

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

New Issue
 Date of Sale: Wednesday, April 22, 2020
 Between 10:00 and 10:15 A.M., C.D.T.
 (Open Speer Auction)

Investment Ratings:
 S&P Global Ratings ... AA+/Stable Outlook
 Fitch Ratings ... AAA/Stable Outlook

Official Statement

Subject to compliance by the City with certain covenants, in the opinion of Chapman and Cutler LLP, Chicago, Illinois (“Bond Counsel”), under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals. Interest on the Bonds is not exempt from present State of Illinois income taxes. See “TAX EXEMPTION” herein for a more complete discussion.



\$3,240,000*
CITY OF ELGIN
 Kane and Cook Counties, Illinois
General Obligation Corporate Purpose Bonds, Series 2020B

Dated Date of Delivery Non-Callable Book-Entry Due Serially December 15, 2021-2027

The \$3,240,000* General Obligation Corporate Purpose Bonds, Series 2020B (the “Bonds”), are being issued by the City of Elgin, Kane and Cook Counties, Illinois (the “City”). Interest is payable semiannually on June 15 and December 15 of each year, commencing December 15, 2020. Interest is calculated based on a 360-day year of twelve 30-day months. The Bonds will be issued using a book-entry system. The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity will be registered in the name of Cede & Co., as nominee for DTC and no physical delivery of Bonds will be made to purchasers. The Bonds will mature on December 15 in the following years and amounts.

AMOUNTS*, MATURITIES, INTEREST RATES, YIELDS AND CUSIP NUMBERS⁽¹⁾

Principal Amount*	Due Dec. 15	Interest Rate	Yield	CUSIP Number (1)	Principal Amount*	Due Dec. 15	Interest Rate	Yield	CUSIP Number (1)
\$460,000	2021	_____%	_____%	_____	\$510,000	2025	_____%	_____%	_____
465,000	2022	_____%	_____%	_____	410,000	2026	_____%	_____%	_____
480,000	2023	_____%	_____%	_____	420,000	2027	_____%	_____%	_____
495,000	2024	_____%	_____%	_____					

Any consecutive maturities may be aggregated into term bonds at the option of the bidder, in which case the mandatory redemption provisions shall be on the same schedule as above.

OPTIONAL REDEMPTION

The Bonds are not subject to optional redemption prior to maturity.

PURPOSE, LEGALITY AND SECURITY

Bond proceeds will be used to (i) finance water and sewer utility projects and (ii) pay the costs of issuing the Bonds. See “THE PROJECT” herein.

In the opinion of Bond Counsel, the Bonds are valid and legally binding upon the City and are payable from any funds of the City legally available for such purpose, and all taxable property in the City is subject to the levy of taxes to pay the same without limitation as to rate or amount, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors’ rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

The Bonds are offered at public sale, subject to the approval of legality by Bond Counsel. Chapman and Cutler LLP, Chicago, Illinois, is also acting as Disclosure Counsel to the City. Delivery of the Bonds through the facilities of DTC will be on or about May 6, 2020.

This Official Statement is dated April 20, 2020, and has been prepared under the authority of the City. An electronic copy of this Official Statement is available from the www.speerfinancial.com web site under “Debt Auction Center/Official Statements Sales Calendar/Competitive”. Additional copies may be obtained from Ms. Debra Nawrocki, Chief Financial Officer/Budget Director, City of Elgin, 150 Dexter Court, Elgin, Illinois 60120, or from the Municipal Advisors to the City:



*Subject to change.

(1) CUSIP numbers appearing in this Official Statement have been provided by the CUSIP Service Bureau, which is managed on behalf of the American Bankers Association by S&P Capital IQ, a part of McGraw Hill Financial Inc. The City is not responsible for the selection of CUSIP numbers and makes no representation as to their correctness on the Bonds or as set forth on the cover of this Official Statement.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the City from time to time (collectively, the “Official Statement”), may be treated as an Official Statement with respect to the Bonds described herein that is deemed near final as of the date hereof (or the date of any such supplement or correction) by the City except for the omission of certain information permitted to be omitted pursuant to such Rule.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law or deemed appropriate by the City, shall constitute a “Final Official Statement” of the City with respect to the Bonds, as that term is defined in Rule 15c2-12. Any such addendum or addenda shall, on and after the date thereof, be fully incorporated herein and made a part hereof by reference. Alternatively, such final terms of the Bonds and other information may be included in a separate document entitled “Final Official Statement” rather than through supplementing the Official Statement by an addendum or addenda.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations with respect to the Bonds other than as contained in the Official Statement or the Final Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. Certain information contained in the Official Statement and the Final Official Statement may have been obtained from sources other than records of the City and, while believed to be reliable, is not guaranteed as to completeness. **THE INFORMATION AND EXPRESSIONS OF OPINION IN THE OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT OR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE RESPECTIVE DATES THEREOF.**

This Official Statement should be considered in its entirety and no one factor considered more or less important than any other by reason of its position in this Official Statement. Where statutes, reports or other documents are referred to herein, reference should be made to such statutes, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof.

Any statements made in this Official Statement, including the Appendices, involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such estimates will be realized. This Official Statement contains certain forward looking statements and information that are based on the City’s beliefs as well as assumptions made by and information currently available to the City. Such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or expected.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SECURITIES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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BOND ISSUE SUMMARY

This Bond Issue Summary is expressly qualified by the entire Official Statement, including the Official Notice of Sale and the Official Bid Form, which are provided for the convenience of potential investors and which should be reviewed in their entirety by potential investors.

Issuer:	City of Elgin, Kane and Cook Counties, Illinois.
Issue:	\$3,240,000* General Obligation Corporate Purpose Bonds, Series 2020B.
Dated Date:	Date of delivery, expected to be on or about May 6, 2020.
Interest Due:	Each June 15 and December 15, commencing December 15, 2020.
Principal Due:	Serially each December 15, commencing December 15, 2021 through 2027, as detailed on the front page of this Official Statement.
Optional Redemption:	The Bonds are not subject to optional redemption prior to maturity.
Authorization:	The Bonds are being issued pursuant to the home rule powers of the City under Section 6 of Article VII of the Illinois Constitution of 1970 and a bond ordinance adopted by the City Council of the City on the 22 nd day of April, 2020.
Security:	The Bonds will constitute valid and legally binding obligations of the City payable as to principal and interest from any funds of the City lawfully available for such purpose, and from ad valorem taxes levied against all taxable property within the City without limitation as to rate or amount.
Credit Ratings:	The Bonds have been rated “AA+/Stable Outlook” by S&P Global Ratings and “AAA/Stable Outlook” by Fitch Ratings. See “ INVESTMENT RATINGS ” herein.
Purpose:	Bond proceeds will be used to (i) finance water and sewer utility projects and (ii) pay the costs of issuing the Bonds. See “ THE PROJECT ” herein.
Tax Exemption:	Chapman and Cutler LLP, Chicago, Illinois, will provide an opinion as to the federal tax exemption of the interest on the Bonds as discussed under “ TAX EXEMPTION ” in this Official Statement. Interest on the Bonds is not exempt from present State of Illinois income taxes.
No Bank Qualification:	The Bonds are not “qualified tax-exempt obligations” under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.
Bond Registrar/Paying Agent:	U.S. Bank National Association, Chicago, Illinois.
Delivery:	The Bonds are expected to be delivered on or about May 6, 2020.
Book-Entry Form:	The Bonds will be registered in the name of Cede & Co. as nominee for The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Bonds. See APPENDIX B herein.
Denomination:	\$5,000 or integral multiples thereof.
Municipal Advisor:	Speer Financial, Inc., Chicago, Illinois.

*Subject to change.

CITY OF ELGIN
Kane and Cook Counties, Illinois

David J. Kaptain
Mayor

City Council Members

Corey Dixon
Terry L. Gavin
Baldemar Lopez

Rosamaria Martinez
Tish S. Powell

Carol J. Rauschenberger
Toby Shaw
F. John Steffen

Richard G. Kozal
City Manager

Debra Nawrocki
*Chief Financial Officer/
Budget Director*

Kimberly A. Dewis
City Clerk

William A. Cogley
Corporation Counsel and Chief Development Officer

INTRODUCTION

The purpose of this Official Statement is to set forth certain information concerning the City of Elgin, Kane and Cook Counties, Illinois (the “City”), in connection with the offering and sale of its \$3,240,000* General Obligation Corporate Purpose Bonds, Series 2020B (the “Bonds”).

This Official Statement contains “forward-looking statements” that are based upon the City’s current expectations and its projections about future events. When used in this Official Statement, the words “project,” “estimate,” “intend,” “expect,” “scheduled,” “pro-forma” and similar words identify forward-looking statements. Forward-looking statements are subject to known and unknown risks, uncertainties and factors that are outside of the control of the City. Actual results could differ materially from those contemplated by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Neither the City nor any other party plans to issue any updates or revisions to these forward-looking statements based on future events.

*Subject to change.

AUTHORITY, PURPOSE AND GENERAL DESCRIPTION

The Bonds are being issued pursuant to the home rule powers of the City under Section 6, Article VII of the 1970 Constitution of the State of Illinois (the “Illinois Constitution”) and an ordinance to be adopted by the City Council of the City (the “City Council”) on the 22nd day of April, 2020 (the “Bond Ordinance”).

Bond proceeds will be used to (i) finance water and sewer utility projects (the “Project”) and (ii) pay the costs of issuing the Bonds. See “**THE PROJECT**” herein.

The Bonds will be dated the date of issuance thereof, will be in fully registered form, without coupons, and will be in denominations of \$5,000 or any integral multiple thereof under a book-entry only system operated by The Depository Trust Company, New York, New York (“DTC”). Principal of and interest on the Bonds will be payable by U.S. Bank National Association, Chicago, Illinois (the “Registrar”).

The Bonds will mature as shown on the cover page hereof. Interest on the Bonds will be payable each June 15 and December 15, beginning December 15, 2020. The Bonds will bear interest from their dated date, or from the most recent interest payment date to which interest has been paid or provided for, computed on the basis of a 360-day year consisting of twelve 30-day months. The principal of the Bonds will be payable in lawful money of the United States of America upon presentation and surrender thereof at the principal corporate trust office of the Registrar. Interest on each Bond will be paid by check or draft of the Registrar payable upon presentation in lawful money of the United States of America to the person in whose name such Bond is registered at the close of business on the 1st day of the month of the interest payment date.

SECURITY

The Bonds constitute valid and legally binding full faith and credit general obligations of the City, payable from ad valorem taxes levied on all taxable property in the City, without limitation as to rate or amount. The Bond Ordinance provides for the levy of ad valorem taxes, unlimited as to rate or amount, upon all taxable property within the City in amounts sufficient to pay, as and when due, all principal of and interest on the Bonds. The Pledged Taxes will not be levied to make the payment of interest due on the Bonds on December 15, 2020, which payment will be made by the City from funds of the City on hand and lawfully available for such purpose, including user fees generated by the Waterworks and Sewerage System. See “**THE PROJECT**”. The Bond Ordinance will be filed with the County Clerks of The Counties of Kane and Cook, Illinois, and will serve as authorization to said County Clerks to extend and collect the property taxes as set forth in the Bond Ordinance.

SOURCES AND USES

The sources and uses of funds resulting from the Bonds are shown below:

SOURCES:	
Principal Amount	\$
[Net]Original Issue Premium [Discount]	
Total Sources	\$
USES:	
Deposit to Project Fund	\$
Costs of Issuance*	
Total Uses	\$

* Includes underwriter’s discount and other issuance costs.

OPTIONAL REDEMPTION

The Bonds **are not** subject to optional redemption prior to maturity.

RISK FACTORS

The purchase of the Bonds involves certain investment risks. Accordingly, each prospective purchaser of the Bonds should make an independent evaluation of the entirety of the information presented in this Official Statement and its appendices and exhibits in order to make an informed investment decision. Certain of the investment risks are described below. The following statements, however, should not be considered a complete description of all risks to be considered in the decision to purchase the Bonds, nor should the order of the presentation of such risks be construed to reflect the relative importance of the various risks. There can be no assurance that other risk factors are not material or will not become material in the future.

Construction Risks

There are potential risks that could affect the ability of the City to timely complete the Project. While preliminary costs have been projected by the City's consulting architects, not all of the construction contracts have been let by the City. No assurance can be given that the cost of completing the Project will not exceed available funds. Completion of the Project involves many risks common to construction projects such as shortages or delays in the availability of materials and labor, work stoppages, labor disputes, contractual disputes with contractors or suppliers, weather interferences, construction accidents, delays in obtaining legal approvals, unforeseen engineering, archeological or environmental problems and unanticipated cost increases, any of which could give rise to significant delays or cost overruns.

Finances of the State of Illinois

The State of Illinois (the "State") has experienced adverse fiscal conditions resulting in significant shortfalls between the State's general fund revenues and spending demands. The State failed to enact a full budget for the State fiscal years ending June 30, 2016, and June 30, 2017, which had a significant, negative impact on the State's finances, although certain spending occurred through statutory transfers, statutory continuing appropriations, court orders and consent decrees, including spending for elementary and secondary education. In addition, the underfunding of the State's pension systems and a bill backlog of billions of dollars contributed to the State's poor financial health. On July 6, 2017, the General Assembly of the State (the "General Assembly") enacted a budget (the "Fiscal Year 2018 Budget") for the State fiscal year ending June 30, 2018 (the "State Fiscal Year 2018"), overriding the Governor's veto. On May 31, 2018, the General Assembly passed a budget (the "Fiscal Year 2019 Budget") for the State for fiscal year ending June 30, 2019 (the "State Fiscal Year 2019"), and on June 4, 2018, the Governor approved the same. On June 1, 2019, the General Assembly passed a budget (the "Fiscal Year 2020 Budget") for the State for fiscal year ending June 30, 2020 (the "State Fiscal Year 2020"), and on June 5, 2019, the Governor approved the same.

Under current law, the State shares a portion of sales tax, income tax and motor fuel tax revenue with municipalities, including the City. The State's general fiscal condition and the underfunding of the State's pension systems have materially adversely affected the State's financial condition and may result in decreased or delayed revenues allocated to the City. In addition, the Fiscal Year 2018 Budget, the Fiscal Year 2019 Budget and the Fiscal Year 2020 Budget contain a provision reducing the amount of income tax revenue to be deposited into the Local Government Distributive Fund for distribution to municipalities, like the City, by 10% for State Fiscal Year 2018 and by 5% for State Fiscal Year 2019 and State Fiscal Year 2020. The Fiscal Year 2018 Budget, the Fiscal Year 2019 Budget and the Fiscal Year 2020 Budget also include a service fee for collection and processing of locally-imposed sales taxes. Such fee was 2% of such sales taxes for State Fiscal Year 2018 and was reduced to 1.5% of such sales taxes for State Fiscal Year 2019 and State Fiscal Year 2020. The City cannot determine at this time the financial impact of these provisions on its overall financial condition but such provisions may result in lower income tax revenues and sales tax revenues distributed to the City.

The City can give no assurance that there will not be additional changes in applicable law modifying the manner in which local revenue sharing is allocated by the State, nor can the City predict the effect the State's financial problems, including those caused by the continued spread of the Novel Corona Virus 2019 ("COVID-19") or the various governmental or private actions in reaction thereto, may have on the City's future finances. See "**Potential Impact of the Novel Corona Virus 2019**" below.

Potential Impact of the Novel Corona Virus 2019

The COVID-19 pandemic, along with various governmental measures taken to protect public health in light of the pandemic, has had an adverse impact on global financial markets and economies, including financial markets and economic conditions in the United States. The impact of the COVID-19 pandemic on the U.S. economy is expected to be broad based and to negatively impact national, state and local economies.

In response to such expectations, President Trump declared a "national emergency" and declared the State a disaster area, which, among other effects, allows the executive branch to disburse disaster relief funds to address the COVID-19 pandemic and related economic dislocation. On March 9, 2020, Governor Pritzker declared all counties in the State as disaster areas because of the spread of COVID-19 (the "Gubernatorial Disaster Proclamation"). The Gubernatorial Disaster Proclamation currently extends through April 30, 2020. The Governor has also signed various executive orders to prevent the further spread of COVID-19 that for the duration of the Gubernatorial Disaster Proclamation have, (i) required all Illinoisans (with certain exceptions) to stay in their homes; (ii) closed all bars and restaurants to dine-in customers, (iii) ceased operations for all non essential businesses in the State and (iv) prohibited all public and private gatherings of 10 people or more. All public and private schools serving pre-kindergarten through 12th grade students have been closed for on-site learning through the present 2019-2020 school year, with remote learning having been mandated by ISBE for school days since March 31, 2020. Additionally, the State has delayed the due dates of certain its tax payments (including income and sales taxes) in response to the COVID-19 outbreak.

On March 27, 2020, President Trump signed the Coronavirus Aid, Relief and Economic Security Act (the "Stimulus Bill"), the third measure directed at mitigating the economic downturn and health care crisis caused by COVID-19. The Stimulus Bill allocates approximately \$4.9 billion to the State for expenditures incurred due to the public health emergency with respect to COVID-19, split between the State (\$2.7 billion) and local governments (the City of Chicago and Illinois counties with populations that exceed 500,000) (\$2.2 billion). Because of the number of residents in the City, the City is ineligible to directly receive any of these Stimulus Bill moneys.

The State is not yet able to assess the severity of the economic impact of the COVID-19 pandemic. The State has developed initial revenue estimates for the remainder of fiscal year 2020 and fiscal year 2021. The State expects revenues for the remainder of fiscal year 2020 to be approximately \$2.7 billion less than originally projected, and fiscal year 2021 revenues to be approximately \$4.6 billion less than previously projected. In addition, the State expects to issue a short-term borrowing of approximately \$1.2 billion, which amount must be repaid within one year of the date of the issuance thereof. The State is expected to continue to develop economic forecasts and revenue estimates as circumstances change and additional information becomes available. It is possible that actual results will vary, and perhaps vary widely, from the amounts described in this paragraph.

The State's long-term general obligation bonds carry the lowest ratings among the States, such long-term ratings are at the lowest respective grades of investment rating. In response to the COVID-19 pandemic, the rating agencies have lowered their respective rating outlooks to negative from stable.

Despite moneys the State is expected to receive from the Stimulus Bill, the State's finances are likely to be adversely affected by the continued spread of COVID-19, the various governmental actions in response thereto and changes in the behavior of businesses and people. This adverse impact on the State may, in turn, adversely affect the City's finances due to delays or reductions in the amount received by the City from the State. Likewise, the City's finances may be adversely affected in manners separate and apart from the impact on the State. The City, however, cannot predict the effect the spread of COVID-19 or the various governmental or private actions in reaction thereto will have on its finances or operations, including receipt of sales, income, gaming and utility taxes and real estate tax collections. If there is a negative impact on the receipt of such taxes and/or extension and collection of real estate taxes, the City may have difficulty paying debt service on the Bonds.

Future Pension Plan Funding Requirements

The City participates in the Police Pension Plan and the Fire Pension Plan, both as hereinafter defined. Under the Illinois Pension Code, as amended (the "Pension Code"), the City is required to contribute to each plan in order to achieve a Funded Ratio of 90% by 2040. In order to achieve the 90% Funded Ratio for both plans by 2040, it is expected that the annual employer contributions required by the City will increase over time. The City also participates in the Illinois Municipal Retirement Plan, which is a defined benefit pension plan administered by the Illinois Municipal Retirement Fund ("IMRF"); employer contributions are projected by the IMRF to increase over time. Increasing annual required employer contributions for the City could have a material adverse effect on the finances of the City.

The Pension Code allows the State Comptroller, after proper procedures have taken place, to divert State payments intended for the City to the Police Pension Plan and the Fire Pension Plan to satisfy contribution shortfalls by the City. If the City does not make 100% of its annual required contributions to the Police Pension Plan and Fire Pension Plan, the City may have revenues withheld by the State Comptroller. Such withholdings by the State Comptroller could adversely affect the City's financial health and operations. See "**EMPLOYEE RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS OBLIGATIONS**" herein for a more complete discussion.

Cybersecurity

Computer networks and data transmission and collection are vital to the efficient operation of the City. Despite the implementation of network security measures by the City, its information technology and infrastructure may be vulnerable to deliberate attacks by hackers, malware, ransomware or computer virus, or may otherwise be breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored thereon could be disrupted, accessed, publicly disclosed, lost or stolen. Although the City does not believe that its information technology systems are at a materially greater risk of cybersecurity attacks than other similarly-situated governmental entities, any such disruption, access, disclosure or other loss of information could have an adverse effect on the City's operations and financial health. Further, as cybersecurity threats continue to evolve, the City may be required to expend significant additional resources to continue to modify and strengthen security measures, investigate and remediate any vulnerabilities, or invest in new technology designed to mitigate security risks.

Local Economy

The financial health of the City is in part dependent on the strength of the local economy. Many factors affect the local economy, including rates of employment and economic growth and the level of residential and commercial development. It is not possible to predict to what extent any changes in economic conditions, demographic characteristics, population or commercial and industrial activity will occur and what impact such changes would have on the finances of the City.

Loss or Change of Bond Ratings

The Bonds have received credit ratings from S&P Global Ratings, New York, New York, and Fitch Ratings, New York, New York. The ratings can be changed or withdrawn at any time for reasons both under and outside the City's control. Any change, withdrawal or combination thereof could adversely affect the ability of investors to sell the Bonds or may affect the price at which they can be sold.

Secondary Market for the Bonds

No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The Underwriter is not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof.

Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Continuing Disclosure

A failure by the City to comply with the Undertaking for continuing disclosure (see "**CONTINUING DISCLOSURE**" and "**APPENDIX D - PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING**" herein) will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and may adversely affect the transferability and liquidity of the Bonds and their market price.

Suitability of Investment

The interest rate borne by the Bonds is intended to compensate the investor for assuming the risk of investing in the Bonds. Furthermore, the tax-exempt feature of the Bonds is currently more valuable to high tax bracket investors than to investors that are in low tax brackets. As such, the value of the interest compensation to any particular investor will vary with individual tax rates and circumstances. Each prospective investor should carefully examine this Official Statement and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Bonds are an appropriate investment for such investor.

Future Changes in Laws

Various state and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in, interpretation of, or addition to such applicable laws, provisions and regulations which would have a material effect, either directly or indirectly, on the City, or the taxing authority of the City. For example, many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by State government. Future actions of the State may affect the overall financial conditions of the City, the taxable value of property within the City, and the ability of the City to levy property taxes or collect revenues for its ongoing operations.

Factors Relating to Tax Exemption

As discussed under “**TAX EXEMPTION**” herein, interest on the Bonds could become includible in gross income for purposes of federal income taxation, retroactive to the date the Bonds were issued, as a result of future acts or omissions of the City in violation of its covenants in the Bond Ordinance. Should such an event of taxability occur, the Bonds are not subject to any special redemption.

There are or may be pending in the Congress of the United States (“Congress”) legislative proposals relating to the federal tax treatment of interest on the Bonds, including some that carry retroactive effective dates, that, if enacted, could affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to Bonds issued prior to enactment. Finally, reduction or elimination of the tax-exempt status of obligations such as the Bonds could have an adverse effect on the City’s ability to access the capital markets to finance future capital or operational needs by reducing market demand for such obligations or materially increasing borrowing costs of the City.

The tax-exempt bond office of the Internal Revenue Service (the “Service”) is conducting audits of tax-exempt bonds, both compliance checks and full audits, with increasing frequency to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether the Service will commence any such audit. If an audit is commenced, under current procedures the Service may treat the City as a taxpayer and the Bondholders may have no right to participate in such proceeding. The commencement of an audit with respect to any tax-exempt obligations of the City could adversely affect the market value and liquidity of the Bonds, regardless of the ultimate outcome.

Bankruptcy

The rights and remedies of the Bondholders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws or equitable principles that may affect the enforcement of creditors’ rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

GENERAL INFORMATION

Located along the Fox River, the City lies approximately 38 miles northwest of downtown Chicago and covers an area of approximately 38 square miles. Neighboring communities include Sleepy Hollow, West Dundee and East Dundee to the north, Hoffman Estates and Streamwood to the east, Bartlett to the southeast, and South Elgin to the south. Immediately west of the City is unincorporated Kane County. Approximately one-fifth of the current equalized assessed valuation (the "EAV") lies in Cook County and four-fifths lies in Kane County. A special census in March 2008 reported a population of 104,939, the 2010 Census population is reported at 108,188, and the 2018 Census estimated the population at 113,023. The Chicago Metropolitan Agency for Planning ("CMAP") estimates the City's population could be 168,207 by 2040. The City's location at the north end of the growing "Fox Valley" region and along the Interstate 90 Northwest Tollway's "Golden Corridor" has contributed to substantial residential, commercial and industrial growth in the City in recent years.

Annexation activity over the past two decades has been substantial. During the three years beginning in 2000 and ending in 2002, approximately 488 acres were annexed for constructing a combination of business parks and residential subdivisions. A total of 6,995 acres have been annexed in 2003 through 2006. In 2007 the City annexed 623.68 acres. Larger residential annexations include HPI Elgin West Assemblage South Portion (332 acres), Trinity Chase (111.58 acres) and Weseman Property (80.00 acres). In 2008 the City annexed 73.65 acres. Larger annexations included Tall Oaks Unit 4 (5.27 acres), Randall Commons (6.9 acres), HRT Medical Office Property (2.74 acres), Henrikson Property (2.99 acres) and Burnidge Property/Eagles Club (55.75 acres). In 2009 the City annexed 55.21 acres. Larger residential annexations include McKay/Nava Properties (3.61 acres) and Capitani Parcel - Ponds of Stony Creek (50 acres). There were no annexations related to property development in 2010. In 2011 the City annexed 9.67 acres, on which sits the Second Baptist Church of Elgin. There were no annexations related to property development in 2012. In 2013 the City annexed 5.83 acres, in which now resides the Brilliance Elgin Subaru Dealership. In 2014 the City annexed a total of 64.80. Larger annexations include Daching Business Park (60.33 acres) and the 2561 Big Timber Industrial Park (4.47 acres). In 2015, 4.35 acres were annexed at 3191 U.S. Route 20. There were no annexations related to property development in 2016-2019.

City Organization and Services

The City was incorporated under a special charter from the State in 1854, and is a home rule unit under the Illinois Constitution. The City operates under the Council-Manager form of government with a Mayor and six City Council members elected at large for four-year staggered terms. The City Council appoints a City Manager and Treasurer, and the Mayor appoints a Clerk who is confirmed by the City Council. All City employees, approximately 649 full-time employees, report to the City Manager, who is responsible for the daily operations of the City. The Fiscal Services Department is responsible for preparing an operating budget subject to approval by the City Council. The City provides a Police Department of 183 full-time officers, and a Fire Department which operates 7 fire stations and has 133 full-time employees of which 103 are certified paramedics.

Various non-supervisory City employees are members of collective bargaining units. These units have multi-year contracts of varying length. The Policeman's Benevolent Association Unit 54 contract was settled in 2016 and expired on December 31, 2019. The contract is currently under negotiation. The International Association of Firefighter's contract will expire on December 31, 2021. The new contract was finalized in December of 2019. The negotiations resulted in a 2.5% increase for each year. The Clerical Technical Employees and the Public Works Employees Group are both represented by the Services Employee Union International. The Public Works Employers Group contract will expire on December 31, 2021. The new contract was finalized in April of 2018. The negotiations resulted in a 2.5% increase for each of the years 2018 and 2019 (with wage reopeners for 2020 and 2021). The Clerical Technical Employees contract expired December 31, 2019. The contract is currently under negotiation. City officials consider their labor relations with employees to be excellent. Current agreements prohibit strikes and there has been no history of strikes.

The City provides water treatment and distribution services to residents and also currently sells water to the Village of Sleepy Hollow, a separate unit of local government. The City formerly had a similar agreement with the Village of Bartlett which terminated in May, 2019. The rate for the adjoining jurisdictions is 125% of the City's rate. During 1990 the City became responsible for the ownership and maintenance of the sewer interceptor system within its corporate limits. The Fox River Water Reclamation District continues to be responsible for sewage treatment.

The City has a rating of four for Building Code Effectiveness from the Insurance Service Office ("ISO"). The rating system assesses a community's standards and implementation of codes related to high quality, safe new construction. With a rating scale ranging from one to ten, with one being the best, the City received one of the highest ratings in the region. Additionally, the City has attained a rating of two for its Fire Service from the ISO.

Western Growth Area

The City adopted a new comprehensive plan in 2018, and that plan continues the commitment by the City to quality land resource management for tens of thousands of acres on the City's western edge. The plan puts forth growth management policies that direct a balance between the need to develop, the cost of development, and conservation of the natural environment. Development within the City's western growth area will continue to demonstrate the use of innovative architecture, site planning, and land design of such quality as to set a standard of excellence for subsequent development. Currently, the City includes more than 23,700 acres of land, but another 47,500 unincorporated acres are within the City planning area, mostly within the western growth area.

The vast majority of undeveloped land in the City's western growth area will develop residentially. The prices for new homes being built in the western growth area range from about \$200,000 to over \$530,000. The vision of the western growth area is to develop healthy, vibrant neighborhoods which offer qualitatively better places for people to live, shop, work, and recreate; places where people can connect with nature and feel a sense of community; have the freedom to choose their means of transportation, choose from a variety of housing types and recreation amenities, and participate in civic activities.

Parks and Recreational Facilities

The City's Parks and Recreation Department (the "Park Department") oversees some 1,711 acres of parks and open space. In total, the City currently has 75 parks. Wing Park, the regional park on the City's near west side, has a large family aquatic center, seven baseball fields, a band shell, two shelters, a golf course, basketball courts, and tennis courts. Lords Park, the regional park on the City's east side, also has a family aquatic center, basketball courts, a zoo, nine baseball fields, two picnic shelters, natural history museum, pavilion, three lagoons, and tennis courts. Hawthorne Hill Nature Center and Park is a 66-acre natural area with interpretive trails, fishing ponds, and a 4,800 square foot nature center. Trout Park, on the City's northeast side, has a nature preserve, baseball field, and a picnic shelter.

The City, along with the Kane County Forest Preserve District, owns Jack Cook Park and Forest Preserve, a 224-acre parcel on the City's far-west side. A Phase I development took place in 2013 and included two soccer fields, tennis and basketball courts, a shelter, roadway and parking lot. Phase II development was completed in 2017 and included expansion of the parking lot to accommodate 100 vehicles.

The Park Department manages three City-owned golf courses. The Wing Park Golf Course, a nine-hole course that is very popular with beginners and senior golfers, is the oldest publicly owned golf course in the State. The Highlands of Elgin (the “Highlands”), an eighteen-hole championship course, is noted by Chicagoland Golf as one of the best golfing values in all of the State. The Highlands’ beautiful prairie style clubhouse compliments the golf course’s links design. The clubhouse includes a program room for winter activities, a golf simulator with 3D technology and 60 different courses, and the Grumpy Goat Tavern and Restaurant. Bowes Creek Country Club opened in 2009 and provides golfers all the amenities associated with a private country club experience at a public golf course price. The clubhouse features Porter's Pub with seating for over 250 patrons. The pub's design creates the feeling of an authentic English pub with crafted tin ceilings, tile floors, and a Brunswick Bar. The Highlands and Bowes Creek Country Club made the top ten "Golfweek Best Courses You Can Play in Illinois" list at number 2 and number 8, respectively, establishing the City as a true golf destination city.

