,	General Obligation		Tax Increment	
	Principal	Interest	Principal	Interest
2020	\$ 77,728	\$ 463,489	\$ 4,135	\$ 706
2021	229,591	460,799	4,375	494
2022	253,080	455,797	7,685	192
2023	243,495	444,471	-	-
2024.....	254,815	433,074	-	-
2025-2029.....	1,476,874	1,965,915	-	-
2030-2034.....	1,960,588	1,484,205	-	-
2035-2039.....	2,034,149	791,772	-	-
2040-2044.....	1,040,675	200,158	-	-
2045-2048.....	216,745	30,600	-	-
	<u>\$ 7,787,740</u>	<u>\$ 6,730,280</u>	<u>\$ 16,195</u>	<u>\$ 1,392</u>

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Year Ending December 31,	Sales Tax					
	Revenue		Securitization Corporation		Business-type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 5,352	\$ 10,404	\$ 3,150	\$ 117,820	\$ 487,213	\$ 769,761
2021	5,757	10,141	47,685	117,662	457,133	750,820
2022	6,187	9,864	54,760	115,588	485,653	729,380
2023	6,646	9,563	57,075	113,275	495,214	706,761
2024.....	7,129	9,256	59,510	110,839	546,032	682,655
2025-2029.....	44,037	40,716	338,880	512,861	3,061,839	3,002,409
2030-2034.....	61,982	29,034	422,935	428,802	3,395,330	2,173,015
2035-2039.....	56,288	13,459	528,200	323,884	3,139,672	1,365,317
2040-2044.....	25,501	6,263	657,445	195,989	1,751,936	716,570
2045-2049.....	21,563	1,496	469,225	42,836	1,221,659	417,766
2050-2054.....	-	-	-	-	1,075,526	139,354
	<u>\$ 240,442</u>	<u>\$ 140,196</u>	<u>\$ 2,638,865</u>	<u>\$ 2,079,556</u>	<u>\$ 16,117,207</u>	<u>\$ 11,453,808</u>

For the debt requirements calculated above, interest rates for fixed rate bonds debt range from 0.74 percent to 7.781 percent and interest on variable rate debt was calculated at the rate in effect or the effective rate of a related swap agreement, if applicable, as of December 31, 2019. Letters of credit were issued by third party financial institutions that are expected to be financially capable of honoring their agreements.

O'Hare and Midway have variable rate bonds that 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 by the remarketing agent, in consultation with the City. An irrevocable letter of credit provides for the timely payment of principal and interest on the O'Hare's and Midway's variable rate Bonds. In the event that variable rate bonds are tendered by the owners thereof for purchase by the City and not successfully remarketed, the City would be obligated to reimburse the letter of credit bank for amounts drawn under the letter of credit to fund the purchase of such tendered bonds. If the City fails to reimburse the bank, the City's obligation to reimburse the bank may be converted to a term loan. There are no term loans currently outstanding under any reimbursement agreement. As of December 31, 2019, the principal balance of variable rate bonds was \$240.6 million and \$242.6 million for O'Hare and Midway, respectively.

d) Derivatives

i) Interest Rate Swaps

(1) *Objective of the swaps.* In order to protect against the potential of rising interest rates and/or changes in cash flows, the City has entered into various separate interest rate swaps at a cost less than what the City would have paid to issue fixed-rate debt. Midway has the following outstanding swaps (dollars in thousands):

Business-type Activities	Changes in Fair Value		Fair Value at December 31, 2019		Notional Amount
	Classification	Amount	Classification	Amount	
Hedges:					
Interest Rate Swaps ...	Deferred Outflow of Resources	\$ (4,720)	Deferred Outflow of Resources	\$ (24,959)	\$ 117,850

(2) *Terms, fair values, and credit risk.* The objective and terms, including the fair values and credit ratings, of the City's hedging derivative instruments outstanding as of December 31, 2019, are as follows. The notional amounts of the swaps approximate the principal amounts of the associated

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debt. The City's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds payable" category. Under the swaps on a net basis for each related series of bonds, the City pays the counterparty a fixed payment and receives a variable payment computed according to the London Interbank Offered Rate (LIBOR) and/or The Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index. The terms as of December 31, 2019, are as follows (dollars in thousands):

Associated Bond Issue	Notional Amounts	Effective Date	Terms	Fair Values	Termination Date	Counterparty Credit Rating
Hedging Instruments						
Business-type Activities:						
Chicago Midway International Airport Revenue Bonds (Series 2004C&D):						
Counterparty Goldman Sachs Bank USA...	\$ 70,710	12/14/2004	Pay 4.174%; receive SIFMA Plus .05%	\$ (14,757)	1/1/2035	Aa3/A+
Counterparty Wells Fargo Bank NA.....	47,140	4/21/2011	Pay 4.247%; receive SIFMA Plus .05%	(10,202)	1/1/2035	Aa2/A+
			Total	<u>\$ (24,959)</u>		

Type and objective for all the Swaps is the same, as mentioned earlier.

- (3) *Fair Value.* As of December 31, 2019, the swaps had a negative fair value of \$25.0 million. As per industry convention, the fair values of the City's outstanding swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the forward rates implied by the yield curve correctly anticipate future spot rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. Because interest rates are below the Fixed Rate Paid, the City's swaps had negative values.

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

- (4) *Credit Risk.* The City is exposed to credit risk (counterparty risk) through the counterparties with which it enters into agreements. If minimum credit rating requirements are not maintained, the counterparty is required to post collateral to a third party. This protects the City by mitigating the credit risk, and therefore the ability to pay a termination payment, inherent in a swap. Collateral on all swaps is to be in the form of cash or Eligible Collateral held by a third-party custodian. Upon credit events, the swaps also allow transfers, credit support, and termination if the counterparty is unable to meet the said credit requirements.
- (5) *Basis Risk.* Basis risk refers to the mismatch between the variable rate payments received on a swap contract and the interest payment actually owed on the bonds. The two significant components driving this risk are credit and SIFMA/LIBOR ratios. Credit may create basis risk because the City's bonds may trade differently than the swap index as a result of a credit change in the City. SIFMA/LIBOR ratios (or spreads) may create basis risk. With percentage of LIBOR swaps, if the City's bonds trade at a higher percentage of LIBOR over the index received on the swap, basis risk is created. This can occur due to many factors including, without limitation, changes in marginal tax rates, tax-exempt status of bonds, and supply and demand for variable rate bonds. The City is exposed to basis risk on all swaps except those that are based on Cost of Funds, which provide cash flows that mirror those of the underlying bonds. For all other swaps, if the rate paid on the bonds is higher than the rate received, the City is liable for the difference. The difference would need to be available on the debt service payment date and it would add additional underlying cost to the transaction.

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- (6) *Tax Risk.* The swap exposes the City to tax risk or a permanent mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds due to tax law changes such that the federal or state tax exemption of municipal debt is eliminated or its value reduced. There have been no tax law changes since the execution of the City's swap transactions.
- (7) *Termination Risk.* The risk that the swap could be terminated as a result of certain events including a ratings downgrade for the issuer or swap counterparty, covenant violation, bankruptcy, payment default or other defined events of default. Termination of a swap may result in a payment made by the issuer or to the issuer depending upon the market at the time of termination.
- (8) *Rollover Risk.* The risk that the City may be exposed to rising variable interest rates if (i) the swap expires or terminates prior to the maturity of the bonds and (ii) the City is unable to renew or replace the swap.
- (9) *Swap payments and associated debt.* As of December 31, 2019, debt service requirements of the City's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows (dollars in thousands):

Year Ending	Variable-Rate Bonds		Interest	Total
	Principal	Interest	Swaps, Net	
December 31,				
2020	\$ 5,225	\$ 1,861	\$ 2,891	\$ 9,977
2021	5,350	1,773	2,755	9,878
2022	5,675	1,680	2,610	9,965
2023	5,925	1,583	2,459	9,967
2024.....	6,200	1,481	2,301	9,982
2025-2029.....	35,350	5,717	8,882	49,949
2030-2034.....	44,075	2,401	3,730	50,206
2035.....	10,050	14	21	10,085
	<u>\$ 117,850</u>	<u>\$ 16,510</u>	<u>\$ 25,649</u>	<u>\$ 160,009</u>

e) Debt Covenants

- i) **Water Fund** - The ordinances authorizing the issuance of outstanding Water Revenue Bonds require that net revenues available for bonds, as adjusted shall each fiscal year at least equal the greater of (i) 120 percent of the aggregate debt service requirement for the fiscal year on all the outstanding senior lien bonds, or (ii) the sum of (A) aggregate debt service requirements for the fiscal year on the outstanding senior lien bonds, plus (B) 110 percent of the aggregate debt service requirements for the fiscal year on of the outstanding second lien bonds, plus (C) aggregate outstanding debt service requirements for the fiscal year on the outstanding IEPA loans, plus (D) annual debt service requirement for the fiscal year on aggregate outstanding water commercial paper notes, plus (E) annual debt service requirement on any outstanding water line of credit. This requirement was met at December 31, 2019.
- ii) **Sewer Fund** - The ordinances authorizing the issuance of outstanding Wastewater Transmission Revenue Bonds provide for the creation of separate accounts into which monies will be deposited, as appropriate. The ordinances require that net revenues available for bonds, as adjusted shall each fiscal year at least equal (A) 115 percent of the aggregate debt service requirement for the fiscal year on the outstanding senior lien bonds, plus (B) the sum of the aggregate annual debt service requirements for the fiscal year on of the outstanding second lien bonds, plus (C) 115 percent of the aggregate outstanding debt service requirements for the fiscal year on of the outstanding IEPA loans, plus (D) annual debt service requirement for the fiscal year on aggregate outstanding debt service on any outstanding wastewater line of credit and commercial paper notes. This requirement was met at December 31, 2019.

- iii) **Chicago Midway International Airport Fund** - The Master Indenture of Trust securing Chicago Midway Airport Revenue Bonds requires that the City fix and establish, and revise from time to time whenever necessary, such rentals, rates and other charges for the use and operation of Midway and for services rendered by the City in the operation of Midway in order that, in each Fiscal Year, Revenues, together with Other Available Moneys deposited with the Trustee with respect to such Fiscal Year and any cash balance held in the Revenue Fund on the first day of such Fiscal Year not then required to be deposited in any Fund or Account, will be at least sufficient (a) to provide for the payment of Operation and Maintenance Expenses for the Fiscal Year and (b) to provide for the greater of (i) the amounts needed to make the Deposits required during such Fiscal Year into the Debt Service Funds, the Operations & Maintenance Reserve Account, the Working Capital Account, the Debt Service Reserve Fund, the Junior Lien Obligation Debt Service Fund, the Repair and Replacement Fund, and the Special Project Fund and (ii) an amount not less than 125 percent of the Aggregate Debt Service for the Bond Year commencing during such Fiscal Year reduced by an amount equal to the sum of any amount held in any Capitalized Interest Account for disbursement during such Fiscal Year to pay interest on First Lien Bonds. These requirements were met at December 31, 2019.

The Master Indenture of Trust securing Chicago Midway Airport Second Lien Obligations requires that the City fix and establish and revise from time to time whenever necessary, such rentals, rates and other charges for the use and operation of Midway and for certain services rendered by the City in the operation of Midway in order that in each Fiscal Year, Revenues, together with Other Available Moneys deposited with the First Lien Trustee or the Second Lien Trustee with respect to such Fiscal Year and any cash balance held in the First Lien Revenue Fund or the Second Lien Revenue Fund on the first day of such Fiscal Year not then required to be deposited in any Fund or Account under the First Lien Indenture for the Second Lien Indenture, will be at least sufficient (1) to provide for the payment of Operation and Maintenance Expenses for the Fiscal Year and (2) to provide for the greater of (A) or (B) as follows: (A) the greater of the amounts needed to make the deposits required under the First Lien Indenture described in the immediately preceding paragraph above; or (B) the greater of the amounts needed to make the deposits required under the First Lien Indenture described in the immediately preceding paragraph above or an amount not less than 110 percent of the sum of Aggregate First Lien Debt Service and Aggregate Second Lien Debt Service for the Bond Year commencing during such Fiscal Year, reduced by (X) any amount held in any Capitalized Interest Account for disbursement during such Bond Year to pay interest on First Lien Bonds, and (Y) any amount held in any capitalized interest account established pursuant to a Supplemental Indenture under the Second Lien Indenture for disbursement during such Bond Year to pay interest on Second Lien Obligations. These requirements were met at December 31, 2019.

- iv) **Chicago-O'Hare International Airport Fund** - The Master Indenture of Trust securing Chicago O'Hare International Airport General Airport Senior Lien Obligations requires that the City will fix and establish, and revise from time to time whenever necessary, the rentals, rates and other charges for the use and operation of O'Hare and for services rendered by the City in the operation of O'Hare in order 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 Senior Lien Obligations or other outstanding Airport Obligations are issued and secured, and (b) one and fifteen-hundredths times Aggregate 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 Senior Lien Obligations. This requirement was met at December 31, 2019.

The Master Trust Indenture securing Chicago O'Hare International Airport Passenger Facility Charge (PFC) Obligations requires PFC Revenues, as defined, received by the City to be deposited into the PFC Revenue Fund. The City covenants to pay from the PFC Revenue Fund not later than the twentieth day

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of each calendar month the following amounts in the following order of priority: (1) to the Trustee for deposit in the Bond Fund, the sum required to make all of the Sub-Fund Deposits and Other Required Deposits to be disbursed from the Bond Fund [to meet debt service and debt service reserve requirements] in the calendar month pursuant to the Master Indenture; (2) to make any payments required for the calendar month with respect to Subordinated PFC Obligations; and (3) all moneys and securities remaining in the PFC Revenue Fund shall be transferred by the City (or the Trustee if it then holds the PFC Revenue Fund pursuant to the Master Indenture) to the PFC Capital Fund.

The Indenture of Trust Securing Chicago O'Hare International Airport Customer Facility Charge Senior Lien Revenue Bonds requires that, as long as any Bonds remain Outstanding, in each Fiscal Year, the City shall set the amount of the CFC (when multiplied by the total number of projected Contract Days) plus projected Facility Rent at an annual level sufficient to provide sufficient funds (1) to pay principal of and interest on the Bonds due in such Fiscal Year, (2) to reimburse the Rolling Coverage Fund, the Supplemental Reserve Fund, the Debt Service Reserve Fund and any Subordinate Reserve Fund for any drawings upon such Funds over a period not to exceed twelve months, as determined by the City, (3) to provide funds necessary to pay any "yield reduction payments" or rebate amounts due to the United States under the Indenture for which funds in the Rebate Fund or the CFC Stabilization Fund are not otherwise available, (4) to maintain the balance of the CFC Stabilization Fund in an amount of no less than the CFC Stabilization Fund Minimum Requirement and to reimburse any drawings below the CFC Stabilization Fund Minimum Requirement over a period not to exceed twelve months, as determined by the City, and (5) to maintain the balance of the Operation and Maintenance Fund in an amount of no less than the Operation and Maintenance Fund Requirement and to reimburse any drawings below the Operation and Maintenance Fund Minimum Requirement over a period of not to exceed twelve months, as determined by the City.

- f) **No-Commitment Debt and Public Interest Loans** include various special assessment, private activity bonds and loans. These types of financings are used to provide private entities with low-cost capital financing for construction and rehabilitation of facilities deemed to be in the public interest. Bonds payable on no-commitment debt are not included in the accompanying financial statements because the City has no obligation to provide for their repayment, which is the responsibility of the borrowing entities. In addition, federal programs/grants, including Community Development Block Grants and Community Service Block Grants, provide original funding for public interest loans. Loans receivable are not included as assets because payments received on loans are used to fund new loans or other program activities in the current year and are not available for general City operating purposes. Loans provided to third parties are recorded as current and prior year programs/grants expenditures. Funding for future loans will be from a combination of the repayment of existing loans and additional funds committed from future programs/grants expenditures.
- g) **Defeased Bonds** have been removed from the Statement of Net Position because 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, 2019 are as follows (dollars in thousands):

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	Amount	
	Defeased	Outstanding
General Obligation Emergency Telephone System - Series 1993.....	\$ 213,730	\$ 57,430
General Obligation Refunding Bonds - Series 1993B.....	11,550	7,190
General Obligation Neighborhoods Alive 21 Program - Series 2002B.....	5,730	5,730
General Obligation Project and Refunding Bonds - Series 2003B	13,775	13,775
General Obligation Project and Refunding Bonds - Series 2004A.....	75,835	5,100
General Obligation Project and Refunding Bonds - Series 2008B.....	11,720	8,365
General Obligation Project and Refunding Bonds - Series 2008E.....	65,195	44,755
General Obligation Refunding Bonds - Series 2009A.....	84,625	72,070
General Obligation Project Bonds - Series 2012C.....	33,115	33,115
General Obligation Project and Refunding Bonds - Series 2014A.....	6,850	6,850
General Obligation Bonds - Series 2015A.....	7,870	7,870
General Obligation Bonds - Series 2015B.....	331,800	331,800
General Obligation Refunding Bonds - Series 2015C.....	7,695	7,695
General Obligation Project Bonds - Series 2017B.....	21,615	21,615
Lakefront Millennium Project Parking Facilities Bonds - Series 1998	149,880	37,380
Sales Tax Revenue Bonds - Series 2002.....	110,580	109,340
Sales Tax Revenue Bonds - Series 2009A.....	68,730	66,510
Sales Tax Revenue Bonds - Series 2009B.....	2,150	2,150
Sales Tax Revenue Refunding Bonds - Series 2009C.....	20,012	20,012
Sales Tax Revenue Refunding Bonds - Series 2011A.....	214,340	214,340
Chicago-O'Hare International Airport Bonds Third Lien GARBS - Series 2008D...	26,605	-
Chicago-O'Hare International Airport Bonds Third Lien GARBS - Series 2010A....	13,645	13,645
Chicago-O'Hare International Airport Bonds Third Lien GARBS - Series 2011A....	348,075	348,075
Chicago-O'Hare International Airport Bonds Third Lien GARBS - Series 2011B....	121,905	121,905
Chicago-O'Hare International Airport Bonds Third Lien GARBS - Series 2011C...	283,925	283,925
Chicago-Midway International Airport Second Lien Revenue Refunding Bonds - Series 2010C	60,090	57,580
Special Transportation Revenue Bonds - Series 2001	118,715	74,195
Total	\$ 2,429,757	\$ 1,972,417

11) Pension Funds and Other Postemployment Benefits

a) **Pension**

General Information about the Pension Plan

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

Benefits provided - The Plans provide retirement, disability, and death benefits as established by State of Illinois law. Benefits generally vest after 10 years of credited service. Employees qualify for an unreduced

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

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

Employees covered by benefit terms - At December 31, 2019, the following employees were covered by the benefit terms:

	Municipal Employees'	Laborers'	Policemen's	Firemen's	Total
Inactive employees or beneficiaries					
currently receiving benefits	25,544	3,653	13,771	5,128	48,096
Inactive employees entitled					
to but not yet receiving benefits	18,734	1,486	707	95	21,022
Active employees	32,162	2,662	13,353	4,630	52,807
	<u>76,440</u>	<u>7,801</u>	<u>27,831</u>	<u>9,853</u>	<u>121,925</u>

Contributions – For the Municipal Employees’ and Laborers’ Plans, P.A. 100-0023 was enacted on July 6, 2017. P.A. 100-0023 requires the City to contribute specific amounts to the Municipal Employees’ and the Laborers’ Plans in the aggregate amounts as follows: in payment year 2019, \$392.0 million; in payment year 2020, \$481.0 million; in payment year 2021, \$571.0 million; and in payment year 2022, \$660.0 million. Additionally, P.A. 100-0023 requires that beginning in payment year 2023, the City’s annual contributions to MEABF and LABF each be an amount actuarially determined to be sufficient to produce a funding level of 90% for each such Plan by the end of 2058.