Residents and visitors to the City benefit from The Edward Schock Centre of Elgin (“The Centre”), a state-of-the-art recreation facility located in the City’s downtown. The \$41.1 million facility was opened November 25, 2002. This 185,000 square foot facility is a monumental addition to the quality of life and a community enhancement for the downtown. The Centre is comprised of a full service fitness center, three indoor pools, a field house with three basketball courts, a 1/8 mile walking track, racquetball courts, free-standing climbing wall, birthday party rooms, preschool center, recreation programming rooms, meeting rooms and a 300-seat banquet facility. Since the opening of The Centre: 4,700 kids birthday parties have been hosted and 700 weddings and quinceañeras; 3,100 children have received early childhood education; 3,600 children have participated in youth dance; 15,000 children have played in the youth basketball program; 40,000 children have been taught how to swim. The walking track is free for all who wish to pursue a healthy lifestyle. In total, visitors and users of The Centre average over 800,000 yearly.

The Eastside Recreation Center (“ERC”) is a 40,000 square foot facility located on the City’s east side. The ERC provides a low cost alternative to The Centre. In 2011, the City was awarded a \$1.6 million grant to renovate the facility to make it more energy efficient, safer, more comfortable and functional. The renovation was completed in 2013 and has resulted in an increase in fitness memberships and program participants.

The Park Department also provides a wide variety of general recreation programs, which take place throughout the City. These programs include athletic leagues, art and dance, fitness, swimming, preschool, camps, boxing, martial arts, special events, enrichment and educational programs. These programs are provided for all age groups and ability levels, from infants to senior citizens.

The Elgin Sports Complex is comprised of ten lighted softball fields, 11 soccer fields, two sand volleyball courts and one of the only BMX tracks in the State. During the weekdays, residents enjoy the sports complex as they participate in many different active leagues and events. On the weekends, from early April to late October, the Elgin Sports Complex hosts approximately thirty different tournaments. These tournaments bring approximately 1,600 teams and their fans to the sports complex, resulting in 300,000 estimated visitors. Many of these teams come from out of the area, and out of state, which benefits the local economy.

Elgin Riverfront

Part of the City's riverfront, specifically Riverside Drive, was designated a River Edge Redevelopment Zone (RERZ) in 2009 by the Illinois Department of Commerce and Economic Opportunity (DCEO). The RERZ program was developed to “revive and redevelop environmentally challenged properties adjacent to rivers in Illinois.” Inclusion in this zone provides additional funding opportunities for the City to revitalize this riverfront area located within the central business district.

In October 2010, the City was awarded a River’s Edge Redevelopment Grant to reconstruct Riverside Drive. The funding is provided by Illinois Jobs Now! Capital plan, administered by DCEO for the demolition of the existing Riverside Drive decking and the construction of a new environmentally sensitive structure creating the Riverside Drive Promenade.

Construction began in June 2012 and was completed in fall 2014. Features of the Riverside Drive Promenade include permeable pavers, bio-swales, traffic calming devices and bicycle paths consistent with existing riverfront improvements in Elgin's downtown.

Transportation

The City is ideally positioned with highway access to all points in the Chicago metropolitan area. To the east, Interstate 90 connects the City to O'Hare International Airport and downtown Chicago. Three, full-service interchanges on Interstate 90 serve residents, businesses and visitors at the major north-south transportation corridors of Illinois Route 31, Illinois Route 25 and Randall Road. Illinois Routes 19 and 58 and U.S. Route 20 are the additional east-west transportation corridors serving the City residents. The Elgin-O'Hare Expressway comprises a portion of U.S. Route 20 and is continuing to be developed as a western access to O'Hare International Airport. The Elgin-O'Hare Expressway will ultimately serve as the City's second connection to O'Hare International Airport.

Commuter rail transportation is available through the Metropolitan Rail's Milwaukee Road (Metra) line. The City has three commuter train stations for passengers commuting to the Chicago business district. Bus service connects with all three commuter train stations. Air transportation is available from O'Hare International Airport, approximately 22 miles southeast of the City along Interstate 90. Commercial trucking and rail freight services are also available.

Bus transportation for the City and neighboring communities is provided by the State-funded Pace Suburban Bus Service of the Regional Transportation Authority (RTA). Dial-a-Ride services are also provided by Pace and is available for those who are unable to use regular bus service, such as the elderly or physically challenged. The service operates on a door-to-door basis during weekdays.

There is motor coach bus service available daily from the City to O'Hare International Airport, Chicago, Rockford, Madison, Wisconsin and Dubuque, Iowa.

Education

The City is a regional center for learning as is evidenced from the descriptions of the schools below.

School District Number U-46 ("District U-46") is the second largest district in the State, serving nearly 39,000 students in 11 communities, including the City. District U-46 offers a well-rounded and rigorous preK-12 education for students at two early learning centers, forty elementary schools, eight middle schools, five high schools, and two alternative programs for middle and high school students.

About 47 percent, or 18,250, of the students in District U-46 are residents of the City. District U-46 has 4,754 full-time equivalent employees, including 2,587 teachers. More than 2,000 City residents are employed by District U-46, and about 23 percent of the teachers are City residents.

The State designated 45 of District U-46's 53 K-12 schools as "Commendable" in 2018, and District U-46 ranked 20th among the nation's 200 largest school districts for academic growth according to a study by Stanford University. All elementary schools offer a full-day play-based kindergarten program to prepare students for success in elementary school. Nearly 11,000 students are on their way to becoming bilingual and biliterate through their participation in the District U-46's award-winning Dual Language program. District U-46 is home to 67 National Board Certified Teachers, the highest credential available to American educators. The Academy programs at each of the five high schools, including the Gifted and Talented Academy at Elgin High School and the Visual and Performing Arts Academy at Larkin High School, provide engaging hands-on learning opportunities.

As a large unit school district, District U-46 offers students a variety of extracurricular activities from sports to fine arts programs and performance venues, WEPS 88.9 FM radio station, and a planetarium that includes the 1901 Elgin National Watch Company Observatory.

The Elgin Academy (the "Academy"), founded in 1839, is the oldest independent, co-ed, college-preparatory day school in the Chicago area. The Academy serves Preschool through 12th grade with an enrollment of approximately 340 students. The school occupies an eighteen-acre campus in the Historical District of the City. The Academy is committed to academic excellence and developing the full potential of each student.

Higher Education

Since 1949, Elgin Community College ("ECC") has been dedicated to improving lives through learning. As a regionally accredited institution, ECC continues to offer some of the best programs in the region. In addition to offering six associate's degree programs, the college also offers more than 150 career-oriented occupational degrees and certificates, corporate and continuing education programs, and a full complement of pre-collegiate courses and initiatives.

ECC's 360 square-mile district is home to approximately 447,800 residents, 19,990 businesses, four public school districts, and 33 communities. The U.S. Department of Education has designated ECC a Hispanic-serving institution. ECC has also been distinguished as a military-friendly institution.

ECC is a nine-time recipient of the Government Finance Officers Association's Certificate for Excellence in Financial Reporting. The national certificate acknowledges and encourages ECC's efforts in making its reports transparent and accessible to the public. ECC also maintains an excellent credit rating from Moody's Investors Service ("Moody's"), a world-recognized credit rating agency. ECC has held an Aaa credit rating from Moody's since 2009. The Moody's rating is the highest credit rating available.

Affordability, accountability and accessibility remain core foundations at ECC. Tuition remains low while the college continues to offer financial aid assistance.

Over 20,000 credit and non-credit students are currently enrolled and the number of degrees and certificates awarded by ECC has increased 32 percent over the past decade. Additionally, an estimated 70,000 community members enjoy performances, lectures and gallery shows through the college's arts and humanities centers. The following currently have formal agreements in place with ECC:

- Columbia College of Missouri
- Northern Illinois University, DeKalb
- Roosevelt University, Schaumburg and Chicago Campuses
- Western Illinois University, Macomb
- Judson University, Elgin
- Indiana University in Bloomington, Indiana
- Franklin University, Columbus, Ohio
- California University of Pennsylvania
- Global Campus through University of Illinois – Chicago
- Kaplan University – Online
- University of Wisconsin, Green Bay
- DeVry University
- Indiana Wesleyan-online
- Robert Morris University, Chicago
- University of St. Francis, Joliet
- Northeastern Illinois University, Chicago
- Chicago State University, Chicago
- Governor's State University, University Park
- Argosy University
- Bradley University, Peoria
- DePaul University, Chicago
- Illinois Institute of Art – Schaumburg
- Iowa Wesleyan University
- Kendall College
- Lexington College
- National Louis University, Elgin
- Northwood University, Glen Ellyn
- Rockford College
- Southern Illinois University, Carbondale
- University of Phoenix

Also located in the City is Judson University, a four-year liberal arts college established in 1963. The university has an enrollment of approximately 1,300 people, and is located on a 90 acre campus along the Fox River. Judson University offers more than 60 undergraduate majors, minors and pre-professional programs and is currently the only evangelical Christian university to offer an accredited architecture program. Judson University's adult undergraduate offerings include Management and Leadership (also available online); Human Services; Human Resource Management; Criminal Justice and Management Technology Systems. Graduate programs include the Master of Architecture, Master of Education and Master of Organizational Leadership with more graduate programs under consideration.

Judson's 90-acre campus of woods and spacious lawns is nestled along the Fox River. Judson is an active member of the City and is committed to serving the City's needs through strong partnerships with businesses, schools and non-profit agencies.

Established more than 125 years ago, National Louis University ("NLU") is one of Chicago's oldest private universities and a leader in providing a quality education for the adult learner. NLU is a nonprofit, non-denominational university serving more than 8,000 students in three colleges: National College of Education; College of Arts & Sciences; and College of Management and Business. It offers bachelors, masters and doctoral degrees in 60 fields including education, management, human services, counseling, and other community-serving disciplines. NLU's reach is national with five campus locations in Illinois: Downtown Chicago, Elgin, Lisle, North Shore, and Wheeling. NLU first opened its academic center in the City in 1979, and currently resides in an 18,900 square foot building located in the Leslie Oaks Business Center.

Devry University and Robert Morris College also have satellite campuses in the City. Additional opportunities for higher education are available to City residents from the various colleges and universities throughout the Chicago metropolitan area.

Community Life

The City is a regional health care center serving area residents with two state-of-the-art health care facilities, Presence Saint Joseph Hospital and Advocate Sherman Hospital.

Founded in 1902, Amita Health Saint Joseph Hospital (the “Hospital”), is a 184 bed full-service hospital with a Level II Trauma Center. The Hospital offers services from inpatient care, outpatient services, surgical care, emergency and urgent care, wound and non-healing wound care using the Elgin area's only hyperbaric oxygen chamber, compassionate adult and adolescent behavioral (mental) health (psychiatric) care services and more. The Hospital also has a state-of-the-art cancer center with the area's only Cancer Rehab Program and Lymphedema treatment program, a nationally-recognized heart & vascular institute providing the highest rated heart surgery, the area's only Women's Heart Center and a new patient tower.

With more than 400 physicians on staff, 1,200 associates, 184 beds and 300 volunteers, the Hospital is known for providing leading-edge care and technologies to the communities they serve.

Advocate Sherman Hospital (“Sherman Health”) is an acute care facility with highly skilled physicians and clinical professionals offering a comprehensive range of health care services. Since 1888, Sherman Health has provided quality, compassionate care to its patients and communities, and is a leader in delivering the most advanced technologies and services available in the northwest suburbs.

U.S. News & World Report has named Sherman Health a 2018-2019 Best Regional Hospital. In addition, Sherman Health has ranked high performing in aortic valve surgery, congestive heart failure, colon cancer surgery, COPD, diabetes and endocrinology, gastroenterology and GI surgery, geriatrics, hip replacement, knee replacement and pulmonology. Sherman Hospital employs more than 2,200 individuals and has more than 600 dedicated physicians on its medical staff.

Named “Orchestra of the Year” an unprecedented four times by the Illinois Council of Orchestras, (1988,1999, 2005 and 2016) and winner of a 2010 Elgin Image Award, the Elgin Symphony Orchestra (“ESO”), now in its 67th season, is respected for exceptional performance, innovative education programs, and community outreach initiatives. Founded in 1950 by Douglas Steensland at ECC, the ESO has benefited from the contributions of many talented conductors and musicians during its sixty-three year history.

ESO is unmatched for quality music and a fun, relaxing, cultural experience. In addition to magnificent music performed by some of the best musicians in the region, patrons can enjoy a drink, time with friends and even shop at the Elgin Symphony League Boutique in the lobby of the Hemmens Cultural Center. From start to finish – the ESO brings world class, big city entertainment without the hassles of the big city.

The Music Heals program with Alexian Brothers Health System, which began in December 2013, sees musicians perform twice per month for patients, families and staff at Alexian Brothers Medical Center, Alexian Brothers Women and Children’s Hospital, and St. Alexius Medical Center. In 2014, the ESO partnered with Gail Borden Public Library to provide free Family Concerts, and extended its Listeners Club to the Greenfields of Geneva.

Library services are available to City residents from the Gail Borden Public Library District (the “Library”), which is a separate, non-component unit of government. The Library records over 1,000,000 visits annually. Approximately 99,637 of the 144,597 individuals living within the Library’s boundaries are registered Library patrons. Small portions of the City are also served by the Bartlett Public Library District and the Dundee Township Public Library District.

Serving and collaborating with the local community since 1874, the Library’s main prairie style building along the Fox River was completed in 2003. Its first branch opened just west of Randall and Bowes in 2009. The beautiful sustainable Rakow Branch situated adjacent to wetlands earned the rare gold status from U.S. Green Building Council and is a living educational classroom for visitors. The Library opened a second branch in South Elgin in 2016.

The Library offers books, eBooks, streaming movies and classes, dynamic programming with Science, Technology, Engineering and Math (“STEM”) and technology themes, as well as special events such as job and career expos, technology fairs and new-parent initiatives. Unique museum-quality exhibits have featured life-size dinosaurs, interactive exhibits such as Adventures with Clifford The Big Red Dog™ and the history of space, which gave local students the opportunity to chat live with an astronaut aboard the International Space Station.

The Library’s partnerships with the community have helped bring a diverse array of literacy initiatives to residents of all ages. The Library works regularly with District U-46 and local private schools to ensure student participation in the annual summer reading program to maintain student reading skills over the summer. One library card promotion resulted in 8,000 residents signing up for library cards in one month. The Library’s outreach initiatives bring storytelling, programming and materials to many in the community.

The Library and its staff members have been recognized as leaders across the State as well as on a national level. Among its numerous awards, the Library received the nation’s highest honor for the industry, the National Medal for Museum and Library Service in 2009.

SOCIOECONOMIC INFORMATION

The following statistics pertain principally to the City. Additional comparisons are made with Kane and Cook Counties and the State.

Population

The City continues to see progressive gains in population, as summarized below.

City Population Trends(1)

Year	The City		Kane County		Cook County	
	Population	Percentage Growth	Population	Percentage Growth	Population	Percentage Growth
1950 Census.....	44, 223	–	150, 388	–	4, 508, 792	–
1960 Census.....	49, 447	11. 81%	208, 246	38. 47%	5, 129, 725	13. 77%
1970 Census.....	55, 691	12. 63%	251, 005	20. 53%	5, 492, 369	7. 07%
1980 Census.....	63, 668	14. 32%	278, 405	10. 92%	5, 253, 655	(4. 35%)
1990 Census.....	77, 010	20. 96%	314, 934	13. 12%	5, 105, 067	(2. 83%)
1996 Census.....	85, 068	10. 46%	N/A	N/A	N/A	N/A
2000 Census.....	94, 487	11. 07%	404, 119	28. 32%	5, 376, 741	5. 32%
2008 Census.....	104, 939	11. 06%	N/A	N/A	5, 294, 664	(1. 53%)
2010 Census.....	108, 188	3. 10%	515, 269	27. 50%	5, 194, 675	(1. 89%)
2040 (2).....	168, 207	55. 48% (3)	802, 231	55. 69% (3)	6, 182, 487	19. 02% (3)

- Notes: (1) Source: U.S. Bureau of the Census.
 (2) Source: CMAP.
 (3) Percentage growth based on projections by the CMAP.

Employment

Elgin is the employment center for northern Kane County. The City has a highly diversified, well-balanced economy and is not dominated by any single commercial or industrial sector.

Below is a list of large employers located in the City.

Major City Employers(1)

<u>Company</u>	<u>Product/Service</u>	<u>Approximate Employment</u>
District U-46.....	Public School District	4,754
Chase.....	Credit Card Processing	2,500
Advocate Sherman Health.....	General Hospital	2,200
Elgin Mental Health Center.....	State Hospital	1,300
The Hospital.....	General Hospital	1,300
Elgin Riverboat Resort.....	Gaming	1,200
John B. Sanfilippo & Son, Inc.....	Corporate Headquarters and Snack Foods	1,200
ECC.....	Community College	1,088
American NTN Bearing Mfg. Corp.....	Precision Ball Bearings	675
LSI.....	Corporate Headquarters, Credit Union, Banking and Mortgage Services.....	610
Capsonic Automotive, Inc.....	Plastic Parts, and DIP Switches for Business Machine and Industrial Markets.....	600
Colony, Inc.....	Metal Products and Fabrication	450
Elgin Sweeper Co.....	Street Sweepers	400
SKF USA, Inc.....	Automotive, Aerospace and Industrial Seals	400

Note: (1) Source: 2020 Illinois Manufacturers Directory, 2020 Illinois Services Directory, and a selected telephone survey.

City residents also have substantial employment opportunities in surrounding communities, as well as throughout the Chicago Metropolitan area. The following list shows selected large private employers located in communities immediately surrounding the City.

Major Area Employers(1)

<u>Location</u>	<u>Company</u>	<u>Business or Product</u>	<u>Approximate Employment</u>
Arlington Heights...	Northwest Community Healthcare.....	Community Hospital	4,000
Hoffman Estates.....	Transform Holdco, LLC.....	Holding Company Headquarters; Retail Department Store Chain..	3,200
Arlington Heights...	Allied Building Products Corp.....	Wholesale Building Products	3,000
Schaumburg.....	Zurich North America.....	Company Headquarters and Commercial Property and Casualty Insurance	2,500
Hoffman Estates.....	St. Alexius Medical Center.....	Full Service Hospital	2,045
Schaumburg.....	Nation Pizza Products L.P.....	Frozen Pizzas and Crusts	2,000
Rolling Meadows.....	Northrop Grumman Corp.....	Divisional Headquarters and Electronic Countermeasures	1,900
Schaumburg.....	Motorola Solutions, Inc.....	Corporate Headquarters and Wireless and Broadband Communications	1,600
Arlington Heights...	HSBC Finance Corp.	Consumer Financial Services	1,500
Arlington Heights...	Clearbrook	Developmentally Disabled Rehabilitation Services	1,000
Rolling Meadows.....	Arthur J. Gallagher & Co.....	Company Headquarters; Insurance Sales	825
Schaumburg.....	OptumRx, Inc.	Pharmacy Software and Automation Services	800
Schaumburg.....	Paylocity	Corporate Headquarters; Software Development and Payroll Processing Services	800
Rolling Meadows.....	Gallagher-Bassett Services, Inc.....	Global Risk Management Services	675
Hoffman Estates.....	CDK Global	Dealer Management Systems for the Automotive Retail Market...	600
Schaumburg.....	Experian Information Solutions, Inc....	Direct Marketing Computer and Information Services	600

Note: (1) Source: 2020 Illinois Manufacturers Directory, 2020 Illinois Services Directory, and a selected telephone survey.

The following tables show employment by industry and by occupation for the City, Kane County, Cook County and the State as reported by the 2014-2018 American Community Survey 5-Year estimates from the U.S. Bureau of the Census (the “2014-2018 ACS”).

Employment By Industry(I)

Classification	The City		Kane County		Cook County		The State	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Agriculture, Forestry, Fishing and Hunting, and Mining	242	0.4%	1,406	0.5%	4,403	0.2%	66,259	1.1%
Construction	2,995	5.3%	17,139	6.4%	119,212	4.7%	328,620	5.3%
Manufacturing	11,068	19.8%	44,367	16.7%	247,352	9.7%	753,276	12.1%
Wholesale Trade	1,895	3.4%	9,692	3.6%	72,063	2.8%	188,536	3.0%
Retail Trade	6,249	11.2%	29,396	11.0%	248,700	9.8%	669,968	10.8%
Transportation and Warehousing, and Utilities	3,391	6.1%	15,302	5.8%	180,343	7.1%	394,511	6.3%
Information	1,020	1.8%	4,776	1.8%	55,804	2.2%	120,002	1.9%
Finance and Insurance, and Real Estate and Rental and Leasing	3,233	5.8%	18,349	6.9%	205,038	8.0%	453,391	7.3%
Professional, Scientific, and Management, and Administrative and Waste Management Services	6,289	11.2%	33,497	12.6%	371,057	14.6%	735,339	11.8%
Educational Services and Health Care and Social Assistance	10,624	19.0%	50,100	18.8%	578,789	22.7%	1,426,656	22.9%
Arts, Entertainment and Recreation and Accommodation and Food Services	5,425	9.7%	24,321	9.1%	251,206	9.9%	568,457	9.1%
Other Services, Except Public Administration	2,471	4.4%	11,155	4.2%	125,739	4.9%	294,078	4.7%
Public Administration	1,090	1.9%	6,613	2.5%	89,290	3.5%	226,871	3.6%
Total	55,992	100.0%	266,113	100.0%	2,548,996	100.0%	6,225,964	100.0%

Note: (1) Source: U. S. Bureau of the Census, American Community Survey, 2014-2018 estimates.

Employment By Occupation(I)

Classification	The City		Kane County		Cook County		The State	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Management, Business, Science and Arts	15,948	28.5%	93,175	35.0%	1,019,892	40.0%	2,370,095	38.1%
Service	10,773	19.2%	44,130	16.6%	455,103	17.9%	1,072,423	17.2%
Sales and Office	12,304	22.0%	61,465	23.1%	564,569	22.1%	1,393,893	22.4%
Natural Resources, Construction, and Maintenance	4,169	7.4%	20,622	7.7%	151,460	5.9%	448,917	7.2%
Production, Transportation, and Material Moving	12,798	22.9%	46,721	17.6%	357,972	14.0%	940,636	15.1%
Total	55,992	100.0%	266,113	100.0%	2,548,996	100.0%	6,225,964	100.0%

Note: (1) Source: U. S. Bureau of the Census, American Community Survey, 2014-2018 estimates.

Unemployment Rates

The table below shows unemployment trends for the City, Kane and Cook Counties, and the State.

Annual Average Unemployment Rates(I)

Calendar Year	The City	Kane County	Cook County	The State
2009	13.2%	10.5%	10.5%	10.2%
2010	13.0%	11.0%	10.9%	10.4%
2011	11.8%	9.8%	10.4%	9.7%
2012	10.5%	8.9%	9.6%	9.0%
2013	10.1%	8.7%	9.6%	9.0%
2014	8.1%	6.8%	7.5%	7.1%
2015	6.7%	5.7%	6.2%	6.0%
2016	6.4%	5.5%	6.0%	5.8%
2017	5.6%	4.9%	5.1%	4.9%
2018	5.4%	4.9%	4.0%	4.3%
2019 (2)	6.0%	4.5%	2.9%	3.5%

Notes: (1) Source: Illinois Department of Employment Security.
 (2) Preliminary rates for the month of December 2019.

Building Permits

The City continues to be among the leading suburban communities for new housing starts. Since at least the first quarter of 2017, the City has ranked in the top ten of communities in the State for the number of housing starts, and for the third quarter of 2019, the City was ranked fifth.

Based on the trend of the last six years, it is anticipated that approximately 200 new housing units will be added to the City's housing stock each year within new developments primarily on its west side. These developments are well under way and include Bowes Creek Country Club Subdivision by Toll Brothers, a 604-acre development containing 688 single-family homes, 277 townhouses, and an 18-hole championship golf course; Highland Woods by Crown Community Development, a 577-acre development containing 591 single-family homes and 309 townhouses; the Ponds of Stony Creek by Lennar, a 278-acre development containing 504 single-family homes; Tall Oaks by Wyndham Deerpoint and DR Horton, a 201-acre development containing 334 single-family homes and 123 townhouses; and West Point Gardens, a 172-acre development containing 384 single-family homes and 44 townhouses.

In addition, the City has permitted for new developments by (i) Reyes Holdings, which is building a \$20 million facility for Great Lakes Coca-Cola bottling (239,000 square feet building expected to generate 240 new jobs) and (ii) an extended stay hotel.

Two notable subdivisions were completed within the past three years, including Providence by Town and Country Homes, a 456-acre development containing 857 single-family homes and 212 townhouses and Edgewater, an active adult community by Pulte/Del Webb on 408 acres containing 1,068 single-family homes.

One other large development anticipated on the west side is Pingree Creek Subdivision by Shodeen, Inc. This mixed-use project includes plans for 1,768 single-family homes, 120 townhouses, 883 apartments, and 25 acres of commercial on 780 acres.

The success of the City's industries and businesses at the turn-of-the-19th century allowed the City to flourish which was reflected in the City's older neighborhoods. The homes in these areas, some dating back to the mid-1800's, exhibit a wide variety of styles, size and uniqueness that have established the City as a preservation destination. Many of these homes and areas are recognized for their historic and architectural significance through local and national designation as individual landmarks or as historic districts.

In addition to its 22 individual landmarks, the City designated five historic districts which include: the Elgin Historic District (established 1981); the Spring-Douglas Historic District (established 1996); the Elgin National Watch Historic District (established 1997); the David C. Cook - Lovell Area Historic District (established 2007); and the Elgin Bungalow Thematic Historic District (established 2015).

The Elgin Historic District contains 774 properties and is the earliest area of the City platted by the City's founder, James T. Gifford in 1842. The Spring-Douglas Historic District contains 286 structures and belonged to the City's most prominent business leaders involved in manufacturing, banking and retail, and quickly nicknamed the City's "Gold Coast." Both of these districts are also listed in the National Register of Historic Places. The Elgin National Watch Historic District contains 585 structures and was associated with workers and executives of the Elgin National Watch Company. The D. C. Cook-Lovell Area Historic District has 89 structures, many of which were built at the beginning of the 20th century due to the relocation of the David C. Cook Publishing Company in 1901, another prominent and successful business that provided the City more notoriety. The most recent district is the Elgin Bungalow Thematic Historic District containing seven residences. It is a district that is based on a theme, the bungalow, has no district boundaries but is city-wide and inclusion is voluntary.

The efforts to restore, preserve and promote the City's rich heritage through tireless efforts of passionate property owners, professional contractors and dedicated volunteers have greatly contributed to the beautification of the City.

The average construction value of single-family home building permits is approximately \$170,000, excluding the value of land improvements. In addition to the increase in housing construction, continuing growth is also occurring in industrial and commercial permits.

The City's construction activity over the past ten years is shown by the building permit data below. The total annual permit valuations averaged over \$91,074,842 and \$91,705,891 the past five and ten years, respectively. During calendar year 2019, the City experienced its largest permitting for commercial and industrial uses during the last ten years.

City Building Permits(1)

Calendar Year	Single Family		Multi-Family		Commercial and Industrial	Total All Other	Value
	Units (2)	Value (2)	Number	Value			
2010	182	\$18,199,020	0	\$ 0	\$12,762,850	\$62,599,313	\$ 93,561,183
2011	145	16,180,765	0	0	15,712,004	42,018,244	73,911,013
2012	201	22,420,897	0	0	2,053,136	45,239,551	84,865,489
2013	374	38,783,153	0	0	9,425,000	53,161,036	101,369,189
2014	369	36,826,746	1	3,049,545	10,563,461	57,538,070	107,977,822
2015	293	24,507,671	0	0	14,913,000	94,842,849	134,263,520
2016	184	19,589,633	0	0	13,074,026	55,962,183	88,625,842
2017	141	16,778,794	0	0	3,678,000	48,658,164	69,114,958
2018	193	20,234,345	5	7,500,000	3,937,430	43,951,232	75,623,007
2019	149	15,131,553	12	7,499,000	31,698,470	33,417,862	87,746,885

Notes: (1) Source: the City.
 (2) Does not include HVAC, electrical or plumbing permits.

Housing

According to figures provided by the U.S. Census Bureau, median home values in the City have been increasing at a rate which compares favorably with Kane County, Cook County and exceeds the State. The 2014-2018 ACS is the most current statistical information available.

Median Home Values

	1970(1)	1980(1)	1990(1)	2000(1)	2010(1)	2014-2018 ACS(2)	1970-2014-2018 ACS Percent Increase
The City	\$20,700	\$60,600	\$ 96,800	\$141,400	\$212,700	\$177,500	857.49%
Kane County	20,700	60,500	102,500	160,400	245,000	232,000	1120.77%
Cook County	24,400	62,100	102,100	157,700	265,800	237,200	972.13%
The State	19,800	52,800	80,900	130,800	202,500	187,200	945.45%

Notes: (1) Source: U.S. Bureau of the Census.
 (2) Source: U.S. Bureau of the Census, American Community Survey, 2014-2018 estimates.

Mortgage Status(I)

Classification	The City		Kane County		Cook County		The State	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Housing Units with a Mortgage	18,128	72.4%	93,326	71.3%	730,775	65.4%	2,034,106	63.8%
Housing Units without a Mortgage	6,912	27.6%	37,501	28.7%	385,984	34.6%	1,154,929	36.2%
Total	25,040	100.0%	130,827	100.0%	1,116,759	100.0%	3,189,035	100.0%

Note: (1) Source: U. S. Bureau of the Census, American Community Survey, 2014-2018 estimates.

Income

Per Capita Personal Income for the Highest Income Counties in the State(I)

Rank	County	2014-2018
1.....	Lake County	\$44,287
2.....	DuPage County	43,982
3.....	Monroe County	39,988
4.....	McHenry County	38,047
5	Cook County	35,575
6.....	Will County	35,259
7.....	Woodford County	35,104
8	Kane County	34,924
9.....	Sangamon County	34,548
10.....	Menard County	34,495
11.....	Kendall County	34,423
12.....	Putnam County	34,144

Note: (1) Source: U.S. Bureau of the Census, American Community Survey, 2014-2018 estimates.

The following shows a ranking of median family income for the Chicago metropolitan area from the 2014-2018 ACS.

Ranking of Median Family Income(I)

County	Family Income	Rank
DuPage County	\$108,865	1
Lake County	105,329	2
Kendall County	99,365	3
McHenry County	97,998	4
Monroe County	97,965	5
Will County	97,733	6
Kane County	90,558	7
Cook County	76,327	21

Note: (1) Source: U. S. Bureau of the Census, American Community Survey, 2014-2018 estimates.

According to the 2014-2018 ACS, the City had a median family income of \$76,444. This compares to \$90,558 for Kane County, \$76,327 for Cook County and \$79,747 for the State. The following table represents the distribution of family incomes for the City, Kane County, Cook County and the State at the time of the 2014-2018 ACS.

Family Income(1)

Income	The City		Kane County		Cook County		The State	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under \$10,000	862	3.2%	3,323	2.5%	54,063	4.6%	118,179	3.8%
\$10,000 to \$14,999	432	1.6%	2,092	1.6%	30,998	2.6%	70,168	2.3%
\$15,000 to \$24,999	1,374	5.2%	5,506	4.2%	83,940	7.1%	186,491	6.0%
\$25,000 to \$34,999	2,128	8.0%	7,776	5.9%	92,649	7.8%	216,864	7.0%
\$35,000 to \$49,999	3,372	12.7%	13,642	10.3%	131,608	11.1%	340,169	10.9%
\$50,000 to \$74,999	4,834	18.1%	22,289	16.9%	190,037	16.1%	538,213	17.3%
\$75,000 to \$99,999	4,255	16.0%	18,298	13.9%	151,271	12.8%	444,134	14.2%
\$100,000 to \$149,999	5,086	19.1%	28,167	21.4%	205,838	17.4%	598,534	19.2%
\$150,000 to \$199,999	2,647	9.9%	14,985	11.4%	107,166	9.1%	286,266	9.2%
\$200,000 or more	1,662	6.2%	15,776	12.0%	136,236	11.5%	318,315	10.2%
Total	26,652	100.0%	131,854	100.0%	1,183,806	100.0%	3,117,333	100.0%

Note: (1) Source: U. S. Bureau of the Census, American Community Survey, 2014-2018 estimates.

According to the 2014-2018 ACS, the City had a median household income of \$67,029. This compares to \$76,912 for Kane County, \$62,088 for Cook County and \$63,575 for the State. The following table represents the distribution of household incomes for the City, Kane County, Cook County and the State at the time of the 2014-2018 ACS.

Household Income(1)

Income	The City		Kane County		Cook County		The State	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under \$10,000	1,706	4.7%	6,844	3.8%	150,136	7.6%	314,802	6.5%
\$10,000 to \$14,999	1,047	2.9%	4,761	2.7%	82,860	4.2%	194,284	4.0%
\$15,000 to \$24,999	2,670	7.3%	11,705	6.6%	185,110	9.4%	431,405	8.9%
\$25,000 to \$34,999	3,271	8.9%	12,687	7.1%	169,860	8.7%	415,960	8.6%
\$35,000 to \$49,999	5,165	14.1%	20,373	11.4%	227,406	11.6%	577,213	12.0%
\$50,000 to \$74,999	6,380	17.4%	30,459	17.1%	318,622	16.2%	828,597	17.2%
\$75,000 to \$99,999	5,520	15.0%	23,738	13.3%	234,678	12.0%	613,917	12.7%
\$100,000 to \$149,999	6,254	17.0%	33,541	18.8%	289,976	14.8%	751,099	15.6%
\$150,000 to \$199,999	2,613	7.1%	16,612	9.3%	136,558	7.0%	335,066	6.9%
\$200,000 or more	2,056	5.6%	17,330	9.7%	167,864	8.6%	367,695	7.6%
Total	36,682	100.0%	178,050	100.0%	1,963,070	100.0%	4,830,038	100.0%

Note: (1) Source: U. S. Bureau of the Census, American Community Survey, 2014-2018 estimates.

COMMERCE AND INDUSTRY

The City has traditionally been a center for commerce and industry. A major reason for this strength is diversity of businesses, location and access to a large labor supply. The City has a well-balanced economy that is not dominated by any single business sector. Dun & Bradstreet lists over 5,500 businesses in the City. The City is also home to a robust manufacturing sector located in some 23 business parks including Burnidge Industrial Park, Randall Road Executive and Corporate Centers, Fox River Business Center, Fox Bluff Corporate Center, Northwest and Corporate Parks, Windsor Commerce Center, Miller-Davis Industrial Park, and others. Diversification of businesses has strengthened the City's economy and has made it more resilient to downturns in the overall economy.

The City's advantage of transportation infrastructure connects the City to such major routes as I-90, Routes 20, 25, and 31. Elgin's location near Chicago, proximity to O'Hare and access to a Chicago metropolitan area labor force of nearly 5 million people all work together to make the City an ideal location in which to locate a business. Foreign Direct Investment has also played a major role in recent years in the expansion of the area economy. Businesses from Germany, Japan, Canada, Switzerland, Austria, China and Italy have decided to locate operations in the City. Companies such as SureWerx, Faber-Castell, Harting, American NTN Bearing and others recognize Elgin's advantages and are making a footprint on Elgin's landscape.

In 2016, new industrial and commercial construction soared to 1.3 million square feet. By the end of 2018, almost all of that space was fully occupied. In 2018, the City had a net absorption of nearly 1.5 million square feet of industrial space. Some 40 new manufacturing, warehouse and distribution businesses either expanded, located or renewed leases in 2018. The construction of more than 1.1 million square feet of new industrial space started in 2019.

Development along Randall Road and the I-90 interchange has been zoned for use as an office, research and industrial corridor. The 455,000 square foot Fisher Corporate Center and John B. Sanfilippo & Sons, Inc. corporate headquarters have major investments in facilities. The Randall Road corridor also includes over 100 retail businesses, new car dealers, significant industrial and office buildings and a major hospital. The corridor serves a larger area for people moving through the City that frequent the businesses found along Randall Road.

Randall Point Executive Center is a major development located at the northeast corner of I-90 and Randall Road. The Center currently offers more than 780,000 square feet of office space on a 60-acre campus space as well as a 74-room hotel and 9,900 square foot restaurant with seating capacity of 350. A nature preserve of approximately four acres has been dedicated at the northeast quadrant, which will provide a park for the executive center. Fabricators and Manufacturers Association ("FMA") recently opened its new headquarters in a distinctive building in the Randall Point Executive Center. FMA is a professional association devoted to improving the metal processing, forming, and fabricating industries. It relocated its headquarters to the City from Rockford.

Randall Point West, near the auto mall at I-90 and Randall Road, is a 40-acre Class A business park. Japan's MAZAK Optonics Corporation became the first company in the park when it built its new \$10 million North American headquarters complex in 2009. In 2014, Newhaven Display International constructed a 30,000 square foot building to house its headquarters. Currently, Newhaven Display is undergoing an \$8 million, 40,000 square foot expansion of its facility, while adding 25 to 30 employees to its current 50 employee staff.

The 86-acre Auto Mall at Randall Road and I-90 saw its first auto dealer in 2010 when McGrath Honda built a dealership. Brilliance Subaru opened a new dealership off of Randall Road in 2013. In 2015, a 36,000 square foot state-of-the-art Volkswagen dealership opened. Four lots have recently been sold to yet another automotive group. Two interior lots, totaling 76.8 acres, have been recently rezoned to accommodate the construction of a new 257,313 square foot Class A industrial building by the Zilber Property Group. The entire space was leased to iHerb, a California ecommerce distribution company, that began operations in late 2018 and hired 350 employees.

The City is a major medical care center. Sherman Health has completed and opened a new state-of-the-art 353 bed, 645,000 square foot, \$325 million hospital off Randall Road near the intersection of I-90. The 154-acre campus features a 15-acre geothermal lake used to heat and cool the facility. The Hospital completed a 163,000 square foot expansion to its main hospital adding 99 private rooms and a state-of-the-art cardiac institute and cancer care center. Senior Lifestyle Corporation has recently built a 90,000 square foot facility on North McLean Boulevard with 64 age restricted apartments and 32 Alzheimer care units.

Industrial Activity

The City's success in attracting and keeping both domestic and international business of all sizes and types is reflected in the industries that comprise its diversified economy. The City's industrial market remains one of the strongest in the Interstate-90 Northwest Corridor. The industrial market size is 33 million square feet and the total vacancy rate was 2.58 percent in the third quarter of 2019. There are over 400 properties, 22.7 million square feet of existing industrial space and nearly two million square feet of industrial space under speculative construction. Numerous companies, representing some 10 countries, have City facilities, including their U.S. and North American headquarters.

American NTN Bearing Manufacturing Corporation ("NTN"), a Japanese company, owns a variety of companies and manufacturing plants worldwide. Since coming to the City in 1976, NTN has expanded its facilities several times, most recently adding 130,000 square feet and 80,000 square feet. NTN is now one of the City's largest employers with nearly 675 employees.

Flender, a Siemens Company, is a global leader in the manufacturing of wind turbine gearboxes and components as well as industrial drive systems opened a 170,000 square foot facility in 2009. Another German owned firm, Harting Electronics, manufactures electric and electronic connectors for telecommunications worldwide. GEKA Brush, a German multinational firm, established its first operation in the United States in 2009. GEKA Brush manufactures brushes for the retail cosmetic industry. Japan's Amano Enzyme, doubled its North American operations in the City in 2013 with a new 45,000 square foot facility which features a research lab, along with offices and warehouse space. Amano supplies the dietary supplements, pharmaceutical and food industries with high quality enzymes.

Fabric Images, Inc., recognized as a leading edge manufacturer of lightweight, digitally printed fabric architecture, has expanded its Elgin operation by occupying an approximately 155,000 square foot existing facility. Fabric Images has been in the City since 1992 and has facilities in Milan, Italy and Mexico City. The India-based Suzlon Wind Energy Corporation ("Suzlon") chose the City for a new 65,000 square foot North American training center. Suzlon is one of the largest wind energy companies in the world. The training center, which opened in October 2010, brings 20 people to town every two weeks for instructions on how to maintain Suzlon and other manufacturers' wind turbines.

John B. Sanfilippo & Sons, Inc. ("Sanfilippo"), maker of Fisher Nuts, consolidated and moved its world headquarters to the City in 2005. Its peanuts are the most well-known, but the company also produces Evon's nuts and Flavor Tree sesame sticks and snack food. The City's location of this business employs approximately 1,200 employees in a one million square foot building. Mueller & Co., a certified public accounting and manufacturing consulting firm, decided in 2012 to continue to keep its headquarters in the City by relocating to the Fisher Corporate Center at I-90 and Randall Road. The new headquarters allowed Mueller & Co. to move its St. Charles operations to the City. The consolidation resulted in 80 persons working in the City office, including 15 partners. Mueller & Co. is the 15th largest accounting firm in the Chicago region.

With over 1.3 million square feet of new commercial and industrial construction, 2016 proved to be a banner year for the City. Included in the 2016 square foot total were four major Class A speculative buildings, including 1380 Madeline Lane at 158,982 square feet; 2601 Galvin Drive at 385,398 square feet; 2650 Auto Mall Drive at 257,344 square feet; and 2801 Alft Lane at 307,840 square feet. Joining the list of leading international companies relocating to the City include Radicon U.S.A. (India) and SureWerx (Canada). A recent significant domestic project includes Motorola Solutions spending \$18 million to open its only North American manufacturing and training facility at 2580 Galvin Drive. The 300,000 square foot facility employs over 400 workers and manufactures radios and communications systems for customers in over 100 countries.

After a relatively tepid start, commercial activity surged in late 2017. Some of the leasing activity included Kabat American relocating from Arkansas at 21,071 square foot; Munch's Supply Company at 44,988 square foot; Convenience Concepts at 71,150 square foot; Victory Movers at 18,370 square foot; and St. Charles Trading Company purchase of a 110,035 square foot building. Other significant company moves in 2017 to the City included Nova Transportation, Norman Mechanical, Ulta Polishing, and Deutz U.S.A. Corporation. MKD Electric expanded in the City by purchasing a 72,928 square foot building at 2590 Alft Lane and moved in late 2018.

In 2018, the demand for industrial space saw the City's vacancy rate drop to 5.6% at the end of the year, while the net positive absorption climbed to a historic 1.47 million square feet by the year's end. Contributing to the absorption were primarily six major projects including Box Partners leasing 385,000 square feet at 2601 Galvin Drive, Amazon leasing 105,000 square feet at 2450 Northwest Parkway, iHerb leasing 257,000 square feet at 2640 Auto Mall Drive, Fleet Pride leasing 150,000 square feet at 2770 Alft Court, Endries International leasing 96,000 square feet at 2770 Alft Court, and Heritage Travelware leasing 220,000 square feet at 2300 Galvin Drive and 2500 Northwest Parkway.

In addition, there were two high profile projects announced in 2018. Faber-Castell Cosmetics ("Faber-Castell"), a German company dating back to 1761, decided on a 44,853 square foot Elgin location after conducting an exhaustive national search. Faber-Castell Cosmetics operates through a global network of production sites in Germany and Brazil with sales organizations in 13 different countries. The production sites offer full vertical integration – a material flow from its own harvested wood, tooling, injection molding, filling and assembly, decorating, packing and logistics. Faber-Castell, in June 2019, opened its first US-manufacturing plant in the City. Faber-Castell's \$10 million investment includes the creation of 30 new jobs. Harting announced an initial \$6 million expansion of its Elgin North American headquarters that will add 50 new jobs. Both companies have long-term plans to expand in the City, with a capital investment of approximately \$125 million, while adding 270 additional employees.

Retail Activity

The City offers a variety of shopping experiences throughout the community with nine primary shopping corridors representing nearly 1,000 businesses. Major retail corridors include Randall Road, McLean Boulevard, Downtown Central Business District, Chicago Street, Larkin Avenue, Summit Street, Dundee Avenue, State Street, and the U.S. Route 20/Nesler Road area. Shopping centers within these corridors include Randall Crossing, Otter Creek, Town & Country, Tyler Creek, Clocktower Plaza, Valley Creek, and Fox River Business Center. These retail centers are anchored by stores such as Meijer Superstore, Target, Menards, Burlington, Home Depot, Butera, Jewel/Osco, and Fresh Market. Walmart relocated to the south side of the City and sold its former store to Russo Power Equipment Company, which sells a wide variety of commercial and residential power equipment. Lowe's abandoned its Elgin location, but was occupied by Blains Farm & Fleet. These nine shopping corridors are historically unique and serve specific populations of people in the City and the region.

The City is home to many new and used automobile dealerships including Biggers Chevrolet, Biggers Mazda, Brilliance Subaru, Napelton Kia, Ron Hopkins Ford, Feeny Chrysler-Jeep-Dodge, and McGrath Honda. In 2015, there was an addition of a new car dealership, Elgin Volkswagen. Many new and used dealers have reinvested in their dealerships with new facades and service center upgrades to attract additional customers. Automobile dealerships are important contributors of sales tax revenue to the City.

The City's retail market has a low vacancy rate, stable lease rates, and favorable demographics. The retail vacancy rate in the City stands at approximately 3.8%. Total retail space is at four million square-feet of which approximately 200,000 square-feet is vacant. The City's vacancy rate is lower than other surrounding and comparable cities such as St. Charles (4.8%), Naperville (8.4%), and Aurora (7.9%). With little new retail construction since 2011, and a low vacancy rate, demand for new retail construction is building. The City's retail market is stable, showing average spending and low leakage in most categories according to Dun & Bradstreet's ESRI research division.

Downtown Elgin's revitalization continues to grow. First and foremost, the \$10.5 million Riverside Drive Promenade project has been completed and enjoyed its official ribbon cutting and grand opening in August 2013. This stretch, Chicago to Prairie Street, along the scenic Fox River has created beauty, recreation and outdoor dining experiences for all that visit. Bicyclists, walkers and runners, alike, can also take advantage of the stretch of the Fox River Bike Trail that was newly paved and improved.

The iconic Elgin Tower Building recent \$13 million dollar renovation converted the building into 45 one-and-two bedroom apartments, bringing new life to the historically designated property in downtown Elgin. The landmark Elgin Tower Building will give more options to those seeking to live in the downtown neighborhood. Elgin's City Center has been experiencing a low retail vacancy rate, 3.2%, and a surge in activity. A revival of downtown buildings and activity has seen thousands of visitors to the area that dine and shop at local establishments, while staying in the local hotels. Elgin's downtown has become a destination spot that is enjoying an increased economic vitality.

Tax Increment Financing (TIF) Redevelopment Projects

Tax Increment Financing ("TIF") districts encourage re-development of special need areas by financing redevelopment project costs with incremental property tax revenues. The use of the incremental property taxes permits the City to implement and coordinate public improvements and activities to stimulate private investment within the TIF area. The City's three existing TIF districts include the Central Area TIF, established in 2002; U.S. Route 20 TIF, created in 2004; and, the Bluff City Quarry TIF District, enacted in 2011. The Central Area TIF District is the City's largest and most successful tax increment finance district. The Central Area TIF project includes the City's central historic core which includes a variety of commercial, office, industrial, public, residential and mixed uses. The area contains 1,927 buildings and encompasses approximately 1,070 acres.

The Central Area TIF redevelopment project and plan's objectives include, but are not limited to the following: strengthen the economic well-being of the project area; encourage and support the preservation and rehabilitation of the project area's historically significant properties; improve and upgrade existing surface infrastructure, including streets, curbs, gutters, sidewalks, lighting and alleys; and create an environment that stimulates private investment in the upgrading and expansion of existing businesses and the construction of new businesses, residential, retail and commercial facilities. The \$51 million construction of the Fountain Square residential development completed in 2009 created 211 dwelling units, a two-level parking structure and 11,000 square feet of commercial space in the City's downtown. In 2018, the Elgin Tower, a fifteen-story structure added to the National Register of Historic Places in 2002 in recognition of its distinctive Art Deco architecture, completed a \$16.75 million renovation that created a mix of 44 one- and two-bedroom apartments to the City's downtown.

Arts-related economic development initiatives serve as an integral high-impact component of the City's Center City revitalization efforts. The Artspace Project fosters and preserves affordable living and working space for artists. The \$14.5 million development transformed a former legacy department store into an arts facility featuring 55 units of affordable live/work space for artists and 6,000 square feet of retail and community space for arts-related businesses and nonprofit organizations.

The Bluff City Quarry TIF District was established in 2011. The developer of the Bluff City Quarry TIF District proposes to redevelop the area with various commercial and industrial uses. The developer's proposed redevelopment of the property within the TIF district is expected to generate tax increment approximating \$64,918,000 over the 23 year TIF district term.

Riverboat Casino

The Grand Victoria Riverboat Casino began operating on the Fox River on October 6, 1994. The 74,397 square foot floating casino has a capacity for 1,200 gaming positions.

Eldorado Resorts, Inc. (“Eldorado”) acquired the Grand Victoria Casino in 2018 for \$327.5 million. Eldorado has more than 25 properties located primarily outside of Las Vegas. The company has grown through a series of acquisitions of smaller casino operations. Those purchases included Grand Victoria Casino’s Elgin Riverboat Resort in 2018, Isle of Capri Casinos Inc. in 2016, and Galleon Inc.’s Silver Legacy Resort Casino and Circus Casinos Inc., a subsidiary of MGM Resorts International, in 2015. In aggregate, Eldorado’s properties feature approximately 21,000 slot machines and video lottery terminals and 600 table games, and over 7,000 hotel rooms.

In June 2019, Eldorado agreed to buy its larger rival Caesars Entertainment Corp. for about \$8.58 billion in cash and stock to create the largest U.S. casino operator by venue count. In 2018, Caesars recorded \$8.39 billion in revenue while Eldorado had \$2.06 billion in revenue. Eldorado expects to realize about \$500 million in savings from cost cuts and other initiatives in the first year after the deal closes, which is expected in the first half of 2020.

Eldorado’s acquisition of Caesars Entertainment bodes well for the Grand Victoria Casino’s competitiveness in the Chicago metropolitan area. Casino loyalty programs play a major role in a traveler’s decision about which hotel to stay at, where to shop and where to eat. Caesars has been a generous program for non-gamblers due to generous promotions and availability of high-level Diamond elite status through non-gaming avenues. This marketing advantage, coupled with the Arlington Race Track’s decision not to pursue casino gaming, positions the Grand Victoria Casino for continuing competitiveness in the market.

The Grand Victoria Casino has commenced work on studies analyzing the market for an adjoining hotel to the gaming facility and has conducted several meetings with the City on the development it is considering.

Riverboat revenue has been programmed to re-establish a prudent cash balance, fund capital improvements for neighborhoods, provide strategic infrastructure improvements, and furnish needed equipment replacements to make City operations more effective and efficient. The riverboat proceeds for 2018 were about \$10.3 million, funded by one dollar for each casino visitor and five percent of the operation’s gaming receipts.

The Riverboat Fund has been serving as a major supplemental revenue stream since 1995. Riverboat Fund revenue is derived from the Grand Victoria Casino’s operations. A five percent tax on the Grand Victoria Casino’s gaming receipts plus a one dollar per patron admissions tax is deposited in the Riverboat Fund. The City receives an annual lease payment from the casino in the amount of \$1 million because the City owns the land on which the Grand Victoria Casino’s pavilion and parking areas are located.

The Riverboat Fund generated \$14.1 million during their first full year of revenues in 1995 with annual revenue peaking at \$29.5 million in 2001. The 2011 opening of the Rivers Casino in Des Plaines, combined with the introduction of video gaming in taverns across the State in 2012 and the still weakened economy, have substantially impacted the Riverboat Fund’s revenue stream. The 2017 Riverboat Fund revenues of \$10.7 million were consistent with the budget of \$10.7 million. The 2018 Riverboat Fund revenues were \$10.3 million compared to the budget of \$10.7 million and 2019 budgeted revenues remain at \$10.9 million with expenditures of \$14.1 million and drawing on reserves in the amount of \$3.2 million. The Riverboat Fund balance at December 31, 2019, carrying over to fiscal year 2020, is estimated to be \$15.3 million. The fiscal year 2020 Riverboat Fund budget plans for revenues of \$11.8 million (which includes \$1.0 million in grant revenue), expenditures of \$24.1 million and drawing on reserves in the amount of \$13.4 million. The Riverboat Fund balance at December 31, 2020, carrying over to fiscal year 2021, is estimated to be \$2.9 million.

Projecting gaming revenue in the Chicago metropolitan area gaming market has become increasingly difficult since the introduction of the Rivers Casino and video gaming. This volatility has prompted the City to adopt a financial plan for the Riverboat Fund that will continue until the Chicago area gaming market has stabilized.

Business Statistics

Following is a summary of the City’s sales tax receipts as collected and disbursed by the State. The City’s receipt of sales tax may be impacted in the future due to the COVID-19 pandemic and its effect on the taxable transactions. See “**RISK FACTORS – Potential Impact of Novel Coronavirus 2019**” herein.

Retailers’ Occupation, Service Occupation and Use Tax(1)

State Fiscal Year Ending June 30	State Sales Tax Distributions (2)	Annual Percent Change +(-)
2010.....	\$10,173,693	(5.36%) (3)
2011.....	11,252,083	10.60%
2012.....	11,584,390	2.95%
2013.....	12,427,310	7.28%
2014.....	13,220,352	6.38%
2015.....	14,177,662	7.24%
2016.....	14,322,875	1.02%
2017.....	14,662,161	2.37%
2018.....	15,227,441	3.86%
2019.....	16,151,944	6.07%
Growth from 2010 to 2019.....		58.76%

- Notes: (1) Source: Illinois Department of Revenue (the “Department”).
 (2) Tax distributions are based on records of the Department relating to the 1% municipal portion of the Retailers’ Occupation, Service Occupation and Use Tax, collected on behalf of the City, less a State administration fee. The municipal 1% includes tax receipts from the sale of food and drugs which are not taxed by the State.
 (3) Based on 2009 sales tax receipts of \$10,750,111.

Public Act 101-0009, effective June 5, 2019, included the “Leveling the Playing Field for Illinois Retailers Act.” This legislation requires certain remote retailers to collect and remit state and locally-imposed sales taxes for the jurisdiction where the product is delivered (destination) starting on July 1, 2020. Information from the Illinois Municipal League (“IML”) indicates that “local governments could receive \$92 million per state fiscal year.” There will, however, be a decrease in collections of Use Tax. Ultimately, the IML anticipates that municipalities will experience a net increase as a result of Public Act 101-0009.

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Income Tax Revenue History and Motor Fuel Tax Revenue History

The following table shows the distribution of the municipal portion of the State Income Tax collected by the State and distributed through the Local Government Distributive Fund by the State Comptroller. The tables indicates the amount of Income Tax Revenues received by the City as well as the amount of Motor Fuel Tax (“MFT”) collected by the City over the past several years. The City’s future receipts of income tax revenues and MFT revenues may be impacted in the future due to the COVID-19 pandemic, which (i) may impact income tax revenues through the delay by the State of the income tax filing deadline for tax year 2019 to July 15, 2020 and through potential reductions in income of businesses and individuals in the State, and (ii) may impact MFT revenues through a reduction in the taxable transactions which generate such revenues. See “**RISK FACTORS—Potential Impact of Novel Corona Virus 2019**” herein.

Fiscal Year	Income Tax Revenues Distribution(1)	MFT Revenues Distribution(2)
2013.....	\$10,308,190	\$3,207,341
2014.....	10,358,332	3,696,098
2015.....	11,511,549	2,749,615
2016.....	10,531,456	2,859,387
2017.....	9,936,978	2,811,161
2018.....	10,360,740	2,923,061

Source: The City’s audited financial statements.

- Notes:
- (1) The Fiscal Year 2018 Budget, the Fiscal Year 2019 Budget and the Fiscal Year 2020 Budget contain a provision reducing the amount of income tax revenue to be deposited into the Local Government Distributive Fund for distribution to municipalities, like the City, by 10% (for State Fiscal Year 2018) and by 5% (for State Fiscal Year 2019 and State Fiscal Year 2020). The City cannot determine at this time the financial impact of this provision on its overall financial condition for the future.
 - (2) P.A. 101-32, effective June 28, 2019, increased the MFT in order to fund capital projects. Beginning July 1, 2019, the MFT consists of a) \$0.38 per gallon of gasoline, a 19-cent increase; and b) \$0.455 per gallon of diesel fuel, a 24-cent increase. Increasing the MFT will also increase the portion of the MFT remitted to municipalities. The increase in MFT is estimated to generate an additional \$1,400,000 for the City for MFT eligible street projects.

THE PROJECT

Bond proceeds will be used to (i) finance the Project, which includes improvements to water mains, water treatment plant improvements, modifications to City wells, and other water distribution system improvements within the City, and (ii) pay the costs of issuing the Bonds. The City expects that the debt service payments on the Bonds will be paid through utility user fees and the property taxes levied for the payment of the Bonds (the “Pledged Taxes”) to the Bonds will be abated.

Capital Projects in the Utility Fund

As described above, a portion of the proceeds of the Bonds will be used to finance various capital projects with respect to the City’s waterworks and sewerage systems (together, the “Utilities”). Such capital projects represent a portion of the City’s five-year capital plan with respect to the Utilities (the “Utilities Capital Plan”). The Utilities Capital Plan, which is described in the City’s fiscal year 2020 enacted budget, provides a path to completing the projects necessary to provide for the treatment and distribution of high quality drinking water for the City’s residents and businesses. The Utilities Capital Plan included \$13.9 million of capital projects for fiscal year 2019, \$14.2 million of capital projects for fiscal year 2020, a portion of which will be funded with the proceeds of the Bonds and the balance of which will be financed with other revenues generated by the Utilities and by transfers from the Capital Projects Fund. In response to COVID-19 and the possible reduction in revenues related thereto, the City has reduced its expected total capital project expenditures for 2020 to approximately \$8 million.

As set forth in the fiscal year enacted budget, the City expects to issue additional bonds, and to annually transfer moneys from the Capital Projects Fund, to finance certain of the projects set forth in the Utilities Capital Plan during each of the next four fiscal years. Additional information regarding the implementation of the Utilities Capital Plan during the next four fiscal years is set forth in the 2020 enacted budget, which is available on the City's website, provided, however, that the contents of such website are not incorporated herein by such reference.

The following is a brief description of certain of the specific projects comprising the Project, all of which are part of the Utilities Capital Plan, and the estimated cost of such projects to be financed during fiscal year 2020. Some of these estimates may change as a result of COVID-19 and the planned reduction in spending on capital projects.

- Separation of the City's combined sewers (sewers that carry waste and storm water runoff) in order to comply with the requirements of the Environmental Protection Agency (the "EPA"), which must be complete by 2031 (the City will allocate \$3 million annually under the Utilities Capital Plan for this purpose, including \$3 million during fiscal year 2020);
- Upgrading the electrical system at the Leo Nelson water treatment plant (\$2,000,000);
- Modifications to the water treatment trains that carry water between the City's water treatment basins (\$950,000);
- Modifications to the City's deep wells that provide a significant supply of source water separate from the Fox River (\$1,000,000);
- Upgrades to residential water mains that are undersized or have a history of breaks (an annual program; \$3.2 million for fiscal year 2020);
- Upgrades to the sanitary sewer system in areas that are considered for resurfacing, reconstruction or combined sewer separation (an annual program; \$420,000 for fiscal year 2020);
- Modifications to the West Zone pump (\$700,000);
- Lining of sewer mains (\$800,000);
- Modifications to river intake system to replace devices that screen debris from the Fox River (\$820,000);
- Airlite Water Treatment Plant Well Installations, the addition of five wells will be considered to increase treatment capacity. A feasibility study will be done in 2020 and actual well construction in later years of the five year financial plan (\$165,000); and
- Retrofit of sewer detention facilities designed for flood control (\$145,000).

Abatement of Pledged Taxes

The City expects to pay the principal of and interest on the Bonds with user fees generated by the utilities. The Bond Ordinance provides that whenever other funds from any lawful source are made available for the purpose of paying any principal of or interest on the Bonds so as to enable the abatement of the Pledged Taxes, the City Council will direct the deposit of such funds into the Bond Fund (as defined in the Bond Ordinance) and direct the abatement of the Pledged Taxes by the amount so deposited.

Financial Information Regarding the Utilities

The finances of the Utilities are accounted for in the Utility Fund, which is an enterprise fund resulting from the combination of the water and sewer enterprise fund budgets (which occurred in 2013). With sewer fees being dependent on water usage, the interdependence between the sewer and water funds is better demonstrated by combining these operations into a single fund that provides a comprehensive view of the City's water distribution system. Consolidating the sewer and water funds into the single Utility Fund also affords the City a greater degree of flexibility when setting user rates and financing the infrastructure improvements necessary for maintaining a reliable and high-functioning water distribution system.

The Utility Fund derives its revenues from service charges and user fees instead of general tax dollars. The City treats and distributes water to the residents and business of the City, and also supplies water on a contractual basis to Sleepy Hollow. The services within the Utility Fund operate on a “pay-as-you-use” service delivery model.