For Policemen’s and Firemen’s, Public Act 99-0506 (P.A. 99-0506) was enacted on May 31, 2016. P.A. 99-0506 requires the City to contribute specific amounts to the Policemen’s and Firemen’s Plans in the aggregate amounts as follows: in payment year 2019, \$792 million; and in payment year 2020, \$824 million. Additionally, P.A. 99-0506 requires that beginning in payment year 2021, the City’s annual contributions to PABF and FABF each be an amount actuarially determined to be sufficient to produce a funding level of 90% for each such Plan by the end of 2055.

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

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Net Pension Liability

The City's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The actuarial reports were provided by each of the pension funds.

Actuarial assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Municipal Employees'	Laborers'	Policemen's	Firemen's
Inflation	2.50%	2.25%	2.25%	2.25%
Salary Increases	3.50%-7.75% (a)	3.00% (b)	3.50% (c)	3.50%-25.00% (d)
Investment Rate of Return ..	7.00% (e)	7.25% (e)	6.75%	6.75% (e)

- (a) (1.50%-6.50% for 2020-2022), varying by years of service
- (b) plus a service-based increase in the first 9 years
- (c) plus additional percentage related to service
- (d) varying by years of service
- (e) net of investment expense

Post-retirement mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table (Blue Collar mortality table for Laborers' and Firemen's) and Pub-2010 Amount-weighted Safety Healthy Retiree Mortality Table for Policemen's for males or females, with generational mortality improvement scales using MP-2016 for Municipal Employees', MP-2017 for Laborers' and Firemen's, and MP-2018 for Policemen's as appropriate. Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table (Blue Collar mortality table for Laborers' and Firemen's) and Pub-2010 Amount-weighted Safety Employee Mortality Table for Policemen's. Disabled mortality rates were based on the Pub-2010 Amount-weighted Safety Healthy Retiree Mortality Table for Policemen's and RP-2014 Blue Collar Healthy Annuitant Mortality Table for Firemen's.

The mortality actuarial assumptions used in the December 31, 2019 valuation were adjusted based on the results of actuarial experience study for the period as noted below:

- Municipal Employees' - January 1, 2012 - December 31, 2016
- Laborers' - January 1, 2012 - December 31, 2016
- Policemen's - January 1, 2014 - December 31, 2018
- Firemen's - January 1, 2012 - December 31, 2016

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

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Asset Class:	Target Allocation				Long-Term Expected Real Rate of Return			
	Municipal Employees'	Laborers'	Policemen's	Firemen's	Municipal Employees'	Laborers'	Policemen's	Firemen's
Equity	-	-	-	60.0%	-	-	-	7.19%
Domestic equity	26.0%	-	-	-	5.10%	-	-	-
U.S. equity	-	25.0%	21.0%	-	-	5.30%	5.80%	-
Non U.S. equity	-	20.0%	21.0%	-	-	5.30%	7.10%	-
Global equity	5.0%	-	-	-	5.30%	-	-	-
Global low volatility equity ..	-	5.0%	-	-	-	4.40%	-	-
International equity	17.0%	-	-	-	5.30%	-	-	-
Fixed income	25.0%	20.0%	26.0%	20.0%	0.10%	(0.30%)	1.70%	3.25%
Hedge funds	10.0%	10.0%	7.0%	-	3.30%	2.80%	3.60%	-
Infrastructure	2.0%	-	-	-	5.10%	-	-	-
Private debt	-	3.0%	-	-	-	7.60%	-	-
Private equity	5.0%	4.0%	-	-	8.60%	8.80%	-	-
Private markets	-	-	13.0%	-	-	-	8.10%	-
Global asset allocation	-	-	5.0%	-	-	-	3.80%	-
Real estate	10.0%	10.0%	7.0%	8.0%	3.80%	3.70%	5.20%	6.25%
Private real assets	-	3.0%	-	-	-	5.10%	-	-
Other investments	-	-	-	12.0%	-	-	-	5.36%
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>				

Discount Rate

Municipal Employees' - The Single Discount Rate used to measure the total pension liability as of December 31, 2019 was 7.0 percent. This Single Discount Rate was based on an expected rate of return on pension plan investments of 7.0 percent. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made according to the contribution rate applicable for each member's tier and that employer contributions will be made as specified by Public Act 100-0023. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions and contributions from future plan members that are intended to fund the service cost of future plan members and their beneficiaries are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

Laborers' - A Single Discount Rate of 7.00 percent was used to measure the total pension liability as of December 31, 2019. This Single Discount Rate was based on an expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 2.75 percent (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made under the statutory funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2073. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2073, and the municipal bond rate was applied to all benefit payments after that date.

Policemen's - A Single Discount Rate of 6.43 percent was used to measure the total pension liability. This Single Discount Rate was based on an expected rate of return on pension plan investments of 6.75 percent and a municipal bond rate of 2.75 percent (based on the most recent date available on or before the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions and employer contributions are

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made in accordance with the statutory requirements. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance benefit payments through the year 2075. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2075, and the municipal bond rate was applied to all benefit payments after that date.

Firemen's - A Single Discount Rate of 6.34 percent was used to measure the total pension liability. This Single Discount Rate was based on an expected rate of return on pension plan investments of 6.75 percent and a municipal bond rate of 2.74 percent (based on the Bond Buyer 20-Bond Index of general obligation municipal bonds). The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made according to the contribution rate applicable for each member's tier and that employer contributions will be made as specified by Public Act 99-0506. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions and contributions from future plan members that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through the year 2071. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2070, and the municipal bond rate was applied thereafter to determine the total pension liability.

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Changes in the Net Pension Liability (dollars in thousands):

	Municipal Employees'	Laborers'	Policemen's	Firemen's	Total
Total pension liability					
Service cost	\$ 228,465	\$ 38,522 *	\$ 240,383 *	\$ 102,141	\$ 609,511
Interest	1,159,253	188,347	944,739	408,586	2,700,925
Benefit changes	-	-	24,216	-	24,216
Differences between expected and actual experience	16,676	(8,820)	(68,010)	(65,213)	(125,367)
Assumption changes	-	32,846	1,140,418	190,954	1,364,218
Benefit payments including refunds	(952,652)	(164,959)	(800,668)	(346,337)	(2,264,616)
Pension plan administrative expense	-	(3,691)	(4,734)	-	(8,425)
Net change in total pension liability	451,742	82,245	1,476,344	290,131	2,300,462
Total pension liability:					
Total pension liability - Beginning	16,808,614	2,693,404	13,313,258	6,252,360	39,067,636
Total pension liability - Ending (a)	\$ 17,260,356	\$ 2,775,649	\$ 14,789,602	\$ 6,542,491	\$ 41,368,098
Plan fiduciary net position					
Contributions-employer	\$ 418,269	\$ 59,346	\$ 581,936	\$ 255,382	\$ 1,314,933
Contributions-employee	146,645	18,143	110,792	46,623	322,203
Net investment income (loss)	560,940	184,027	369,982	161,082	1,276,031
Benefit payments including refunds of employee contribution	(952,652)	(164,959)	(800,668)	(346,337)	(2,264,616)
Administrative expenses	(6,740)	(3,691)	(4,734)	(3,226)	(18,391)
Other	-	-	32	507	539
Net change in plan fiduciary net position ..	166,462	92,866	257,340	114,031	630,699
Adjustment as of January 1, 2019	-	-	(91)	-	(91)
Plan fiduciary net position - beginning	3,914,180	1,094,683	2,905,180	1,035,790	8,949,833
Plan fiduciary net position - ending (b)	\$ 4,080,642	\$ 1,187,549	\$ 3,162,429	\$ 1,149,821	\$ 9,580,441
Net pension liability-ending (a)-(b)	\$ 13,179,714	\$ 1,588,100	\$ 11,627,173	\$ 5,392,670	\$ 31,787,657

* Includes pension plan administrative expense

Changes in Actuarial Assumptions: Changes in the municipal bond rate resulted in a decrease in the single discount rate for Laborers', Policemen, and Firemen. See discount rate section above. The actuarial mortality assumptions for Policemen have changed from the prior actuarial valuation to reflect the results of the experience study performed for the period January 1, 2014 through December 31, 2018.

The change in the single discount rate and other assumptions increased the net pension liability by \$32.8 million for Laborers' and \$1.1 billion for Policemen and \$191.0 million for Firemen. These changes are being amortized into expense over a 4 year period for Laborers' and a 6 year period for Policemen and Firemen.

Sensitivity of the net pension liability to changes in the discount rate

Municipal Employees' - The following presents the net pension liability as of December 31, 2019, calculated using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate (dollars in thousands):

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	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability December 31, 2019			
Municipal Employees' discount rate	6.00%	7.00%	8.00%
Municipal Employees' net pension liability ...	\$ 15,340,000	\$ 13,179,714	\$ 11,386,326

Laborers' - The following presents the net pension liability as of December 31, 2019, calculated using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate (dollars in thousands):

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability December 31, 2019			
Laborers' discount rate	6.00%	7.00%	8.00%
Laborers' Employees' net pension liability ...	\$ 1,918,388	\$ 1,588,100	\$ 1,311,384

Policemen's - The following presents the net pension liability as of December 31, 2019, calculated using the discount rate of 6.43 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.43 percent) or 1 percentage point higher (7.43 percent) than the current rate (dollars in thousands):

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability December 31, 2019			
Policemen's Employees' discount rate	5.43%	6.43%	7.43%
Policemen's Employees' net pension liability ...	\$ 13,463,655	\$ 11,627,173	\$ 10,096,273

Firemen's - The following presents the net pension liability as of December 31, 2019, calculated using the discount rate of 6.34 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.34 percent) or 1 percentage point higher (7.34 percent) than the current rate (dollars in thousands):

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability December 31, 2019			
Firemen's Employees' discount rate	5.34%	6.34%	7.34%
Firemen's Employees' net pension liability	\$ 6,187,183	\$ 5,392,670	\$ 4,728,523

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Pension Plans reports.

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Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2019, the City recognized pension expense/(benefit) of \$1.1 billion for Municipal Employees', \$1.0 billion for Policemen's, \$591.6 million for Firemen's, and (\$180.3) million for Laborers', for a total pension expense of \$2.5 billion. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollars in thousands):

	Municipal Employees'		Laborers'		Policemen's		Firemen's	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 70,665	\$ 96,526	\$ 7,913	\$ 15,414	\$ 559	\$ 410,750	\$ 21,142	\$ 93,356
Changes of assumptions	-	3,088,260	24,783	157,559	1,122,103	176,011	650,538	23,664
Net difference between projected and actual earnings on pension plan investments	-	51,042	-	36,066	17,152	-	-	22,998
Total	\$ 70,665	\$ 3,235,828	\$ 32,696	\$ 209,039	\$ 1,139,814	\$ 586,761	\$ 671,680	\$ 140,018

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

Year ended December 31:	Municipal Employees'	Laborers'	Policemen's	Firemen's
2020	\$ (1,651,141)	\$ (162,340)	\$ 80,354	\$ 164,903
2021	(1,519,248)	(8,212)	76,543	135,376
2022	61,797	16,015	104,053	155,671
2023	(56,571)	(21,806)	40,851	53,875
2024	-	-	139,383	20,781
2025	-	-	111,869	-
Thereafter	-	-	-	1,056
Total	\$ (3,165,163)	\$ (176,343)	\$ 553,053	\$ 531,662

Deferred outflows and deferred inflows related to changes in proportionate share of contributions

For the year ended December 31, 2019, the City reported a pension benefit of \$87.2 million, deferred inflows of \$248.6 million and deferred outflows of \$1.9 million related to changes in its proportionate share of contributions. This deferred amount will be recognized as pension expense/(benefit) over a period of four years.

Payable to the Pension Plans

At December 31, 2019, the City reported a payable of \$897.1 million in accrued and other liabilities for the outstanding amount of contributions to the pension plans required for the year ended December 31, 2019.

State Intercepts

During 2018 and 2019, all four pension funds filed requests with the State Comptroller to withhold State payments to the City based on the claim that the City owed the respective Plan additional pension contributions, pursuant to State law (40 ILCS 5). As a result, the State Comptroller withheld various grant payments from the City and remitted those funds to the appropriate Plan. For the year ended December 31,

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2018, the City had recorded \$3.3 million for Firemen's and \$3.2 million for Policemen's related to these State-withheld payments as part of pension expense. For the year ended December 31, 2019, the City has recorded \$18.6 million for Policemen's, \$7.9 million for Firemen's and \$4.6 million for Municipal Employees related to these State-withheld payments as part of pension expense. The City contested the claims of the pension funds in the Circuit Court of Cook County, but the Court ruled in favor of the pension funds, and the City decided not to appeal the decision. The City has made adjustments to its budgets and levies accordingly, and the litigation is no longer pending.

b) Other Post Employment Benefits (OPEB) - City Obligation

General Information about the OPEB Plan

Plans Description – The City's defined benefit OPEB plans are single-employer plans administered by the City. Certain annuitants are: (1) provided special benefits under the applicable collective bargaining agreements (CBA); (2) entitled to retiree health benefits pursuant to the City's prior promise; (3) entitled to certain Pension Fund subsidies required by court order under the 1983 and 1985 amendments to the Pension Codes; or (4) provided statutorily required duty disabled benefits. Applicable state law authorized the four respective Pension Funds (Policemen's, Firemen's, Municipal Employees', and Laborers') to provide a fixed monthly dollar subsidy to each annuitant who had elected coverage under any City health plan through December 31, 2016. After that date, the Pension Funds took the position that they were not authorized by state law to continue to pay any subsidies. In June 2017, the Illinois Appellate Court found that the Pension Funds are obligated to continue to provide the fixed monthly dollar subsidies to certain eligible annuitants pursuant to the 1983 and 1985 amendments to the Pension Code, as further discussed below. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 and benefits are funded on a pay-as-you-go basis.

Benefits provided –

CBA – Under the terms of the latest collective bargaining agreements for the Fraternal Order of Police and the International Association of Fire Fighters, certain employees who retire after attaining age 55 with the required years of service are permitted to enroll themselves and their dependents in the healthcare benefit program offered to actively employed members. They may keep this coverage until they reach the age of Medicare eligibility. CBA special early retirement benefits cease at Medicare eligibility age. CBA retirees are required to contribute 2% of their pension for health care coverage for those retiring after the end of 2017.

An extension of the CBA was negotiated (and finalized in 2014) governing the contract period (through June 30, 2016 for Police Captains, Sergeants and Lieutenants and June 30, 2017 for remaining Policemen and Firemen). As of the date of this report, negotiations are ongoing regarding new agreements which cover the retiree health benefits. Under the "maintenance of effort" protocols, the provisions of the prior agreement are honored until a new agreement is signed. The OPEB liability assumes the expiration of the early retirement special benefits as of the December of the contract expiration year, assumed to be December 31, 2022 and also includes the liabilities for continuation of payments to those members who would have already retired under the CBA as of December 31, 2022. This is a change in assumption from 2018, which assumed that the expiration date of the benefits would be December 31, 2019. It is not known whether the CBA special early retirement health benefits will be specifically eliminated, modified, or extended at this time.

Non-CBA – As of January 1, 2014, the City promised to provide a healthcare plan with a subsidy of 55% of the cost of that plan to those City annuitants who retired prior to August 23, 1989. In 2017, the Illinois Appellate Court, in the Underwood v. City of Chicago case, held that current and future annuitants hired prior to the execution of the now expired 2003 Korshak settlement agreement, subject to certain eligibility requirements, are entitled to receive lifetime fixed rate monthly subsidies equal to the subsidy amounts provided in the 1983 and 1985 amendments to the Pension Code. Those subsidies are, for Policemen's and Firemen's, \$21 per month or \$55 per month, depending on the annuitant's Medicare eligibility, and for Municipal Employees' and Laborers', \$25 per month for those annuitants who are 65 or older with at least 15 years of service. Upon remand, the circuit court later ruled that the Pension Funds are obligated to make the

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subsidy payments to the annuitants. Regardless, the City is still statutorily obligated to make contributions to the Pension Funds in accordance with applicable levels required by the tax levy statutes. The Pension Funds are processing annuitant claims and issuing retroactive payments for these subsidies for the period of time of January 1, 2017 through December 31, 2019 and have begun making the required monthly subsidy payments going forward. As of December 31, 2019 these subsidies have been accrued within the applicable pension funds. Duty Disabled retirees who have statutory pre-63/65 coverage will continue to have fully subsidized coverage under the active health plan until age 65.

Employees covered by benefit terms – At December 31, 2019, the following employees were covered by the benefit terms:

	CBA Benefits	Non-CBA Benefits	Total
Active employees	17,827	31,972	49,799
Inactive employees or beneficiaries currently receiving benefits	2,989	2,936	5,925
Inactive employees entitled to but not yet receiving benefits	-	-	-
Total	20,816	34,908	55,724

Net OPEB Liability

The City's net OPEB liability of \$828.8 million was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The net OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Normal Age
Asset Valuation Method:	Market Value
Funding Policy:	Pay as You Go
Discount Rate:	2.74%
Health Care Trend Rates:	Graded 7.75% to ultimate rate of 5%
Retirement Age:	Varies by Bargaining Group – Rates are Graded by age and service

The valuation was adjusted based on the results of actuarial experience studies prepared by the Pension Funds. The discount rate of 2.74 percent was used to measure the total OPEB liability. This Discount Rate was based upon the average 20 year general obligation Municipal Bond rate index reported under by Bond Buyer.

Post-retirement mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table (Blue Collar mortality table for Laborers' and Firemen's) and Pub-2010 Amount-weighted Safety Healthy Retiree Mortality Table for Policemen's for males or females, with generational mortality improvement scales using MP-2016 for Municipal Employees', MP-2017 for Laborers' and Firemen's, and MP-2018 for Policemen's as appropriate. Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table (Blue Collar mortality table for Laborers' and Firemen's) and Pub-2010 Amount-weighted Safety Employee Mortality Table for Policemen's. Disabled mortality rates were based on the Pub-2010 Amount-weighted Safety Healthy Retiree Mortality Table for Policemen's and RP-2014 Blue Collar Healthy Annuitant Mortality Table for Firemen's.