The Utility Fund is managed so that all operating costs, including debt service, are paid without assistance from other City funds. Financing strategic system improvements and service expansion needs must also be factored into the cash flow required for annual operations. Capital improvements are financed by the City’s issuance of bonds with the annual debt service for those bonds being paid from revenue generated by user fees and service charges.

The following table provides information on the historical revenues and expenditures of the Utility Fund:

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 UTILITY FUND
 FISCAL YEARS ENDED DECEMBER 31, 2016-2018**

	2016	2017	2018
OPERATING REVENUES:			
Charges for Services.....	\$ 1,018,561	\$ 559,451	\$ 1,105,383
Charges for Commodities.....	28,236,344	29,828,256	31,190,563
Miscellaneous.....	<u>92,270</u>	<u>94,365</u>	<u>267,682</u>
Total Operating Revenues.....	\$ 29,347,175	\$ 30,482,072	\$ 32,563,628
OPERATING EXPENSES:			
Administration.....	\$ 1,853,350	\$ 2,036,920	\$ 2,036,920
Personal Services.....	8,111,676	9,128,898	8,949,475
Commodities.....	2,909,341	2,891,550	2,871,216
Contractual Services.....	6,252,235	6,083,885	5,073,847
Insurance.....	183,810	183,810	183,810
Miscellaneous.....	<u>765,109</u>	<u>329,972</u>	<u>693,611</u>
Total Operating Expenses.....	\$ 20,075,521	\$ 20,655,035	\$ 19,808,879
Operating Income (Loss) Before Depreciation.....	\$ 9,271,654	\$ 9,827,037	\$ 12,754,749
Depreciation.....	\$ 7,275,830	\$ 7,317,043	\$ 7,394,945
Operating Income (Loss).....	\$ 1,995,824	\$ 2,509,994	\$ 5,359,804
Non-Operating Revenues (Expenses):			
Investment Income.....	\$ 188,334	\$ 343,764	\$ 651,211
Interest Expense and Fiscal Charges.....	<u>(2,433,575)</u>	<u>(1,999,313)</u>	<u>(1,764,315)</u>
Total Non-Operating Revenues (Expenses).....	\$ (2,245,241)	\$ (1,655,549)	\$ (1,113,104)
Net Income (Loss) Before Transfers.....	\$ (249,417)	\$ 854,445	\$ 4,246,700
Transfers:			
Transfers in.....	\$ 5,552	\$ 10,655	\$ 51,251
Transfers (Out) (1).....	<u>(1,108,970)</u>	<u>(1,285,400)</u>	<u>(1,285,400)</u>
Total Transfers.....	\$ (1,103,418)	\$ (1,274,745)	\$ (1,234,149)
Contributions.....	\$ 2,644,545	\$ 2,571,525	\$ 361,150
Change in Net Position.....	\$ 1,291,710	\$ 2,151,225	\$ 3,373,701
Net Position, January 1.....	\$258,573,898	\$261,007,828	\$262,736,395
Change in Accounting Principle.....	1,142,220	0	(1,053,745)
Prior Period Adjustment.....	<u>0</u>	<u>(422,658)</u>	<u>0</u>
Net Position, December 31.....	\$261,007,828	\$262,736,395	\$265,056,351

Source: The Comprehensive Annual Financial Reports of the City for the fiscal years ended December 31, 2016 through 2018. Represents the combination of the Statement of Revenues, Expenses and Changes in Fund Balance for the Water Fund and the Sewer Fund.

Note: (1) Represents transfers to the various funds of the City to reflect the cost of services provided by other portions of City government.

With respect to the City's fiscal year ended December 31, 2018, Utility Fund revenues (on a cash basis) increased by 6.0%, expenditures (including debt service) decreased by approximately 7%, and the Utility Fund had net revenues in excess of expenditures (excluding depreciation) of \$1.9 million.

The City's Utility Fund budget for the fiscal year ending December 31, 2019, projects a decrease in revenues of approximately \$1.5 million from the fiscal year 2018 estimate, along with a decrease in projected expenditures of approximately \$800,000 for a projected deficit of approximately \$400,000. The fiscal year 2019 estimate has been developed based on an assumption that the City will see average water usage, and also recognizes the impact of the conclusion of the water supply agreement with Bartlett. The City increased its water and sewer rates by 6% and 5%, respectively.

With respect to the City's fiscal year ended December 31, 2019, the City had expected to draw on reserves, however, the City's preliminary estimates (on a cash basis) indicate that Utility Fund revenues decreased by approximately 4%, expenditures (including debt service) decreased by approximately 6%, and the Utility Fund will have net revenues in excess of expenditures (excluding depreciation) of approximately \$2.5 million.

The City's Utility Fund budget for the fiscal year ended December 31, 2020, projects a decrease in revenues of approximately \$1.1 million from the fiscal year 2019 estimated, along with an increase in projected expenditures of approximately \$3.5 million for a projected deficit of approximately \$2.1 million. The fiscal year 2020 estimate has been developed using the assumption that the area will see average water usage which is consistent with prior years. Effective January 1, 2020, water rates increased by 6% and sewer rates increased by 2% over the prior year, which follows increases of 6% and 5% for fiscal year 2019. The increased rates will ensure water and sewer operations maintain expected service levels and infrastructure repairs continue in a timely manner. The Utilities Capital Plan calls for increases in these rates during each year under the plan, but the City reevaluates the need for such increases each year prior to implementing such an increase. The City's financial plan with respect to the Utility Fund includes a planned draw down of reserves each year with the expectation that the reserve balance level will remain at at least 25% of expenditures. The planned draw down during Fiscal Year 2019 would leave the fund at approximately 48% of expenditures.

DEFAULT RECORD

The City has no record of default and has met its debt repayment obligations promptly.

SHORT-TERM BORROWING

The City has not issued tax anticipation warrants or revenue anticipation notes during the last five years to meet its short-term current year cash flow requirements.

DEBT INFORMATION

The City currently has outstanding \$70,090,000* principal amount of general obligation debt (giving effect to the issuance of the Bonds). Approximately 77% of this indebtedness, \$53,800,000* (including the Bonds), is expected to be retired from sources other than City-wide general taxes, principally water system and sewer system revenues, utility revenues and lease payments. The City repays its debt rapidly; all tax supported debt is scheduled to be retired within ten years. The City has no outstanding revenue bonds, installment purchase contracts or leases. The outstanding principal amount for the City's special service area bonds is approximately \$412,000 per the City's 2018 Audit (as hereinafter defined).

The City is a home rule unit under the Illinois Constitution and, as such, has no general obligation debt limit, is not required to seek referendum approval for the issuance of the Bonds, and has no statutory tax rate limitations for any purpose.

*Subject to change.

The proposed fiscal year 2020 budget for the City’s Utility Fund includes issuing approximately \$9.5 million in new debt. Due to COVID-19 and a planned reduction in spending on capital projects, the City plans to issue approximately \$3.2 million in new debt. With revenue from the Riverboat Fund covering most street improvement projects, the City’s five-year capital plan (2020 to 2024) forecasts issuing approximately \$10 million per year in new tax supported debt to support utility projects that are expected to be paid from utility fees.

General Obligation Debt Outstanding - By Issue(1)
 (Principal Only)

<u>Property Tax Supported</u>	<u>Amount</u>
General Obligation Bonds (Corporate Purpose Portion), Series 2012A	\$ 1,285,000
General Obligation Corporate Purpose Bonds (Radio Project Portion), Series 2013B.....	2,305,000
Local Government Program Revenue Bonds (Radio Project Portion), Series 2013C	115,000
General Obligation Bonds (Corporate Purpose Portion), Series 2016	11,370,000
General Obligation Refunding Bonds (Radio Project Portion), Series 2020A	<u>1,215,000</u>
Total Property Tax Supported	<u>\$16,290,000</u>
<u>Self-Supporting(2)</u>	
General Obligation Bonds (Sewer Portion), Series 2010A	\$ 560,000
General Obligation Refunding Bonds (Sherman Wellness Center Portion), Series 2010C.....	390,000
General Obligation Refunding Bonds (Water Portion), Series 2010C	120,000
General Obligation Refunding Bonds (Sewer Portion), Series 2010C	120,000
General Obligation Bonds (Water Portion), Series 2011	420,000
General Obligation Bonds (Sewer Portion), Series 2011	70,000
General Obligation Refunding Bonds (Sewer Portion), Series 2012	1,225,000
General Obligation Refunding Bonds (Water Portion), Series 2012	3,765,000
General Obligation Bonds (Water Portion), Series 2012A	3,255,000
General Obligation Refunding Bonds (Sewer Portion), Series 2012B	1,905,000
General Obligation Refunding Bonds (Water Portion), Series 2013A	2,135,000
General Obligation Refunding Bonds (Sewer Portion), Series 2013A	4,140,000
General Obligation Corporate Purpose Bonds (Water Portion), Series 2013B	300,000
General Obligation Corporate Purpose Bonds (Sewer Portion), Series 2013B	105,000
Local Government Program Revenue Bonds (Water Portion), Series 2013C	315,000
Local Government Program Revenue Bonds (Sewer Portion), Series 2013C	80,000
General Obligation Refunding Bonds (Water Portion), Series 2015A	6,145,000
General Obligation Refunding Bonds (Sewer Portion), Series 2015A	1,110,000
General Obligation Bonds (Utilities Portion), Series 2016	7,625,000
General Obligation Corporate Purpose Bonds (Sewer Portion), Series 2019	935,000
General Obligation Corporate Purpose Bonds (Water Portion), Series 2019	8,065,000
General Obligation Refunding Bonds (Water Portion), Series 2020A	6,625,000
General Obligation Refunding Bonds (Sewer Portion), Series 2020A	1,150,000
General Obligation Corporate Purpose Bonds (Sewer Portion), Series 2020B	520,000 (3)
General Obligation Corporate Purpose Bonds (Water Portion), Series 2020B	<u>2,720,000 (3)</u>
Total Self-Supporting	<u>\$53,800,000 (3)</u>
Total Outstanding General Obligation Debt	<u>\$70,090,000 (3)</u>

- Notes: (1) Source: the City.
 (2) Aside from the Local Government Program Revenue Bonds issued in 2013, the City has levied a property tax to repay series of bonds set forth below which will be used to repay such bonds if the revenue source expected to repay such bonds are insufficient to repay such bonds. The City is not required to apply such revenues to the repayment of these bonds.
 (3) Subject to change.

*Subject to change.

**General Obligation Bonded Retirement Schedule(1)
 (Principal Only)**

Payable Jan. 1 Year (2)	Property Tax Supported Principal	Prior Water, Sewer & Recreation Center Self-Supporting Principal (3)	The Bonds (4)	Total Outstanding Principal (4)	Total Property Tax- Supported	Principal Retired (Tax Supported)	
						Amount	Percent
2021.....	\$ 2,345,000	\$ 6,565,000	\$ 0	\$ 8,910,000	\$ 2,345,000	\$ 2,345,000	14.40%
2022.....	2,405,000	6,560,000	460,000	9,425,000	2,405,000	4,750,000	29.16%
2023.....	2,430,000	6,450,000	465,000	9,345,000	2,430,000	7,180,000	44.08%
2024.....	995,000	6,130,000	480,000	7,605,000	995,000	8,175,000	50.18%
2025.....	1,105,000	5,265,000	495,000	6,865,000	1,105,000	9,280,000	56.97%
2026.....	1,125,000	4,470,000	510,000	6,105,000	1,125,000	10,405,000	63.87%
2027.....	1,155,000	3,760,000	410,000	5,325,000	1,155,000	11,560,000	70.96%
2028.....	1,175,000	3,230,000	420,000	4,825,000	1,175,000	12,735,000	78.18%
2029.....	1,195,000	2,900,000	0	4,095,000	1,195,000	13,930,000	85.51%
2030.....	1,170,000	1,460,000	0	2,630,000	1,170,000	15,100,000	92.69%
2031.....	1,190,000	1,515,000	0	2,705,000	1,190,000	16,290,000	100.00%
2032.....	0	730,000	0	730,000	0		
2033.....	0	750,000	0	750,000	0		
2034.....	0	775,000	0	775,000	0		
2035.....	0	0	0	0	0		
Total.....	\$16,290,000	\$50,560,000	\$3,240,000	\$70,090,000	\$16,290,000		

- Notes: (1) Source: the City. Does not include various special assessment bonds, special service area bonds and public benefit debt. Includes the Bonds.
- (2) All debt including general obligation bonds payable on December 15 are treated as payable in the year ended January 1.
- (3) Comprised of the water portion of the 2012A Bonds, the water and sewer portions of the 2010C, 2011, 2012, 2013A, 2013B, 2013C, 2015A, 2016, 2019 and 2020A Bonds, the sewer portion of the 2010A and 2012B Bonds and the Sherman Wellness Center portion of the 2010C Bonds.
- (4) Subject to change.

Detailed Overlapping Bonded Debt(1)
 (As of October 16, 2019)

	Outstanding Debt	Applicable to City	
		Percent (2)	Amount
Schools:			
District U-46.....	\$ 237,542,304	35.56%	\$ 84,476,231
CUSD Number 300.....	247,257,030	9.76%	24,132,052
CUSD Number 301.....	45,808,189	50.72%	23,233,769
CUSD Number 303.....	38,045,000	0.004%(3)	1,440
ECC.....	167,446,226	16.61%	<u>27,813,079</u>
Total Schools.....			<u>\$159,656,571</u>
Others:			
Kane County.....	\$ 28,140,000	14.12%	\$ 3,972,434
Kane County Forest Preserve District.....	144,415,000	14.12%	20,386,607
Cook County.....	2,950,121,750	0.25%	7,516,245
Cook County Forest Preserve District.....	131,815,000	0.25%	335,835
Metropolitan Water Reclamation District.....	2,377,123,381	0.03%	688,022
Campton Township.....	26,940,000	0.02%	4,205
Bartlett Park District.....	21,460,000	0.15%	31,625
Dundee Township Park District.....	16,035,000	19.06%	3,056,637
Gail Borden Public Library District.....	7,480,000	68.28%	5,107,053
Bartlett Public Library District.....	0	1.01%	0
Total Others.....			<u>\$ 41,098,663</u>
Total Schools and Other Overlapping Bonded Debt.....			<u>\$200,755,234</u>

- Notes: (1) Source: Cook and Kane Counties.
 (2) Overlapping debt percentages based on 2018 EAV for Kane County and Cook County, the most current available.
 (3) Less than .01 percent.

Statement of Bonded Indebtedness(1)

	Amount Applicable	Ratio To		Per Capita (2014-2018 ACS Pop. 113,023)
		Equalized Assessed	Estimated Actual	
City EAV of Taxable Property, 2018 (2).....	\$2,427,542,900	100.00%	33.33%	\$21,478.31
Estimated Actual Value, 2018 (2).....	\$7,282,628,700	300.00%	100.00%	\$64,434.93
Direct Bonded Debt.....	\$ 70,090,000	2.89%	0.96%	\$ 620.14
Less: Self-Supporting Debt.....	<u>(53,800,000)</u>	<u>(2.22%)</u>	<u>(0.74%)</u>	<u>(476.01)</u>
Net Direct Debt.....	\$ 16,290,000	0.67%	0.22%	\$ 144.13
Overlapping Bonded Debt(3):				
Schools.....	\$ 159,656,571	6.58%	2.19%	\$ 1,412.60
All Others.....	<u>41,098,663</u>	<u>1.69%</u>	<u>0.56%</u>	<u>363.63</u>
Total Overlapping Bonded Debt.....	<u>\$ 200,755,234</u>	<u>8.27%</u>	<u>2.75%</u>	<u>\$ 1,776.23</u>
Total Direct and Overlapping Bonded Debt.....	\$ 217,045,234	8.94%	2.97%	\$ 1,920.36

- Notes: (1) Source: Kane and Cook Counties.
 (2) Based on 2018 EAV for Kane and Cook Counties, the most current available.
 (3) Subject to change.
 (3) Overlapping debt as of October 16, 2019.

PROPERTY ASSESSMENT AND TAX INFORMATION

Kane County represents approximately 83% and Cook County represents approximately 17% of the City's 2018 EAV. The total 2018 EAV for Kane and Cook Counties is comprised of approximately 67.98% residential, 15.50% commercial, 16.38% industrial, 0.10% farm and 0.04% railroad property valuation. Though the final EAV for levy year 2019 has not been released as of the date hereof, Kane County has informed the City that its preliminary calculation of the increase in EAV for the Kane County portion of the City is approximately 9.3%. The City has not yet received an estimate of the increase in the Cook County portion of its EAV.

City EAV(I)

	Levy Year				
	2014	2015	2016	2017	2018
Total By Class:					
Residential.....	\$1,255,774,896	\$1,315,021,553	\$1,477,894,296	\$1,580,941,480	\$1,650,180,075
Farm.....	2,182,503	2,345,236	2,233,896	2,321,558	2,408,025
Commercial.....	322,301,370	336,871,019	359,022,578	372,598,188	376,226,927
Industrial.....	283,762,775	326,547,036	361,285,501	384,119,759	397,710,348
Railroad.....	776,617	932,322	963,197	950,034	1,017,525
Total.....	\$1,864,798,161	\$1,981,717,166	\$2,201,399,468	\$2,340,931,019	\$2,427,542,900
Total By County:					
Cook County.....	\$ 356,806,130	\$ 346,865,396	\$ 403,011,577	\$ 411,282,228	\$ 404,192,105
Kane County.....	<u>1,507,992,031</u>	<u>1,634,851,770</u>	<u>1,798,387,891</u>	<u>1,929,648,791</u>	<u>2,023,350,795</u>
Total.....	\$1,864,798,161	\$1,981,717,166	\$2,201,399,468	\$2,340,931,019	\$2,427,542,900
Percentage Growth.....	(0.70%) (2)	6.27%	11.09%	6.34%	3.70%

Notes: (1) Source: Cook and Kane Counties.
 (2) Based on 2013 EAV of \$1,878,024,399.

Representative Tax Rates(I) (Per \$100 EAV)

	Levy Years				
	2014	2015	2016	2017	2018
City Rates:					
Corporate(2).....	\$ 1.4121	\$ 1.3663	\$ 1.2498	\$ 1.1688	\$1.1129
Debt Service.....	0.1530	0.2236	0.1380	0.1550	0.1463
Pensions(3).....	0.5770	0.6937	0.7466	0.7242	0.6677
Social Security.....	0.1139	0.1082	0.1051	0.1014	0.0972
Prior Year Adjustment.....	<u>0.0658</u>	<u>0.0192</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>
Total City Rates(4).....	\$ 2.3218	\$ 2.4110	\$ 2.2396	\$ 2.1494	\$2.0240
Kane County.....					
Kane County Forest Preserve District.....	\$ 0.4684	\$ 0.4479	\$ 0.4201	\$ 0.4025	\$0.3877
District U-46.....	0.3126	0.2944	0.2253	0.1658	0.1607
ECC.....	8.0229	7.1238	6.5487	6.3696	6.1237
Elgin Township.....	0.6076	0.5609	0.5296	0.4999	0.5075
Fox River Reclamation District.....	0.1160	0.1102	0.1020	0.1192	0.1164
Gail Borden Library District.....	0.0409	0.0339	0.0315	0.0302	0.0291
Elgin Township Road and Bridge.....	0.5796	0.5294	0.4898	0.4729	0.4630
Total Rates(5).....	\$12.5591	\$11.5963	\$10.6651	\$10.2854	\$9.8866

Notes: (1) Source: Kane County.
 (2) Includes Public Benefit Rate.
 (3) Includes Police, Fire and Illinois Municipal Retirement Fund pensions.
 (4) The City is a home rule unit under the Illinois Constitution and, as such, has no statutory tax rate limitation.
 (5) Representative tax rates for other government units are from Elgin Township tax code 05, which represents the largest portion of the City's 2018 EAV, the most current available.

Tax Extensions and Collections(1)
 (City Purposes Only)

Levy Year	Coll. Year	Taxes Extended (3)	Current Collections (2)		Total Collections	
			Amount	Percent	Amount	Percent
2009	2010	\$49,952,580	\$48,593,559	97.28%	\$49,072,744	98.24%
2010	2011	48,959,925	47,029,918	96.06%	47,863,925	97.76%
2011	2012	45,977,843	45,642,535	99.29%	45,652,516	99.29%
2012	2013	41,006,495	39,852,071	97.18%	39,852,071	97.18%
2013	2014	41,513,676	41,164,524	99.16%	41,185,264	99.21%
2014	2015	43,669,081	43,260,630	99.06%	43,269,727	99.09%
2015	2016	48,979,910	48,546,784	99.12%	48,546,784	99.12%
2016	2017	49,816,064	49,319,516	99.00%	49,319,516	99.00%
2017	2018	51,124,360	50,393,320	98.57%	50,393,320	98.57%
2018	2019 (4)	50,443,459	49,358,061	97.85%	49,358,061	97.85%

- Notes: (1) Source: Kane and Cook Counties and the City.
 (2) Current collections in both Kane and Cook Counties include taxes paid under protest.
 (3) Taxes extended have been adjusted for abatements in Kane County only.
 (4) Collections through October 30, 2019.

Principal City Taxpayers(1)

Name	County	Business/Service	2018 EAV (2)
TLF Northwest Business Park VII LLC	Kane	Real Property	\$ 21,346,076
John B. Sanfilippo & Son	Kane	Nuts	17,917,695
MHC Deanza Financing Limited Partnership	Kane	Real Property	9,857,193
Adventus US Realty #1 LP	Kane	Real Property	9,190,408
Hunter Ridge Apartments LLC(3)	Kane	Apartment Complex	7,872,487
Sherman Hospital	Kane	Health Care	7,294,054
DCT 305-325 Corporate LLC	Kane	Real Property	7,231,139
CHI IND I LLC	Kane	Real Property	7,022,610
BPREP Randall Point LLC	Kane	Real Property	6,746,505
MP Holdings LLC	Kane	Real Property	6,695,879
Total			\$101,174,046
Ten Largest as a percent of City's 2018 EAV (\$2,427,542,900)			4.17%

- Notes: (1) Source: Kane and Cook Counties.
 (2) Every effort has been made to seek out and report the largest taxpayers. However, many of the taxpayers listed contain multiple parcels and it is possible that some parcels and their valuations have been overlooked. Based on 2018 EAV for Kane County and Cook County, the most current available.
 (3) Previously Willo Arms Associates Limited II Et Al.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

Summary of Property Assessment, Tax Levy and Collection Procedures

A separate tax to pay the principal of and certain interest on the Bonds will be levied on all taxable real property within the City. The information under this caption describes the current procedures for real property assessments, tax levies and collections in the Counties. Certain procedures for assessment, levy and collection differ between Cook County and Kane County. Such differences are noted in this section. There can be no assurance that the procedures described herein will not change.

Real Property Assessment and Equalization

Cook County

The Cook County Assessor (the "Assessor") is responsible for the assessment of all taxable real property within Cook County, including that in the City, except for certain railroad property, pollution control facilities and low sulfur dioxide emission coal-fueled devices, which are assessed directly by the Department. For triennial reassessment purposes, Cook County is divided into three districts: west and south suburbs (the "South Tri"), north and northwest suburbs (the "North Tri"), and the City of Chicago (the "City Tri"). The City is located in the South Tri and was reassessed for the 2017 tax levy year.

Real property in Cook County is separated into classes for assessment purposes. After the Assessor establishes the fair market value of a parcel of property, that value is multiplied by the appropriate classification percentage to arrive at the assessed valuation (the “Assessed Valuation”) for the parcel. Such classification percentages range from 10% for certain residential, commercial and industrial property to 25% for other industrial and commercial property.

Property is classified for assessment into six basic categories, each of which is assessed at various percentages of fair market value as follows: Class 1 - unimproved real estate (10%); Class 2 - residential (10%); Class 3 - rental-residential (16% in tax year 2009, 13% in tax year 2010, and 10% in tax year 2011 and subsequent years); Class 4 - not-for-profit (25%); Class 5a - commercial (25%); and Class 5b - industrial (25%).

In addition, property may be temporarily classified into one of eight additional assessment classification categories. Upon expiration of such classification, property so classified will revert to one of the basic six assessment classifications described above. The additional assessment classifications are as follows:

CLASS	DESCRIPTION OF QUALIFYING PROPERTY	ASSESSMENT PERCENTAGE	REVERTS TO CLASS
6b	Newly constructed industrial properties or substantially rehabilitated sections of existing industrial properties	10% for first 10 years and any 10 year renewal; if not renewed, 15% in year 11, 20% in year 12	5b
C	Industrial property that has undergone environmental testing and remediation	10% for first 10 years, 15% in year 11, 20% in year 12	5b
	Commercial property that has undergone environmental testing and remediation	10% for first 10 years, 15% in year 11, 20% in year 12	5a
7a/7b	Newly constructed or substantially rehabilitated commercial properties in an area in need of commercial development	10% for first 10 years, 15% in year 11, 20% in year 12	5a
7c	Newly constructed or rehabilitated commercial buildings and acquisition of abandoned property and rehabilitation of buildings thereon including the land upon which the buildings are situated and the land related to the rehabilitation	10% for first 3 years and any 3 year renewal; if not renewed, 15% in year 4, 20% in year 5	5a
8	Industrial properties in enterprise communities or zones in need of substantial revitalization	10% for first 10 years and any 10-year renewal; if not renewed, 15% in year 11, 20% in year 12	5b
	Commercial properties in enterprise communities or zones in need of substantial revitalization	10% for first 10 years, 15% in year 11, 20% in year 12	5a
9	New or substantially rehabilitated multi-family residential properties in target areas, empowerment or enterprise zones	10% for first 10 years and any 10 year renewal	As Applicable
S	Class 3 properties subject to Section 8 contracts renewed under the “Mark up to Market” option	10% for term of Section 8 contract renewal and any subsequent renewal	3
L	Substantially rehabilitated Class 3, 4 or 5b properties qualifying as “Landmark” or “Contributing” buildings	10% for first 10 years and any 10-year renewal; if not renewed, 15% in year 11, 20% in year 12	3, 4, or 5b
	Substantially rehabilitated Class 5a properties qualifying as “Landmark” or “Contributing” buildings	10% for first 10 years, 15% in year 11, 20% in year 12	5a

The Assessor has established procedures enabling taxpayers to contest their proposed Assessed Valuations. Once the Assessor certifies its final Assessed Valuations, a taxpayer can seek review of its assessment by appealing to the Cook County Board of Review (the “Board of Review”), which consists of three commissioners elected by the voters of the County. The Board of Review has the power to adjust the Assessed Valuations set by the Assessor.

Owners of residential property having six or fewer units are able to appeal decisions of the Board of Review to the Illinois Property Tax Appeal Board (the “PTAB”), a statewide administrative body. The PTAB has the power to determine the Assessed Valuation of real property based on equity and the weight of the evidence. Taxpayers may appeal the decision of PTAB to either the Circuit Court of Cook County (the “Circuit Court”) or the Illinois Appellate Court under the Illinois Administrative Review Law.

As an alternative to seeking review of Assessed Valuations by PTAB, taxpayers who have first exhausted their remedies before the Board of Review may file an objection in the Circuit Court. The procedure under this alternative is similar to the judicial review procedure described in the immediately preceding paragraph, however, the standard of proof differs. In addition, in cases where the Assessor agrees that an assessment error has been made after tax bills have been issued, the Assessor can correct any factual error, and thus reduce the amount of taxes due, by issuing a Certificate of Error. Certificates of Error are not issued in cases where the only issue is the opinion of the valuation of the property.

After the County Assessor has established the Assessed Valuation for each parcel for a given year, and following any revisions by the Board of Review or PTAB, the Department is required by statute to review the Assessed Valuations. The Department establishes an equalization factor (the “Equalization Factor”), commonly called the “multiplier,” for each county to make all valuations uniform among the 102 counties in the State. Under State law, the aggregate of the assessments within each county is to be equalized at 33-1/3% of the estimated fair cash value of real property located within the county prior to any applicable exemptions. One multiplier is applied to all property in Cook County, regardless of its assessment category, except for some farmland property and wind energy assessable property which are not subject to equalization.

Once the Equalization Factor is established, the Assessed Valuation, as revised by the Board of Review or PTAB, is multiplied by the Equalization Factor to determine the EAV of that parcel. The EAV for each parcel is the final property valuation used for determination of tax liability. The aggregate EAV for all parcels in any taxing body’s jurisdiction, plus the valuation of property assessed directly by the Department, constitutes the total real estate tax base for the taxing body and is the figure used to calculate tax rates (the “Assessment Base”). The following table sets forth the Equalization Factor for Cook County for the last 10 tax levy years.

<u>TAX LEVY YEAR</u>	<u>EQUALIZATION FACTOR</u>
2009	3.3701
2010	3.3000
2011	2.9706
2012	2.8056
2013	2.6621
2014	2.7253
2015	2.6685
2016	2.8032
2017	2.9627
2018	2.9109

Kane County

In Kane County, the local assessment officers determine the assessed valuation of taxable real property and railroad property not held or used for railroad operations. The Department assesses certain other types of taxable property, including railroad property held or used for railroad operations. Local assessment officers' valuation determinations are subject to review at the county level and then, in general, to equalization by the Department. Such equalization is achieved by applying to each county's assessments a multiplier determined by the Department. The purpose of equalization is to provide a common basis of assessments among counties by adjusting assessments toward the statutory standard of 33-1/3% of fair cash value. Farmland is assessed according to a statutory formula which takes into account factors such as productivity and crop mix. Taxes are extended against the assessed values after equalization.

Property Tax Exemptions

The Illinois Property Tax Code, as amended (the "Property Tax Code"), exempts certain property from taxation. Certain property is exempt from taxation on the basis of ownership and/or use, including, but not limited to, public parks, not-for-profit schools, public schools, churches, not-for-profit hospitals and public hospitals. In addition, the Property Tax Code provides a variety of homestead exemptions, which are discussed below.

An annual General Homestead Exemption provides that the EAV of certain property owned and used for residential purposes ("Residential Property") may be reduced by the amount of any increase over the 1977 EAV (1) up to a maximum reduction of \$6,000 in Kane County and (2) up to a maximum reduction of \$7,000 for tax years 2012 through 2016, and \$10,000 for tax years 2017 and thereafter in Cook County.

The Homestead Improvement Exemption applies to Residential Property that has been improved and to properties that have been rebuilt in the two years following a catastrophic event, as defined in the Property Tax Code. The exemption is limited to an annual maximum amount of \$75,000 for up to four years, to the extent the assessed value is attributable solely to such improvements or rebuilding.

In Cook County, the Long-Time Occupant Homestead Exemption limits the increase in EAV of a taxpayer's homestead property to 10% per year if such taxpayer has owned the property for at least 10 years as of January 1 of the assessment year (or 5 years if purchased with certain government assistance) and has a household income of \$100,000 or less ("Qualified Homestead Property"). If the taxpayer's annual income is \$75,000 or less, the EAV of the Qualified Homestead Property may increase by no more than 7% per year. There is no exemption limit for Qualified Homestead Properties.