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Changes in the Net OPEB Liability (dollars in thousands):

	CBA Benefits	Non-CBA Benefits	Total
Total OPEB liability			
Service cost	\$ 3,398	\$ 14,904	\$ 18,302
Interest	14,760	11,869	26,629
Benefit changes (Cadillac tax & Subsidy)	(10)	(106,959)	(106,969)
Differences between			
expected and actual experience	19,330	24,481	43,811
Assumption changes	253,605	(20,946)	232,659
Benefit payments including refunds	(51,717)	(18,560)	(70,277)
OPEB plan administrative expense	-	-	-
Net change in total OPEB liability	239,366	(95,211)	144,155
Total OPEB liability:			
Total OPEB liability - Beginning	385,858	298,774	684,632
Total OPEB liability - Ending (a)	625,224	203,563	828,787
Plan fiduciary net position			
Contributions-employer	51,717	18,560	70,277
Contributions-employee	-	-	-
Net investment income (loss)	-	-	-
Benefit payments including			
refunds of employee contribution	(51,717)	(18,560)	(70,277)
Administrative expenses	-	-	-
Other	-	-	-
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position - beginning	-	-	-
Plan fiduciary net position - ending (b)	-	-	-
Net OPEB liability-ending (a)-(b)	\$ 625,224	\$ 203,563	\$ 828,787

Assumption changes reflect a change in the discount rate from 4.10% for beginning of the year values and 2.74% for the disclosure date.

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.74 percent) or 1 percentage point higher (3.74 percent) than the current discount rate (dollars in thousands):

	1% Decrease 1.74%	Current Discount Rate 2.74%	1% Increase 3.74%
CBA Benefits	\$ 651,686	\$ 625,224	\$ 600,369
Non-CBA Benefits	218,963	203,563	190,830
Total	\$ 870,649	\$ 828,787	\$ 791,199

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are a 1 percentage point lower (6.75 percent decreasing to 4.00 percent) or 1 percentage point higher (8.75 percent decreasing to 6.00 percent) than the current healthcare cost trend rates (dollars in thousands):

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>6.75%-4.00%</u>	<u>Trend Rates</u>	<u>7.75%-5.00%</u>
			<u>8.75-6.00%</u>
CBA Benefits	\$ 598,247	\$ 625,224	\$ 653,880
Non-CBA Benefits	185,093	203,563	225,842
Total	<u>\$ 783,340</u>	<u>\$ 828,787</u>	<u>\$ 879,722</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2019, the City recognized OPEB expense/(benefit) of (\$39.5) million. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (dollars in thousands):

	<u>CBA Benefits</u>		<u>Non-CBA Benefits</u>		<u>Total</u>	
	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows of</u>	<u>Inflows of</u>	<u>Outflows of</u>	<u>Inflows of</u>	<u>Outflows of</u>	<u>Inflows of</u>
	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>
Differences between expected and actual non-investment experience	\$ 17,534	\$ 28,160	\$ 22,206	\$ 5,918	\$ 39,740	\$ 34,078
Assumption Changes	230,044	7,892	18,110	19,000	248,154	26,892
Total	<u>\$ 247,578</u>	<u>\$ 36,052</u>	<u>\$ 40,316</u>	<u>\$ 24,918</u>	<u>\$ 287,894</u>	<u>\$ 60,970</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense/(benefit) as follows (dollars in thousands):

Year Ending December 31:	<u>CBA Benefits</u>	<u>Non-CBA Benefits</u>	<u>Total</u>
2020	\$ 20,568	\$ 1,948	\$ 22,516
2021	20,568	1,948	22,516
2022	20,568	1,948	22,516
2023	20,568	1,948	22,516
2024.....	20,568	1,948	22,516
Thereafter.....	108,686	5,658	114,344
	<u>\$ 211,526</u>	<u>\$ 15,398</u>	<u>\$ 226,924</u>

**CITY OF CHICAGO, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2019**

12) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; certain benefits for and injuries to employees, and natural disasters. The City provides worker's compensation benefits and employee health benefits under self-insurance programs except for insurance policies maintained for certain Enterprise Fund activities. The City uses various risk management techniques to finance these risks by retaining, transferring and controlling risks depending on the risk exposure.

Risks for O'Hare, Midway, and certain other major properties, along with various special events, losses from certain criminal acts committed by employees and public official bonds are transferred to commercial insurers. Claims have not exceeded the purchased insurance coverage in the past three years. Accordingly, no liability is reported for these claims. All other risks are retained by the City and are self-insured. The City pays claim settlements and judgments from the self-insured programs with an excess liability insurance policy covering claims excess of the self-insured retention of \$20,000,000. 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. The General Fund is primarily used to record all non-Enterprise Fund claims. The estimated portion of non-Enterprise Fund claims not yet settled has been recorded in the Governmental Activities in the Statement of Net Position as claims payable along with amounts related to deferred compensatory time and estimated liabilities for questioned costs. As of December 31, 2019, the total amount of non-Enterprise Fund claims was \$537.9 million and Enterprise Fund was \$77.0 million. This liability is the City's best estimate based on available information. Changes in the reported liability for all funds are as follows (dollars in thousands):

	<u>2019</u>	<u>2018</u>
Balance, January 1	\$ 594,235	\$ 604,262
Claims incurred and change in estimates	620,026	662,203
Claims paid on current and prior year events	<u>(599,300)</u>	<u>(672,230)</u>
Balance, December 31	<u>\$ 614,961</u>	<u>\$ 594,235</u>

13) Expenditure of Funds and Appropriation of Fund Balances

The City expends funds by classification as they become available, and "Restricted" funds are expended first. If/when City Council formally sets aside or designates funds for a specific purpose, they are considered "Committed." The Mayor (or his/her designee) may in this capacity, also set aside or designate funds for specific purposes and all of these funds will be considered "Assigned." Any remaining funds, which are not specifically allocated in one or more of the previous three categories, are considered "Unassigned" until such allocation is completed.

In addition to the categories above, any amounts that will be used to balance a subsequent year's budget will be considered "Assigned" as Budgetary Stabilization funds. The amounts may vary from fiscal year to fiscal year or depending on the City's budgetary condition, or may not be designated at all. The funds may be assigned by the Mayor or his designee, up to the amount of available "Unassigned" fund balance at the end of the previous fiscal year.

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

Fund Balance Classifications

On the fund financial statements, the Fund Balance consists of the following (dollars in thousands):

	General	Federal, State and Local Grants	Special Taxing Areas	Service Concession and Reserve	Bond, Note Redemption and Interest	STSC Debt Service	Community Development Improvement Projects	Other Governmental Funds
Nonspendable Purpose:								
Inventory	\$ 28,272	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
STSC Blended Balance *	-	-	-	-	-	2,576,421	-	-
Restricted Purpose:								
Capital Projects	-	-	1,734,473	-	-	-	633,906	136,452
Grants	-	10,318	-	-	-	-	-	-
Debt Service	-	-	-	-	-	45,364	-	-
Committed Purpose:								
Budget and Credit Rating Stabilization	-	-	-	693,577	-	-	-	-
Repair, Maintenance and City Services	-	-	-	-	-	-	-	259,657
Assigned Purpose:								
Future obligations	123,000	-	-	-	-	-	-	242
Assigned for Future								
Unassigned	184,651	(216,941)	-	(1,471,127)	(2,540,740)	-	-	(60,687)
Total Government Fund Balance	<u>\$ 335,923</u>	<u>\$ (206,623)</u>	<u>\$ 1,734,473</u>	<u>\$ (777,550)</u>	<u>\$ (2,540,740)</u>	<u>\$ 2,621,785</u>	<u>\$ 633,906</u>	<u>\$ 335,664</u>

* The STSC is a blended component unit of the City. The STSC Blended Balance above, represents a deferred outflow from the acquisition of sales tax revenues that will be amortized into expenditures over the life of the related bonds. As discussed in the Fund Deficit footnote 3c, the deficit within the City's Bonds, Note Redemption and Interest Fund represents this sale that has been deferred and will be funded through the recognition of the related amortization.

At the end of the fiscal year, total encumbrances amounted to \$11.8 million for the General Operating Fund, \$103.5 million for the Special Taxing Areas Fund, \$44.0 million for the Capital Projects Fund and \$49.7 million for the Non Major Special Revenue Fund.

14) Deferred Outflows and Inflows of Resources

In accordance with Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the City reports deferred outflows of resources in the Statement of Net Position in a separate section following Assets. Similarly, the City reports deferred inflows of resources in the Statement of Net Position in a separate section following Liabilities.

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

The components of the deferred outflows of resources and deferred inflows of resources at December 31, 2019 are as follows (dollars in thousands):

	Governmental Activities	Business-type Activities
Deferred Outflows of Resources:		
Deferred outflows from pension activities	\$ 1,820,952	\$ 93,903
Deferred outflows from other post employment benefits activities	287,894	-
Changes in proportionate share of pension contributions	1,919	218,998
Unamortized deferred bond refunding costs	196,711	191,154
Derivatives	-	24,959
Total Deferred Outflows of Resources	<u>\$ 2,307,476</u>	<u>\$ 529,014</u>
Deferred Inflows of Resources:		
Deferred inflows from pension activities	\$ 3,498,071	\$ 673,575
Deferred inflows from other post employment benefits activities	60,970	-
Changes in proportionate share of pension contributions	248,625	1,727
Long-Term lease and Service concession arrangements	1,471,127	1,552,727
Total Deferred Inflows of Resources	<u>\$ 5,278,793</u>	<u>\$ 2,228,029</u>

The components of the deferred inflows of resources related to the governmental funds at December 31, 2019 are as follows (dollars in thousands):

	General	Federal, State and Local Grants	Special Taxing Areas	Service Concession and Reserve	Bond, Note Redemption and Interest	Pension	Other Governmental Funds	Total Governmental Funds
Governmental Funds:								
Deferred inflow of resources:								
Property Taxes	\$ -	\$ -	\$ 663,179	\$ -	\$ 449,094	\$ 855,749	\$ 29,888	\$ 1,997,910
Utility Taxes	-	-	-	-	-	-	12,846	12,846
Grants	-	234,759	-	-	-	-	-	234,759
Charges for Services	3,376	-	-	-	-	-	-	3,376
Long-term Lease and Concession Agreements	-	-	-	1,471,127	-	-	-	1,471,127
Total Governmental Funds	<u>\$ 3,376</u>	<u>\$ 234,759</u>	<u>\$ 663,179</u>	<u>\$ 1,471,127</u>	<u>\$ 449,094</u>	<u>\$ 855,749</u>	<u>\$ 42,734</u>	<u>\$ 3,720,018</u>

15) Commitments and Contingencies

The City is a defendant in various pending and threatened individual and class action litigation relating principally to claims arising from contracts, personal injury, property damage, police conduct, alleged discrimination, civil rights actions, and other matters. City management believes that the ultimate resolution of these matters will not have a material adverse effect on the financial position of the City.

The City participates in a number of federal- and state-assisted grant programs. These grants are subject to audits by or on behalf of the grantors to assure compliance with grant provisions. Based upon past experience and management's judgment, the City has made provisions in the General Fund for questioned costs and other amounts estimated to be disallowed. City management expects such provision to be adequate to cover actual

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

amounts disallowed, if any.

As of December 31, 2019, the City has entered into contracts for approximately \$229.4 million for construction projects. As of December 31, 2019, the Enterprise Funds have entered into contracts for approximately \$917.3 million for construction projects.

The City's pollution remediation obligation of \$43.8 million is primarily related to Brownfield redevelopment projects. These projects include removal of underground storage tanks, cleanup of contaminated soil, and removal of other environmental pollution identified at the individual sites. The estimated liability is calculated using the expected cash flow technique. The pollution remediation obligation is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

16) Concession Agreements

The major fund entitled Service Concession and Reserve Fund is used for the purpose of accounting for the deferred inflows associated with governmental fund long-term lease and concession transactions. Deferred inflows are amortized over the life of the related lease and concession agreements. Proceeds from these transactions may be transferred from this fund in accordance with ordinances approved by the City Council that define the use of proceeds.

In February 2009, the City completed a \$1.15 billion concession agreement to allow a private operator to manage and collect revenues from the City's metered parking system for 75 years. The City received an upfront payment of \$1.15 billion which was recognized as a deferred inflow that will be amortized and recognized as revenue over the term of the agreement. The City recognizes \$15.3 million of revenue for each year through 2083.

In November 2006, the Chicago Park District entered into an agreement to transfer its ownership interests in three underground downtown public parking garages to the City, all of which are adjacent to a fourth underground downtown public parking garage built by and already owned by the City. In December 2006, the City completed a long-term concession and lease agreement of the four-garage system to a private operator to manage the garages and collect parking and related revenues for the 99-year term of the agreement. The City received an upfront payment of \$563.0 million, of which \$347.8 million was transferred by the City to the Chicago Park District, and the remainder was used to pay off the outstanding bonds that financed the construction of the City's original garage. The City recognized a deferred inflow that will be amortized and recognized as revenue over the term of the agreement. The City recognizes \$5.7 million of revenue for each year through 2105.

In January 2014, the original private concessionaire assigned all of its interests in the concession and lease agreement to a designee of its lenders in lieu of foreclosure by the lenders on their leasehold mortgage on the underground garages.

In May 2016, the designee assigned all of its interests in the concession and lease agreement to a new entity. Pursuant to the concession and lease agreement for the garages, the City approved the transfer of the concession and lease agreement.

In January 2005, the City completed a long-term concession and lease of the Skyway. The concession granted a private company the right to operate the Skyway and to collect toll revenue from the Skyway for the 99-year term of the agreement. The City received an upfront payment of \$1.83 billion; a portion of the payment (\$446.3 million) advance refunded all of the outstanding Skyway bonds. The City recognized a deferred inflow of \$1.83 billion that will be amortized and recognized as revenue over the 99-year term of the agreement. The City recognizes \$18.5 million of revenue related to this transaction for each year through 2103. Skyway land, bridges, other facilities and equipment continue to be reported on the Statement of Net Position and will be depreciated, as applicable, over their useful lives. The deferred inflow of the Skyway is reported in the Proprietary Funds Statement of Net Position.

In February 2016, the owners of the Skyway concessionaire sold their ownership interests in the concessionaire to a new entity. Pursuant to the concession and lease agreement for the Skyway, the City approved the transfer

of ownership interests.

17) Tax Abatements

GASB Statement No. 77, *Tax Abatement Disclosures* ("GASB 77"), requires governments that enter into tax abatement agreements to disclose: (1) Brief descriptive information concerning the agreement; (2) The gross dollar amount of taxes abated during the period; and 3) Commitments made by government, other than to abate taxes, that are part of the tax abatement agreement.

Tax Abatement Agreements Entered into Directly by the City

The Boeing Company

The City entered into a Tax Reimbursement Payment Agreement with The Boeing Company ("Boeing") as of November 1, 2001. The relocation of Boeing constituted a substantial public benefit from its creation of not less than 500 permanent FTE jobs and through payment of various taxes and governmental charges and was expected to foster further economic growth and development in the City.

Boeing may submit to the City for each year of the agreement an annual reimbursement form for reimbursement of an amount equal to the portion of the Boeing General Real Estate Taxes paid during such calendar year to the City, the Board of Education of the City of Chicago and the City Library Fund, in aggregate. In the form, Boeing must certify compliance with the terms of the agreement including, without limitation, Boeing continues to meet certain operational criteria, occupies not less than 125,000 rentable square feet at the building as its corporate headquarters, has at least \$25.0 billion in annual world-wide revenues, and employs a minimum of 500 full time employees within Chicago.

The above listed real estate taxes are reimbursed by way of an annual payment to Boeing in an amount equal to the allocable share of the real estate taxes. The City is entitled to terminate the agreement and/or recover certain payments if Boeing does not comply with the terms of the agreement. For the 2019 reporting period, the tax reimbursement to Boeing totaled \$1.7 million.

Tax Increment Financing

The City adopted certain ordinances approving various redevelopment plans pursuant to provisions of the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-7 4.4-1 (the "Act"). The redevelopment plans designate a "redevelopment project area" under the Act, and adopt tax increment allocation financing for each redevelopment project area.

In an effort to promote redevelopment and finance construction projects in the redevelopment project areas to eradicate blighted conditions, the City uses tax increment financing to reimburse developers for the costs of the TIF-funded improvements pursuant to the terms and conditions of redevelopment agreements entered into by the City and a developer. Projects range from new construction to redevelopment and expansion initiatives throughout the City. The maximum reimbursable amount is set forth in each agreement. If the total project cost is lower than the project budget established in the agreement, the reimbursable amount will be prorated.

For the 2019 reporting period, the amount of property tax revenue forgone by the City due to the agreements under the Tax Increment Allocation Redevelopment Act amounts to \$121 million on an accrual basis of accounting.

Tax Abatement Agreements Entered Into By Other Governments

Cook County

Cook County provides tax reductions under numerous programs with individuals, local businesses, and developers. The objective of the agreements is to encourage the development and rehabilitation of new and

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

existing industrial and commercial property, reutilization of abandoned property, and increase multi-family residential affordable rental housing throughout Cook County by offering a real estate tax incentive. An eligibility application must be filed prior to commencement of a project and include a resolution from the municipality where the real estate is located. Once the project has been completed, the applicant must file an Incentive Appeal Form with the County Assessor's Office. Upon approval by the County Assessor's Office and based on the property classification, the applicant is eligible to receive one of the following tax incentives:

- Class 7a, 7b, and C: Property will be assessed at 10% of market value for the first 10 years, 15% in the 11th year and 20% in the 12th year.
- Class 7c: Property will be assessed at 10% of market value for the first 3 years, 15% in the 4th year and 20% in the 5th year.
- Class 6b: Property will be assessed at 10% of the market value for 10 years and for any subsequent 10-year renewal periods; if not renewed, 15% in the 11th year and 15% in the 12th year.
- Class L: Renewable properties will be assessed at 10% of market value for the first 10 years and for any subsequent 10-year renewal periods; if not renewed, 15% in the 11th year and 20% in the 12th year. Commercial properties will be assessed at 10% of market value for the first 10 years, 15% in the 11th year and 20% in the 12th year.

In the absence of the incentive, the property tax would be assessed at 25% of its market value. This incentive constitutes a substantial reduction in the level of assessment and results in significant tax savings for eligible applicants. For the 2019 reporting period, the amount of property tax revenue forgone by the City due to these incentives is estimated at \$16.9 million.

18) Subsequent Events

Ratings

In January 2020, Fitch Ratings downgraded the rating of the STSC senior lien Sales Tax Securitization bonds to AA-minus from AAA and assigned the same rating to the STSC's second lien Sales Tax Securitization bonds.

In January 2020, Kroll Bond Rating Agency assigned a rating of AA+ to the STSC's second lien Sales Tax Securitization bonds.

In March 2020, S&P Global Ratings and Fitch Ratings placed the City's O'Hare International Airport Senior Lien General Airport Revenue Bonds and Midway International Airport Revenue Bonds on negative watch. Kroll Bond Rating Agency placed the City's O'Hare International Airport Senior Lien General Airport Revenue Bonds and Midway International Airport Revenue Bonds on developing watch.

In April 2020, Fitch Ratings downgraded the City's outstanding Motor Fuel Tax Revenue Bonds from BBB- to BB+ and revised the outlook to negative.

In April 2020, S&P Global Ratings revised its rating outlook on the City's General Obligation bonds from stable to negative.