The Senior Citizens Homestead Exemption annually reduces the EAV on residences owned and occupied by senior citizens. In Kane County, beginning with tax year 2013, the maximum exemption is \$5,000. In Cook County, the maximum exemption is \$5,000 for tax years 2013 through 2016 and \$8,000 for tax years 2017 and thereafter.

The Senior Citizens Assessment Freeze Homestead Exemption freezes property tax assessments for homeowners who are 65 and older, reside in their property as their principal place of residence and receive a household income not in excess of the maximum income limitation. The maximum income limitation is \$55,000 for assessment year 2008 through assessment year 2017 in Kane County and \$55,000 through assessment year 2016 in Cook County. Beginning in assessment year 2018 in Kane County and assessment year 2017 in Cook County, the maximum income limitation is \$65,000. This exemption grants to qualifying senior citizens an exemption equal to the difference between (a) the current EAV of the residence and (b) the EAV of a senior citizen's residence for the year prior to the year in which he or she first qualifies and applies for the exemption, plus the EAV of improvements since such year. Beginning in tax year 2017 in Cook County, the amount of the exemption is equal to the greater of the amount calculated as described in the previous sentence (as more completely set forth in the Property Tax Code) or \$2,000.

Beginning January 1, 2015 purchasers of certain single family homes and residences of one to six units located in certain targeted areas (as defined in the applicable section of the Property Tax Code) can apply for the Community Stabilization Assessment Freeze Pilot Program. To be eligible the purchaser must meet certain requirements for rehabilitating the property, including expenditures of at least \$5 per square foot, adjusted by the Consumer Price Index (“CPI”). Upon meeting the requirements, the assessed value of the improvements is reduced by (a) 90% in the first seven years, (b) 65% in the eighth year and (c) 35% in the ninth year. The benefit ceases in the tenth year. The program will be phased out by June 30, 2029.

The Natural Disaster Homestead Exemption (the “Natural Disaster Exemption”) applies to homestead properties containing a residential structure that has been rebuilt following a natural disaster occurring in taxable year 2012 or any taxable year thereafter. A natural disaster is an occurrence of widespread or severe damage or loss of property resulting from any catastrophic cause including but not limited to fire, flood, earthquake, wind, or storm. The Natural Disaster Exemption is equal to the EAV of the residence in the first taxable year for which the taxpayer applies for the exemption minus the base amount. To be eligible for the Natural Disaster Exemption, the residential structure must be rebuilt within two years after the date of the natural disaster, and the square footage of the rebuilt residential structure may not be more than 110% of the square footage of the original residential structure as it existed immediately prior to the natural disaster. The Natural Disaster Exemption remains at a constant amount until the taxable year in which the property is sold or transferred.

Three exemptions are available to veterans of the United States armed forces. The Veterans with Disabilities Exemption for Specially-Adapted Housing exempts up to \$100,000 of the Assessed Valuation of property owned and used exclusively by veterans with a disability, their spouses or unmarried surviving spouses. Qualification for this exemption requires the veteran’s disability to be of such a nature that the federal government has authorized payment for purchase of specially adapted housing under the U.S. Code as certified to annually by the Illinois Department of Veterans Affairs or for housing or adaptations donated by a charitable organization to such disabled veteran.

The Standard Homestead Exemption for Veterans with Disabilities provides an annual homestead exemption to veterans with a service-connected disability based on the percentage of such disability. If the veteran has a (a) service-connected disability of 30% or more but less than 50%, the annual exemption is \$2,500, (b) service-connected disability of 50% or more but less than 70%, the annual exemption is \$5,000, and (c) service-connected disability of 70% or more, the property is exempt from taxation.

The Returning Veterans’ Homestead Exemption is available for property owned and occupied as the principal residence of a veteran in the assessment year, and the year following the assessment year, in which the veteran returns from an armed conflict while on active duty in the United States armed forces. This provision grants a one-time, two-year homestead exemption of \$5,000.

Finally, the Homestead Exemption for Persons with Disabilities provides an annual homestead exemption in the amount of \$2,000 for property that is owned and occupied by certain disabled persons who meet State-mandated guidelines.

Tax Levy and Collections

Cook County

As part of the annual budgetary process of governmental units (the “Units”) with power to levy taxes in Cook County, proceedings are adopted by the designated body for each Unit each year in which it determines to levy real estate taxes. The administration and collection of real estate taxes is statutorily assigned to the Cook County Clerk and the Cook County Treasurer. After the Units file their annual tax levies, the Cook County Clerk computes the annual tax rate for each Unit. The Cook County Clerk uses the prior year’s EAV to compute the taxing district’s maximum allowable levy. The maximum levy that can be raised for a Unit is the maximum tax rate for that Unit multiplied by the prior year EAV for all property currently in the Unit. The prior year’s EAV includes the prior year’s EAV plus the EAV of any new property, the current year value of any annexed property, and any recovered tax increment value, minus any disconnected property for the current year under the Limitation Law (as hereinafter defined). The tax rate for a Unit is computed by dividing the lesser of the maximum allowable levy or the actual levy by the current year’s EAV.

The Cook County Clerk then computes the total tax rate applicable to each parcel of real property by aggregating the tax rates of all of the Units having jurisdiction over the particular parcel. The Cook County Clerk extends the tax by entering the tax (determined by multiplying the total tax rate by the EAV of that parcel for the current assessment year) in the books prepared for the Cook County Collector (the “Warrant Books”) along with the tax rates, the Assessed Valuation and the EAV. The Warrant Books are the Cook County Collector’s authority for the collection of taxes and are used by the Cook County Collector as the basis for issuing tax bills to all property owners.

Property taxes are collected by the Cook County Collector, who is also the Cook County Treasurer, who remits to each Unit its share of the collections. Taxes levied in one year become payable during the following year in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the tax bills. A payment due is deemed to be paid on time if the payment is postmarked on the due date. The first installment is equal to one-half of the prior year’s tax bill; beginning in collection year 2010, this estimated amount was raised to 55% of the prior year’s tax bill. However, if a Certificate of Error is approved by a court or certified on or before November 30 of the preceding year and before the estimated tax bills are prepared, then the first installment is instead based on the certain of the corrected prior year’s tax bill. The second installment is for the balance of the current year’s tax bill, and is based on the then current tax year levy, assessed value and Equalization Factor, and reflects any changes from the prior year in those factors. The following table sets forth the second installment penalty date for the last 10 tax levy years in Cook County; the first installment penalty date has been March 1 for all such years; however for 2010, the first installment penalty date was established as April 1 by statute.

<u>TAX LEVY YEAR</u>	<u>SECOND INSTALLMENT PENALTY DATE</u>
2009	December 13, 2010
2010	November 1, 2011
2011	August 1, 2012
2012	August 1, 2013
2013	August 1, 2014
2014	August 3, 2015
2015	August 1, 2016
2016	August 1, 2017
2017	August 1, 2018
2018	August 1, 2019

It is possible that the changes to the assessment appeals process described above will cause delays similar to those experienced in past years in preparation and mailing of the second installment in future years. Cook County may provide for tax bills to be payable in four installments instead of two. However, Cook County has not required payment of tax bills in four installments. During the periods of peak collections, tax receipts are forwarded to each Unit on a weekly basis. Upon receipt of taxes from the Cook County Collector, the City promptly credits the taxes received to the funds for which they were levied.

At the end of each collection year, the Cook County Collector presents the Warrant Books to the Circuit Court and applies for a judgment for all unpaid taxes. The court orders resulting from the application for judgment provides for an Annual Tax Sale (the “Annual Tax Sale”) of unpaid taxes shown on that year’s Warrant Books. A public sale is held, at which time successful tax buyers pay the unpaid taxes plus penalties. In each such public sale, the collector can use any “automated means.” Unpaid taxes accrue penalties at the rate of 1.5% per month from their due date until the date of sale. Taxpayers can redeem their property by paying the amount paid at the sale, plus a maximum of 12% for each six-month period after the sale. If no redemption is made within the applicable redemption period (ranging from six months to two and one-half years depending on the type and occupancy of the property) and the tax buyer files a petition in the Circuit Court, notifying the necessary parties in accordance with the applicable law, the tax buyer receives a deed to the property. In addition, there are miscellaneous statutory provisions for foreclosure of tax liens.

If there is no sale of the tax lien on a parcel of property at the Annual Tax Sale, the taxes are forfeited and the property becomes eligible to be purchased at any time thereafter at an amount equal to all delinquent taxes and interest accrued to the date of purchase. Redemption periods and procedures are the same as applicable to the Annual Tax Sale.

The Scavenger Sale (the “Scavenger Sale”), like the Annual Tax Sale, is a sale of unpaid taxes. The Scavenger Sale is held every two years on all property on which two or more years’ taxes are delinquent. The sale price of the unpaid taxes is the amount bid at such sale, which may be less than the amount of delinquent taxes. Redemption periods vary from six months to two and a half years depending upon the type and occupancy of the property.

Kane County

Property tax levies are filed in the office of the County Clerk of Kane County (the “Kane County Clerk”). The Kane County Clerk computes the rates and amount of taxes applicable to taxable property subject to the tax levies of each taxing body and determines the dollar amount of taxes attributable to each respective parcel of taxable property. The Kane County Clerk then supplies to the appropriate collecting officials within the county the information needed to bill the taxes attributable to the various parcels therein. After the taxes have been collected, the collecting officials distribute to the various taxing bodies their respective shares of the taxes collected. Taxes levied in one calendar year are due and payable in two installments during the next calendar year. Taxes that are not paid when due, or that are not paid by mail and postmarked on or before the due date, are subject to a penalty of 1-1/2% per month until paid. Unpaid property taxes, together with penalties, interest and costs, constitute a lien against the property subject to the tax. In response to the COVID-19 pandemic, Kane County has waived penalties and interest on any first installment tax bills for levy year 2019 which are payable July 1, 2020.

Property Tax Extension Limitation Law

The Property Tax Extension Limitation Law (the “Limitation Law”) limits the amount of the annual increase in property taxes to be extended for certain Illinois non-home rule units of government. In general, the Limitation Law restricts the amount of such increases to the lesser of 5% or the percentage increase in the CPI during the calendar year preceding the levy year. Currently, the Limitation Law applies only to and is a limitation upon all non-home rule taxing bodies in Cook County, the five collar counties (DuPage, Kane, Lake, McHenry and Will) and several downstate counties.

Home rule units, including the City, are exempt from the limitations contained in the Limitation Law. If the Limitation Law were to apply in the future to the City, the limitations set forth therein will not apply to any taxes levied by the City to pay the principal of and interest on the Bonds.

Illinois legislators have introduced proposals to modify the Limitation Law, including freezing property taxes and extending tax caps to all taxing bodies in the State (the “Property Tax Freeze Proposal”). If the Property Tax Freeze Proposal or similar legislation were to become law, such reform may have a material impact on the finances of the City and the ability of the City to issue non-referendum bonds. The City cannot predict whether, or in what form, any change to the Limitation Law, including the Property Tax Freeze Proposal, may be enacted into law, nor can the City predict the effect of any such change on the City’s finances.

Truth in Taxation Law

The Truth in Taxation Law (the “Truth in Taxation Law”) limits the aggregate amount of certain taxes which can be levied by, and extended for, a taxing district to 105% of the amount of taxes extended in the preceding year unless specified notice, hearing and certification requirements are met by the taxing body. The express purpose of the Truth in Taxation Law is to require published disclosure of, and hearing upon, an intention to adopt a levy in excess of the specified levels. The provisions of the Truth in Taxation Law do not apply to levies made to pay principal of and certain interest on the Bonds. The City covenanted in the Bond Ordinance that it will not take any action or fail to take any action which would adversely affect the ability of the City to levy and collect the taxes levied by the City for payment of principal of and interest on the Bonds. The City also covenanted that it will comply with all present and future applicable laws to assure that such taxes will be levied, extended, collected and deposited as provided in the Bond Ordinance.

FINANCIAL INFORMATION

The City reports all Governmental Funds and the Expendable Trust Fund using the modified accrual basis of accounting. Under this method, revenues are recognized when they become measurable and available, as net current assets and expenditures are generally recognized when the related fund liability is incurred.

All Proprietary Funds and Non-expendable Trust and Pension Trust Funds are accounted for using the accrual basis of accounting. Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

No Consent or Updated Information Requested of the Auditor

The tables contained in this “**FINANCIAL INFORMATION**” section (the “Excerpted Financial Information”) are from the audited financial statements of the City, including the audited financial statements for the fiscal year ended December 31, 2018 (the “2018 Audit”), which was approved by formal action of the City Council and prepared by Sikich LLP, Naperville, Illinois (“the “Auditor”). The 2018 Audit is attached to this Official Statement as **APPENDIX A**. The City has not requested the Auditor to update information contained in the Excerpted Financial Information or the 2018 Audit; nor has the City requested that the Auditor consent to the use of the Excerpted Financial Information or the 2018 Audit in this Official Statement. Other than as expressly set forth in this Official Statement, the financial information contained in the Excerpted Financial Information and 2018 Audit has not been updated since the date of the 2018 Audit. The inclusion of the Excerpted Financial Information and 2018 Audit in this Official Statement in and of itself is not intended to demonstrate the fiscal condition of the City since the date of the 2018 Audit. Questions or inquiries relating to financial information of the City since the date of the 2018 Audit should be directed to the City.

Summary Financial Statements

The financial statements of the City are audited annually by certified public accountants and are prepared in conformity with generally accepted accounting principles as applied to governments. The City has received the Certificate of Achievement for Excellence in Financial Reporting for 38 consecutive years, through the fiscal year 2017 Comprehensive Annual Financial Report, from the Government Finance Officers Association.

The following reports are summaries and do not purport to be complete audits, copies of which are available upon request. See also **APPENDIX A** for the City’s 2018 Audit.

**Statement of Net Assets(I)
 Governmental Activities**

	Audited Fiscal Year Ending December 31				
	2014	2015 (2)	2016 (2)	2017 (2)	2018 (2)
ASSETS:					
Cash and Investments.....	\$123,015,189	\$ 113,976,783	\$ 119,062,757	\$ 111,545,169	\$ 127,002,903
Receivables:					
Property Taxes.....	43,750,992	49,445,780	50,660,670	51,960,970	51,423,120
Accounts.....	439,295	463,142	471,740	458,674	518,742
Accrued Interest.....	126,396	123,945	100,605	198,082	598,335
Other.....	3,601,750	3,880,652	4,241,943	4,063,696	5,609,111
Prepaid Expenses.....	535,700	457,259	445,527	1,002,429	509,350
Inventories.....	127,307	130,062	136,259	133,070	129,274
Due From Other Governments.....	11,658,626	11,385,827	11,225,671	9,997,881	10,914,598
Due From (To) Other Funds.....	0	0	0	0	0
Due From Fiduciary Funds.....	43,434	1,869	24,422	0	0
Advances From (To) Other Funds/Internal Balances.....	(3,349,127)	(1,098,782)	(2,653,836)	(363,786)	(304,283)
Property Held For Resale.....	167,984	67,867	67,867	0	0
Net Pension Asset.....	11,122,743	0	225,712	234,788	2,030,725
Capital Assets:					
Non-Depreciable.....	88,706,430	92,016,146	93,003,183	93,880,616	94,799,826
Depreciable, Net.....	<u>487,142,197</u>	<u>478,269,126</u>	<u>474,276,775</u>	<u>450,528,085</u>	<u>429,647,392</u>
Total Assets.....	\$767,088,916	\$ 749,119,676	\$ 751,289,295	\$ 723,639,674	\$ 722,879,093
DEFERRED OUTFLOWS OF RESOURCES:					
Unamortized Loss On Refunding.....	\$ 421,252	\$ 198,452	\$ 149,938	\$ 99,175	\$ 56,702
OPEB Items.....	0	0	0	0	836,591
Pension Items - IMRF.....	0	12,322,763	14,922,260	10,777,040	2,947,446
Pension Items - IMRF (SLEP).....	0	0	116,480	91,453	0
Pension Items - Police Pension.....	0	16,118,679	12,089,009	6,859,568	16,759,283
Pension Items - Firefighters' Pension.....	0	<u>12,007,678</u>	<u>11,727,030</u>	<u>7,293,173</u>	<u>17,778,901</u>
Total Assets and Deferred Outflows of Resources.....	\$767,510,168	\$ 789,767,248	\$ 790,294,012	\$ 748,760,083	\$ 761,258,016
LIABILITIES:					
Accounts Payable.....	\$ 4,876,344	\$ 6,217,204	\$ 8,322,864	\$ 8,684,246	\$ 6,650,562
Accrued Payroll.....	5,061,278	4,389,406	2,551,772	2,972,795	3,648,186
Retainage Payable.....	378,652	166,031	2,079,400	796,349	462,523
Deposits Payable.....	16,753,867	15,730,894	9,153,886	9,455,193	9,961,105
Claims Payable.....	4,190,574	5,429,787	4,809,673	4,837,186	5,895,424
Unearned Revenue.....	2,861,960	2,191,237	2,295,785	2,307,156	2,512,445
Due To Fiduciary Funds.....	0	15,246	0	0	0
Long-Term Liabilities:0					
Due Within One Year.....	8,791,416	5,249,626	5,790,622	5,741,613	5,924,829
Due In More Than One Year.....	<u>27,206,200</u>	<u>259,051,646</u>	<u>264,956,142</u>	<u>231,283,261</u>	<u>259,425,332</u>
Total Liabilities.....	\$ 70,120,291	\$ 298,441,077	\$ 299,960,144	\$ 266,077,799	\$ 294,480,406
DEFERRED INFLOWS OF RESOURCES:					
Deferred Revenue.....	\$ 43,749,380	\$ 49,445,780	\$ 50,660,670	\$ 51,960,970	\$ 51,423,120
OPEB Items.....	0	0	0	0	1,273,617
Pension Items - IMRF.....	0	0	0	1,573,351	11,582,790
Pension Items - IMRF (SLEP).....	0	0	0	0	125,462
Pension Items - Police Pension.....	0	0	7,540,960	20,855,161	16,684,705
Pension Items - Firefighters' Pension.....	0	<u>1,063,901</u>	<u>5,327,199</u>	<u>13,593,130</u>	<u>6,805,567</u>
Total Liabilities and Deferred Inflows of Resources.....	\$113,869,671	\$ 348,950,758	\$ 363,488,973	\$ 354,060,411	\$ 382,375,667
NET ASSETS:					
Invested in Capital Assets, Net.....	\$553,444,727	\$ 554,592,394	\$ 541,856,090	\$ 520,374,530	\$ 503,534,676
Restricted.....	16,794,950	16,938,214	15,245,603	14,331,839	19,974,101
Unrestricted.....	<u>83,400,820</u>	<u>(130,714,118)</u>	<u>(130,296,654)</u>	<u>(140,006,697)</u>	<u>(144,626,428)</u>
Total Net Position.....	<u>\$653,640,497</u>	<u>\$ 440,816,490</u>	<u>\$ 426,805,039</u>	<u>\$ 394,699,672</u>	<u>\$ 378,882,349</u>

Notes: (1) Source: the City's audited financial statements for years ending December 31, 2014-2018.
 (2) Change in accounting principle.

**Statement of Activities(1)
 Governmental Activities**

	Audited Fiscal Year Ending December 31				
	2014	2015 (2)	2016 (2)	2017 (2)	2018 (2)
Functions/Programs:					
Governmental Activities:					
General Government.....	\$ (6,845,035)	\$ (6,491,147)	\$ (5,930,280)	\$ (8,020,181)	\$ (6,633,460)
Public Safety.....	(66,087,965)	(86,796,442)	(82,642,101)	(78,971,878)	(82,835,601)
Highways and Streets.....	(30,740,745)	(26,711,993)	(35,556,497)	(41,079,779)	(32,225,480)
Health and Welfare.....	(3,071,334)	(161,331)	(76,267)	(132,239)	(96,952)
Culture and Recreation.....	(4,943,794)	(8,062,137)	(7,744,042)	(7,760,425)	(6,984,696)
Economic Development.....	(1,851,051)	(2,039,588)	(2,035,435)	(8,343,984)	(2,721,315)
Sanitation.....	(157,452)	(512,260)	(92,181)	(535,709)	35,707
Interest.....	(870,259)	(588,833)	(681,323)	(637,911)	(544,850)
Total Governmental Activities.....	\$ (114,567,635)	\$ (131,363,731)	\$ (134,758,126)	\$ (145,482,106)	\$ (132,006,647)
General Revenues:					
Taxes:					
Property.....	\$ 43,258,079	\$ 44,740,472	\$ 50,623,985	\$ 52,099,180	\$ 53,245,175
Road and Bridge.....	854,460	881,621	918,861	936,928	974,468
Hotel/Motel.....	461,220	490,865	498,346	494,382	959,254
Sales.....	26,338,972	27,610,851	27,875,322	29,233,891	32,591,567
Income.....	10,358,332	11,511,549	10,531,456	9,936,978	10,360,740
Utility.....	10,368,821	9,367,779	9,147,568	8,828,028	9,088,808
Other.....	1,292,273	1,481,427	1,339,472	1,382,972	2,233,273
Gaming.....	10,078,400	10,125,667	9,702,764	10,007,419	9,571,074
Investment Income.....	164,917	205,210	520,153	997,557	1,714,217
Miscellaneous.....	4,923,567	3,530,408	3,524,347	3,376,358	3,417,212
Gain (Loss) on Sale of Capital Assets.....	(249,243)	0	0	0	0
Transfers In (Out).....	1,468,228	1,467,145	1,103,418	1,274,745	1,234,149
Special Item.....	0	0	0	0	0
Total General Revenues.....	\$ 109,318,026	\$ 111,412,994	\$ 115,785,692	\$ 118,568,438	\$ 125,389,937
Change In Net Assets.....	(5,249,609)	(19,950,737)	(18,972,434)	(26,913,668)	(6,616,710)
Net Assets, Beginning of the Year.....	657,236,652	653,640,497	440,816,490	426,805,039	394,699,672
Change in Accounting Principle.....	0	0	0	0	(9,200,613) (4)
Prior Period Adjustment.....	1,653,454	(192,873,270) (3)	4,960,983	(5,191,699)	0
Net Assets, End of the Year.....	\$ 653,640,497	\$ 440,816,490	\$ 426,805,039	\$ 394,699,672	\$ 378,882,349

- Notes: (1) Source: the City's audited financial statements for years ending December 31, 2014-2018.
 (2) Change in accounting principle.
 (3) Implementation of GASB No. 68, Accounting and Financial Reporting for Pensions.
 (4) Implementation of GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions.

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**General Fund(1)
 Balance Sheet**

	Audited Fiscal Year Ending December 31				
	2014	2015	2016	2017	2018
ASSETS:					
Cash and Investments.....	\$ 81,625,484	\$ 74,399,772	\$ 68,932,121	\$ 67,512,725	\$ 78,471,186
Property Taxes.....	38,105,000	40,940,830	43,133,830	43,652,000	43,637,570
Due from Other Governments.....	9,247,932	9,497,624	9,385,258	8,249,188	9,278,256
Prepaid Items.....	218,964	11,830	10,000	508,785	26,238
Due from Other Funds.....	11,307	1,671,832	1,659,080	119,682	333,819
Due from Fiduciary Funds.....	0	0	608	0	0
All Other.....	3,713,210	3,937,104	4,264,670	3,731,978	5,505,330
Total Assets.....	<u>\$132,921,897</u>	<u>\$130,458,992</u>	<u>\$127,385,567</u>	<u>\$123,774,358</u>	<u>\$137,252,399</u>
LIABILITIES:					
Accounts Payable and Accrued Expenses.....	\$ 3,229,668	\$ 4,510,500	\$ 3,682,331	\$ 3,756,337	\$ 5,198,653
Deferred Revenues.....	814,446	823,784	836,566	861,708	888,422
Accrued Payroll.....	4,791,452	4,237,581	2,443,099	2,836,331	3,490,084
Due to Other Funds (2).....	304,258	1,131,082	800,000	80,822	1,128,429
Due to Fiduciary Funds.....	0	15,181	0	0	0
Deposits Payable (3).....	16,642,106	15,616,448	9,050,688	9,126,107	9,334,996
Retainage Payable.....	247,488	159,663	693,728	714,750	271,291
Total Liabilities.....	<u>\$ 26,029,418</u>	<u>\$ 26,494,239</u>	<u>\$ 17,506,412</u>	<u>\$ 17,376,055</u>	<u>\$ 20,311,875</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue.....	<u>\$ 38,105,000</u>	<u>\$ 40,940,830</u>	<u>\$ 43,133,830</u>	<u>\$ 43,652,000</u>	<u>\$ 43,637,570</u>
Total Liabilities and Deferred Inflows of Resources.....	<u>\$ 64,134,418</u>	<u>\$ 67,435,069</u>	<u>\$ 60,640,242</u>	<u>\$ 61,028,055</u>	<u>\$ 63,949,445</u>
FUND BALANCE:					
Nonspenable.....	\$ 218,964	\$ 11,830	\$ 10,000	\$ 508,785	\$ 26,238
Unrestricted.....	19,740,046	16,285,075	7,203,250	5,352,265	4,502,793
Unassigned.....	48,828,469	46,727,018	59,532,075	56,885,253	68,773,923
Total Fund Balance.....	<u>\$ 68,787,479</u>	<u>\$ 63,023,923</u>	<u>\$ 66,745,325</u>	<u>\$ 62,746,303</u>	<u>\$ 73,302,954</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance.....	<u>\$132,921,897</u>	<u>\$130,458,992</u>	<u>\$127,385,567</u>	<u>\$123,774,358</u>	<u>\$137,252,399</u>

- Notes: (1) Source: the City's audited financial statements for years ending December 31, 2014-2018.
 (2) Due to Other Funds principally represents monies owed to capital improvements and internal service funds.
 (3) Deposits payable represents developer impact fees for specific park and road improvements awaiting expenditure.

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General Fund(1)(2)
Revenues and Expenditures

	Audited Fiscal Year Ending December 31				
	2014	2015	2016	2017	2018
REVENUES:					
Property Taxes.....	\$ 34,134,694	\$ 37,524,347	\$ 39,769,930	\$ 41,847,247	\$ 42,192,320
Sales Taxes.....	15,982,352	16,902,401	17,050,571	17,720,398	19,374,212
Local Option Sales Tax.....	6,213,972	6,425,070	6,494,851	6,908,096	8,438,365
Other Taxes.....	2,660,935	2,900,405	2,968,749	2,996,945	3,093,092
State Income Taxes.....	10,358,332	11,511,549	10,531,456	9,936,978	10,360,740
Utility Taxes.....	7,106,287	6,221,044	6,196,315	6,057,398	6,568,379
Other Intergovernmental Taxes.....	15,635,186	15,092,480	14,380,573	14,992,778	15,483,204
Fines and Forfeitures.....	1,785,253	1,712,225	1,659,099	1,719,374	1,747,366
Charges for Services.....	9,680,696	9,248,746	9,951,587	10,102,856	12,543,009
Investment Income.....	143,558	184,827	376,235	770,730	1,347,893
Licenses and Permits.....	2,572,904	2,445,889	2,821,463	1,866,686	2,348,217
Miscellaneous.....	<u>4,305,282</u>	<u>4,954,598</u>	<u>10,264,321</u>	<u>3,363,147</u>	<u>3,536,538</u>
Total Revenues.....	\$110,579,451	\$115,123,581	\$122,465,150	\$118,282,633	\$127,033,335
EXPENDITURES:					
General Government.....	\$ 8,360,268	\$ 7,983,219	\$ 8,009,737	\$ 7,787,055	\$ 8,233,994
Public Safety.....	71,447,779	74,543,344	73,552,035	77,342,749	78,317,482
Highways and Streets.....	13,935,392	14,536,686	13,233,807	14,023,466	14,047,297
Sanitation.....	5,555,868	5,825,952	6,104,343	6,766,654	6,863,022
Culture and Recreation.....	322,791	360,116	1,372,189	216,085	268,700
Economic Development.....	896,247	1,186,390	1,278,010	1,209,799	2,026,217
Miscellaneous.....	4,068,232	5,664,564	11,844,836	2,164,068	1,654,948
Capital Outlay.....	<u>8,470,296</u>	<u>8,273,326</u>	<u>3,966,284</u>	<u>13,074,030</u>	<u>5,489,994</u>
Total Expenditures.....	\$113,056,873	\$118,373,597	\$119,361,241	\$122,583,906	\$116,901,654(5)
Excess of Revenues Over (Under)					
Expenditures.....	\$ (2,477,422)	\$ (3,250,016)	\$ 3,103,909	\$ (4,301,273)	\$ 10,131,681
Other Financing Sources (Uses):					
Sale of Fixed Assets.....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In(3).....	5,668,147	5,607,000	5,298,083	5,317,941	5,400,660
Transfers Out(4).....	<u>(8,060,920)</u>	<u>(8,120,540)</u>	<u>(4,680,590)</u>	<u>(5,015,690)</u>	<u>(4,975,690)</u>
Total Other Financing Sources.....	\$ (2,392,773)	\$ (2,513,540)	\$ 617,493	\$ 302,251	\$ 424,970
Excess (Deficiency) of Revenues and Other					
Sources Over (Under) Expenditures.....	\$ (4,870,195)	\$ (5,763,556)	\$ 3,721,402	\$ (3,999,022)	\$ 10,556,651
Beginning Fund Balance.....	73,657,674	68,787,479	63,023,923	66,745,325	62,746,303
Prior Period Adjustment.....	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Fund Balance.....	\$ 68,787,479	\$ 63,023,923	\$ 66,745,325	\$ 62,746,303	\$ 73,302,954

- Notes: (1) Source: the City's audited financial statements for years ending December 31, 2014–2018.
- (2) The General Fund includes the Riverboat Fund. The City began to include the Riverboat Fund in the General Fund in fiscal year 2011 and it is treated by the City as a purely capital projects fund. However, the revenue in the Riverboat Fund can be used for general operations. In fiscal year 2017, approximately 9% of General Fund revenue came from gaming and casino taxes collected in the Riverboat Fund. In fiscal year 2017, the City spent approximately \$12.4 million on capital projects out of the General Fund using revenue from the Riverboat Fund. The City had planned to spend the rest of its Riverboat Fund reserves on capital projects in fiscal year 2018 but delayed work on several street projects that will be completed in fiscal years 2019 and 2020. The City plans to carry over \$6 million in reserves for capital projects going into fiscal year 2020. Going forward the City expects to have approximately \$10 million annually from riverboat revenues for capital expenditures on street improvements.
- (3) Includes routine interfund transfers from pension fund, administrative support allocations, and other miscellaneous transfers.
- (4) Transfers Out represents monies for capital improvements and for debt service.
- (5) The decline in expenditures in fiscal year 2018, when compared to fiscal year 2017, is in the capital outlay category. In fiscal year 2016, the City issued \$15.0 million in debt for street improvements and did not utilize riverboat revenues for street work. As such, in fiscal year 2017, the City was able to do additional street work from the Riverboat Fund. Expenditures in fiscal year 2018 reflect normal spending.