In April 2020, S&P Global Ratings revised its rating outlook on the STSC's first and second lien bonds from stable to negative.

Bonds

In January 2020, the STSC sold its \$521,105,000 aggregate principal amount of Second Lien Sales Tax Securitization Bonds, Series 2020A, and its \$495,810,000 aggregate principal amount of Second Lien Sales Tax Securitization Bonds, Taxable Series. The STSC issued the STSC Second Lien Series 2020AB Bonds on January 30, 2020. The STSC Second Lien 2020A Bonds were issued at interest rates of 4.00% and 5.00% with maturity dates between January 1, 2025 and January 1, 2040. The STSC Second Lien 2020B Bonds were issued at interest rates of 2.128% to 3.107% with mandatory sinking fund or maturity dates between January 1, 2023 and

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

January 1, 2043. Proceeds of the STSC Second Lien Series 2020AB Bonds were used to provide funds for the City to refund certain of the City's outstanding General Obligation bonds; repurchase and cancel certain outstanding general obligation bonds of the City by means of a tender offer; refund certain outstanding motor fuel tax revenue bonds of the City; provide for the refunding of certain outstanding notes of the Chicago Infrastructure Trust Fund, an Illinois not-for-profit corporation and instrumentality of the City; fund capitalized interest on the STSC Second Lien Series 2020AB Bonds; and to pay costs of issuance for the STSC Second Lien Series 2020AB Bonds.

In January 2020, the City sold its \$466,495,000 aggregate principal amount of General Obligation Bonds, Refunding Series 2020A. The City issued the GO Refunding Series 2020A Bonds on January 30, 2020. The GO Refunding Series 2020A Bonds were issued at interest rates between 3.00% and 5.00% with maturity dates between January 1, 2021 and January 1, 2032. Proceeds were used to refund certain of the City's outstanding general obligation bonds and to pay costs of issuance for the GO Refunding Series 2020A Bonds.

Commercial Paper and Lines of Credit

The City currently has no balance outstanding on the General Obligation Line of Credit or General Obligation Commercial Paper notes. The City's repayment obligation under the line of credit and commercial paper notes are a general obligation of the City.

COVID-19

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. Stock 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. Airports in the United States have also been acutely impacted by the broad-based economic shutdown resulting from efforts to stop the spread of COVID-19, including reductions in flights and declines in passenger volumes. The outbreak has adversely affected domestic and international travel and travel-related industries.

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. Revenues have seen a significant decline in the second quarter of 2020.

As of the date of this report, the City has received over \$1.13 billion in federal assistance in response to the impact of COVID-19 to be used to cover expenses during the public health emergency, including COVID-19 response and recovery, mitigation and prevention, providing food, healthcare and mental health support, housing and shelters, ongoing communication and outreach, rental assistance, supporting small businesses, funding for first responders and funding to support airport operations. In addition, the City is eligible for the Federal Emergency Management Agency (FEMA) Public Assistance Grant and will receive reimbursements for eligible costs under this grant. The City expects the additional funding and grants to improve its liquidity and strengthen its ability to withstand expected decreases in revenues during Fiscal Year 2020.

Water and Sewer Funds

The Water and Sewer Funds provide an essential service and continue to operate throughout this pandemic. To date, the Water and Sewer Funds have not experienced a decline in revenues or business interruption that has had a material effect on the Water or Sewer Funds. However, due to this rapidly changing situation, no assurances can be given that this matter will not have a material effect on the Water and Sewer Funds' financial condition, results of operations or cash flows in future periods.

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

O'Hare and Midway

Airports in the United States have been acutely impacted by the broad-based economic shutdown resulting from efforts to stop the spread of COVID-19, including reductions in flights and declines in passenger volumes. The outbreak has adversely affected domestic and international travel and travel-related industries. Airlines are reporting unprecedented downturns in passenger volumes and have experienced reduced levels of passenger volumes which, in turn, has resulted in a significant reduction in scheduled service.

On April 14, 2020, the FAA announced that it had allocated approximately \$294.4 million and \$82.3 million of grant assistance under the CARES Act to O'Hare and Midway, respectively. The City can draw on CARES Act funds on a reimbursement basis for any purpose for which airport revenues may be lawfully used in accordance with FAA rules and regulations. Currently, the City has applied the use of CARES Act funds to mitigate the adverse impacts on rates and charges paid by the airlines and to ensure sufficient funding to pay for debt service. The City expects the CARES Act funding to improve its liquidity and strengthen its ability to withstand expected decreases in revenues during Fiscal Year 2020 and Fiscal Year 2021 that it anticipates as a result of the current and ongoing effects of the COVID-19 pandemic. There is no assurance that the CARES Act funding will be sufficient to fully compensate the City for lost revenue at O'Hare or Midway as a result of the COVID-19 pandemic.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF CHICAGO, ILLINOIS
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
Last Five Fiscal Years (dollars are in thousands)

Municipal Employees':	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$ 228,465	\$ 223,528	\$ 572,534	\$ 619,743	\$ 226,816
Interest	1,159,253	1,123,348	915,711	878,369	909,067
Benefit changes	-	-	-	-	2,140,009
Differences between expected and actual experience	16,676	95,540	(177,755)	(127,119)	(109,835)
Assumption changes	-	-	(7,431,191)	(578,920)	8,711,755
Benefit payments including refunds	(952,652)	(916,198)	(888,174)	(859,672)	(826,036)
Pension plan administrative expense	-	-	-	-	-
Net change in total pension liability	\$ 451,742	\$ 526,218	\$ (7,008,875)	\$ (67,599)	\$ 11,051,776
Total pension liability - beginning	16,808,614	16,282,396	23,291,271	23,358,870	12,307,094
Total pension liability - ending (a)	\$ 17,260,356	\$ 16,808,614	\$ 16,282,396	\$ 23,291,271	\$ 23,358,870
Plan fiduciary net position					
Contributions-employer	\$ 418,269	\$ 349,574	\$ 261,764	\$ 149,718	\$ 149,225
Contributions-employee	146,645	138,400	134,765	130,391	131,428
Net investment income	560,940	(204,975)	610,515	281,419	114,025
Benefit payments including refunds of employee contribution	(952,652)	(916,198)	(888,174)	(859,672)	(826,036)
Administrative expenses	(6,740)	(6,639)	(6,473)	(7,056)	(6,701)
Other	-	-	5,394	-	-
Net change in plan fiduciary net position	\$ 166,462	\$ (639,838)	\$ 117,791	\$ (305,200)	\$ (438,059)
Plan fiduciary net position - beginning	3,914,180	4,554,018	4,436,227	4,741,427	5,179,486
Plan fiduciary net position - ending (b)	\$ 4,080,642	\$ 3,914,180	\$ 4,554,018	\$ 4,436,227	\$ 4,741,427
Net pension liability - ending (a)-(b)	\$ 13,179,714	\$ 12,894,434	\$ 11,728,378	\$ 18,855,044	\$ 18,617,443
Plan fiduciary net position as a percentage of the total pension liability	23.64 %	23.29 %	27.97 %	19.05 %	20.30 %
Covered payroll*	\$ 1,802,790	\$ 1,734,596	\$ 1,686,533	\$ 1,646,939	\$ 1,643,481
Employer's net pension liability as a percentage of covered payroll	731.07 %	743.37 %	695.41 %	1,144.85 %	1,132.81 %

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

Note:
Beginning with fiscal year 2015, the City will accumulate ten years of data.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHICAGO, ILLINOIS

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS - Continued

Last Five Fiscal Years (dollars are in thousands)

Laborers':	2019	2018	2017	2016	2015
Total pension liability					
Service cost *	\$ 38,522	\$ 40,801	\$ 80,232	\$ 82,960	\$ 38,389
Interest	188,347	183,135	154,047	150,166	153,812
Benefit changes	-	-	150	-	384,033
Differences between expected and actual experience	(8,820)	15,143	(62,178)	(30,428)	(46,085)
Assumption changes	32,846	(11,788)	(1,074,754)	(62,905)	1,175,935
Benefit payments including refunds	(164,959)	(160,061)	(157,050)	(154,683)	(152,530)
Pension plan administrative expense	(3,691)	(3,933)	(3,985)	(4,080)	(3,844)
Net change in total pension liability	<u>\$ 82,245</u>	<u>\$ 63,297</u>	<u>\$ (1,063,538)</u>	<u>\$ (18,970)</u>	<u>\$ 1,549,710</u>
Total pension liability - beginning	<u>2,693,404</u>	<u>2,630,107</u>	<u>3,693,645</u>	<u>3,712,615</u>	<u>2,162,905</u>
Total pension liability - ending (a)	<u>\$ 2,775,649</u>	<u>\$ 2,693,404</u>	<u>\$ 2,630,107</u>	<u>\$ 3,693,645</u>	<u>\$ 3,712,615</u>
Plan fiduciary net position					
Contributions-employer	\$ 59,346	\$ 47,844	\$ 35,457	\$ 12,603	\$ 12,412
Contributions-employee	18,143	17,837	17,411	17,246	16,844
Net investment income	184,027	(75,219)	207,981	57,997	(22,318)
Benefit payments including refunds of employee contribution	(164,959)	(160,061)	(157,050)	(154,683)	(152,530)
Administrative expenses	(3,691)	(3,933)	(3,985)	(4,080)	(3,844)
Other	-	661	-	-	-
Net change in plan fiduciary net position	<u>\$ 92,866</u>	<u>\$ (172,871)</u>	<u>\$ 99,814</u>	<u>\$ (70,917)</u>	<u>\$ (149,436)</u>
Plan fiduciary net position - beginning	<u>1,094,683</u>	<u>1,267,554</u>	<u>1,167,740</u>	<u>1,238,657</u>	<u>1,388,093</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,187,549</u>	<u>\$ 1,094,683</u>	<u>\$ 1,267,554</u>	<u>\$ 1,167,740</u>	<u>\$ 1,238,657</u>
Net pension liability - ending (a)-(b)	<u><u>\$ 1,588,100</u></u>	<u><u>\$ 1,598,721</u></u>	<u><u>\$ 1,362,553</u></u>	<u><u>\$ 2,525,905</u></u>	<u><u>\$ 2,473,958</u></u>
Plan fiduciary net position as a percentage of the total pension liability	42.78 %	40.64 %	48.19 %	31.61 %	33.36 %
Covered payroll **	\$ 211,608	\$ 211,482	\$ 208,442	\$ 208,155	\$ 204,773
Employer's net pension liability as a percentage of covered payroll	750.49 %	755.96 %	653.68 %	1,213.47 %	1,208.15 %

* Includes pension plan administrative expense

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

Note:

Beginning with fiscal year 2015, the City will accumulate ten years of data.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHICAGO, ILLINOIS

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS - Continued

Last Five Fiscal Years (dollars are in thousands)

Policemen's:	2019	2018	2017	2016	2015
Total pension liability					
Service cost *	\$ 240,383	\$ 242,998	\$ 237,333	\$ 220,570	\$ 213,585
Interest	944,739	931,731	917,720	851,098	832,972
Benefit changes	24,216	-	-	606,250	-
Differences between expected and actual experience	(68,010)	(281,151)	(299,923)	1,801	(105,969)
Assumption changes	1,140,418	(259,052)	238,975	112,585	-
Benefit payments including refunds	(800,668)	(771,104)	(747,891)	(707,196)	(676,777)
Pension plan administrative expense	(4,734)	(4,626)	(4,843)	(4,750)	(4,508)
Net change in total pension liability	\$ 1,476,344	\$ (141,204)	\$ 341,371	\$ 1,080,358	\$ 259,303
Total pension liability - beginning	13,313,258	13,454,462	13,113,091	12,032,733	11,773,430
Total pension liability - ending (a)	\$ 14,789,602	\$ 13,313,258	\$ 13,454,462	\$ 13,113,091	\$ 12,032,733
Plan fiduciary net position					
Contributions-employer	\$ 581,936	\$ 588,035	\$ 494,483	\$ 272,428	\$ 572,836
Contributions-employee	110,792	107,186	103,011	101,476	107,626
Net investment income	369,982	(137,977)	412,190	142,699	(5,334)
Benefit payments including refunds of employee contribution	(800,668)	(771,104)	(747,891)	(707,196)	(676,777)
Administrative expenses	(4,734)	(4,626)	(4,843)	(4,750)	(4,508)
Other	32	1,600	97	1,413	3,092
Net change in plan fiduciary net position	\$ 257,340	\$ (216,886)	\$ 257,047	\$ (193,930)	\$ (3,065)
Adjustment as of January 1, 2019	(91)				
Plan fiduciary net position - beginning	2,905,180	3,122,066	2,865,019	3,058,949	3,062,014
Plan fiduciary net position - ending (b)	\$ 3,162,429	\$ 2,905,180	\$ 3,122,066	\$ 2,865,019	\$ 3,058,949
Net pension liability - ending (a)-(b)	\$ 11,627,173	\$ 10,408,078	\$ 10,332,396	\$ 10,248,072	\$ 8,973,784
Plan fiduciary net position as a percentage of the total pension liability	21.38 %	21.82 %	23.20 %	21.85 %	25.42 %
Covered payroll**	\$ 1,228,987	\$ 1,205,324	\$ 1,150,406	\$ 1,119,527	\$ 1,086,608
Employer's net pension liability as a percentage of covered payroll	946.08 %	863.51 %	898.15 %	915.39 %	825.85 %

* Includes pension plan administrative expense

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

Note:

Beginning with fiscal year 2015, the City will accumulate ten years of data.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHICAGO, ILLINOIS

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS - Concluded

Last Five Fiscal Years (dollars are in thousands)

Firemen's:	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$ 102,141	\$ 97,143 *	\$ 93,367 *	\$ 94,115 *	\$ 87,203 *
Interest	408,586	410,821	371,622	342,085	338,986
Benefit changes	-	-	-	227,213	-
Differences between expected and actual experience	(65,213)	(56,418)	26,954	24,110	(7,981)
Assumption changes	190,954	382,611	414,219	(74,373)	176,282
Benefit payments including refunds	(346,337)	(324,662)	(306,098)	(286,759)	(278,017)
Pension plan administrative expense	-	(3,285)	(3,172)	(3,217)	(3,149)
Net change in total pension liability	\$ 290,131	\$ 506,210	\$ 596,892	\$ 323,174	\$ 313,324
Total pension liability - beginning	6,252,360	5,746,150	5,149,258	4,826,084	4,512,760
Total pension liability - ending (a)	\$ 6,542,491	\$ 6,252,360	\$ 5,746,150	\$ 5,149,258	\$ 4,826,084
Plan fiduciary net position					
Contributions-employer	\$ 255,382	\$ 249,684	\$ 228,453	\$ 154,101	\$ 236,104
Contributions-employee	46,623	45,894	47,364	48,960	46,552
Net investment income	161,082	(58,000)	140,570	60,881	7,596
Benefit payments including refunds of employee contribution	(346,337)	(324,662)	(306,098)	(286,759)	(278,017)
Administrative expenses	(3,226)	(3,285)	(3,172)	(3,217)	(3,149)
Other	507	6	22	(53)	7
Net change in plan fiduciary net position	\$ 114,031	\$ (90,363)	\$ 107,139	\$ (26,087)	\$ 9,093
Plan fiduciary net position - beginning	1,035,790	1,126,153	1,019,014	1,045,101	1,036,008
Plan fiduciary net position - ending (b)	\$ 1,149,821	\$ 1,035,790	\$ 1,126,153	\$ 1,019,014	\$ 1,045,101
Net pension liability - ending (a)-(b)	\$ 5,392,670	\$ 5,216,570	\$ 4,619,997	\$ 4,130,244	\$ 3,780,983
Plan fiduciary net position as a percentage of the total pension liability	17.57 %	16.57 %	19.60 %	19.79 %	21.66 %
Covered payroll **	\$ 457,082	\$ 456,969	\$ 469,407	\$ 478,471	\$ 465,232
Employer's net pension liability as a percentage of covered payroll	1,179.80 %	1,141.56 %	984.22 %	863.22 %	812.71 %

* Includes pension plan administrative expense

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

Note:

Beginning with fiscal year 2015, the City will accumulate ten years of data.

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF CHICAGO, ILLINOIS
SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years (dollars are in thousands)

Municipal Employees':

Years Ended December 31,	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency	Covered Payroll *	Contributions as a percentage of Covered Payroll
2010	\$ 483,948	\$ 154,752	\$ 329,196	\$ 1,541,388	10.04 %
2011	611,756	147,009	464,747	1,605,993	9.15 %
2012	690,823	148,859	541,964	1,590,794	9.36 %
2013	820,023	148,197	671,826	1,580,289	9.38 %
2014	839,039	149,747	689,292	1,602,978	9.34 %
2015	677,200	149,225	527,975	1,643,481	9.08 %
2016	961,770	149,718	812,052	1,646,939	9.09 %
2017	1,005,457	261,764	743,693	1,686,533	15.52 %
2018	1,049,916	349,574	700,342	1,734,596	20.15 %
2019	1,117,388	418,269	699,119	1,802,790	23.20 %

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

Laborers':

Years Ended December 31,	Actuarially Determined Contributions *	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency	Covered Payroll **	Contributions as a percentage of Covered Payroll
2010	\$ 46,665	\$ 15,352	\$ 31,313	\$ 199,863	7.68 %
2011	57,259	12,779	44,480	195,238	6.55 %
2012	77,566	11,853	65,713	198,790	5.96 %
2013	106,199	11,583	94,616	200,352	5.78 %
2014	106,019	12,161	93,858	202,673	6.00 %
2015	79,851	12,412	67,439	204,773	6.06 %
2016	117,033	12,603	104,430	208,155	6.05 %
2017	124,226	35,457	88,769	208,442	17.01 %
2018	129,247	47,844	81,403	211,482	22.62 %
2019	148,410	59,346	89,064	211,608	28.05 %

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

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

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF CHICAGO, ILLINOIS
SCHEDULE OF CONTRIBUTIONS - Continued
Last Ten Fiscal Years (dollars are in thousands)

Policemen's:

Years Ended December 31,	Actuarially Determined Contributions *	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency	Covered Payroll **	Contributions as a percentage of Covered Payroll
2010	\$ 363,625	\$ 174,501	\$ 189,124	\$ 1,048,084	16.65 %
2011	402,752	174,035	228,717	1,034,404	16.82 %
2012	431,010	197,885	233,125	1,015,171	19.49 %
2013	474,177	179,521	294,656	1,015,426	17.68 %
2014	491,651	178,158	313,493	1,074,333	16.58 %
2015	785,501	575,928	209,573	1,086,608	53.00 %
2016	785,695	273,840	511,855	1,119,527	24.46 %
2017	910,938	494,580	416,358	1,150,406	42.99 %
2018	924,654	589,635	335,019	1,205,324	48.92 %
2019	933,770	581,968	351,802	1,228,987	47.35 %

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

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

Firemen's:

Years Ended December 31,	Actuarially Determined Contributions *	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency	Covered Payroll **	Contributions as a percentage of Covered Payroll
2010	\$ 218,388	\$ 80,947	\$ 137,441	\$ 400,404	20.22 %
2011	250,056	82,870	167,186	425,385	19.48 %
2012	271,506	81,522	189,984	418,965	19.46 %
2013	294,878	103,669	191,209	416,492	24.89 %
2014	304,265	107,334	196,931	460,190	23.32 %
2015	323,545	236,104	87,441	465,232	50.75 %
2016	333,952	154,101	179,851	478,471	32.21 %
2017	372,845	228,453	144,392	469,407	48.67 %
2018	412,220	249,684	162,536	456,969	54.64 %
2019	442,045	255,382	186,663	457,082	55.87 %

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

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

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF CHICAGO, ILLINOIS
SCHEDULE OF CONTRIBUTIONS - Concluded**

Actuarial Methods and Assumptions:	Municipal Employees'		Laborers'		Policemen's		Firemen's
Actuarial valuation date.....	12/31/2019	(a)	12/31/2019		12/31/2019		12/31/2019
Actuarial cost method.....	Entry age normal		Entry age normal		Entry age normal		Entry age normal
Asset valuation method.....	5-yr. Smoothed Market		5-yr. Smoothed Market		5-yr. Smoothed Market		5-yr. Smoothed Market
Actuarial assumptions:							
Inflation	2.50%		2.25%		2.25%		2.25%
Salary increases	3.50% - 7.75%	(b)	3.00%	(c)	3.50%	(d)	3.50 - 25.00% (e)
Investment rate of return	7.00%	(f)	7.25%	(g)	6.75%		6.75%
Retirement Age	(h)		(i)		(j)		(k)
Mortality	(l)		(m)		(n)		(o)
Other information	(p)		(q)		(q)		(p)

- (a) Actuarially determined contribution amount is determined as of December 31, with appropriate interest to the end of the year.
- (b) (1.50%-6.50% for 2020-2022), varying by years of service.
- (c) Plus a service-based increase in the first 9 years.
- (d) Plus service based increases consistent with bargaining contracts.
- (e) Varying by years of service.
- (f) Net of investment expense
- (g) Net of investment expense, including inflation
- (h) For employees first hired prior to January 1, 2011, rates of retirement are based on the recent experience of the Fund (effective December 31, 2017).
For employees first hired on or after January 1, 2011 and before July 6, 2017, rates of retirement for each age from 62 to 80 were used (effective December 31, 2011).
For employees first hired on or after July 6, 2017, rates of retirement for each age from 60 to 80 were used (effective December 31, 2018).
- (i) Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the December 31, 2017, valuation pursuant to an experience study of the period January 1, 2012, through December 31, 2016.
- (j) Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the December 31, 2019, actuarial valuation pursuant to an experience study of the period January 1, 2014, through December 31, 2018.
- (k) Retirement rates are based on the recent experience of the Fund (effective December 31, 2017).
- (l) Post-retirement mortality rates were based on the RP-2014 Healthy Annuitant Mortality Tables, set forward two years for males and one year for females, and projected generationally using scale MP-2016. Pre-retirement mortality rates were based on 120% of the RP-2014 Employee Mortality Tables projected generationally using scale MP-2016.
- (m) Post Retirement Mortality: Scaling factors of 117% for males, and 102% for females of the RP-2014 Blue Collar Healthy Annuitant mortality table, sex distinct, with generational mortality improvement using MP-2017 2-dimensional mortality improvement scales. No adjustment is made for post-disabled mortality.
Pre Retirement Mortality: Scaling factors of 109% for males, and 103% for females of the RP-2014 Blue Collar Employee mortality table, sex distinct, with generational mortality improvement using MP-2017 2-dimensional mortality improvement scales.
- (n) Post-Retirement Healthy mortality rates: Sex distinct Pub-2010 Amount-weighted Safety Healthy Retiree Mortality Tables weighted 119% for males and 102% for females, set forward one year for males. Pre-Retirement mortality rates: Sex distinct Pub-2010 Amount-weighted Safety Employee Mortality Tables weighted 100% for males and 100% for females. Disabled Mortality: Sex distinct Pub-2010 Amount-weighted Safety Healthy Retiree Mortality Tables weighted 129% for males and 112% for females, set forward one year for males. Future mortality improvements are reflected by projecting the base mortality tables forward using the MP-2018 projection scale.
- (o) Post-retirement mortality rates were based on the RP-2014 Blue Collar Healthy Annuitant Mortality Tables, scaled by 106% for males and 98% for females, and projected generationally using scale MP-2017. Disabled mortality rates were based on the RP-2014 Blue Collar Healthy Annuitant Mortality Tables, scaled by 107% for males and 99% for females, and projected generationally using scale MP-2017. Pre-retirement mortality rates were based on the RP-2014 Blue Collar Employee Mortality, scaled by 92% for males and 100% for females, projected generationally using scale MP-2017.
- (p) Other assumptions: Same as those used in the December 31, 2019, actuarial funding valuation.
- (q) The actuarial valuation is based on the statutes in effect as of December 31, 2019.

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF CHICAGO, ILLINOIS
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
Last Two Years (dollars are in thousands)

CBA Benefits	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 3,398	\$ 3,954
Interest	14,760	15,049
Benefit changes	(10) *	-
Differences between expected and actual experience	19,330	(35,640)
Assumption changes	253,605	(9,990)
Benefit payments including refunds	(51,717)	(49,972)
OPEB plan administrative expense	-	-
Net change in total OPEB liability	<u>\$ 239,366</u>	<u>\$ (76,599)</u>
Total OPEB liability - beginning	<u>385,858</u>	<u>462,457</u>
Total OPEB liability - ending (a)	<u>\$ 625,224</u>	<u>\$ 385,858</u>
Plan fiduciary net position		
Contributions-employer	\$ 51,717	\$ 49,972
Contributions-employee	-	-
Net investment income	-	-
Benefit payments including refunds of member contribution	(51,717)	(49,972)
Administrative expenses	-	-
Other	-	-
Net change in plan fiduciary net position	<u>\$ -</u>	<u>\$ -</u>
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 625,224</u>	<u>\$ 385,858</u>
Covered employee payroll**	\$ 1,631,705	\$ 182,222
Total OPEB liability as a percentage of covered employee payroll	38.32 %	211.75 %

*Cadillac tax & Subsidy

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

Note:

Beginning with fiscal year 2018, the City will accumulate ten years of data.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHICAGO, ILLINOIS

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS - Concluded

Last Two Years (dollars are in thousands)

Non-CBA Benefits	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 14,904	\$ 10,673
Interest	11,869	9,411
Benefit changes	(106,959) *	-
Differences between expected and actual experience	24,481	(7,490)
Assumption changes	(20,946)	22,922
Benefit payments including refunds	(18,560)	(20,606)
OPEB plan administrative expense	-	-
Net change in total OPEB liability	<u>\$ (95,211)</u>	<u>\$ 14,910</u>
Total OPEB liability - beginning	<u>298,774</u>	<u>283,864</u>
Total OPEB liability - ending (a)	<u>\$ 203,563</u>	<u>\$ 298,774</u>
Plan fiduciary net position		
Contributions-employer	\$ 18,560	\$ 20,606
Contributions-employee	-	-
Net investment income	-	-
Benefit payments including refunds of member contribution	(18,560)	(20,606)
Administrative expenses	-	-
Other	-	-
Net change in plan fiduciary net position	<u>\$ -</u>	<u>\$ -</u>
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 203,563</u>	<u>\$ 298,774</u>
Covered employee payroll**	\$ 1,153,439	\$ 2,580,360
Total OPEB liability as a percentage of covered employee payroll	17.65 %	11.58 %

*Cadillac tax & Subsidy

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

Note:

Beginning with fiscal year 2018, the City will accumulate ten years of data.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Lori Lightfoot,
Mayor, and Members of the City Council
City of Chicago, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chicago, Illinois (the "City"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 30, 2020. Our report includes a reference to other auditors who audited the financial statements of the City's Pension Plans, as described in our report on the City's financial statements. The financial statements of the City's Pension Plans were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the City's Pension Plans.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected

and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloitte & Touche LLP

June 30, 2020

CITY OF CHICAGO

Chicago, Illinois

REPORT ON FEDERAL AWARDS

For the Year Ended December 31, 2019

CITY OF CHICAGO

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INDEPENDENT AUDITORS' REPORT
ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Honorable Lori E. Lightfoot, Mayor,
and the Members of the City Council
City of Chicago
Chicago, Illinois

Report on Schedule of Expenditures of Federal Awards

We have audited the accompanying schedule of expenditures of federal awards of the City of Chicago, Illinois for the year ended December 31, 2019, and the related notes (the "financial statement").

Management's Responsibility

Management is responsible for the preparation and fair presentation of this financial statement 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 a financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the expenditures of federal awards of the City of Chicago, Illinois for the year ended December 31, 2019 in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

Chicago, Illinois
July 31, 2020

CITY OF CHICAGO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Agency / Program / Grant Title or Cluster Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2019 Federal Expenditures	2019 Non-Federal Expenditures	2019 Sub recipient Expenditures
I. Department of Agriculture					
A. Food and Nutrition Service					
Child Nutrition Cluster					
Summer Food Service Program for Children (passed through Illinois Department of Public Health)					
Summer Food Program 2014	10.559	55280004C	\$ 42,392	\$ -	\$ -
Summer Food Program 2017	10.559	85280111F	8,066	-	-
Summer Food Program 2019	10.559	IL058N1099	55,468	-	-
			<u>105,926</u>	-	-
Total Child Nutrition Cluster			<u>105,926</u>	-	-
WIC Special Supplemental Nutrition Program for Women, Infants, and Children (passed through Illinois Department of Human Services)					
Women, Infants and Children Program 2017	10.557	FCSWQ00825	964	-	-
Women, Infants and Children Program 2018	10.557	FCSXQ00825	2,254,100	-	706,061
Women, Infants and Children Program 2019	10.557	FCSYQ00825	2,095,110	-	505,826
			<u>4,350,174</u>	-	<u>1,211,887</u>
Women Infant and Children Voucher Program (Nutritional Commodities) 2018/2019 - Direct Assistance	10.557	FCSXQ00825	1,810,870	-	-
Women Infant and Children Voucher Program (Nutritional Commodities) 2019/2020 - Direct Assistance	10.557	FCSYQ00825	1,771,753	-	-
			<u>3,582,623</u>	-	-
Total WIC Special Supplemental Nutrition Program for Women, Infants, and Children			<u>7,932,797</u>	-	<u>1,211,887</u>
Total Food and Nutrition Service			<u>8,038,723</u>	-	<u>1,211,887</u>
B. Natural Resources Conservation Service					
Environmental Quality Incentives Program Conservation Innovation Grant Program	10.912	69-3A75-17-55	256,546	-	78,559
			<u>256,546</u>	-	<u>78,559</u>
Total Natural Resources Conservation Service			<u>256,546</u>	-	<u>78,559</u>
Total Department of Agriculture			<u>8,295,269</u>	-	<u>1,290,446</u>
II. Department of Housing and Urban Development					
A. Assistant Secretary for Community Planning and Development					
CDBG - Entitlement Grants Cluster					
Community Development Block Grants/Entitlement Grants					
Community Development Block Grant YR42	14.218	B16MC170006	64,941	-	-
Community Development Block Grant YR43	14.218	B17MC170006	1,932,036	-	(958)
Community Development Block Grant YR44	14.218	B18MC170006	6,635,216	-	(149,573)
Community Development Block Grant YR45	14.218	B19MC170006	67,087,512	-	30,495,259
Neighborhood Stabilization Program (NSP1) HERA 2009	14.218	B08MN170002	23,397	-	(12,062)
			<u>75,743,102</u>	-	<u>30,332,666</u>
Total CDBG - Entitlement Grants Cluster			<u>75,743,102</u>	-	<u>30,332,666</u>
Emergency Solutions Grant Program					
Emergency Solutions Grant 2017	14.231	E-17-MC-17-0006	439,018	439,018	404,846
Emergency Solutions Grant 2018	14.231	E-18-MC-17-0006	272,422	272,422	54,659
Emergency Solutions Grant 2019	14.231	E19-MC-17-0006	6,217,507	6,217,507	5,856,183
			<u>6,928,947</u>	<u>6,928,947</u>	<u>6,315,688</u>
HOME Investment Partnerships Program					
HOME 2014	14.239	M14MC170201	260,727	-	-
HOME 2015	14.239	M15MC170201	(157,271)	-	-
HOME 2016	14.239	M16MC170201	8,173,530	-	-
HOME 2017	14.239	M17MC170201	6,279,101	-	258,334
HOME 2018	14.239	M18MC170201	3,491,749	-	-
HOME 2019	14.239	M19MC170201	2,216,855	-	-
			<u>20,264,691</u>	-	<u>258,334</u>
Housing Opportunities for Persons with AIDS					
HOPWA 2017/2019	14.241	ILH17F001	144	-	-
HOPWA 2018/2020	14.241	ILH18F001	10,404	-	8,534
HOPWA 2019/2021	14.241	ILH19F001	8,308,216	-	7,903,647
HOPWA Housing & Healthy Study 2019/2021	14.241	ILH180010	485,093	-	480,166
			<u>8,803,857</u>	-	<u>8,392,347</u>
Community Development Block Grants Section 108 Loan Guarantees Green Exchange Chicago	14.248	B10MV170006	623,349	-	-
			<u>623,349</u>	-	-

See accompanying notes to schedule of expenditures of federal awards.

CITY OF CHICAGO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Agency / Program / Grant Title or Cluster Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2019 Federal Expenditures	2019 Non-Federal Expenditures	2019 Sub recipient Expenditures
ARRA - Neighborhood Stabilization Program (Recovery Act Funded) ARRA Neighborhood Stabilization Program (NSP II) 2010	14.256	B09LNIL0025	\$ (63,605) (63,605)	\$ - -	\$ (114,510) (114,510)
Neighborhood Stabilization Program Neighborhood Stabilization Program (NSP III) 2011	14.264	B11MN170002	(52,743) (52,743)	- -	(63,671) (63,671)
CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)					
CDBG - Disaster Recovery Program for Hurricane Sandy & Other Disasters 2013	14.269	B13MS170001	100,279	-	-
CDBG - Disaster Recovery Program for Hurricane Sandy & Other Disasters 2013	14.269	B13MS170001	1,415,650	-	-
CDBG - Disaster Recovery Program for Hurricane Sandy & Other Disasters 2013	14.269	B13MS170001	314,745	-	-
			1,830,674	-	-
Total CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster			1,830,674	-	-
Total Assistant Secretary for Community Planning and Development			114,078,272	6,928,947	45,120,854
B. Assistant Secretary for Public and Indian Housing Housing Voucher Cluster Section 8 Housing Choice Vouchers (passed through Chicago Housing Authority) Chicago Housing Authority 2017/2018	14.871	11907	(3,896) (3,896)	- -	(3,896) (3,896)
Total Housing Voucher Cluster			(3,896)	-	(3,896)
Moving to Work Demonstration Program Chicago Housing Authority Home Modification Program Chicago Housing Authority 2019/2020	14.881 14.881	12297 12303	25,865 1,273,919 1,299,784	- -	25,865 712,322 738,187
Total Office of Public and Indian Housing			1,295,888	-	734,291
C. Office of Lead Hazard Control and Healthy Homes Lead Hazard Reduction Demonstration Grant Program Lead Hazard Reduction Demonstration Grant Program 2019	14.905	ILLHB06710-18	21,167 21,167	- -	- -
Total Office of Lead Hazard Control and Healthy Homes			21,167	-	-
Total Department of Housing and Urban Development			115,395,327	6,928,947	45,855,145
III. Department of The Interior A. National Park Service Historic Preservation Fund Grants-In-Aid African American Civil Rights (AACR) Preservation Grants	15.904	P18AF00073	13,125 13,125	- -	- -
Total Department of The Interior			13,125	-	-
IV. Department of Justice A. Office of Justice Programs Crime Victim Assistance (passed through Illinois Criminal Justice Information Authority) Services to Victims of Domestic Violence Help Line 2018/2019 Services to Victims of Domestic Violence Help Line 2019/2020	16.575 16.575	216215 217115	347,981 86,079 434,060	- -	- -
Project Safe Neighborhoods Project Safe Neighborhoods - PSN FY 2017	16.609	2017-GP-BX-0001	81,053 81,053	- -	- -
Edward Byrne Memorial Justice Assistance Grant Program Edward Byrne Memorial Justice Assistance 2016 Edward Byrne Memorial Justice Assistance 2017 Edward Byrne Memorial Justice Assistance 2018 Body-Worn Camera Pilot Implementation Program	16.738 16.738 16.738 16.738	2016-DJ-BX-0106 2017-DJ-BX-0023 2018-DJ-BX-0598 2015-DE-BX-K017	739,761 87,588 7,700 (13,712) 821,337	- - - -	607,504 28,764 - - 636,268
Edward Byrne Memorial Competitive Grant Program Smart Policing Initiative 2015	16.751	2015-WY-BX-0001	94,047 94,047	- -	- -

See accompanying notes to schedule of expenditures of federal awards.

CITY OF CHICAGO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Agency / Program / Grant Title or Cluster Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2019 Federal Expenditures	2019 Non-Federal Expenditures	2019 Sub recipient Expenditures
Innovations in Community-Based Crime Reduction Byrne Criminal Justice Innovation Program 2017	16.817	2017-AJ-BX-0005	\$ 23,706	\$ -	\$ -
			23,706	-	-
Body Worn Camera Policy and Implementation Body Worn Camera Policy and Implementation	16.835	2017-BC-BX-0030	527,946	522,557	-
			527,946	522,557	-
Total Office of Justice Programs			1,982,149	522,557	636,268
B. Office on Violence Against Women Office (OVW)					
Violence Against Women Formula Grants (passed through Illinois Criminal Justice Information Authority)					
Domestic Violence Multi-Disciplinary 2018	16.588	615130	141	52	-
Domestic Violence Multi-Disciplinary 2019	16.588	616070	80,037	24,087	-
Sexual Assault Multi-Discipline 2019	16.588	616060	51,209	17,071	-
			131,387	41,210	-
Total Office on Violence Against Women Office (OVW)			131,387	41,210	-
C. Office of Community Oriented Policing Services					
Public Safety Partnership and Community Policing Grants COPS Hiring Program 2017	16.710	2017-UL-WX-0006	550,894	3,027,302	-
			550,894	3,027,302	-
Total Office of Community Oriented Policing Services			550,894	3,027,302	-
D. Criminal Division					
Equitable Sharing Program Asset Forfeiture Program	16.922	N/A	3,028,681	-	-
			3,028,681	-	-
Total Criminal Division			3,028,681	-	-
Total Department of Justice			5,693,111	3,591,069	636,268
V. Department of Labor					
A. Employment Training Administration					
Senior Community Service Employment Program (passed through Illinois Department on Aging/ National Council for Senior Citizens)					
Senior Community Service Employment Program 2018/2019	17.235	V-19-12	249,415	-	87,360
Senior Community Service Employment Program 2019/2020	17.235	V9-20-12	181,461	-	38,494
			430,876	-	125,854
Total Employment Training Administration			430,876	-	125,854
Total Department of Labor			430,876	-	125,854
VI. Department of Transportation					
A. Federal Aviation Administration					
Airport Improvement Program					
Federal Airport Midway Field Development	20.106	N/A	35,488	-	-
Federal Airport O'Hare Field Development (passed through Illinois Department of Transportation)	20.106	N/A	67,349,348	-	-
Federal Airport O'Hare	20.106	N/A	41,318	-	-
			67,426,154	-	-
Total Federal Aviation Administration			67,426,154	-	-
B. Federal Highway Administration					
Highway Planning and Construction Cluster					
Highway Planning and Construction (passed through Illinois Department of Transportation)					
South Water Viaduct from Stetson to Beaubien	20.205	Various	(1,377)	(344)	-
Canal Street Viaduct: Madison to Taylor - Phase I	20.205	Various	(12,545)	(3,136)	-
Grand Avenue Improvements: Chicago to Damen	20.205	Various	354,177	88,544	-
Intersection Improvements at Kedzie Avenue and Belmont Avenue, Clark Street at LaSalle I	20.205	Various	(266)	(66)	-
Bicycle Parking Program (Phase I & II)-Bike Racks Installation on Public Property	20.205	Various	59,125	14,781	-
Bike Sharing Program	20.205	Various	(3,795)	(949)	-
Lakefront Bicycle Trail-Navy Pier Flyover	20.205	Various	236,598	59,150	-
Arterial Street Resurfacing Project 62 far South Area	20.205	Various	(16,446)	(4,112)	-
Lake Street (Ashland Avenue - Kennedy Expressway)	20.205	Various	127,490	31,873	-
US 41 Mainline Relocation - Harbor Ave to 79th Street	20.205	Various	(5,087)	(9,045)	-

See accompanying notes to schedule of expenditures of federal awards.