Revenues

In fiscal year 2018, the City's property tax receipts constituted 33% of total General Fund revenues. As part of a strategy to reduce reliance on the property tax, four new revenue streams were introduced in the 2012 budget. These alternate sources of revenue have helped to diversify the City's General Fund revenues and provide for a more stable financial environment.

The new sources of revenue included a monthly refuse fee to recover the City's cost of providing refuse collection; an alcoholic beverage tax of 3% on all alcohol purchases (this includes liquor served at bars and restaurants and packaged liquor sold in stores); an electricity tax based on usage and a natural gas tax of 5% or 3 cents per therm. Collection of refuse fees began on January 1, 2012 while the alcoholic beverage, natural gas and electricity taxes began July 1, 2012.

Since the City is a home rule municipality, it has the flexibility to implement new local option revenue sources. During fiscal year 2018, the City Council took four measures to diversify revenues and keep general property tax levies flat. Those measures include (1) increasing the home rule sales tax 0.25% effective July 1, 2018; (2) implementing a new local motor fuel tax of 4 cents per gallon effective July 1, 2018; (3) increasing the hotel-motel tax from 4% to 8% effective January 1, 2018; and (4) increasing ambulance fees charged to non-residents effective January 1, 2018. The City Council also increased its property tax levy by 2.6% to pay police and fire pension contributions and debt service on bonds issued for capital improvement projects.

Fiscal Year 2019 Results and Fiscal Year 2020 Budget

For the fiscal year ended December 31, 2019 ("Fiscal Year 2019"), the City budgeted for general fund revenues of \$120.4 million and expenses of \$121.4 million. Based on the City's estimates, the City's actual revenues for Fiscal Year 2019 were approximately \$127.4 million. Such increase is due primarily to sales tax received (by approximately \$2.6 million), income taxes received (by approximately \$1.5 million), investment income (by approximately \$1.1 million), permits by approximately \$0.5 million) and ambulance fees.

With respect to Fiscal Year 2019 expenses, the City expects expenditures to exceed the budget by approximately \$2 million. Such increase is primarily due to a decision by the City to fund \$4 million of fiscal year 2020 public safety pension contributions in advance to manage future property tax rates. The 2020 budget once again maintains a flat property tax levy. The General Fund 2020 budget plans to draw on reserves in the amount of \$1.4 million. General Fund reserves are estimated to be 43% of annual expenditures, well above the reserve fund policy of 30% of annual expenditures. See **"EMPLOYEE RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS OBLIGATIONS"** for more information.

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**General Fund
 Budget and Estimated Financial Information**

	Budget Twelve Months Ending <u>12/31/19</u>	Estimated Twelve Months Ending <u>12/31/19</u>	Budget Twelve Months Ending <u>12/31/20</u>
REVENUES:			
Property Tax.....	\$ 27,800,000	\$ 27,400,620	\$ 27,800,000
Roads and Bridges.....	900,000	966,950	900,000
Other Taxes.....	3,380,000	2,986,310	2,960,000
Sales Tax.....	26,800,000	29,535,300	28,600,000
Refuse Fee.....	5,900,000	5,478,950	6,487,680
Electricity Fee.....	4,400,000	4,336,600	4,400,000
Natural Gas Tax.....	2,000,000	2,091,260	2,000,000
Alcoholic Beverage Tax.....	1,400,000	1,409,380	1,400,000
Local Motor Fuel Tax.....	1,600,000	1,834,800	1,800,000
Licenses.....	430,710	513,720	635,160
Permits.....	1,728,000	2,368,820	1,516,000
Fines.....	1,463,000	1,734,370	1,525,350
State Income Tax.....	10,000,000	11,515,430	11,000,000
Other Governmental.....	1,767,070	2,149,170	2,149,800
Charges for Services.....	5,257,000	6,322,110	6,188,270
Miscellaneous Revenue.....	2,833,600	2,881,360	2,827,200
Investment Income.....	500,000	1,629,220	760,000
Transfers In.....	7,349,490	7,204,930	8,023,690
Police and Fire Pension.....	<u>14,937,570</u>	<u>14,735,410</u>	<u>14,807,660</u>
Total Revenues.....	<u>\$120,446,440</u>	<u>\$127,494,710</u>	<u>\$125,780,810</u>
EXPENDITURES:			
Legislative.....	\$ 565,550	\$558,840	\$604,990
General Government.....	22,306,840	17,747,520	23,242,440
Public Safety.....	75,177,850	76,273,950	77,216,390
Streets and Highways.....	11,582,410	12,650,110	12,105,020
Sanitation.....	6,542,260	6,464,300	6,986,480
Advance Pension Funding.....	0	4,000,000	0
Transfers Out.....	<u>5,225,690</u>	<u>5,942,140</u>	<u>7,100,000</u>
Total Expenditures.....	<u>\$121,400,600</u>	<u>\$123,636,860</u>	<u>\$127,255,320</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	\$ (954,160)	\$ 3,857,850	\$ (1,474,510)

EMPLOYEE RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS OBLIGATIONS

The City participates in three defined benefit pension plans: (i) the Illinois Municipal Retirement Fund (the “IMRF Plan”), (ii) the Police Pension Plan (the “Police Pension Plan”), and (iii) the Firefighters’ Pension Plan (the “Fire Pension Plan” and, together with the IMRF Plan and the Police Plan, the “Pension Plans”). The Pension Plans provide defined benefit pension benefits to the City’s employees, retirees and beneficiaries. The IMRF Plan is an agent multiple-employer public employee retirement system, and the Police Pension Plan and the Fire Pension Plan are single-employer pension plans. The City makes certain contributions to the Pension Plans on behalf of its employees, as further described in this section. The operations of the Pension Plans, including the contributions to be made to the Pension Plans, the benefits provided by the Pension Plans, and the actuarial assumptions and methods employed in generating the liabilities and contributions of the Pension Plans, are governed by the Pension Code. This section first describes certain concepts related to pensions generally, then describes the applicable provisions of Pension Plans. These concepts are more completely described in Note 12 to the 2018 Audit, as well as the supplementary schedules thereto, attached hereto as **APPENDIX A**.

The Pension Code allows the State Comptroller to divert State payments intended for the City to the Police Pension Plan and the Fire Pension Plan to satisfy contribution shortfalls by the City (the “Recapture Provisions”). If the City fails to contribute to the Police Pension Plan or the Fire Pension Plan as required by the Pension Code, the City will be subject to a reallocation of payments of State funds to the City if (i) the City fails to make the required payment for 90 days past the due date, (ii) the subject retirement fund gives notice of the failure to the City, and (iii) such retirement fund certifies to the State Comptroller that such payment has not been made. Upon the occurrence of these events, the State Comptroller will withhold payments of State funds from the City in an amount not in excess of the delinquent payment amount in the proportion of 100% of the amount of any payments of State funds to the City. Should the Recapture Provision be invoked as a result of the City’s failure to contribute all or a portion of its required contribution, a reduction in payments of State funds may have an adverse impact on the City’s finances.

Based upon the 2019 actuarial review, the required contributions to the police and fire pension funds for 2020 have increased approximately \$4.0 million compared to 2019 required contributions. However, the City Council approved advance funding of the \$4.0 million increase from General Fund reserves. The advance payment was made to the pension funds in September 2019 and was made for the purpose of managing the tax rate. As a result of the advance payment, the 2019 property tax levy (collected in 2020), will be flat for public safety pensions when compared to the prior year.

The decision to make this advance payment was the result of two considerations. First, 2018 actual results for the General Fund exceeded estimates and increased reserves by \$4.0 million more than the 2019 budget and three-year financial plan anticipated. Secondly, this decision will allow the City to have a flat overall property tax levy for the second year in a row.

Background Regarding Pension Plans

The Actuarial Valuation

The disclosures in the 2018 Audit related to the Pension Plans are based in part on the actuarial valuations of the Pension Plans. In the actuarial valuations, the actuary for each of the Pension Plans measures the financial position of a Pension Plan, determines the amount to be contributed to a Pension Plan pursuant to statutory requirements, and produces information mandated by the financial reporting standards issued by the Governmental Accounting Standards Board (“GASB”), as described below.

In producing an actuarial valuation, the actuary for a Pension Plan uses demographic data (including employee age, salary and service credits), economic assumptions (including estimated future salary and interest rates), and decrement assumptions (including employee turnover, mortality and retirement rates) and employs various actuarial methods to generate the information required to be included in such valuation.

GASB Standards

Prior to the fiscal year ended December 31, 2015, the applicable GASB financial reporting standards with respect to the Pension Plans were GASB Statement No. 25 and GASB Statement No. 27 (together, the “Prior GASB Standards”). The Prior GASB Standards required the disclosure of an Annually Required Contribution (which was such pronouncement’s method for calculating the annual amounts needed to fully fund a pension plan) and the calculation of pension funding statistics such as the unfunded actuarial accrued liability (“UAAL”), which was the shortfall of the assets held by the pension plan when compared against the liabilities of such pension plan, as actuarially determined (the “Actuarial Accrued Liability”), and the “Funded Ratio,” which was the ratio, expressed as a percentage, derived from dividing the assets of the pension plan by the Actuarial Accrued Liability. In addition, the Prior GASB Standards allowed pension plans to prepare financial reports pursuant to various approved actuarial methods and to use an assumed investment rate of return determined by the pension plan for financial reporting purposes.

Beginning with the fiscal year ended December 31, 2015, the applicable GASB financial reporting standards with respect to the Pension Plans became GASB Statement No. 67 and GASB Statement No. 68 (together, the “New GASB Standards”). Unlike the Prior GASB Standards, the New GASB Standards do not establish approaches to funding pension plans, and, therefore, do not require computation of the Annually Required Contribution or a similar contribution number. Instead, the New GASB Standards provide standards solely for financial reporting and accounting related to pension plans.

The New GASB Standards require calculation and disclosure of a “Net Pension Liability” or “Net Pension Asset”, which is the difference between the actuarial present value of projected benefit payments that is attributed to past periods of employee service calculated pursuant to the methods and assumptions set forth in the New GASB Standards (referred to in such statements as the “Total Pension Liability”) and the fair market value of the pension plan’s assets (referred to as the “Fiduciary Net Position”). This concept is similar to the UAAL, which was calculated under the Prior GASB Standards, but most likely will differ from the UAAL on any calculation date because the Fiduciary Net Position is calculated at fair market value and because of the differences in the manner of calculating the Total Pension Liability as compared to the Actuarial Accrued Liability under the Prior GASB Standards.

Furthermore, the New GASB Standards employ a rate, referred to in such statements as the “Discount Rate,” which is used to discount projected benefit payments to their actuarial present values. The Discount Rate is a blended rate comprised of (1) a long-term expected rate of return on a pension plan’s investments (to the extent that such assets are projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate meeting certain specifications set forth in the New GASB Standards. Therefore, in certain cases in which the assets of a pension plan are not expected to be sufficient to pay the projected benefits of such pension plan, the Discount Rate calculated pursuant to the New GASB Standards may differ from the assumed investment rate of return used in reporting pursuant to the Prior GASB Standards.

Finally, the New GASB Standards require that the Net Pension Liability be disclosed in the notes to the financial statements of the pension system and that a proportionate share of the Net Pension Liability be recognized on the balance sheet of the employer. In addition, the New GASB Standards require an expense (the “Pension Expense”) to be recognized on the income statement of the City.

Pension Plans Remain Governed by the Pension Code

As described above, each of the Prior GASB Standards and the New GASB Standards establish requirements for financial reporting purposes. However, the Pension Plans are ultimately governed by the provisions of the Pension Code in all respects, including, but not limited to, the amounts to be contributed by the City to the Pension Plans in each year.

Illinois Municipal Retirement Fund

The City participates in the IMRF Plan, which is a defined-benefit, agent multiple employer pension plan administered by the IMRF that acts as a common investment and administrative agent for units of local government and school districts in the State. Specifically, the City participates in an IMRF-administered plan for its regular employees (the “Regular Plan”) and its Sheriff’s Law Enforcement Personnel (the “SLEP Plan”) for sheriffs, deputy sheriffs and selected police chiefs. The IMRF Plan is established and administered under statutes adopted by the General Assembly. The Pension Code sets the benefit provisions of the IMRF Plan, which can only be amended by the General Assembly.

Each employer participating in the IMRF Plan, including the City, has an employer reserve account with the IMRF Plan separate and distinct from all other participating employers (the “IMRF Account”) along with a unique employer contribution rate determined by the IMRF Board of Trustees (the “IMRF Board”), as described below. The employees of a participating employer receive benefits solely from such employer’s IMRF Account. Participating employers are not responsible for funding the deficits of other participating employers.

The IMRF issues a publicly available financial report that includes financial statements and required supplementary information which may be viewed at the IMRF’s website.

See Note 12 to the 2018 Audit for additional information on the IMRF Plan’s actuarial methods and assumptions.

Contributions

Both employers and employees contribute to the IMRF Plan. At present, with respect to the Regular Plan, employees contribute 4.50% of their salary to the IMRF Plan, as established by statute. With respect to the SLEP Plan, employees contribute 7.50% of their salary to the IMRF Plan, as established by statute. Employers are required to make all additional contributions necessary to fund the benefits provided by the IMRF Plan to its employees. The annual rate at which an employer must contribute to the IMRF Plan is established by the IMRF Board. The City’s contribution rate for calendar year 2018 was 11.18% of covered payroll for the Regular Plan. The City’s contribution rate for calendar year 2018 was 0.00% of covered payroll for the SLEP Plan. For the fiscal year ended December 31, 2018, the City contributed \$3,309,929 to the Regular Plan and \$0.00 to the SLEP Plan.

Measures of Financial Position

The following table presents the measures of the Regular Plan’s financial position as of December 31 of the years 2014 through 2017 which are presented pursuant to the New GASB Standards. Such measures were calculated pursuant to the current Discount Rate of 7.50%.

<u>FISCAL YEAR</u> <u>ENDED</u> <u>DECEMBER 31</u>	<u>TOTAL PENSION</u> <u>LIABILITY</u>	<u>FIDUCIARY</u> <u>NET POSITION</u>	<u>NET PENSION</u> <u>LIABILITY/</u> <u>(ASSET)</u>	<u>FIDUCIARY NET POSITION</u> <u>AS A % OF TOTAL PENSION</u> <u>LIABILITY</u>
2014	\$176,389,148	\$165,772,016	\$10,617,132	93.98%
2015	185,335,822	163,412,459	21,923,363	88.17%
2016	189,414,215	170,166,039	19,248,176	89.84%
2017	190,363,132	192,348,824	(1,985,692)	101.04%

Source: The 2018 Audit.

See Note 12 to the 2018 Audit, and the related required supplementary information disclosures, for a description of the IMRF Plan, the IMRF Account, the City’s funding policy, information on the assumptions and methods used by the actuary, and the financial reporting information required by the New GASB Standards.

Measures of Financial Position-SLEP Plan

The following table presents the measures of the SLEP Plan’s financial position as of December 31 of the years 2014 through 2017 which are presented pursuant to the New GASB Standards. Such measures were calculated pursuant to the current Discount Rate of 7.50%.

<u>FISCAL YEAR ENDED DECEMBER 31</u>	<u>TOTAL PENSION LIABILITY</u>	<u>FIDUCIARY NET POSITION</u>	<u>NET PENSION LIABILITY/ (ASSET)</u>	<u>FIDUCIARY NET POSITION AS A % OF TOTAL PENSION LIABILITY</u>
2014	\$1,555,863	\$1,840,645	\$(284,782)	118.30%
2015	1,550,696	1,776,408	(225,712)	114.56%
2016	1,543,657	1,778,445	(234,788)	115.21%
2017	1,480,986	1,954,208	(473,222)	131.95%

Source: The 2018 Audit.

See Note 12 to the 2018 Audit, and the related required supplementary information disclosures, for a description of the IMRF Plan, the IMRF Account, the City’s funding policy, information on the assumptions and methods used by the actuary, and the financial reporting information required by the New GASB Standards.

Police Pension Plan

The City provides retirement, death and disability benefits to its sworn police personnel and retirees and their beneficiaries through the Police Pension Plan. The Police Pension Plan is a single-employer defined benefit contribution plan. The benefits provided by the Police Pension Plan and the amount of employer and employee contributions to the Police Pension Plan are governed by the Pension Code and may only be amended by the General Assembly. As of December 31, 2018, the Police Pension Fund had a membership of 332.

Contributions

As stated above, both the City and its participating employees make contributions to the Police Pension Plan. At present, employees contribute 9.91% of their salary to the Police Pension Plan. The City is required to make all additional contributions necessary to fund the benefits provided by the Police Pension Plan to its members.

The Pension Code requires that the City contribute annually the amount necessary to fund the normal cost of the Police Pension Plan for such year plus an amount sufficient to bring the total assets of the Police Pension Plan up to 90% of the total actuarial liabilities of the Police Pension Plan by the end of fiscal year 2040, as determined by an actuary (the “Funding Requirement”). The Pension Code provides a levy of a separate tax annually by the City to generate the funds necessary to make this contribution, and the proceeds of such tax levy are sent directly by the County Clerks to the Police Pension Plan.

As the Funding Requirement represents an amortization of the unfunded portion of the actuarial liabilities of the Police Pension Plan over a closed period of time, the City’s required contributions to the Police Pension Plan are expected to increase, possibly by a significant margin, during the period of fiscal years leading up to 2040.

The City's contribution was 45.50% of covered payroll for the fiscal year ended December 31, 2018. The City's statutorily required pension contributions and contributions with respect to such contributions for the last four fiscal years were as follows:

FISCAL YEAR ENDED <u>DECEMBER 31</u>	STATUTORY REQUIRED <u>CONTRIBUTION</u>	<u>ACTUAL CONTRIBUTION</u>	PERCENTAGE <u>CONTRIBUTED</u>
2015	\$6,553,044	\$8,937,885	136.39%
2016	7,549,368	7,991,936	105.86%
2017	8,891,497	8,812,140	99.11%
2018	8,708,536	8,604,338	98.80%

Source: The Actuarial Valuations of the Police Pension Plan for the Fiscal Years ended December 31, 2015 through December 31, 2018.

Measures of Financial Position

The following table provides statistical information produced pursuant to the New GASB Standards with respect to the Police Pension Plan for each of the last four fiscal years. Such measures were calculated pursuant to the current Discount Rate of 7.00%.

FISCAL YEAR ENDED <u>DECEMBER 31</u>	TOTAL PENSION <u>LIABILITY</u>	FIDUCIARY NET <u>POSITION</u>	NET PENSION <u>LIABILITY</u>	FIDUCIARY NET POSITION AS A % OF TOTAL PENSION <u>LIABILITY</u>
2015	\$221,022,518	\$90,447,559	\$130,574,959	40.92%
2016	225,145,635	100,109,597	125,036,038	44.46%
2017	225,450,971	118,084,277	107,366,694	52.38%
2018	238,199,303	114,600,024	123,599,279	48.11%

Source: The 2018 Audit.

See Note 12 to the 2018 Audit, and the related required supplementary information disclosures, for a description of the Police Pension Plan, the City's funding policy, information on the assumptions and methods used by the actuary for the Police Pension Plan, and the financial reporting information required by the New GASB Standards.

Fire Pension Plan

The City provides retirement, death and disability benefits to its sworn fire personnel and retirees and their beneficiaries through the Fire Pension Plan. The Fire Pension Plan is a single-employer defined benefit contribution plan. The benefits provided by the Fire Pension Plan and the amount of employer and employee contributions to the Fire Pension Plan are governed by the Pension Code and may only be amended by the General Assembly. As of December 31, 2018, the Fire Pension Plan had a membership of 244.

Contributions

As stated above, both the City and its participating employees make contributions to the Fire Pension Plan. At present, employees contribute 9.455% of their salary to the Fire Pension Plan. The City is required to make all additional contributions necessary to fund the benefits provided by the Fire Pension Plan to its members.

The Pension Code requires that the City contribute annually the Funding Requirement, the same being the amount necessary to fund the normal cost of the Fire Pension Plan for such year plus an amount sufficient to bring the total assets of the Fire Pension Plan up to 90% of the total actuarial liabilities of the Fire Pension Plan by the end of fiscal year 2040, as determined by an actuary. The Pension Code provides a levy of a separate tax annually by the City to generate the funds necessary to make this contribution, and the proceeds of such tax levy are sent directly by the County Clerks to the Fire Pension Plan.

As the Funding Requirement represents an amortization of the unfunded portion of the actuarial liabilities of the Fire Pension Plan over a closed period of time, the City's required contributions to the Fire Pension Plan are expected to increase, possibly by a significant margin, during the period of fiscal years leading up to 2040.

The City's contribution was 46.48% of covered payroll for the fiscal year ended December 31, 2018. The City's statutorily required pension contributions and contributions with respect to such contributions for the last four fiscal years were as follows:

FISCAL YEAR ENDED	STATUTORY REQUIRED		PERCENTAGE
<u>DECEMBER 31</u>	<u>CONTRIBUTION</u>	<u>ACTUAL CONTRIBUTION</u>	<u>CONTRIBUTED</u>
2015	\$4,454,657	\$6,875,628	154.35%
2016	5,366,457	5,824,657	108.54%
2017	6,167,330	6,111,021	99.09%
2018	6,268,458	6,193,093	98.80%

Source: The Actuarial Valuations of the Fire Pension Plan for the Fiscal Years ended December 31, 2015 through December 31, 2018.

Measures of Financial Position

The following table provides statistical information produced pursuant to the New GASB Standards with respect to the Fire Pension Plan for each of the last four fiscal years. The Total Pension Liability as of December 31, 2018, was calculated pursuant to the current Discount Rate of 7.00%.

FISCAL YEAR ENDED	TOTAL PENSION	FIDUCIARY	NET PENSION	FIDUCIARY NET POSITION AS A % OF
<u>DECEMBER 31</u>	<u>LIABILITY</u>	<u>NET POSITION</u>	<u>LIABILITY</u>	<u>TOTAL PENSION LIABILITY</u>
2015	\$155,248,913	\$68,127,744	\$87,121,169	43.88%
2016	160,497,772	73,728,714	86,769,058	45.94%
2017	162,734,049	87,045,501	75,688,548	53.49%
2018	179,901,016	83,039,067	96,861,949	46.16%

Source: The 2018 Audit.

See Note 12 to the 2018 Audit, and the related required supplementary information disclosures, for a description of the Fire Pension Plan, the City's funding policy, information on the assumptions and methods used by the actuary for the Fire Pension Plan, and the financial reporting information required by the New GASB Standards.

Downstate Police and Fire Pension Consolidation Bill

Public Act 101-0610 (“PA 101-610”) authorizes the consolidation of more than 650 police and firefighter pension funds that provide benefits to police and firefighters located outside the boundaries of the City of Chicago, Illinois, into two statewide funds: The Police Officers’ Pension Investment Fund (the “Consolidated Police Pension Fund”) and The Firefighters’ Pension Investment Fund (the “Consolidated Firefighters’ Pension Fund,” and together with the Consolidated Police Pension Fund, the “Consolidated Pension Funds”). Upon consolidation, the Consolidated Police Pension Fund and the Consolidated Firefighters’ Pension Fund will have in excess of \$8 billion and \$6 billion in assets, respectively. The purpose of consolidating local pension funds into the Consolidated Pension Funds is to invest assets more efficiently and to reduce administrative costs in order to generate higher investment returns.

The Consolidated Pension Funds are to be governed by their respective 9-member board of trustees and managed by their respective executive directors. The Consolidated Pension Funds are established with the authority to manage the reserves, funds, assets, securities, properties and moneys of the participating police and fire pension funds which will make up the Consolidated Pension Funds.

Under PA 101-610, each underlying police and fire pension fund will maintain an individual and separate account within the newly established Consolidated Pension Funds. Therefore, no assets or liabilities of any individual police or fire pension fund can be shifted from one pension fund to another. Further, investment returns earned by the Consolidated Pension Funds will be allocated and distributed pro rata among each participating pension fund account in accordance with the value of the pension fund assets attributable to each fund.

The City cannot determine at this time the financial impact PA 101-610 will have on its pension funds. The effectiveness of PA 101-610 in reducing costs and generating additional investment returns may not be determinable for several years.

OTHER POST-EMPLOYMENT BENEFITS

In addition to providing the pension benefits described above, the City provides post-employment healthcare benefits (“OPEB”) for eligible retired employees and their dependents (the “OPEB Plan”). The benefits, benefit levels, employee contributions and employer contributions are governed by the City Council and can be amended by the City through its personnel manual and union contracts. As of December 31, 2018, the OPEB Plan had a membership of 662. As of December 31, 2018, the City’s OPEB Plan had a Total OPEB Liability of \$32,270,938, a Plan Fiduciary Net Position of \$11,447,459 and a Net OPEB Liability of \$20,823,479. For additional information regarding the OPEB Plan, see Note 11 to the 2018 Audit.

The City’s contributions to the OPEB Plan in each of the last three years are as follows:

<u>FISCAL YEAR</u> <u>ENDED</u> <u>DECEMBER 31</u>	<u>CONTRIBUTION</u>
2016	\$1,620,559
2017	1,602,106
2018	1,627,171

Source: The 2018 Audit.

For additional information on the City’s post-employment benefits other than pensions, see Note 11 and the required supplementary information to the 2018 Audit.

REGISTRATION, TRANSFER AND EXCHANGE

See also **APPENDIX B** for information on registration, transfer and exchange of book-entry bonds. The Bonds will be initially issued as book-entry bonds.

The City shall cause books for the registration and for the transfer of the Bonds to be kept at the principal corporate trust office of the Bond Registrar in Chicago, Illinois. The City will authorize to be prepared, and the Bond Registrar shall keep custody of, multiple bond blanks executed by the City for use in the transfer and exchange of Bonds.

Any Bond may be transferred or exchanged, but only in the manner, subject to the limitations, and upon payment of the charges as set forth in the Bond Ordinance. Upon surrender for transfer or exchange of any Bond at the principal corporate trust office of the Bond Registrar, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Bond Registrar and duly executed by the registered owner or such owner's attorney duly authorized in writing, the City shall execute and the Bond Registrar shall authenticate, date and deliver in the name of the registered owner, transferee or transferees (as the case may be) a new fully registered Bond or Bonds of the same maturity of authorized denominations for a like aggregate principal amount.

The execution by the City of any fully registered Bond shall constitute full and due authorization of such Bond, and the Bond Registrar shall thereby be authorized to authenticate, date and deliver such Bond, provided, however, the principal amount of outstanding Bonds of each maturity authenticated by the Bond Registrar shall not exceed the authorized principal amount of Bonds for such maturity less Bonds previously paid.

The Registrar shall not be required to transfer or exchange any Bond during the period beginning at the close of business on the 1st day of the month of any interest payment date on such Bond and ending at the opening of business on such interest payment date, nor to transfer or exchange any Bond after notice calling such Bond for redemption has been mailed, nor during a period of fifteen (15) days next preceding mailing of a notice of redemption of any Bonds.

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal of or interest on any Bonds shall be made only to or upon the order of the registered owner thereof or such owner's legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

No service charge shall be made for any transfer or exchange of Bonds, but the City or the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds, except in the case of the issuance of a Bond or Bonds for the unredeemed portion of a Bond surrendered for redemption.

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TAX EXEMPTION

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The City has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the City's compliance with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals under the Internal Revenue Code of 1986, as amended (the "Code").

In rendering its opinion, Bond Counsel will rely upon certifications of the City with respect to certain material facts within the City's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price for original issue discount (as further discussed below) and market discount purposes (the "OID Issue Price") for each maturity of the Bonds is the price at which a substantial amount of such maturity of the Bonds is first sold to the public (excluding bond houses and brokers and similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The OID Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

If the OID Issue Price of a maturity of the Bonds is less than the principal amount payable at maturity, the difference between the OID Issue Price of each such maturity, if any, of the Bonds (the "OID Bonds") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the OID Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the City complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals under the Code; and (d) the accretion of original issue discount in each year may result in certain collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Based upon the stated position of the Department under State income tax law, accreted original issue discount on such OID Bonds is subject to taxation as it accretes, even though there may not be a corresponding cash payment until a later year. Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the OID Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity or, in the case of an OID Bond, its OID Issue Price plus accreted original issue discount (the "Revised Issue Price"), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

There are or may be pending in Congress legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Service has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the City as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

Interest on the Bonds is not exempt from present State income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

See **APPENDIX C** for a proposed form of opinion of Bond Counsel for the Bonds.

CONTINUING DISCLOSURE

The City will enter into a Continuing Disclosure Undertaking (the “Undertaking”) for the benefit of the beneficial owners of the Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the “MSRB”) pursuant to the requirements of the Rule. No person, other than the City, has undertaken, or is otherwise expected, to provide continuing disclosure with respect to the Bonds. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies, are set forth in the form of the Undertaking, attached hereto as **APPENDIX D**.

The City has adopted disclosure policies and procedures, which specifically include additional procedures to be followed by the City in relation to the two new reportable events added to the list of reportable events for which the City must provide notice to the EMMA website.

There have been no instances in the previous five years in which the City failed to comply, in all material respects, with any undertaking previously entered into by it pursuant to the Rule. A failure by the City to comply with the Undertaking will not constitute a default under the Bond Ordinance and beneficial owners of the Bonds are limited to the remedies described in the Undertaking. The City must report any failure to comply with the Undertaking in accordance with the Rule. Any broker, dealer or municipal securities dealer must consider such report before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

LITIGATION

There is no litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the City taken with respect to the issuance or sale thereof. There is no litigation now pending, or to the knowledge of the City, threatened against the City that is expected to materially impact the financial condition of the City.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois (“Chapman and Cutler”), Bond Counsel, who has been retained by, and acts as, Bond Counsel to the City. Chapman and Cutler has also been retained by the City to serve as Disclosure Counsel to the City with respect to the Bonds. Although as Disclosure Counsel to the City, Chapman and Cutler has assisted the City with certain disclosure matters, Chapman and Cutler has not undertaken to independently verify the accuracy, completeness or fairness of any of the statements contained in this Official Statement or other offering material related to the Bonds and does not guarantee the accuracy, completeness or fairness of such information. Chapman and Cutler’s engagement as Disclosure Counsel was undertaken solely at the request and for the benefit of the City, to assist it in discharging its responsibility with respect to this Official Statement, and not for the benefit of any other person (including any person purchasing Bonds from the Underwriter), and did not include any obligation to establish or confirm factual matters, forecasts, projections, estimates or any other financial or economic information in connection therewith. Further, Chapman and Cutler makes no representation as to the suitability of the Bonds for investment by any investor.

OFFICIAL STATEMENT AUTHORIZATION

This Official Statement has been authorized for distribution to prospective purchasers of the Bonds. All statements, information, and statistics herein are believed to be correct but are not guaranteed by the consultants or by the City, and all expressions of opinion, whether or not so stated, are intended only as such.

INVESTMENT RATINGS

The Bonds have been rated “AA+/Stable Outlook” by S&P Global Ratings and “AAA/Stable Outlook” by Fitch Ratings. The City has supplied certain information and material concerning the Bonds and the City to the rating services shown on the cover page, including certain information and materials which may not have been included in this Official Statement, as part of its application for investment ratings on the Bonds. Ratings reflect only the views of the rating agencies assigning such ratings and an explanation of the significance of such ratings may be obtained from such rating agencies. Generally, such rating services base their ratings on such information and material, and also on such investigations, studies and assumptions that it may undertake independently. There is no assurance that such ratings will continue for any given period of time or that such ratings may not be lowered or withdrawn entirely by such rating services if, in their judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the secondary market price of the Bonds. An explanation of the significance of the investment ratings may be obtained from the rating agencies: S&P Global Ratings, 55 Water Street, New York, New York 10041, telephone 212-438-2000. Fitch Ratings, One State Street Plaza, New York, New York 10004, telephone 800-753-4824. The City will provide appropriate periodic credit information to the rating services to maintain a rating on the Bonds.

UNDERWRITING

The Bonds were offered for sale by the City at a public, competitive sale on April 22, 2020. The best bid submitted at the sale was submitted by _____ (the “Underwriter”). The City awarded the contract for sale of the Bonds to the Underwriter at a price of \$ _____. The Underwriter has represented to the City that the Bonds have been subsequently re-offered to the public initially at the yields set forth in the Final Official Statement to this Official Statement.

MUNICIPAL ADVISOR

The City has engaged Speer Financial, Inc. as municipal advisor (the “Municipal Advisor”) in connection with the issuance and sale of the Bonds. The Municipal Advisor is a Registered Municipal Advisor in accordance with the rules of the MSRB. The Municipal Advisor will not participate in the underwriting of the Bonds. The financial information included in the Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. The Municipal Advisor is not a firm of certified public accountants and does not serve in that capacity or provide accounting services in connection with the Bonds. The Municipal Advisor is not obligated to undertake any independent verification of or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement, nor is the Municipal Advisor obligated by the City’s continuing disclosure undertaking.

CERTIFICATION

We have examined this Official Statement dated April 20, 2020, for the \$3,240,000* General Obligation Corporate Purpose Bonds, Series 2020B, believe it to be true and correct and will provide to the purchaser of the Bonds at the time of delivery a certificate confirming to the purchaser that to the best of our knowledge and belief information in the Official Statement was at the time of acceptance of the bid for the Bonds and, including any addenda thereto, was at the time of delivery of the Bonds true and correct in all material respects and does not include any untrue statement of a material fact, nor does it omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

/s/ **DEBRA NAWROCKI**
Chief Financial Officer/Budget Director
CITY OF ELGIN
Kane and Cook Counties, Illinois

/s/ **RICHARD G. KOZAL**
City Manager
CITY OF ELGIN
Kane and Cook Counties, Illinois

*Subject to change.

APPENDIX A

**CITY OF ELGIN
KANE AND COOK COUNTIES, ILLINOIS**

FISCAL YEAR 2018 AUDITED FINANCIAL STATEMENTS



CITY OF ELGIN, ILLINOIS
COMPREHENSIVE ANNUAL
FINANCIAL REPORT

For the Year Ended
December 31, 2018

2018 Comprehensive Annual Financial Report

For The Fiscal Year Ended December 31, 2018



Prepared by the Finance Department

Debra Nawrocki
Chief Financial Officer

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CITY OF ELGIN, ILLINOIS

PRINCIPAL OFFICIALS

December 31, 2018

LEGISLATIVE

Mayor
David Kaptain

Council Members

F. John Steffen
Terry Gavin
Rosamaria Martinez

Tish S. Powell
Corey D. Dixon
Toby Shaw
Carol Rauschenberber

ADMINISTRATIVE

Richard G. Kozal
City Manager

Debra Nawrocki
Chief Financial Officer

Kim Dewis
City Clerk

Gail Cohen
Human Resource Director

William A. Cogley
Corporation Council and
Chief Development Officer

Ana Z Lalley
Police Chief

David Schmidt
Fire Chief

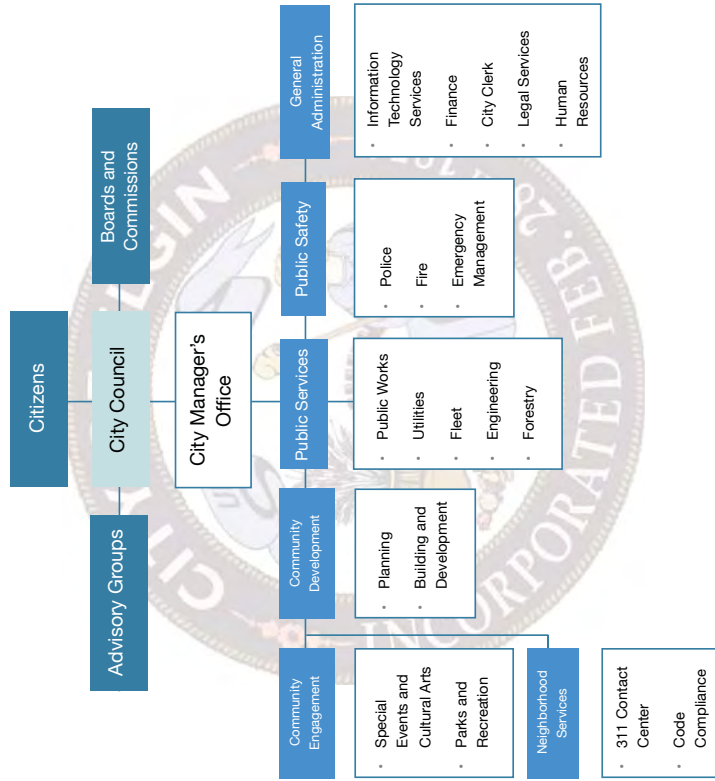
INTRODUCTORY

INTRODUCTORY



Comprehensive Annual Financial Report
For The Fiscal Year Ended December 31, 2018

ORGANIZATIONAL CHART





May 31, 2019

Honorable Mayor David Kapiain
Members of the City Council
City Manager Richard Kozal
Citizens of the City of Elgin, Illinois

Mayor
David J. Kapiain

City Council
Corey D. Dixon
Terry L. Gavin
Baldeemar Lopez
Rosamaria Martinez
Tish S. Powell
Carol J. Rauschenberger
Toby Shaw
F. John Steffen

City Manager
Richard G. Kozal

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act as amended and *the Uniform Grant Guidance*. Information related to this Single Audit, includes the schedule of expenditures of federal awards, findings and questioned costs, and independent auditors' reports on internal control and compliance with applicable laws and regulations, and is available as a separate document.

For financial reporting purposes, this report includes all the funds of the City of Elgin (the primary government), as well as all its component units. Component units are legally separate entities for which the primary government is financially accountable and are included as either a "blended" component unit or a "discrete" component unit. A blended component unit, although a legally separate entity is, in substance, part of the primary government's operations and is included as part of the primary government. Conversely, a component unit, which is not part of the primary government's operations, is presented as a discrete component unit in a separate column in the basic financial statements. A discrete component unit is presented in a separate column to emphasize that it is legally separate from the primary government and to differentiate its financial position and results of operations from those of the primary government. There are no blended or discrete component units to report.

The City provides a full range of services. These include police and fire protection; sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities; and, cultural events. In addition to general government activities, the City operates water and sewer systems, a cemetery, and golf courses.

The Gail Borden Public Library, a separately governed taxing body, provides library services. Educational services are also provided by separately governed taxing bodies as well as several privately financed education institutions.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

The accounts of the City are organized on the basis of funds, each of which is considered a separate and distinct accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Revenues are allocated to and accounted for in individual funds based upon the purpose for which they are to be expended and the means by which spending activities are controlled. The accounting records for general governmental operations are maintained on the modified accrual basis, with revenues being recorded when available and measurable and expenditures being recorded when materials or services are received and the liability incurred. Accounting records for the City's enterprise funds, internal service funds, agency funds, and pension trust funds are maintained on the accrual basis of accounting.

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Elgin, Illinois for the fiscal year ended December 31, 2018. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The CAFR presents the Management's Discussion and Analysis (MD&A), basic financial statements and required supplemental information. The MD&A provides an analytical overview of the City's financial activity and should be read in conjunction with this letter of transmittal. Included in the basic financial statements are the government-wide financial statements, fund financial statements and notes to the financial statements. The required supplementary information presents budgetary comparison schedules and other schedules.

The CAFR is presented in three sections: Introductory, Financial, and Statistical. The Introductory section includes this transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting, the City's organizational chart and a list of principal officials. The Financial section includes the MD&A, the basic financial statements and the combining and individual fund financial statements and schedules, as well as the independent auditor's report on the financial statements and schedules. The Statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The City's chief financial officer is responsible for establishing and maintaining a system of internal accounting controls. These controls are designed to assure that the assets of the City are safeguarded against any material loss, theft or misuse. These controls ensure that the financial statements are in conformity with generally accepted accounting principles. Internal accounting controls are designed to provide reasonable, but not absolute assurances that control objectives will be met. The concept of reasonable assurances recognizes that (1) the cost of control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits require estimates and judgment by the chief financial officer in conjunction with the City's management staff.

The annual budget serves as the foundation for the City's financial planning and control. All city departments are required to submit their budget requests to the budget officer by the final week in August each year. The City employs a unique budgeting system in which the budget is delineated into two distinct, yet related components. The first element is the base budget additions request. The base budget is comprised of ongoing costs such as personnel, utilities, office supplies and such items needed to maintain ongoing services for the respective departments of the organization. The second component relates to special funding requests referred to as decision packages. The preparation of decision packages allows departments to identify activities or programs that are needed to improve basic service delivery, address community needs, and/or improve Elgin's competitive position. All budget requests are reviewed within the framework of the City's financial capacity and the priorities of the City Council and its strategic plan.

The budget committee uses these requests to develop the proposed budget. The City must make the proposed budget available for public inspection and conduct the necessary public hearings prior to its passage. The City Council will typically review the proposed budget prior to their regularly scheduled committee of the whole meetings during the months of October and November. The budget is adopted at the City Council meetings during the month of December. The adopted budget becomes effective on January 1st.

The chief financial officer/budget officer, accounting staff and department directors monitor the budget on an ongoing basis throughout the year. This is accomplished through the examination of monthly budget reports and review of expenditures. In addition, a more in-depth, mid-term evaluation is prepared and presented to the City Council. Through these reviews a high level of budgetary accountability is achieved.

FINANCIAL POLICIES

The City has established several specific policies to guide its financial operations. Those policies relate to accounting and financial reporting, budgeting and revenue management, debt management, cash management and investments and purchasing. Some of the most significant policies include:

- Issuing a CAFR within 180 days of the end of each fiscal year that complies with generally accepted accounting principles (Accounting and Financial Reporting).
- Capitalizing building improvements, land improvements, vehicles, machinery and equipment with an acquisition cost of \$50,000 or more. Capitalize investments in infrastructure with an acquisition cost of \$100,000 or more (Accounting and Financial Reporting).
- Structuring debt issues to meet the City's debt policies and debt ratio targets (Debt Management).
- Structuring debt issues so that when averaging proposed debt with existing debt 50 percent of the principal shall be retired within ten years. Additionally, no debt shall be issued whose maturity exceeds the expected life of the asset for which the debt was incurred (Debt Management).
- Maintaining a General Fund unreserved cash balance of 30 percent of expenditures as originally budgeted for the year (Budgeting and Revenue Management).
- Maintaining a minimum Water Fund and Sewer Fund cash reserve balance of 25 percent of expenditures as originally budgeted for the year (Budgeting and Revenue Management).
- Investing city funds in accordance with Public Funds Investment Act, 30 ILCS 235/01, *et seq.*, as amended from time to time, the ordinance, policies, and written administrative procedures consistent with the Act (Cash Management and Investments).
- Structuring the City's investment portfolio, with the exception of the pension funds, with the objective of regularly exceeding the average return of the three-month Treasury bill (Cash Management and Investments).
- Preparing three-year financial plans for the General, Elgin Riverboat and Recreation funds and five-year financial plans for the Water, Sewer and Central Area TIF Funds to ensure the use of long-range planning (Budgeting and Expenditure Policies).
- Restricting the use of Riverboat Fund proceeds to Capital Expenditures, One-Time Non-Operating Expenditures and Agency/Organization Funding (Budgeting and Revenue Management).
- Maintaining a balanced General Fund budget except for planned drawdowns of the fund balance when the fund balance exceeds its target (Budgeting and Revenue Management).
- Adopting a balanced budget at the fund level (Budgeting and Revenue Management).

local motor fuel tax and increased the hotel motel tax. Effective July 1, 2018, the home rule sales tax rate was increased. Property tax revenues increased \$380,000 when compared to 2017 receipts. The increase in property tax revenue is a result of an increase in the required contributions to public safety pension funds. Total General Fund actual revenues of \$115.9 million exceeded budgeted revenues of \$108.2 million.

Overall, revenues and expenditures, including transfers, in the General Fund were \$121,294,615 and \$113,032,001, respectively, resulting in an \$8,262,614 increase in fund balance. (Please refer to the Combining Schedule of Revenues, Expenditures and Changes in Fund Balance on page 139 for greater detail.) The 2018 General Fund budget anticipated an \$876,550 reduction in fund balance. Strong management and oversight of the City's budget, resulted in expenditures coming in significantly under budget. Several revenue streams, including sales tax, state income tax, earnings on investments and ambulance revenue all exceeded budgeted levels, this coupled with expenditure control, provided for an increase in fund balance in the General Fund.

In 2015, the City saw the first rise in the Equalized Assessed Valuation (EAV) of property since 2009. Property tax assessed valuations are calculated by averaging the current and two prior levy year increases (decreases). The City is continuing to see growth in property values resulting in EAV growth of 11.1% and 6.3% respectively for tax years 2016 and 2017. The preliminary 2018 EAV is being reported at \$2.435 billion which is 4.0% higher than the 2017 EAV of \$2.341 billion. The City's highest recorded EAV of \$2.632 billion was reported in 2008. Based on current projections, assessed valuations are expected to stabilize and see modest increases in the coming years.

In February of 2019, Fitch Ratings affirmed the City's bond rating of AAA. The criteria cited by Fitch Ratings include strong budget management, a strong revenue and expenditure framework, diversification of revenue streams, flexibility over main expenditure items, a moderate debt burden, ample reserves and gap closing ability throughout an economic cycle. Standard & Poor's also affirmed its rating of AA+, in February of 2019, and cited very strong management with good financial policies, very strong budget flexibility and liquidity and a strong debt and contingent liability position.

The City adopted a new comprehensive plan in 2018, and that plan continues the commitment by the City to quality land resource management for tens of thousands of acres on the City's western edge. The plan puts forth growth management policies that direct a balance between the need to develop, the cost of development, and conservation of the natural environment. Development within the City's western growth area will continue to demonstrate the use of innovative architecture, site planning, and land design of such quality as to set a standard of excellence for subsequent development. Currently, the City includes more than 23,700 acres of land, but another 47,500 unincorporated acres are within the City planning area, mostly within the western growth area.

- Appropriating a contingency allowance to provide for emergencies, unanticipated expenditures and revenue shortfalls. Expenditures from contingencies are made only with the chief financial officer's approval (Budgeting and Revenue Management).
- Maintaining an appropriate amount of revenue diversification within the General Fund. At no point shall any one revenue source comprise more than 35 percent of total General Fund Revenues (Budgeting and Revenue Management).
- Reducing the percentage of property taxes as a percent of total general fund revenues to not more than 30 percent of general fund revenues (Budgeting and Revenue Management).
- Conducting a formal competitive bidding process (newspaper publication and website posting) for purchases in excess of \$20,000 (Purchasing).
- Obtaining City Council approval of all purchases in excess of \$20,000 (Purchasing).

ECONOMIC CONDITION AND OUTLOOK

Located within the U.S. Interstate 90's "Golden Corridor," Elgin is approximately 38 miles northwest of downtown Chicago and covers an area of approximately 39 square miles. Elgin's accessibility to major thoroughfares such as I-90, U.S. Route 20, Illinois Routes 25 and 31 plus its close proximity to O'Hare International Airport has attracted both domestic and international enterprises. The City has a well-balanced economy that is not dominated by any single industrial sector. The City's diverse economic base includes manufacturing, retail, healthcare and higher education institutions as well as a riverboat casino.

The City has experienced a recovery in most revenue streams since the nationwide economic downturn that began in 2008. State income tax receipts in 2018 were \$10.4 million compared to \$9.9 million in the prior year. The state's 2018 budget reduced distributions to local governments from the state's income tax sharing fund known as the Local Government Distributive Fund (LGDF) by 10%. However, the State's fiscal year 2019 budget partially restored the reduction in distributions to local governments and reduces LGDF payments by 5%, accounting for the increase in income tax revenue in 2018. At the current level, income tax receipts approximate 9 percent of total General Fund revenue. Sales and use taxes recorded in the General Fund reached \$27.8 million, which is a historical high and exceeded 2017 revenue of \$24.6 million by approximately 13%. Sales tax revenues represented 24% of General Fund revenue in 2018. Property tax revenue totaled \$43.1 million in 2018 and made up 37% of General Fund revenues, in line with the City's revenue management policy. On July 1, 2012, three new income streams including alcoholic beverage, electricity and natural gas taxes were incorporated to diversify the City's General Fund revenues and provide for a more stable financial environment. On January 1, 2018, to provide further revenue diversification and to maintain a flat general fund property tax levy, the City introduced a new

The vast majority of undeveloped land in the City's western growth area will develop residentially. The prices for new homes being built in the western growth area range from about \$200,000 to over \$50,000. The vision of the western growth area is to develop healthy, vibrant neighborhoods which offer qualitatively better places for people to live, shop, work, and recreate; places where people can connect with nature and feel a sense of community; have the freedom to choose their means of transportation, choose from a variety of housing types and recreation amenities, and participate in civic activities.

The City's current population is more than 112,000 people, and the Chicago Metropolitan Agency for Planning (CMAP) estimates the population could be almost 150,000 by 2050.

The city continues to experience a modest recovery with respect to residential development within its western growth area. The City issued 193 building permits for single-family residential homes in 2018, an increase from the 141 permits issued in 2017.

The community development department reports that continued interest in housing in the western growth area includes companies developing raw land and adding new buildable lots to the inventory. In 2018, Lennar broke ground at the Ponds at Stony Creek subdivision along McDonald Road. This subdivision will contain more than 500 homes, and permits have already been issued for 9 houses. Prices for the smallest of 10 different models start at just under \$340,000. The price for the largest model home starts at almost \$404,000.

Also earlier this year, M/I Homes received final plat approval for the second phase of West Point Gardens South, which will require the installation of infrastructure for another 54 lots. In 2017, M/I Homes completed the infrastructure for and started selling single-family homes in the first phase of this subdivision. Of the original 31 single-family homes sites available in phase one, only 3 remain. Today, prices start at \$289,500 – almost \$5,000 more than when the subdivision opened.

As far as existing subdivisions, Taylor Morrison completed selling detached homes in the first phase of the Stonebrook subdivision. The lowest price is \$389,990. This first phase had 55 lots, and another 245 lots in future phases of the subdivision have received zoning approval. Finally, DR Horton is almost done with the construction of 37 townhouses in a previously stalled portion of Tall Oaks. In December 2018, they received approval from the Elgin city council to add more townhouses to this part of the community and also increase the number of single-family lots within an adjacent phase. The construction of these additional townhouses has just started.

It is anticipated that 4,500 new housing units will be added to Elgin's housing stock once the major developments on the west side of Elgin are complete. The City's water works system has available capacity to support this expansion.

Elgin received Illinois' tenth riverboat gambling license in 1993. Elgin Riverboat Resorts, a partnership of Hyatt Development Corporation and MGM Resorts International, opened the \$100 million Grand Victoria riverboat/pavilion complex on October 6, 1994. Since opening, the operations have generated \$410,354,770. During 2018, the riverboat produced \$9,246,140 in casino admission tax and gaming revenues, which represents a 5.1 percent decrease when compared to 2017 revenues. The 2011 opening of the Rivers Casino in Des Plaines, Illinois, combined with the introduction of video gaming in taverns across the state in 2012 and the still weakened economy have substantially impacted the Riverboat Funds' revenue stream. A comparison of attendance figures prior to the opening of the Rivers Casino (2010) to those of calendar year 2018 shows that state wide casino admissions have decreased 21.1 percent while admissions at the Grand Victoria Casino have declined 43.1 percent. The revenues generated by video gaming in 2018 were \$324,940 compared to \$260,950 in 2017. The ground lease for the casino went into effect in late 1995 and the City has collected a total of \$63,892,260 from lease payments. During 2018, the ground lease generated net fees of \$1,086,365 up 8.6 percent over fees collected in 2017.

A five-year financial plan was instituted in 1994 following a series of meetings held throughout the various neighborhoods in Elgin to determine the needs of the community. Given the state of Illinois' current fiscal environment, municipal financial planning scenarios have become speculative at best. The potential for state legislation affecting the City's shared revenue streams in 2019 and beyond presents a challenging environment when engaging in multi-year financial planning. Five year plans are prepared for the Central Area TIF and Water and Sewer funds. The City returned to a three year financial plan for the General and Riverboat funds for the 2018 fiscal year.

The financial plan is annually updated. Additional revenue sources such as riverboat gaming were matched against future capital expenditures. Bond issuance needs for corporate, water and sewer purposes were also identified for the next five years. The financial plan will be used to guide strategic planning and operations into the future and will enable the City to focus its delivery of services with a sense of purpose and accomplishment.

MAJOR INITIATIVES

Occurring in 2018

The City Council sets policy and allocates funds in the annual budget to achieve the community's priorities. The strategic plan and annual budget are adopted in concert with one another, setting the direction for the year's projects. In accordance with the budget, and as a means of achieving the objectives of the strategic plan, the following initiatives were undertaken in 2018:

- Diversified revenues by implementing a new local motor fuel tax and by increasing the home rule sales tax rate and the hotel/motel tax.
- Negotiated and executed an agreement with Service Employees International Union, Local 73 for Public Works Employees.

the refined strategic plan articulates four core values and three strategic goals that provide focus in providing exceptional services, improving Elgin's quality of life and enhancing the uniqueness of the Elgin community. Each strategic goal is supported by actionable objectives that support Elgin's current and future identity. The strategic plan identifies the City's core values and strategic goals, as a government, and will guide departmental activities and resource allocation decisions over the next five years. In conjunction with the strategic plan each department creates an annual Business Plan that outlines key initiatives to work toward achieving each of the plan's three defined goals. Initiatives take into consideration items established in other city planning documents, capital improvement projects, process and policy changes, as well as items generated by City Council.

The objectives of each department's business plan are:

311 Contact Center – Objective: Connect the right people, at the right time, to the right information. The contact center is the central hub for citizen and stakeholder engagement and services. The City's 311 contact center provides the tools for more transparent internal communications, therefore enhancing the City's communication efforts and customer service.

Building Maintenance – Objective: Provide a level of maintenance that allows city-owned buildings to be used productively, safely, comfortably, and economically; reduces component failures and service interruptions by increasing planned or preventive maintenance thereby reducing unplanned or crisis maintenance; ensures a high level of protection for our occupants safety and health; and ensures that capital projects are based on good economical and functional reasoning and always in the best interest of the citizens of Elgin.

City Clerk – Objective: Accurately and effectively maintain the official records of the city to ensure that citizens, elected officials, and city employees can obtain needed information as efficiently as possible; respond to requests for information from citizens and city personnel in a courteous manner and ensure that the city meets or exceeds all legal standards for record keeping and responses to Freedom of Information requests.

City Manager's Office – Objective: Exercise leadership in maintaining effective communication between the City Council, city employees and Elgin residents. As the umbrella for all other city departments, the City Manager's Office facilitates and coordinates the work of all departments to ensure that the policies and strategic goals of the City Council are met.

Community Development – Objective: Manage, guide and regulate Elgin's growth while providing a planned, coordinated and responsive approach toward community development utilizing two divisions which include planning and building and development services. Provide assistance and professional recommendations to stakeholders such as the City Council, boards and commissions, residents and developers on development and growth management policies and issues.

- Adopted a new comprehensive plan that puts forth growth management policies and continues the commitment, by the City, to quality resource management for the City's western edge.
- Upgraded the City's diverse fleet of vehicles with the purchase of public safety, public works and utility vehicles to replace aged and obsolete equipment.
- Awarded a contract to clean and line approximately 8,000 feet of sewer mains to extend the service life of the infrastructure.
- Continued long-range sanitary sewer improvements to serve the City's west side development by constructing approximately 2,900 lineal feet of new sanitary sewer main.
- Improved play structures at four neighborhood parks and at the Sports Complex to bring the parks into compliance with the Americans with Disabilities Act.
- The 2018 collector street resurfacing program resulted in the resurfacing of 4.8 miles of streets with significant traffic volumes.
- Resurfaced 4 miles of residential streets within the northeast area of the City.
- Provided for the environmental remediation of city properties in the North Grove Redevelopment area.
- Replaced obsolete technology with underground fiber optic cable to provide reliable data communication.
- Issued 193 permits for detached single-family homes.
- Created a Sprinkler Assistance Grant Program to assist downtown building owners in converting upper floors of buildings into residential dwellings.

City government is continually reorganizing to provide better services to its current population of approximately 112,000 residents and for the projected population growth in coming years. The City's technological resources are being upgraded to improve services and in some cases staff is being reassigned to further enhance services and respond to changing citizen requests.

For the Future

The 2019 Budget and Financial Plan have been integrated with the City's strategic plan entitled "Strategic Principles & Priorities 2018-2022." As the City's highest level planning document,

Engineering Department – Objective: Protect and enhance the public health, safety and welfare by reviewing, inspecting and maintaining documentation of the public infrastructure constructed in new developments and for city capital programs, which may include roadways, bridges, sidewalks, street lights, traffic signals, water main, storm sewers, sanitary sewers and lift stations.

Finance Department – Objective: Manage the City's financial operations in an effective and efficient manner that maintains and promotes the confidence of the citizens we serve and ensures economical and quality governmental service.

Fire Department – Objective: Provide the highest level of life and property protection services to all citizens in a safe, professional and compassionate manner. The Elgin fire department is dedicated to keeping our community safe and secure while treating our community members like family.

Human Resources Department – Objective: Ensure the City has a competent and diverse workforce dedicated to meeting the City's goals.

Information Technology Services – Objective: Manage the City's information systems in an effective and efficient manner; to provide service and support to all city departments, assisting users in the most effective utilization of the system; to ensure that information and system resources are accessible and usable by maintaining system uptime and availability; and to ensure the integrity of applications and data by maintaining strong security and system continuity procedures.

Land Management – Objective: Provide property management services to 1,783 acres of parks and public property with the goal of ensuring safe recreational use by utilizing ecologically and economically sensitive best management practices.

Legal Department – Objective: Protect the assets, rights, health and welfare of the public by providing sound and effective legal counsel and services to Elgin's elected and appointed officers including the mayor, members of the City Council, the City Manager and the City's operating departments and to ensure the legal integrity of the decisions and actions of the city.

Neighborhood Services Department – Identify, analyze, and provide core services to proactively address quality of life issues, concerns and impacts within the community through engagement, compliance and communication. The Department of Neighborhood Services centralizes non-emergency services provided by the City. The department brings together the 311 Contact Center, code compliance, rental licensing, public health, parking, and traffic services. This consolidation has allowed for a singular department to oversee and coordinate neighborhood concerns and respond to them in a more timely and effective manner.

Parks and Recreation – Objective: Enhance the quality of life for residents of Elgin neighborhoods by protecting the unique natural resources, enhancing cultural treasures and protecting the

historical identity of the City. This is accomplished by providing access to an integrated community and regional system of parks and recreation facilities, services and programs with an eye on the future while preserving the past.

Police Department – Objective: Work in partnership with the community to promote safety and enhance the quality of life by serving with professionalism, encouraging open communication and embracing diversity.

Public Services – Objective: deliver quality on-time municipal services that improve the quality of life for Elgin residents through responsive, efficient, and effective delivery of services to every neighborhood and by reflecting a can-do attitude with our customers and stakeholders.

Utility Department – Objective: Supply safe, high quality drinking water at adequate pressure and reasonable cost while consistently meeting all drinking water standards. The department provides leadership in developing and protecting water resources and in reinforcing and maintaining infrastructure and storm water management. The department collects and monitors wastewater systems to ensure compliance with regulatory requirements thereby providing the City of Elgin sewer users with the safe disposal of waste materials.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered in conjunction with the specific environment within which the City operates.

Local Economy

Elgin's unemployment rate decreased 0.1 percent to 5.4 percent at December 31, 2018. The City's unemployment rate compares unfavorably to the state and national unemployment rates of 4.3 percent and 3.9 percent, respectively. 2018 income tax receipts totaled \$10.4 million dollars which was up from 2017 which saw income tax receipts of \$9.9 million dollars. The State of Illinois 2018 budget included a 10% reduction in the Local Government Distributive Fund allocation to local governments. The reduction impacted 2017 revenues and continued to negatively impact this revenue stream in 2018. However, the State's fiscal year 2019 budget partially restored the 10% cut to distributions to local governments and reduces LGDF payments by 5%. The City has been adversely impacted by the housing market crash. Beginning in 2008 and continuing through 2013, the housing market realized declines in home values and increases in the number of foreclosures. In 2014, the decline in home values began to level off and the number of foreclosures decreased dramatically. Despite revenue diversification efforts in 2012 and 2018, which collectively included the addition of 5 new revenue streams and increases to other revenues, property taxes still remain the City's largest source of revenue. The equalized assessed valuation (EAV) for Elgin property located in Kane County increased 4.9 percent in 2018, 7.3 percent in 2017, 10.0 percent in 2016 and 8.4 percent in 2015. EAV is trending in the right direction when compared to the decreases of 1.0 percent and 8.9 percent experienced in 2014 and 2013 respectively. However,

current EAV is still 7.5 percent less than it was in 2008. Given the significant declines in housing values, over the last few years, and the need to reduce its dependence on property tax revenue, the City moved away from levying based on a tax rate. The levy is now centered on the dollar amount needed to adequately fund debt service, employee pensions and the general fund. The portion of the levy designated for the general fund has remained flat for the last 4 tax years. This method produces a floating tax rate rather than a static rate. Adequately financing the City's police and fire pension funds has been burdensome as a result of fluctuating fixed income investment returns, the growing number of retirees receiving benefits and changing actuarial assumptions.

The city issued a record number of detached single-family housing permits (1,473) during the 2005 calendar year. But since the Great Recession, the number of single-family home permits issued in Elgin, like the number in most communities, has not approached the peak-year level. Following the Great Recession however, the City has regularly ranked among the top ten municipalities in the Chicagoland market in terms of the number of new home starts.