CITY OF CHICAGO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Agency / Program / Grant Title or Cluster Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2019 Federal Expenditures	2019 Non-Federal Expenditures	2019 Sub recipient Expenditures
Highway Planning and Construction (cont.)					
Milwaukee Avenue: Montrose to Kilpartick	20.205	Various	\$ (524,562)	\$ -	\$ -
West Loop Terminal Plan Phase II	20.205	Various	316,417	-	-
130th Street/Torrence Avenue/Brainard Avenue	20.205	Various	575,684	553,108	-
STP Group 1 - C Construction	20.205	Various	(25,030)	-	-
Vaulted Sidewalk ADA Ramps Program State Street Corridor Haddock Place to Jackson	20.205	Various	8,785	2,196	-
Oakwood Boulevard Viaduct at the Illinois Central Railroad Tracks	20.205	Various	10,700	2,675	-
Ashland Avenue Viaduct over Pershing Road	20.205	Various	(2,192)	(548)	-
Stony Island Avenue Interconnect Midway Plaisance to 95th Street	20.205	Various	47,978	11,994	-
Broadway-Sheridan Road, Devon to Hollywood Signal Interconnect System (Design)	20.205	Various	33,442	8,360	-
Torrence Avenue over Calumet River	20.205	Various	139,682	34,920	-
Western Avenue Viaduct Over Belmont Avenue Phase II	20.205	Various	(8,458)	(2,114)	-
Harrison Street Viaduct West of the Chicago River	20.205	Various	8,515	2,129	-
Cortland Street Bridge Over North Branch of Chicago River	20.205	Various	30,290	7,573	-
Webster Street Bridge Over North Branch Of Chicago River	20.205	Various	123,620	30,905	-
Irving Park Bridge Over the Chicago River	20.205	Various	36,772	9,193	-
LaSalle Street Bridge Over Main Branch of Chicago River	20.205	Various	11,370	2,843	-
Van Buren Street Bridge Over Main Branch of Chicago River	20.205	Various	14,329	3,582	-
Grand Avenue Bridge Over Main Branch of Chicago River	20.205	Various	85,020	21,255	-
Foster Avenue: from Albany to Kimball Avenue	20.205	Various	(29,888)	(7,472)	-
Bloomingdale Trail #1 - Phase III	20.205	Various	285,518	-	-
Advanced Traffic Controller Signal, Controller Upgrade & Timing Program	20.205	Various	305,762	-	-
Street for Cycling Project #1	20.205	Various	367,320	-	-
Safe Routes to School: Safe Routes to High School	20.205	Various	1,643	-	-
Grand Avenue Improvements - Sec V - Pulaski road to Chicago Avenue	20.205	Various	98,730	24,683	-
Milwaukee Avenue - Belmont to Logan	20.205	Various	349,389	-	-
Lake Front Bicycle Trail #3 Over the Chicago River	20.205	Various	51,137	12,784	-
Bridge & Viaduct Painting - Contract #5	20.205	Various	134,727	-	-
Bridge & Viaduct Painting - Contract #6	20.205	Various	(59,092)	-	-
Arterial Street Resurfacing Project 73 - South Area	20.205	Various	(12,219)	(3,055)	-
Arterial Street Resurfacing Project 74 - Far South Area	20.205	Various	(926,815)	(231,704)	-
ADA Ramps Improvement Project 57 & 61 South Area	20.205	Various	(98)	(98)	-
Western Avenue Over Belmont Viaduct Removal Corridor Improvements	20.205	Various	(24,160)	(6,040)	-
Streets for Cycling Phase IV - 3B Construction	20.205	Various	194,885	-	-
Street for Cycling Phase V-1	20.205	Various	554,547	-	-
Lake Front Bicycle Trail #2 (Navy Pier Flyover)	20.205	Various	7,012,208	-	-
Commuter Bicycle Parking & Promotion	20.205	Various	247,565	-	-
Milwaukee Avenue - Belmont Avenue to Addison Street	20.205	Various	(409,267)	(102,317)	-
Chicago Riverwalk From Lake Street to Franklin Street	20.205	Various	43,200	-	-
Lake Shore Drive Viaduct Over Wilson Avenue Rehabilitation	20.205	Various	27,597	-	-
Lake Shore Drive Over Lawrence Avenue Rehabilitation	20.205	Various	(202,788)	-	-
North Branch Riverwalk Underbridge Connection at Addison Street	20.205	Various	249,472	-	-
Oakwood Blvd. Viaduct Over Metra/ICRR	20.205	Various	250,000	-	-
Create Program & RR Support Service	20.205	Various	135,292	-	-
Chicago Oak Park Traffic Safety and Mobility Improvement Study	20.205	Various	104,388	-	-
Milwaukee Avenue - Belmont to Addison Street	20.205	Various	716,332	-	-
Arterial Street Resurfacing Project 76 - North Area	20.205	Various	(1,406,430)	-	-
Arterial Street Resurfacing Project 76 - Central Area	20.205	Various	428,350	-	-
Arterial Street Resurfacing Project 77 - South Area	20.205	Various	(3,670)	-	-
Arterial Street Resurfacing Project 77 - Far South Area	20.205	Various	262,190	-	-
South Water Viaduct from Stetson Avenue to Beaubien	20.205	Various	29,773	-	-
Lake Front Bicycle Trail #2 (Navy Pier Flyover)	20.205	Various	109,027	-	-
41st Street Pedestrian Bridge Over Lake Shore Drive (STP)	20.205	Various	2,001,187	-	-
Oakwood Blvd. Viaduct Over Metra/ICRR - STP	20.205	Various	6,326,503	-	-
Bridge Inspection Services	20.205	Various	1,822,319	-	-
Canal Street from Adams Street to Jackson Blvd.	20.205	Various	325,180	-	-
Lakefront Bicycle Trail #3 (Navy Pier Flyover) Over the Chicago River (STP)	20.205	Various	631,167	-	-
North Branch Riverwalk Underbridge Connection at Addison Street	20.205	Various	1,165,268	-	-
North Branch Riverwalk Underbridge Connection at Addison Street	20.205	Various	5,588,136	-	-
Create Program & RR Support Service	20.205	Various	103,083	-	-
Transportation Planning	20.205	Various	43,490	-	-
Stony Island Avenue Interconnect - Midway Plaisance to 95th Street	20.205	Various	26,012	6,503	-
Arterial Street Resurfacing Project #52 Central Area	20.205	Various	8,164	2,041	-
Structural Inspection of Bridge at Various Locations Citywide	20.205	Various	(254,994)	(63,749)	-
Pershing Road Improvement Ashland Avenue to Dan Ryan Expressway	20.205	Various	75,016	18,754	-
Roosevelt Road, Western to LSD Traffic Control Interconnect	20.205	Various	115,625	28,906	-
Safe Routes to School and High School	20.205	Various	11,502	2,876	-
Chicago Streets for Cycling Project #1 PE - Phase I & II	20.205	Various	(11,502)	(2,876)	-
Lincoln Village Pedestrian and Bicycle Bridge	20.205	Various	99	25	-
Damen Avenue/Elston Avenue/Fullerton Avenue	20.205	Various	581,269	145,317	-
Montrose Harbor Bridges and Underpass Improvement	20.205	Various	499	125	-
Fullerton Ave. Streetscape - Ashland to Racine	20.205	Various	85,534	21,384	-
Pedestrian Bridge Over Metra 43rd Street	20.205	Various	29,670	7,418	-
Streets for Cycling IV #1	20.205	Various	3,137	784	-
Streets for Cycling IV #3	20.205	Various	15,235	3,809	-
Chicago Area Alternative Fuels	20.205	Various	78,222	52,149	-
Adams Street Viaduct Over Union Station & Adams Bascule Rehab	20.205	Various	299,440	413,513	-
Intelligent Transportation System Centralized Traffic Management Center	20.205	Various	2,459,036	614,759	-
Archer Avenue at Kenton Avenue - CREATE GS09	20.205	Various	53,755	13,438	-
Columbus Avenue at Maplewood - CREATE GS11	20.205	Various	65,318	152,407	-
Columbia Drive Bridge Over Jackson Park Lagoon	20.205	Various	22,122	-	-
Transportation Planning and Programming	20.205	Various	249,210	62,302	-
Stony Island Avenue Interconnect - Midway Plaisance to 95th Street	20.205	Various	174,731	-	-
Enhanced Travel Information and Arterial Monitoring Systems - Midway Airport Area	20.205	Various	769	-	-

See accompanying notes to schedule of expenditures of federal awards.

CITY OF CHICAGO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Agency / Program / Grant Title or Cluster Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2019 Federal Expenditures	2019 Non-Federal Expenditures	2019 Sub recipient Expenditures
Highway Planning and Construction (cont.)					
Chicago Streets for Cycling PH IV - Project 1A	20.205	Various	\$ 558,762	\$ -	\$ -
Chicago Streets for Cycling Phase IV - Project 3A	20.205	Various	745,505	-	-
Lakefront Bicycle Trail #3 (Navy Pier Flyover) Over The Chicago River (CMAQ)	20.205	Various	643,261	-	-
Walk to Transit: Series I & II	20.205	Various	1,031,689	-	-
Irving Park Road Bridge Over the North Branch of the Chicago River	20.205	Various	2,599,685	-	-
Blue Island Streetscape Improvement Project, West 19th Street - West 21st Street	20.205	Various	582,800	-	-
Lincoln Village Pedestrian and Bicycle Bridge Over North Shore Channel at Hood Avenue	20.205	Various	647,996	-	-
Blue Island Streetscape Improvement Project, West 19th Street - West 21st Street	20.205	Various	1,214,394	-	-
Randolph Corridor Improvement Study	20.205	Various	63,422	-	-
ADA Ramps Improvement Project 55 & 59 North Area	20.205	Various	2,112,352	-	-
IDOT Transportation Funds - Arterial Street Resurfacing # 79	20.205	Various	1,180,874	-	-
IDOT Transportation Funds - Arterial Street Resurfacing # 80	20.205	Various	2,991,902	-	-
IDOT Transportation Funds - Arterial Street Resurfacing # 81	20.205	Various	1,476,445	-	-
IDOT Transportation Funds - Arterial Street Resurfacing # 82	20.205	Various	1,453,923	-	-
Arterial Street Resurfacing Project 83 - North Area	20.205	Various	1,996,866	-	-
Arterial Street Resurfacing Project 84 - Central Area	20.205	Various	1,699,749	-	-
Arterial Street Resurfacing Project 85 - South Area	20.205	Various	1,814,144	-	-
Arterial Street Resurfacing Project 86 - far South Area	20.205	Various	1,360,704	-	-
Irving Park Road Bridge Over the North Branch of the Chicago River	20.205	Various	1,310,389	-	-
Lincoln Village Pedestrian and Bike Bridge over North Shore Channel at Hood Avenue	20.205	Various	1,721,619	-	-
Blue Island Streetscape Improvement Project, West 19th Street - West 21st Street	20.205	Various	428,867	-	-
Transportation Planning and Programming	20.205	Various	241,239	-	-
Transportation Planning and Programming	20.205	Various	461,798	-	-
			60,847,448	2,031,433	-
Total Highway Planning and Construction Cluster			60,847,448	2,031,433	-
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program (passed through Illinois Department of Transportation) O'Hare Modernization Program	20.223	TIFIA-2013-1006A	20,606,419	-	-
			20,606,419	-	-
Total Federal Highway Administration			81,453,867	2,031,433	-
C. Federal Railroad Administration Railroad Development (passed through Illinois Department of Transportation) 95th / Eggleston - Create GS21A	20.314	VARIOUS	158,351	-	-
			158,351	-	-
Total Federal Railroad Administration			158,351	-	-
D. Federal Transit Administration Federal Transit Cluster Federal Transit -- Capital Investment Grants Union Station Transportation and Central Loop BRT	20.500	Various	196,479	49,120	-
			196,479	49,120	-
Federal Transit - Formula Grants Washington Wabash Loop Elevated CTA Station	20.507	IL-95-X010	2,827,910	-	-
Washington Wabash Loop Elevated CTA Station	20.507	IL-95-X027-01	(1,020,748)	(88,761)	-
Union Station Transportation Center	20.507	IL-95-X013-03	2,961	740	-
Western Avenue TSP (Howard to 79th Street)	20.507	IL-95-X030	34,617	-	-
Milwaukee: Inlay to Jefferson Park CTA Station (RTA)	20.507	IL-95-X030	39,885	-	-
			1,884,625	(88,021)	-
Total Federal Transit Cluster			2,081,104	(38,901)	-
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research Corridor Study Technical Assistance 2018	20.505	CPP-2018-01	134,272	-	-
			134,272	-	-
Transit Services Programs Cluster New Freedom Program Accessible Pedestrian Signals (APS) in the Central Loop - TIF Funded - Ward 42	20.521	IL-16-X013-00	155,257	-	-
Accessible Pedestrian Signals (APS) in the Central Loop	20.521	IL-57-X025-XX	50,028	-	-
			205,285	-	-
Total Transit Services Programs Cluster			205,285	-	-
Total Federal Transit Administration			2,420,661	(38,901)	-

See accompanying notes to schedule of expenditures of federal awards.

CITY OF CHICAGO

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Agency / Program / Grant Title or Cluster Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2019 Federal Expenditures	2019 Non-Federal Expenditures	2019 Sub recipient Expenditures
E. National Highway Traffic Safety Administration					
Highway Safety Cluster					
State and Community Highway Safety					
(passed through Illinois Department of Transportation)					
Injury Prevention Distracted Driving 2018	20.600	OP-19-0135	\$ 111,994	\$ -	\$ -
IDOT Sustained Traffic Enforcement Program 2018	20.600	OP-19-0132	242,266	-	-
IDOT Sustained Traffic Enforcement Program 2019	20.600	OP-20-0270	94,376	-	-
			<u>448,636</u>	-	-
National Priority Safety Programs					
(passed through Illinois Department of Transportation)					
Injury Prevention 2018	20.616	PB-19-0134	116,411	-	-
Local Alcohol Program 2018	20.616	AP-19-0133	277,576	-	-
Local Alcohol Program 2019	20.616	AP-20-0269	62,435	-	-
Injury Prevention (Pedestrian and Bicycle Safety Initiative)	20.616	PB-20-0249, 12-02	48,842	-	-
Injury Prevention (Pedestrian and Bicycle Safety Initiative)	20.616	PB-18-10137	402,581	-	-
			<u>907,845</u>	-	-
Total Highway Safety Cluster			<u>1,356,481</u>	-	-
Total National Highway Traffic Safety Administration			<u>1,356,481</u>	-	-
F. Office of the Pipeline and Hazardous Materials Safety Administration					
Interagency Hazardous Materials Public Sector Training and Planning Grants					
Hazardous Material Emergency Preparedness Planning 2016	20.703	HM-HMP-16-001	79,944	-	-
			<u>79,944</u>	-	-
Technical Assistance Grants					
Technical Assistance Grant (TAG)	20.710	693JK31840011PTAG	97,200	-	-
			<u>97,200</u>	-	-
Total Office of the Pipeline and Hazardous Materials Safety Administration			<u>177,144</u>	-	-
G. Office of the Secretary (OST) Administration Secretariate					
National Infrastructure Investments					
(passed through Illinois Department of Transportation)					
41st Street Pedestrian Bridge Over Lake Shore Drive (TIGER)	20.933	C-88-001-16	194,819	-	-
			<u>194,819</u>	-	-
Total Office of the Secretary (OST) Administration Secretariate			<u>194,819</u>	-	-
Total Department of Transportation			<u>153,187,477</u>	<u>1,992,532</u>	-
VII. Department of Treasury					
Equitable Sharing					
Treasury Forfeiture Fund	21.016	N/A	380,901	-	-
			<u>380,901</u>	-	-
Total Department of Treasury			<u>380,901</u>	-	-
VIII. Federal Mediation and Conciliation Service					
Labor Management Cooperation					
Labor Management Cooperation	34.002	17-IL/A-003	22,773	-	-
			<u>22,773</u>	-	-
Total Federal Mediation and Conciliation Service			<u>22,773</u>	-	-
IX. National Endowment for the Arts					
Promotion of the Arts Grants to Organizations and Individuals					
NEA - Art Works 2017	45.024	17-6200-7047	35,000	-	35,000
NEA - Our Town Maxwell Street 2018	45.024	18095294218	48,485	-	-
(passed through Mid-Atlantic Arts Foundation)					
Mid-Atlantic Arts Foundation - World Music Festival 2019	45.024	185183856C18	5,600	-	5,600
			<u>89,085</u>	-	<u>40,600</u>
Promotion of the Arts Partnership Agreements					
(passed through Illinois Arts Council)					
IAC - Community Arts Access Program 2019	45.025	18098916118	140,200	-	-
			<u>140,200</u>	-	-
Total National Endowment for the Arts			<u>229,285</u>	-	<u>40,600</u>

See accompanying notes to schedule of expenditures of federal awards.

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Agency / Program / Grant Title or Cluster Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2019 Federal Expenditures	2019 Non-Federal Expenditures	2019 Sub recipient Expenditures
X. Institute of Museum and Library Services					
Grants to States					
(passed through Office of Secretary of State, Illinois State Library)					
Project Next Generation 2018/2019	45.310	19SL538073	\$ 25,001	\$ -	\$ -
Project Next Generation 2019/2020	45.310	20SL488022	1,200	-	-
			<u>26,201</u>	<u>-</u>	<u>-</u>
Total Institute of Museum and Library Services			<u>26,201</u>	<u>-</u>	<u>-</u>
XI. Environmental Protection Agency					
A. Office of Water					
Clean Water State Revolving Fund Cluster					
Capitalization Grants for Clean Water State Revolving Funds (passed through Illinois Environmental Protection Agency)					
Water Pollution Control 2017	66.458	L175396	8,023,902	-	-
			<u>8,023,902</u>	<u>-</u>	<u>-</u>
Total Clean Water State Revolving Fund Cluster			<u>8,023,902</u>	<u>-</u>	<u>-</u>
Drinking Water State Revolving Fund Cluster					
Capitalization Grants for Drinking Water State Revolving Funds (passed through Illinois Environmental Protection Agency)					
Public Water Supply Loan Program 2015	66.468	L175332	13,060,961	-	-
			<u>13,060,961</u>	<u>-</u>	<u>-</u>
Total Drinking Water State Revolving Fund Cluster			<u>13,060,961</u>	<u>-</u>	<u>-</u>
Total Office of Water			<u>21,084,863</u>	<u>-</u>	<u>-</u>
B. Office of Solid Waste and Emergency Response					
Superfund State, Political Subdivision and Indian Tribe Site-Specific Cooperative Agreements					
Streeterville Thorium Moratorium	66.802	00E01070	603,032	-	-
Anadarko Streeterville Removal	66.802	00E02452	132,879	-	-
			<u>735,911</u>	<u>-</u>	<u>-</u>
Brownfields Assessment and Cleanup Cooperative Agreements					
Brownfields Assessment Program FY 2016/2019	66.818	BF00E02063	157,725	-	-
			<u>157,725</u>	<u>-</u>	<u>-</u>
Total Office of Solid Waste and Emergency Response			<u>893,636</u>	<u>-</u>	<u>-</u>
C. Office of the Administrator					
Performance Partnership Grants (passed through Illinois Environmental Protection Agency)					
Air Pollution Control Program 2018	66.605	FA-19202	242,821	-	-
			<u>242,821</u>	<u>-</u>	<u>-</u>
Total Office of the Administrator			<u>242,821</u>	<u>-</u>	<u>-</u>
Total Environmental Protection Agency			<u>22,221,320</u>	<u>-</u>	<u>-</u>
XII. Department of Education					
Performance Partnership Pilots for Disconnected Youth Performance Partnership Pilots P3	84.420	V420A150018	(11,103)	-	(11,103)
			<u>(11,103)</u>	<u>-</u>	<u>(11,103)</u>
Total Department of Education			<u>(11,103)</u>	<u>-</u>	<u>(11,103)</u>
XIII. Department of Health and Human Services					
A. Administration for Community Living					
Aging Cluster					
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers (passed through Illinois Department on Aging)					
Area Plan on Aging 2017/2018	93.044	T31812	(14)	-	(13)
Area Plan on Aging 2018/2019	93.044	T31912	2,006,487	-	540,320
Area Plan on Aging 2019/2020	93.044	T32012	584,460	-	72,320
			<u>2,590,933</u>	<u>-</u>	<u>612,627</u>
Special Programs for the Aging - Title III, Part C - Nutrition Services (passed through Illinois Department on Aging)					
Area Plan on Aging 2018/2019	93.045	T31912	6,157,220	-	4,184,233
Area Plan on Aging 2019/2020	93.045	T32012	1,428,609	-	1,065,986
			<u>7,585,829</u>	<u>-</u>	<u>5,250,219</u>

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Nutrition Services Incentive Program (passed through Illinois Department on Aging)					
Area Plan on Aging 2018/2019	93.053	T31912	\$ 1,941,510	\$ -	\$ 1,941,510
Area Plan on Aging 2019/2020	93.053	T32012	1,279,845	-	1,279,845
			<u>3,221,355</u>	<u>-</u>	<u>3,221,355</u>
Total Aging Cluster			13,398,117	-	9,084,201
Special Programs for the Aging - Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect and Exploitation (passed through Illinois Department on Aging)					
Area Plan on Aging 2018/2019	93.041	T31912	9,000	-	-
			<u>9,000</u>	<u>-</u>	<u>-</u>
Special Programs for the Aging - Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals (passed through Illinois Department on Aging)					
Area Plan on Aging 2018/2019	93.042	T31912	66,987	-	-
Area Plan on Aging 2019/2020	93.042	T32012	17,536	-	-
			<u>84,523</u>	<u>-</u>	<u>-</u>
Special Programs for the Aging - Title III, Part D Disease Prevention and Health Promotion Services (passed through Illinois Department on Aging)					
Area Plan on Aging 2018/2019	93.043	T31912	208,576	-	205,576
Area Plan on Aging 2019/2020	93.043	T32012	849	-	849
			<u>209,425</u>	<u>-</u>	<u>206,425</u>
Special Programs for the Aging - Title IV and Title II Discretionary Projects and Programs (passed through AGE Options)					
Senior Medicare Patrol 2018/2019	93.048	90MPPG0036-01-00	20,000	-	20,000
Senior Medicare Patrol 2019/2020	93.048	90MPPG0036-02-00	15,500	-	15,500
			<u>35,500</u>	<u>-</u>	<u>35,500</u>
National Family Caregiver Support, Title III, Part E (passed through Illinois Department on Aging)					
Area Plan on Aging 2018/2019	93.052	T31912	821,677	-	109,984
Area Plan on Aging 2019/2020	93.052	T32012	346,284	-	8,242
			<u>1,167,961</u>	<u>-</u>	<u>118,226</u>
Medicare Enrollment Assistance Program (passed through Illinois Department on Aging)					
Medicare Improvement For Patients and Providers Act 2019/2020	93.071	MIPPA1912	76,332	-	-
			<u>76,332</u>	<u>-</u>	<u>-</u>
Total Administration for Community Living			14,980,858	-	9,444,352
B. Administration for Children and Families					
Community Services Block Grant (passed through Illinois Department of Commerce and Economic Opportunity)					
Community Services Block Grant 2008	93.569	08-231036	(56)	-	-
Community Services Block Grant 2015	93.569	15-231036	(10,827)	-	(10,827)
Community Services Block Grant 2018	93.569	18-231036	(8,890)	-	(5,890)
Community Services Block Grant 2019	93.569	19-231036	12,168,735	-	5,325,691
			<u>12,148,962</u>	<u>-</u>	<u>5,308,974</u>
CCDF Cluster					
Childcare and Development Block Grant					
Child Care and Development Block Grant 2003/2004	93.575	81X4117CON	(1,851)	-	(1,851)
			<u>(1,851)</u>	<u>-</u>	<u>(1,851)</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (passed through Illinois Department of Human Services)					
Child Care Services 2018/2019	93.596	FCSX100434	7,557,780	-	5,643,749
Child Care Services 2019/2020	93.596	FCSY100434	6,063,640	-	4,337,890
			<u>13,621,420</u>	<u>-</u>	<u>9,981,639</u>
Total CCDF Cluster			13,619,569	-	9,979,788

See accompanying notes to schedule of expenditures of federal awards.

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Agency / Program / Grant Title or Cluster Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2019 Federal Expenditures	2019 Non-Federal Expenditures	2019 Sub recipient Expenditures
Head Start					
Base Headstart 2015/2016	93.600	05CH8460/02	\$ (1,067)	\$ -	\$ (1,067)
Base Headstart 2016/2017	93.600	05CH8460/03	(7,943)	-	(7,867)
Base Headstart 2017/2018	93.600	05CH8460/04	(429,640)	-	(429,639)
Base Headstart 2018/2019	93.600	05CH8460/05	89,901,658	-	75,737,948
Base Headstart 2019/2020	93.600	05CH8460-06	5,712,934	-	4,462,952
Early Headstart 2016/2017	93.600	05CH8460/03	(253)	-	(253)
Early Headstart 2017/2018	93.600	05CH8460/04	(21,136)	-	(21,136)
Early Headstart 2018/2019	93.600	05CH8460/05	16,434,393	-	15,134,442
Early Headstart 2019/2020	93.600	05CH8460-06	1,565,337	-	1,287,544
Early Headstart Child Care Partnership 2016/2017	93.600	05HP0001/02	(19,011)	-	(19,011)
Early Headstart Child Care Partnership 2017/2018	93.600	05HP0001/03	(1,686)	-	(1,686)
Early Headstart Child Care Partnership 2018/2019	93.600	05HP0001/04	13,585,090	-	11,780,834
Early Headstart Child Care Partnership 2019/2020	93.600	05HP0001-05	822,195	-	640,018
Early Headstart Expansion	93.600	05HP00015001	1,670,207	-	1,400,552
			129,211,078	-	109,963,631
Social Services Block Grant (passed through Illinois Department of Human Services)					
High Risk Infant Follow-Up / HealthWorks 2018/2019	93.667	FCSXU05018	71,940	-	-
High Risk Infant Follow-Up / HealthWorks 2019/2020	93.667	FCSYU05018	345,263	-	-
Title XX - Donated Funds Initiative - A.S.N. 2018/2019	93.667	FCSXJ00048	345,013	-	330,086
Title XX - Donated Funds Initiative - A.S.N. 2019/2020	93.667	FCSYJ00048	246,001	-	241,854
Title XX - Donated Funds Initiative - Challenge 2018/2019	93.667	FCSXJ00229	114,878	-	102,341
Title XX - Donated Funds Initiative - Challenge 2019/2020	93.667	FCSYJ00229	145,532	-	110,182
Title XX - Donated Funds Initiative - Dare 2018/2019	93.667	FCSXJ00231	284,329	-	269,609
Title XX - Donated Funds Initiative - Dare 2019/2020	93.667	FCSYJ00231	218,802	-	214,832
			1,771,758	-	1,268,904
Total Administration for Children and Families			156,751,367	-	126,521,297
C. Centers for Disease Control and Prevention					
Public Health Emergency Preparedness					
Public Health Emergency Preparedness 2017	93.069	6NU90TP921901-01	750,278	-	-
Public Health Emergency Preparedness 2018	93.069	NU90TP921901-01	4,282,643	-	-
Public Health Emergency Preparedness 2019	93.069	NU90TP922033-01	3,647,100	-	-
			8,680,021	-	-
Public Health Emergency Preparedness 2019- Direct Assistance	93.069	NU90TP922033-01	130,280	-	-
			130,280	-	-
Total Public Health Emergency Preparedness (PHEP)			8,810,301	-	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs					
TB Control and Elimination 2018	93.116	1U52PS004659-04	969	-	-
TB Control and Elimination 2019	93.116	1U52PS004659-05	1,094,850	-	-
			1,095,819	-	-
Injury Prevention and Control Research and State and Community Based Programs (passed through Illinois Department of Public Health)					
State Violence & Injury Prevention Program - Dating Matters 2018/2019	93.136	93285001G	20,000	-	-
Overdose Data to Action 2019/2020	93.136	INU17CE98601	8,890	-	-
			28,890	-	-
Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children					
Lead Poisoning Prevention - Childhood Lead Poisoning Prevention 2018	93.197	6NUE2EH001376-01	266,419	-	46,174
Lead Poisoning Prevention - Childhood Lead Poisoning Prevention 2019	93.197	6NUE2EH001376-02	51,874	-	18,715
			318,293	-	64,889
Immunization Cooperative Agreements					
Immunization and Services Billing 2014	93.268	1H23IP000934-01	2,242	-	-
Immunization and Vaccines for Children 2017	93.268	6U23IP000732-05	2,875,611	-	233,367
Immunization and Vaccines for Children 2019	93.268	NU23IP922613-01	1,846,054	-	158,834
			4,723,907	-	392,201
Immunization and Vaccines for Children 2019 - Direct Assistance	93.268	6U23IP000732-05	41,429,221	-	-
Vaccines Personnel	93.268	6U23IP000732-05	129,400	-	-
Travel	93.268	6U23IP000732-05	6,679	-	-
Other	93.268	6U23IP000732-05	4,688	-	-
			41,569,988	-	-
Total Immunization Cooperative Agreements			46,293,895	-	392,201
Viral Hepatitis Prevention and Control					
Adult Viral Hepatitis Prevention and Control 2016/2017	93.270	NU51PS005077-01	(6,627)	-	-
Adult Viral Hepatitis Prevention and Control 2018/2019	93.270	PS005077-03	180,370	-	76,184
			173,743	-	76,184

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Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)					
Building Epidemiology and Health IT Capacity Program 2017	93.323	6NU50CK000367-04	\$ 120,854	\$ -	\$ -
Building Epidemiology and Health IT Capacity (Non-PPHF) Program 2018	93.323	6NU50CK000367-04	1,116,785	-	-
Building Epidemiology and Health IT Capacity Program 2019	93.323	NU50CK000556-01	372,991	-	-
			<u>1,610,630</u>	<u>-</u>	<u>-</u>
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health (passed through the National Association of County and City Health Officials)					
Local Opioid Overdose Prevention and Response Program 2018/2019	93.421	2019-010306	41,979	-	39,229
			<u>41,979</u>	<u>-</u>	<u>39,229</u>
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance Financed in part by The Prevention and Public Health Fund (PPHF)					
Increasing HPS Vaccines (HPV) 2016	93.733	6NH23IP922557-01	137,791	-	136,822
			<u>137,791</u>	<u>-</u>	<u>136,822</u>
Child Lead Poisoning Prevention Surveillance - Financed in part by Prevention and Public Health (PPHF) Program					
Childhood Lead Poisoning Prevention Surveillance 2016	93.753	1UE1EH001253-03	408	-	(592)
			<u>408</u>	<u>-</u>	<u>(592)</u>
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)					
Building & Strengthening EPI & IT Capacity - Ebola Supplement 2015	93.815	3U50CK000367-01S2	861,206	-	489,610
			<u>861,206</u>	<u>-</u>	<u>489,610</u>
HIV Prevention Activities - Health Department Based					
HIV Prevention 2016	93.940	5U62PS003644-05	(165)	-	(165)
Reduce HIV & Improve Care for MSM & Transgender 2017	93.940	1U62PS005021-03	2,317,539	-	1,617,647
Integrated HIV Surveillance and Prevention 2018	93.940	NU62PS924560-01	(67,635)	-	(67,654)
Integrated HIV Surveillance and Prevention 2019	93.940	PS924560-02	6,240,585	-	1,639,358
			<u>8,490,324</u>	<u>-</u>	<u>3,189,186</u>
Human Immunodeficiency Virus (HIV) / Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance					
Medical Monitoring Project 2018	93.944	6U62PS004943-04	239,224	-	-
Medical Monitoring Project 2019	93.944	NU62PS004943	61,954	-	-
HIV Behavioral Surveillance 2019	93.944	PS005083-04	388,854	-	236,813
			<u>690,032</u>	<u>-</u>	<u>236,813</u>
Sexually Transmitted Diseases (STD) Prevention and Control Grants					
STD Prevention 2017	93.977	6H25PS004341-04	(25,000)	-	-
STD Prevention 2018	93.977	6H25PS004341-05	63,543	-	-
Strengthening STD Prevention & Control for Health Departments (STD PCHD)	93.977	PS005128-01	1,706,081	-	103,094
			<u>1,744,624</u>	<u>-</u>	<u>103,094</u>
Total Centers for Disease Control and Prevention			<u>70,297,935</u>	<u>-</u>	<u>4,727,436</u>
D. Office of the Secretary					
Teenage Pregnancy Prevention Program					
Teen Pregnancy Prevention 2018	93.297	TP2AH000034-04	485,383	-	32,146
Teen Pregnancy Prevention 2019	93.297	TP2AH000034-05	582,885	-	35,184
			<u>1,068,268</u>	<u>-</u>	<u>67,330</u>
National Bioterrorism Hospital Preparedness Program					
Hospital Preparedness Program (HPP) 2017	93.889	6NU90TP921901-01	687,357	-	687,357
Hospital Preparedness Program (HPP) 2018	93.889	6NU90TP921901-01	1,698,365	-	1,003,188
Hospital Preparedness Program (HPP) 2019	93.889	UREP190582-01	388,736	-	143,272
			<u>2,774,458</u>	<u>-</u>	<u>1,833,817</u>
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities					
HPP Ebola Preparedness & Response Activities 2015	93.817	1U3REP150522-01	342,966	-	277,867
			<u>342,966</u>	<u>-</u>	<u>277,867</u>
Total Office of the Secretary			<u>4,185,692</u>	<u>-</u>	<u>2,179,014</u>
E. Health Resources and Services Administration					
Maternal, Infant and Early Childhood Home Visiting Grant Program (passed through Illinois Department of Human Services)					
Healthy Families Illinois 2018/2019	93.870	FCSXS00674	132,486	-	89,910
			<u>132,486</u>	<u>-</u>	<u>89,910</u>
HIV Emergency Relief Project Grants					
Ryan White HIV Care Act - Part A Emergency Relief 2018	93.914	2H89HA00008-28	5,241,228	-	5,137,861
Ryan White HIV Care Act - Part A Emergency Relief 2019	93.914	2H89HA00008-29	20,496,910	-	13,170,424
			<u>25,738,138</u>	<u>-</u>	<u>18,308,285</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF CHICAGO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Agency / Program / Grant Title or Cluster Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2019 Federal Expenditures	2019 Non-Federal Expenditures	2019 Sub recipient Expenditures
Maternal and Child Health Services Block Grant to the States (passed through Illinois Department of Public Health)					
Dental Sealant 2018	93.994	6B04MC29341	\$ 96,217	\$ -	\$ -
Maternal and Child Health Block Grant 2015	93.994	66380013D	1,188	-	-
Maternal and Child Health Block Grant 2017	93.994	B04MC29341	2,481,938	-	-
Maternal and Child Health Block Grant 2019	93.994	06380013H	1,479,332	-	-
			4,058,675	-	-
Total Health Resources and Services Administration			29,929,299	-	18,398,195
F. Substance Abuse and Mental Health Services Administration					
Substance Abuse and Mental Health Services Projects of Regional and National Significance					
First Responders Comprehensive Addiction and Recovery 2018	93.243	1H79SP080314	35,064	-	-
Chicago Southside Early Diversion 2018 - FED	93.243	1H79SM080512	10,400	-	-
Resiliency in the Communities After Stress and Trauma ReCAST 2017	93.243	79SM063522-02	4,422	-	-
Resiliency in the Communities After Stress and Trauma ReCAST 2018	93.243	79SM063522-03	997,375	-	400,129
Resiliency in the Communities After Stress and Trauma ReCAST 2019	93.243	79SM063522-04	140,067	-	5,650
			1,187,328	-	405,779
Block Grants for Prevention and Treatment of Substance Abuse (passed through Illinois Department of Human Services)					
Substance Abuse and AIDS Prevention Program 2018/2019	93.959	43CXZ03275	85,465	-	-
Substance Abuse and AIDS Prevention Program 2019/2020	93.959	43CYZ03560	75,283	-	-
			160,748	-	-
Total Substance Abuse and Mental Health Services Administration			1,348,076	-	405,779
G. National Institutes of Health					
National Center for Advancing Translational Sciences (passed through Northwestern University)					
C3 Clinical and Translational Research 2019 (passed through the University of Chicago)	93.350	5UL1TR001422-05	26,612	-	-
C3 Clinical and Translational Research 2019	93.350	1UL1TR002389-03	26,089	-	-
			52,701	-	-
Total National Institutes of Health			52,701	-	-
Total Department of Health and Human Services			277,545,928	-	161,676,073
XIV. Corporation for National and Community Service					
Corporation for National and Community Service Foster Grandparent/Senior Companion Cluster					
Foster Grandparent Program					
Foster Grandparent Program 2018/2019	94.011	18SFNIL005	308,833	-	-
Foster Grandparent Program 2019/2020	94.011	18SFNIL005	254,588	-	-
			563,421	-	-
Senior Companion Program					
Senior Companion Program 2018/2019	94.016	18SCNIL001	112,761	-	-
Senior Companion Program 2019/2020	94.016	18SCNIL001	159,420	-	-
			272,181	-	-
Total Foster Grandparent/Senior Companion Cluster			835,602	-	-
Total Corporation for National and Community Service			835,602	-	-
XV. Social Security Administration					
Social Security - Work Incentives Planning and Assistance Program					
Work Incentives Planning and Assistance Program 2018/2019	96.008	5WIP150504300400	106,754	-	-
Work Incentives Planning and Assistance Program 2019/2020	96.008	5WIP150504300500	108,483	-	-
			215,237	-	-
Total Social Security Administration			215,237	-	-
XVI. Department of Homeland Security					
A. Federal Emergency Management Agency					
Hazard Mitigation Grant					
Hazard Mitigation	97.039	FEMA-DR-1935-IL	159,910	-	-
			159,910	-	-
Port Security Grant Program					
Port Security Grant Program 2017	97.056	EMW-2017-PU-00427-S01	972,514	-	-
Port Security Grant Program 2018/CFD	97.056	EMW-2018-PU-00207-S01	41,722	13,908	-
			1,014,236	13,908	-

See accompanying notes to schedule of expenditures of federal awards.

CITY OF CHICAGO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Agency / Program / Grant Title or Cluster Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2019 Federal Expenditures	2019 Non-Federal Expenditures	2019 Sub recipient Expenditures
Homeland Security Grant Program					
(passed through Illinois Emergency Management Agency)					
Urban Areas Security Initiative Grant 2016	97.067	16UASICHGO	\$ 10,964,701	\$ -	-
Urban Areas Security Initiative Grant 2017	97.067	17UASICHGO	13,119,610	-	-
Urban Areas Security Initiative Grant 2018	97.067	18UASICHGO	10,349,315	-	-
			<u>34,433,626</u>	-	-
Rail and Transit Security Grant Program					
(passed through Chicago Transit Authority)					
Transit Security Grant Program 2016	97.075	EMW-2016-RA-00027-S01	125,321	-	-
Transit Security Grant Program 2017	97.075	EMW-2017-RA-00010-S01	504,693	-	-
Transit Security Grant Program 2018	97.075	EMW-2018-RA-00019-S01	4,823,034	-	-
			<u>5,453,048</u>	-	-
Total Federal Emergency Management Agency			<u>41,060,820</u>	<u>13,908</u>	<u>-</u>
B. Domestic Nuclear Detection Office					
Securing the Cities Program					
Securing the Cities Program	97.106	2016-DN-106-000001	1,644,553	-	-
Securing the Cities Program Year 2	97.106	16DNSTC00001-02-00	3,233,070	-	-
			<u>4,877,623</u>	-	-
Total Domestic Nuclear Detection Office			<u>4,877,623</u>	<u>-</u>	<u>-</u>
Total Department of Homeland Security			<u>45,938,443</u>	<u>13,908</u>	<u>-</u>
XVII. Research and Development Cluster					
Department of Justice					
National Institute of Justice					
National Institute of Justice Research, Evaluation, and Development Project Grants					
Optimizing Use of Video Tech to Imp Crim Justice Outcomes	16.560	2014-R2-CX-K002	189,170	-	-
			<u>189,170</u>	-	-
Total National Institute of Justice			<u>189,170</u>	<u>-</u>	<u>-</u>
Total Research and Development Cluster			<u>189,170</u>	<u>-</u>	<u>-</u>
TOTALS			<u>\$ 630,608,942</u>	<u>\$ 12,526,456</u>	<u>\$ 209,613,283</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF CHICAGO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2019

NOTE 1 – REPORTING ENTITY

The City of Chicago (the “City”) is a governmental entity established by laws of the State of Illinois and has the powers of a body corporate, as defined in the statutes. All significant operations of the City are included in the scope of the Office of Management and Budget (“OMB”) requirements contained in 2 CFR Part 200, Subpart F (“Single Audit”). The U.S. Department of Health and Human Services (“HHS”) has been designated as the City’s cognizant agency for the Single Audit. The reporting entity for the City is based upon criteria established by the Governmental Accounting Standards Board.

Programs Subject to Single Audit – A Schedule of Expenditures of Federal Awards (“SEFA”) is presented for each federal program and a summary of expenditures by federal agency is as follows:

U.S. Department of Agriculture	\$ 8,295,269
U.S. Department of Housing and Urban Development	115,395,327
U.S. Department of The Interior	13,125
U.S. Department of Justice	5,693,111
Research and Development Cluster	189,170
U.S. Department of Labor	430,876
U.S. Department of Transportation	153,187,477
U.S. Department of Treasury	380,901
U.S. Federal Mediation and Conciliation Service	22,773
U.S. National Endowment for the Arts	229,285
U.S. Institute of Museum and Library Services	26,201
U.S. Environmental Protection Agency	22,221,320
U.S. Department of Education	(11,103)
U.S. Department of Health and Human Services	277,545,928
U.S. Corporation for National and Community Service	835,602
U.S. Social Security Administration	215,237
U.S. Department of Homeland Security	<u>45,938,443</u>
 Total Expenditures of Federal Awards	 <u>\$ 630,608,942</u>

Passenger Facility Charges collected and expended, as prescribed by Sections 9110 and 9111 of the Aviation Safety and Capacity Expansion Act of 1990 issued by the Federal Aviation Administration of the United States Department of Transportation, are not included in this Single Audit report and are audited separately.

NOTE 2 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal award activity of the City of Chicago under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The schedule presents only a selected portion of the operations of the City of Chicago and accordingly, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Chicago.

CITY OF CHICAGO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2019

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are generally reported on the accrual or modified accrual basis of accounting depending on the type of fund. Some expenditures are reported when the reimbursement is received due to uncertainty of the source of funding at the time the expenditure is incurred. Such expenditures are recognized following the cost principles contained in OMB Circular A-87 or the Uniform Guidance, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Certain financial awards were received by the City in the form of noncash awards. These noncash awards are included on the schedule under CFDA Nos. 10.557, 93.069 and 93.268. The schedule of expenditures of federal awards includes a column titled Non-Federal Expenditures. Amounts reported in this column include the City's required match for federal programs.

The City has a cost allocation plan for allocation of common and indirect costs related to grant programs. The amounts allocated to 2019 grant programs are based primarily on 2018 budgeted amounts. Variances between actual costs and budgeted amounts are adjusted on a prospective basis. A copy of the cost allocation plan is kept on file at the City. The City's cost allocation plan for 2019 has been prepared on a Direct Cost Base that does conform to the direct cost bases in the Uniform Guidance. The City's 2019 Cost Allocation Plan (Local Organization Cost Allocation Plan – LOCAP) was provided for review and negotiation to the City's indirect cost cognizant agency. This LOCAP was subsequently negotiated and approved during 2019.

The City has not elected to use the 10% de minimis indirect cost rate allowed by the Uniform Guidance. Individual City departments' indirect cost rate proposals (ICRP's) for 2019 have been prepared on a Salaries and Wages plus all Fringe Benefits (S&W+FB) Direct Cost Base that does conform to the OMB Uniform Guidance.

The 2019 Indirect Cost Rate Agreements related to the ICRP's for the Chicago Departments of Planning and Development, Public Health, and Family and Support Services were negotiated, approved, and signed by the City's indirect cost cognizant agency which included provisional indirect cost rates for these departments extending from 1/01/2019 through 12/31/2021.

Federal/State Commingled Funds – The City of Chicago receives various federal awards that are passed through the State of Illinois. Many of these contracts contain a blend of state and federal awards. To the extent practical, the federal funding has been segregated from the state funding based on information provided by the state agencies. In some instances, individual state contracts contain multiple federal CFDA numbers, and the City has segregated the federal dollars associated with each contract award based on information received by the pass-through state agency. Due to the timing differences between the pass-through agency fiscal year end and the City's reporting period, allocation differences may result.

The state contract for the Child Care program (federal cluster 93.575/93.596), passed through the Illinois Department of Human Services (IDHS), has been considered a Type A cluster for audit testing purposes each year. The final allocation of federal expenditures varies depending on the most recent available information provided by IDHS and may be reported under both CFDA numbers or just one of the individual CFDA numbers.

CITY OF CHICAGO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2019

NOTE 4 – SUBSEQUENT EVENTS

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 business and people in a manner that is having negative effects on global and local economies.

The City of Chicago provides essential services to residents, businesses and visitors and continues to operate its normal course of business throughout this pandemic.

The City anticipates receiving over \$1 billion in Federal Assistance in response to the impact of COVID-19. These funds will be used to cover expenses during the public health emergency, including COVID-19 response and recovery, mitigation and prevention, providing food, healthcare and mental health support, housing and shelters, ongoing communication and outreach, rental assistance, supporting small businesses, funding for first responders and funding to support airport operations. In addition, the City is eligible for reimbursement of costs under the Federal Emergency Management Agency (FEMA) Public Assistance Grant.

Included in the \$1 billion, the Federal Aviation Administration (FAA) allocated grant assistance to the airports under the CARES Act. Approximately \$294.4 million was allocated to O'Hare and \$82.3 million was allocated to Midway. The City will draw on these funds on a reimbursement basis for any purpose for which airport revenues may be lawfully used in accordance with FAA rules and regulations.

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditors' Report

To the Honorable Lori E. Lightfoot, Mayor,
and the Members of the City Council
City of Chicago
Chicago, Illinois

Report on Compliance for Each Major Federal Program

We have audited the City of Chicago, Illinois' (City of Chicago) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Chicago's major federal programs for the year ended December 31, 2019. The City of Chicago's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Chicago's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Chicago's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Chicago's compliance.

Opinion on Each of the Major Federal Programs

In our opinion, the City of Chicago complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of the City of Chicago is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Chicago's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Chicago's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as finding 2019-001, that we consider to be a significant deficiency.

City of Chicago's Response to Finding

The City of Chicago's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. The City of Chicago's response provided in the corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response provided in the corrective action plan.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Chicago, Illinois
July 31, 2020

CITY OF CHICAGO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2019

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS (Information obtained from separate report audited by other auditors)

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- > Material weakness (es) identified? yes X no
- > Significant deficiency (ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

FEDERAL AWARDS

Internal control over major programs:

- > Material weakness (es) identified? yes X no
- > Significant deficiency (ies) identified? X yes none reported

Type of auditor’s report issued on compliance for major programs: *unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance? X yes no

Auditee qualified as low-risk auditee? X yes no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction
66.458	Clean Water State Revolving Fund Cluster – Capitalization Grants for Clean Water State Revolving Funds
93.069	Public Health Emergency Preparedness
93.600	Head Start
93.940	HIV Prevention Activities – Health Department Based
97.067	Homeland Security Grant Program
97.075	Rail and Transit Security Grant Program

Dollar threshold used to distinguish between type A and type B programs: \$ 3,000,000

CITY OF CHICAGO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2019

**SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

None reported by other auditors.

CITY OF CHICAGO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2019

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

FINDING 2019-001

CFDA Nos.	93.069 Public Health Emergency Preparedness 93.940 HIV Prevention Activities – Health Department Based
Federal Agency	U.S. Department of Health and Human Services
Pass-through Agency	Not applicable
Award Numbers / Years	NU90TP921901, NU90TP922033, NU62PS924560 / 2019, 2020
City Department	Department of Public Health

Criteria: Per guidance provided in 2 CFR part 200.430, charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must: 1) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; 2) Be incorporated into the official records of the non-federal entity; and 3) Reasonably reflect the total activity for which the employee is compensated by the non-federal entity, not exceeding 100% of compensated activities.

Condition/Context: For these federal programs, the department supervisors approve time of employees. There were three instances out of forty payroll transactions sampled for CFDA No. 93.940 and one instance out of forty payroll transactions sampled for CFDA No. 93.069 where an employee was charged to an award but the time was not properly approved by a supervisor. The samples were not statistically valid.

Effect: The department could charge invalid time to relevant awards if proper approvals do not take place.

Questioned Costs: None noted

Cause: Though in 95% of the instances tested the department's control for approving employee was applied, in 5%, or four instances, controls were not applied as designed due to transition in the supervisory role.

Recommendation: We recommend the department implement procedures to ensure the controls in place are properly completed prior to finalization of payroll.

Views of Responsible Officials: See Corrective Action Plan.

**CITY OF CHICAGO, ILLINOIS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2019**



CITY OF CHICAGO



DEPARTMENT OF FINANCE

CORRECTIVE ACTION PLAN
Year Ended December 31, 2019

FINDING 2019-001

Corrective Action:

Quarterly, beginning with the 3rd quarter of CY2020, the Chicago Department of Public Health (CDPH) Finance Deputy Commissioner, or designee, will send the Supervisor Approval Rating reports to CDPH Personnel Activity Reporting (PAR) Liaisons, Deputy Commissioners and Commissioner. The report will detail approval ratings by supervisors that are less than 100%. Deputy Commissioners and the Commissioner, as applicable, will work directly with the identified supervisor and PAR Liaisons to have time approved within 5 business days. If time is not approved, and assuming no extenuating circumstances agreed upon by the CDPH Finance Deputy Commissioner, the supervisor will receive verbal counseling. If time is not approved then within 2 business days after receiving verbal counseling, the supervisor will receive next level of discipline.

Further, CDPH will work with OBM to schedule training on the PAR system.

Anticipated Completion Date: September 30, 2020

Person Responsible for Corrective Action: Tonya Tucker, Deputy Commissioner

**CITY OF CHICAGO, ILLINOIS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019**



CITY OF CHICAGO



DEPARTMENT OF FINANCE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2019

FINDING 2018-001

CFDA No.	14.239 HOME Investment Partnerships Program
Federal Agency	U.S. Department of Housing and Urban Development (HUD)
Pass-through Agency	Not applicable
Award Numbers / Years	M09-MC170201, M13-MC170201, M14-MC170201, M15-MC170201, M16-MC170201, M17-MC170201, M18-MC170201 / 2009, 2013, 2014, 2015, 2016, 2017, 2018
City Department	Department of Housing (DOH)

During testing of the Housing Quality Standards, we selected 18 projects and noted that two of the HOME properties selected for testing had deficiencies noted in their most recent on-site physical inspection, and the City did not follow up with the property to determine that these deficiencies were fixed in a timely manner. There were also two HOME properties selected for testing that did not have an inspection done within the last three years. The sample was not statistically valid.

2019 STATUS

The Department of Housing (DOH) completed the review of the HOME funded property portfolio and identified any potentially unmet follow up or missed inspections within the HUD allotted time frames pursuant to HUD rules and regulations (24 CFR 92.504(d)). DOH's Construction and Compliance Construction Services Division Supervisor and Rehabilitation Construction Specialist inspectors conducted HQS inspections of these properties. Inspections included individual units, common areas, and building systems. Follow up took place and is documented accordingly. This work was completed in the 2019 calendar year.

FINDING 2018-002

CFDA No.	14.239 HOME Investment Partnerships Program
Federal Agency	U.S. Department of Housing and Urban Development
Pass-through Agency	Not applicable
Award Numbers / Years	M09-MC170201, M13-MC170201, M14-MC170201, M15-MC170201, M16-MC170201, M17-MC170201, M18-MC170201 / 2009, 2013, 2014, 2015, 2016, 2017, 2018
City Departments	Office of Budget and Management (OBM) Department of Housing (DOH)

OBM performs a reconciliation for the employees in the DOH to true-up their original budgeted time charged to the award with the actual time worked per the payroll system on a biannual basis. It was noted that three out of the 40 payroll transactions sampled contained errors in this reconciliation process resulting in time being overcharged to the award. These transactions occurred during the beginning or end of the year. The sample was not statistically valid.

CITY OF CHICAGO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended December 31, 2019

FINDING 2018-002 (cont.)

2019 STATUS

OBM coordinated with the Data and Analytics Unit and the Department of Finance to set up automated daily workflow mailers from the City's Financial Management and Purchasing System (FMPS) that outline the City's general ledger payroll posting status for the past 60 days. This automated alert ensures that OBM does not begin the Personnel Activity Reporting Reconciliation (PARR) process using unfinalized payroll costing data. The Deputy Budget Director from the Grants Management Unit in OBM is responsible for implementation and this was completed in the 1st quarter of 2019.

FINDING 2018-003

CFDA No.	16.922 Equitable Sharing Program
Federal Agency	U.S. Department of Justice
Pass-through Agency	Not applicable
Award Number / Year	N/A / 2018
City Department	Chicago Police Department (CPD)

CPD does not maintain an inventory listing of certain equipment obtained using funding from the Equitable Sharing Program. CPD was not able to adequately demonstrate that proper equipment records were being maintained and properly tracked for the Equitable Sharing Program.

2019 STATUS

The Chicago Police Department (CPD) through its General Support Unit together with the Chicago Department of Fleet & Facilities Management (2FM) maintained the inventory for all fleet items, such as police vehicles, by funding source and a unique identifier (asset tag). CPD was in the process of improving the inventory system to include non-fleet items or to purchase a new inventory system with the ability to track equipment by funding source. Effective for the FY2020 Budget, the Mayor announced the creation of the new Office of Public Safety Administration (PSA) Department. This will consist of CPD, Chicago Fire Department (CFD) and the Office of Emergency Management and Communications (OEMC). CPD continues to work with the City of Chicago Department of Assets, Information and Services (AIS) to come up with a single inventory system citywide.

CITY OF CHICAGO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended December 31, 2019

FINDING 2018-004

CFDA No.	16.922 Equitable Sharing Program
Federal Agency	U.S. Department of Justice
Pass-through Agency	Not applicable
Award Number / Year	N/A / 2018
City Department	Chicago Police Department (CPD)

CPD did not submit its Equitable Sharing Annual Certification (ESAC) report by the 2 month deadline (March 1) after the City's fiscal year-end.

2019 STATUS

CPD has implemented the Standard Operating Procedures for the preparation and submission of the Equitable Sharing Agreement and Certification through February 2021, and thereafter each year. The steps will be supervised by the Bureau of Organizational Development and has been distributed to the responsible staff. Effective for the FY2020 Budget, the Mayor announced the creation of the new Office of Public Safety Administration (PSA) Department. This will consist of CPD, Chicago Fire Department (CFD) and the Office of Emergency Management and Communications (OEMC). Given the creation of the PSA, assignments as well as the supervision regarding the preparation of the annual Equitable Sharing Agreement and Certification may change. However, as PSA moves forward the transition, the completion and preparation of the ESAC as well as oversight of other Department of Justice programs will be addressed to ensure compliance with all requirements. The FY2019 ESAC report was submitted timely on February 28, 2020.