An important reason for this success is that Elgin is a center for commerce, industry, and healthcare, and a major reason for this strength is diversity. The City has a well-balanced economy that is not dominated by any single commercial or industrial segment. Numerous companies with foreign headquarters are located in Elgin.

The Elgin Area Chamber of Commerce just reported that the industrial vacancy rate in Elgin was 3.9% – the lowest experts could recall over the last 30 years. Typical vacancy rates in this building sector range between 7.5 and 8%. It is anticipated that 6 new industrial buildings will come on line in 2019, adding approximately 1.1 million square feet to the available inventory. The pipeline for 2020 suggests that 4 more buildings could add 820,000 square feet. The typical annual absorption rate is about 1.5 million square feet. Developers cite Elgin's diversified labor base, area amenities, easy access to the Tollway, proximity to O'Hare, and pro-business mindset as but some of the reasons that make the city a desirable place to build.

Development along the Randall Road corridor also remains strong. Construction is well underway on a 282-unit apartment complex called Watermark at the Grove, located north of Interstate 90. The development will include five, three- and four-story buildings with upscale amenities, including a pool, clubhouse, dog park, and nature trails. The developer also anticipates starting construction of a multi-tenant retail building immediately next door, anchored by Chipotle. In 2018, an Andy's Frozen Custard opened in front of the new Wal-Mart, and construction should start in 2019 on a new multi-tenant retail building and Popeye's fast-food restaurant in the Meijer shopping center, just north of the Starbucks that opened in 2017.

Finally, in downtown, occupancy at the historic Tower Building, where Capstone Development converted offices into 45, market-rate apartments – continues to be high. For May 2019, only one unit is available, and the rent for this 2-bedroom, 1-bath unit is \$1,400 per month.

Long-Term Financial Planning

Elgin receives income tax revenue from the state based on the City's population and available state revenues. The City collected approximately \$10,360,700 of income tax revenue in 2018. These receipts finance general fund operations which provide core services to residents. The single largest financial issue currently facing the City is the State of Illinois' budget crisis. At the time of this writing, the level to which the City will continue to share in income tax revenues, is unknown. As municipalities' share of the state income tax remains uncertain, it is prudent for the City to maintain a fund balance that can accommodate a reduction or loss in this revenue stream.

The City has used proceeds from the Riverboat Fund to provide for most of the capital projects and equipment of the City. In recent years, the Riverboat Fund has financed annual street rehabilitation, fleet replacement, capital funding within the General Fund, economic development incentives and many other smaller scale projects. Riverboat revenues hit their peak level in 2007 and have declined significantly since that time. Over the past five years the revenues have stabilized and we have seen approximately \$10 million in admissions and gaming revenues each year. With the decline in gaming revenues, the City has begun to evaluate expenditures from the riverboat and plan for alternative means of financing for some of the capital expenditures that can no longer be absorbed within the Riverboat Fund. The Riverboat Fund will continue to fund only capital initiatives, primarily street resurfacing and rehabilitation efforts.

In response to declining gaming revenues, inflationary cost increases, increasing employee benefit costs and a desire to provide additional revenue diversity, the 2018 General Fund budget and 2018-2020 three year financial plan included an increase in home rule sales tax and an increase in the hotel motel room rental tax. On January 1, 2018, the hotel motel room rental tax was increased from four to eight percent, which is comparable to neighboring communities. On July 1, 2018, the home rule sales tax was increased by 0.25 percent. In addition to these increases, the City adopted a local motor fuel tax on the retail sale of gasoline, in the city, in the amount of four cents per gallon, which was also effective on July 1, 2018. These revenue diversification efforts met anticipated revenue projections for 2018 and continue to balance revenue and expenditures throughout the new 2019-2021 financial plan and to maintain General Fund reserves at financial policy levels.

The Water and Sewer Fund issues debt as needed for improvements and rehabilitation of the existing distribution systems. Debt is issued for annual water distribution system upgrading which generally coincides with the replacement of mains within the areas scheduled for street resurfacing, water treatment plant improvements and distribution system upgrades. A longer-term undertaking, which requires the issuance of debt, is the separation of combined sewers. Impact fees, capital project funding for separation of combined sewers and the issuance of general obligation bonds will be used to finance the 2019 strategic initiatives of the fund. The City issued general obligation bonds, in the amount of \$9.0 million, in April of 2019 and anticipates issuing new debt in each year of the 2019 – 2023, five-year financial plan.

During 2012, the Governmental Accounting Standards Board (GASB) approved two new standards that substantially changed the accounting and financial reporting of public employee pensions by state and local governments. Statement No. 67, *Financial Reporting for Pension Plans*, revised existing guidance for the financial reports of most pension plans. Statement No. 68, *Accounting and Financial Reporting for Pensions*, revised and established new financial reporting requirements for most governments that provide their employees with pension benefits. These statements require:

- Immediate recognition of more pension expense than currently required.
- Governments participating in defined benefit pension plans to report a net pension liability in their statement of net position.
- Uniformity with respect to the municipality's assumptions regarding benefit payments, discount rate and attribution method.

The City implemented Statement No. 67 in 2014 and Statement No. 68 in 2015.

Similarly, in June of 2015, GASB approved GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Other than Pensions*, effective for fiscal years beginning after June 15, 2016, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. These statements address other postemployment defined benefit plans (OPEB) that administer benefits through a trust. The new OPEB accounting standards are similar to the previously implemented pension standards and require that unfunded liabilities be recognized on the statement of net position and that additional note disclosures and required supplementary information be presented. The City implemented Statement No. 74 in 2017 and Statement No. 75 in 2018.

Cash Management Policies and Practice

Cash temporarily idle during the year is invested in the Illinois State Treasurer's pool (Illinois Funds), Savings Deposit Accounts, Commercial Paper, U.S. Treasuries, Municipal and County Bonds, U.S. Agencies and Certificates of Deposits. The funds invested in the Illinois Funds and Savings Deposit Accounts are immediately available. The City Council approved an investment policy that details the cash management objectives and guidelines for investing excess cash. The City's investment policy is to minimize credit and market risks while regularly exceeding the average return of the three-month Treasury bill yield on its portfolio. In addition, funds on deposit in excess of FDIC limits must be secured by collateral held in safekeeping by a third party.

State law also allows the pension trust funds and the Retiree Health Insurance Trust Fund to invest up to 65 percent of the fund's assets in equities. Elgin's police and firefighters' pension funds and the Retiree Health Insurance Trust invest in mutual funds and have hired investment firms to manage holdings in the stock market.

Pension and Other Post-Employment Benefits

The City sponsors single-employer defined benefit pension plans for its police officers and firefighters. Each year, an independent actuary engaged by the City calculates the amount of the annual contribution that the City must make to ensure the pension plans will be able to fully meet their obligations to retired employees on a timely basis. The contribution calculation to be funded in the 2019 budget incorporated increased salaries and changes to actuarial assumptions, which were partially offset by investment returns that exceeded assumptions. The ARC calculation assumes a 7.0 percent rate of return which is consistent with the rate of return used in previous computations. Specifically, the fire pension ARC increased approximately \$145,000 to \$6,413,430 and the police pension ARC decreased \$184,400 to \$8,524,140. The most recent ARC calculation includes changes in actuarial assumptions from the prior year, funding policy changes related to the timing of contributions and asset returns that were less than anticipated. Due to these modifications to actuarial assumptions, the fire pension ARC increased approximately \$1,940,300 to \$8,353,730 and the police pension ARC increased \$1,929,800 to \$10,453,930. These changes will be incorporated into the 2020 budget.

These changes in assumptions increased the annual funding requirement for both the fire pension and police pension funds. In addition, the net pension liability of both plans increased from the prior year. The increase in the net pension liability resulted in the fire pension funded percentage decreasing from 53.5 percent to 46.2 percent and the police funded percentage decreased from 52.4 percent to 48.1 percent. The City fully funds each year's annual required contribution to the pension plans as determined by the actuary. Effective January 1, 2011, the City has until the year 2040 to fund 90 percent of the past service costs of both pension plans. However, the City has elected to fund 100% of the past service cost by 2040.

The City provides post-employment health care insurance benefits to retired employees through a single-employer defined benefit plan. In accordance with GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, the City established a Retiree Health Insurance Trust Plan. For the fiscal year ended December 31, 2018, additions to the trust included retiree contributions of \$1,133,758 and City contributions of \$1,627,171. As of December 31, 2018, the net other postemployment benefit liability was approximately \$20,823,479. Additional information on the particulars of this plan can be found in Note No. 11 in the financial statements.

Risk Management

The City maintains two insurance funds (Internal Service Funds). The City is self-insured for liability, property, worker's compensation and unemployment. The City has also purchased excess stop/loss coverage for general liability and worker's compensation. The City provides employees with medical insurance coverage under a conventional premium based program. The City's fully insured program pays a fixed premium per employee, depending on the plan selected. Premiums

under a fully insured program do not change from month-to-month and provide consistency in predicting costs and establishing budgets. Participating employees are required to contribute a percentage of the premium. Additionally, an integral part of the City's self-insurance program emphasizes loss prevention, with individual departments participating in a safety committee. The safety committee reviews accident reports, publishes safety brochures, provides training on various safety practices and has written a safety manual.

The various General, Special Revenue and Enterprise Funds make payments to the insurance funds for amounts that are independently determined. Such payments are displayed in the financial statements as revenues and expenditures/expenses. All known claims and a provision for claims incurred but not reported are recorded as liabilities of the funds. Any reserves are accumulated in the respective fund.

Unfunded Mandates

Each year, the City must allocate funding towards state and federal unfunded mandates. The Americans with Disabilities Act, combined sewer separation, and the Affordable Care Act are examples of unfunded mandates. Whether these policy measures are merited or not is separate from the fact that they are being forced upon the City without consideration of our ability to fund them. In 2018, the City will spend a combined \$5,200,000 on unfunded mandates in the Central Area TIF Fund, Capital Improvement Fund, and Utilities Fund.

OTHER INFORMATION

Independent Audit

State law requires an annual audit by independent certified public accountants. The accounting firm of Sikich LLP was selected by the City Council. The auditors' report on the basic financial statements, combining and individual fund statements and schedules, and other supplemental schedules are included in the Financial section of this report.

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Elgin for its CAFR for the fiscal year ended December 31, 2017. This was the 38th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both the generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The current CAFR continues to meet the Certificate of Achievement program requirements and is being submitted to the GFOA for consideration of another certificate.

The Government Finance Officers Association also awarded the City of Elgin its Distinguished Budget Presentation award for the City's 2018 budget and financial plan. The award represents a significant achievement by the City, as it reflects the commitment of the governing body and staff to meet the highest principles of governmental budgeting.

Acknowledgments

The preparation of the CAFR was made possible by the dedicated service of the many staff members in both the finance and information technology services departments. Karen Geigner, Amy Grelner, Lori Grocke, Zhaneta Krasteva, Li Li and Mary Maskel-Szymonik have my sincere appreciation for the contributions made in the preparation of this report.

I would also like to express my sincere gratitude to the Mayor, City Council and the City Manager, who encourage and insist upon the highest standards of excellence in planning and conducting the financial operations of the City.

Respectfully Submitted,



Debra Nawrocki
Chief Financial Officer

FINANCIAL

FINANCIAL



Comprehensive Annual Financial Report
For The Fiscal Year Ended December 31, 2018

INDEPENDENT AUDITOR'S REPORT



Comprehensive Annual Financial Report
For The Fiscal Year Ended December 31, 2018



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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor
Members of the City Council
City of Elgin, Illinois

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 Elgin, Illinois (the City) as of and for the year ended December 31, 2018 and the related notes to 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 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Elgin, Illinois, as of December 31, 2018, 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.

Change in Accounting Principle

The City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which established standards for measuring and recognizing liabilities, deferred inflows and outflows of resources, and expenses for OPEB liabilities; modified certain disclosures in the notes to financial statements; and the required supplementary information. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial

statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the City's basic financial statements for the year ended December 31, 2017, which are not presented with the accompanying financial statements. In our report dated May 31, 2018, we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The 2017 comparative information included on certain combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2017 comparative information included on certain combining and individual fund statements and schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2019 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 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 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 City's internal control over financial reporting and compliance.

Sleech LLP

Naperville, Illinois
June 4, 2019

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS



Comprehensive Annual Financial Report
For The Fiscal Year Ended December 31, 2018

CITY OF ELGIN, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is on Major Funds, rather than (the previous model's) fund types.

The Governmental Fund (see pages 8-12) statements are presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the Fund Financial Statement allows the demonstration of sources and uses and/or budgeting compliance associated therewith.

While the Total column on the Proprietary Fund Financial Statements (see pages 13-17) is the same as the Business-Type column on the Government-Wide Financial Statements, the Governmental Funds Total column requires a reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is reflected on the page following each statement (see pages 10 and 12). The flow of current financial resources will reflect bond proceeds, sale of capital assets and interfund transfers as other financial sources as well as capital asset purchases, bond principal payments and pension/OPEB contributions as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets, long-term obligation (bonds and others) and net pension liability/total OPEB liability into the Governmental Activities column (in the Government-Wide Statements).

The Fund Financial Statements also allow the government to address its Fiduciary Funds (Police and Firefighters' Pensions and Retiree Health Insurance). While these Funds (see pages 18-19) represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the Government-Wide Financial Statements.

Infrastructure Assets

Historically, infrastructure assets (roads, bridges, storm sewers, etc.) represent a government's largest group of assets. These assets are required to be valued and reported within the Governmental column of the Government-Wide Statements. Additionally, the government must elect to either (1) depreciate these assets over their estimated useful life or (2) develop a system of assets management designed to maintain the service delivery potential to near perpetuity. The City has chosen to depreciate the assets over their useful life. If a road project is considered maintenance – a recurring cost that does not extend the road's original useful life or expand its capacity – the cost of the project will be expensed. An "overlay" of a road will be considered maintenance whereas a "rebuild" of a road will be capitalized. The City had retroactively capitalized its infrastructure assets in the year ended December 31, 2003.

The City of Elgin (the "City") discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (4) identify any material deviations from the financial plan (the approved budget), and (5) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Transmittal Letter (beginning on page iv) and the City's financial statements (beginning on page 4).

USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL REPORT

The focus of the financial statements is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability.

Government-Wide Financial Statements

The government-wide financial statements (see pages 4-7) are designed to be corporate-like in that all Governmental and Business-Type Activities are consolidated into columns which add to a total for the Primary Government. The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to be similar to bottom line results for the City and its Governmental and Business-Type Activities. This statement combines and consolidates Governmental funds' current financial resources (short-term spendable resources) with capital assets and long term obligations using the accrual basis of accounting and economic resources measurement focus.

The Statement of Activities (see pages 6-7) is focused on both the gross and net cost of various activities (including governmental and business-type), which are supported by the government's general taxes and other resources. This is intended to summarize and simplify the user's analysis of the cost of various government services and/or subsidy to various Business-Type Activities.

The Governmental Activities reflect the City's basic services, including police, fire, code enforcement and public works. Property taxes, shared state sales, local utility and shared state income taxes finance the majority of these services. The Business-Type Activities reflect private sector type operations (Water, Sewer, and Golf), where the fee for service typically covers all or most of the cost of operation, including depreciation.

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GOVERNMENT-WIDE STATEMENT

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Table 1
Statement of Net Position
As of December 31, 2018
(In millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$198.4	\$179.3	\$43.5	\$42.0	\$241.9	\$221.3
Capital Assets	524.5	544.4	297.8	303.0	822.3	847.4
Total Assets	\$722.9	\$723.7	\$341.3	\$345.0	\$1,064.2	\$1,068.7
Deferred Outflows of Resources	38.4	25.1	3.0	5.2	41.4	30.3
Total Assets and Deferred Outflows of Resources	\$761.3	\$748.8	\$344.3	\$350.2	\$1,105.6	\$1,099.0
Long term Liabilities	\$ 265.4	\$ 237.0	\$52.3	\$62.2	\$317.7	\$299.2
Other Liabilities	29.1	29.1	1.7	2.0	30.8	31.1
Total Liabilities	\$294.5	\$266.1	\$54.0	\$64.2	\$348.5	\$330.3
Deferred Inflows of Resources	87.9	88.0	3.4	0.4	91.30	88.4
Total Liabilities and Deferred Inflows of Resources	\$382.4	\$354.1	\$57.4	\$64.6	\$439.8	\$418.7
Net Position:						
Net Investment in Capital Asset	\$503.5	\$520.4	\$251.5	\$250.6	\$755.0	\$771.0
Restricted	20.0	14.3	0	0	20.0	14.3
Unrestricted	(144.6)	(140.0)	35.4	35.0	(109.2)	(105.0)
Total Net Position	\$378.9	\$394.7	\$286.9	\$285.6	\$665.8	\$680.3

For more detailed information see the Statement of Net Position (page 4).

The City's combined net position (which is the City's bottom line) decreased to \$665,702,454 from \$680,287,415. Governmental Activities reduced combined net position by \$15,817,323 while Business-Type Activities increased combined net position by \$1,232,362. The net position of the City's Governmental and Business-Type Activities was impacted by a change in

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accounting principle. For the fiscal year ended December 31, 2018 the City implemented GASB Statement No. 75 that required the City to retroactively record the total postemployment benefit liability and write-off the net OPEB obligation. Governmental and Business-Type Activities decreased by \$9,200,613 and \$1,211,020 respectively, due to the change in accounting principle. If not for this restatement, Governmental Activities net position would have decreased \$6,616,710 and Business-Type Activities net position would have increased \$2,443,382.

The Governmental Activities net position at year-end was \$378,882,349. Cash and investments increased \$15,457,734 within Governmental Activities as a result of increases within the General Fund, Nonmajor Governmental Funds and Internal Service Funds. The increase within the General Fund was due to revenue exceeding expenditures and contributed \$10,958,461 of the total increase in cash and investments. The Nonmajor Governmental Funds increase was due to increases in both the Nonmajor Capital Projects Funds and the Nonmajor Special Revenue Funds. Increased cash and investments within the Nonmajor Capital Projects Funds was due to an increase within the Capital Improvements Fund as a result of delayed projects that was partly offset by the spending of prior year bond proceeds for capital outlay within the 2016 Corporate Bond Fund. The increase within the Nonmajor Special Revenue Funds was due to increases within the Emergency Telephone System Fund and Motor Fuel Tax Fund exceeding decreases within the Recreation Center Fund and Central Area Tax Allocation Fund. The Internal Service Funds cash increased due to positive net cash from operating activities and transfers in. Property tax receivable decreased due to a decreased levy within the Nonmajor Special Revenue Funds for the Illinois Municipal Retirement Fund (IMRF). The City's contribution rate decreased from 11.18 percent in 2018 to 8.22 percent in 2019, resulting in a decrease in the property tax levy. Other receivables increased \$1,346,866 due to increased receivables within the General Fund for ambulance fees and special duty police services. Sales tax revenue, in 2018, reached a record high, as such, the receivable for sales tax, at year end, increased due from other governments. Net pension assets increased due to an improvement in the IMRF funding level which resulted in a year end 2018 net pension asset as compared to a net pension liability as of December 31, 2017. Capital assets decreased 3.7% as a result of depreciation expense exceeding capital assets acquired and developer contributions of infrastructure accepted. Deferred outflow of resources increased due to increases in pension items related to the Police and Firefighters' Pensions and OPEB items recorded due to a change in accounting principle exceeding decreases in pension items related to IMRF. Accounts payable decreased due to decreases within the Nonmajor Special Revenue Funds exceeding increases within the General Fund. Decreased accounts payable within the Central Area Tax Allocation Fund for economic development resulted in the decrease within the Nonmajor Special Revenue Funds. Claims payable increased due to increases within the Internal Service Funds. Long term liabilities increased due to increases in Net Pension Liabilities and the recording of the Net OPEB Liability exceeding reductions in general obligation debt. Net Pension liabilities increased due to increases in the Police and Firefighters' Pensions exceeding a decrease due to elimination of the IMRF net pension liability for 2018. The City did not issue any new general obligation debt in 2018, this combined with 2018 principal payments, resulted in a decrease in general obligation debt. Deferred inflows of resources remained flat due to decreases for pension items relating to the Police and Firefighters'

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Pensions being offset by increases in pension items relating to IMRF and to OPEB items recorded due to a change in accounting principle. The unrestricted net position of Governmental Activities decreased \$4,619,731 for the fiscal year ended December 31, 2018.

The City's Business-Type Activities net position at year-end was \$286,820,105 which represents an improvement of \$1,232,362 from the prior year balance of \$285,587,743. This improvement was impacted by a change in accounting principle that decreased prior year fund balance by \$1,211,020. Total assets and deferred outflows of Business-Type Activities decreased by \$6,047,318 due to decreased capital assets and deferred outflows of resources. Capital assets decreased due to depreciation expense exceeding capital assets acquired and developer contributions of infrastructure accepted. Deferred outflow of resources decreased due to decreases in pension items related to IMRF. Increased cash and accounts receivable partially offset this decrease. Total liabilities and deferred inflows of resources decreased \$7,279,680. Long-term liabilities decreased due to no new general obligation debt issuances within the year, principal repayments made during the year and the elimination of the IMRF net pension liability. These decreases to long-term liabilities were partially offset by the recording of the net OPEB liability due to a change in accounting principle. The unrestricted net position within the Business-Type Activities of \$35,353,321 can be used to fund ongoing operations.

Normal Impacts

There are seven basic (normal) transactions that will affect the comparability of the Statement of Net Position summary presentation.

Net Results of Activities – which will impact (increase/decrease) current assets and unrestricted net position.

Borrowing for Capital – which will increase current assets and long-term debt.

Spending Borrowed Proceeds on New Capital – which will reduce current assets and increase capital assets. There is a second impact, an increase in invested capital assets and an increase in related net debt which will not change the net investment in capital assets.

Spending of Non-borrowed Current Assets on New Capital – which will (a) reduce current assets and increase capital assets and (b) will reduce unrestricted net position and increase net investment in capital assets.

Principal Payment on Debt – which will (a) reduce current assets and reduce long-term debt and (b) reduce unrestricted net position and increase net investment in capital assets.

Reduction of Capital Assets through Depreciation – which will reduce capital assets and net investment in capital assets.

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Reporting Pension Obligations – which will impact (increase/decrease) deferred outflows of resources, long term liabilities, deferred inflows of resources and unrestricted net position.

Current Year Impacts

On the whole the City's financial position declined in 2018 with total expenses exceeding total revenue by \$4,173,328. Total revenue increased and total expenses decreased from the prior year. Governmental Activities expenses decreased 5.1% due to decreased spending for Highway and Streets and Economic Development exceeding increased spending for Public Safety.

Highway and Streets expense decreased as a result of decreased spending on capital outlay for street resurfacing and rehabilitation due to delayed projects. The City entered into a development agreement with a developer to redevelop the historic Tower Building which was completed in 2017 and resulted in increased Economic Development expense during 2017 within the Central Area Tax Allocation Fund. Public Safety expenses increased due to increased pension expense for the Police and Firefighters' Pensions and increased spending on capital outlay which did not meet capitalization thresholds. Business-Type Activities expenses decreased 3.5%, compared to 2017, due in part to a decrease in IMRF expense. Governmental Activity revenue increased 7.7% and Business-Type revenue decreased by 6.1%. Charges for services increased in both the

Governmental Activities and the Business-Type Activities. Governmental Activities increased due to increases within General Government, Public Safety and Sanitation. Business-Type activities revenue increased due to increased revenue within the Water and Sewer Funds. The increased revenue within the Water and Sewer Funds was due to increased sales of water to a neighboring community and rate increase implemented in 2018. Revenue from capital grants and contributions increased within Governmental Activities and decreased within Business-Type Activities related to developer contributions. The value of developer contributions related to the acceptance of public improvements including water mains, sanitary sewers and roadways recorded by the City increased 47% when compared to the value of improvements accepted city wide in 2017. The value of developer contribution accepted increased 24% within Governmental Activities and decreased 86% within Business-Type activities. Governmental Activities general revenue increased \$6,821,499, when compared to 2017. Property tax continues to be the City's largest source of revenue. Property tax revenue increased 2.2% due to an increased levy within the General Fund for Police and Fire pensions and an increased levy within the Debt Service Fund. During 2017 the Debt Service levy was reduced due to a planned drawdown of fund balance within the Debt Service Fund. Sales tax revenue increased by \$3,357,676 due in part to an increase in the home rule sales tax rate. Other taxes increased due to a new local motor fuel tax imposed in 2018. Investment income increased 71.8%. Gaming revenue decreased 4.4%. The beginning net position was restated for both Governmental Activities and Business-Type activities due to a change in accounting principle.

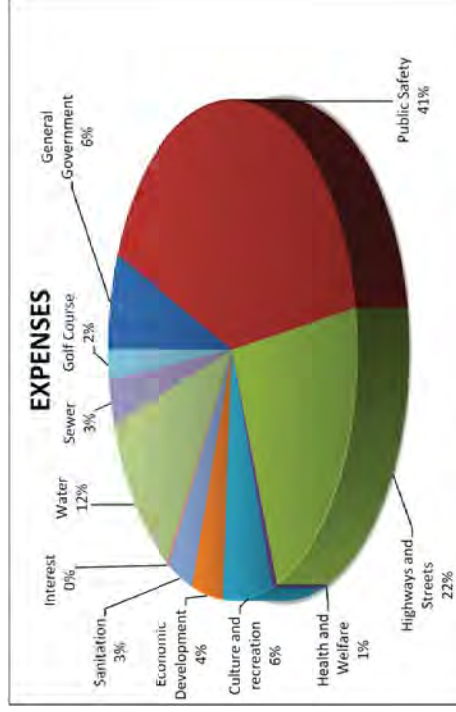
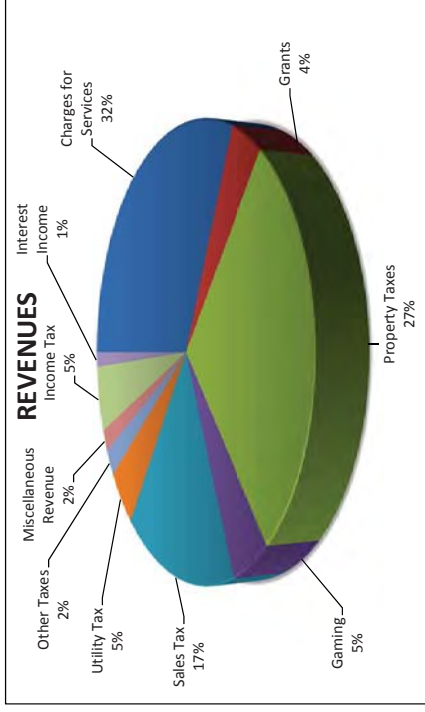
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Table 2
Changes in Net Position
For the Fiscal Year Ended December 31, 2018
(In millions)

	2018	2017	2018	2017	2018	2017
	Governmental Activities		Business-type Activities		Total Primary Government	
REVENUES						
Program Revenues:						
Charges for Services	\$ 26.1	\$ 22.5	35.4	33.7	\$61.5	\$56.2
Operating grants and contributions	4.9	5.1	0.0	0.0	4.9	5.1
Capital grants and contributions	2.7	1.6	0.4	2.5	3.1	4.1
General Revenues:						
Property Taxes	53.3	52.1	0.0	0.0	53.3	52.1
Other Taxes	55.4	50.8	0.0	0.0	55.4	50.8
Other	15.5	14.3	0.7	0.3	16.2	14.6
Total Revenues	\$157.9	\$146.4	\$ 36.5	\$ 36.5	\$194.4	\$182.9
EXPENSES						
General Government	\$12.9	\$13.0	\$ 0.0	\$ 0.0	\$12.9	\$13.0
Public Safety	91.4	85.8	0.0	0.0	91.4	85.8
Culture & Recreation	12.3	13.2	0.0	0.0	12.3	13.2
Interest	0.5	0.6	0.0	0.0	0.5	0.6
Water	0.0	0.0	23.0	23.7	23.0	23.7
Sewer	0.0	0.0	6.1	6.2	6.1	6.2
Golf	0.0	0.0	3.8	4.0	3.8	4.0
Highways & Streets	37.9	45.5	0.0	0.0	37.9	45.5
Health & Welfare	1.2	1.3	0.0	0.0	1.2	1.3
Economic Development	2.7	8.4	0.0	0.0	2.7	8.4
Sanitation	6.8	6.8	0.0	0.0	6.8	6.8
Total Expenses	\$165.7	\$174.6	\$ 32.9	\$ 33.9	\$198.6	\$208.5
Excess (deficiency) before transfers	(7.8)	(28.2)	3.6	2.6	(4.2)	(25.6)
Transfers	1.2	1.3	(1.2)	(1.3)	0.0	0.0
Change in Net Position	\$ (6.6)	\$ (26.9)	\$ 2.4	\$ 1.3	\$ (4.2)	\$ (25.6)
Change in Accounting Principle	(9.2)	(5.2)	(1.2)	(0.6)	(10.4)	(5.8)
Ending Net Position	\$ 378.9	\$ 394.7	\$285.6	\$285.6	\$ 665.7	\$ 680.3

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Normal Impacts

There are eight basic impacts on revenues and expenses as reflected below.

Revenues:

Economic Condition – which can reflect a declining, stable or growing economic environment and has a substantial impact on state income, sales and utility tax revenue as well as public spending habits for building permits, elective user fees and volumes of consumption.

Increase/Decrease in City approved rates – while certain tax rates are set by statute, the City Council has significant authority to impose and periodically increase/decrease rates (property taxes, water/sewer, impact fees, building fees, utility tax rates, etc.).

Changing Patterns in Intergovernmental and Grant Revenue (both recurring and Non-recurring) – certain recurring revenues (state shared revenues, etc.) may experience significant changes periodically while non-recurring (or one time) grants are less predictable and often distorting in their impact on year to year comparisons.

Market Impacts on Investment Income – market conditions may cause investment income to fluctuate more when investment options are longer – term maturities versus an alternate shorter-term portfolio.

Expenses:

Introduction of New Programs – within the functional expense categories (Municipal Services, Law Enforcement Services, Fire and Inspectional Services, General Government, etc.) individual programs may be added or deleted to meet changing Community needs.

Increase in Authorized Personnel – changes in service demand may cause the City Council to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent 69.5% of the City's General Fund operating cost.

Salary Increases (annual adjustments and merit) – the ability to attract and retain human and intellectual resources requires the City to strive to approach a competitive salary range position in the marketplace.

Inflation – while overall inflation appears to be reasonably modest, the City is a major consumer of certain commodities such as chemicals, fuels and parts. Some functions may experience unusual commodity specific increases.

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Current Year Impacts

Government Activities

Revenues:

For the fiscal year ended December 31, 2018 revenues from the Governmental Activities including transfers and contributions totaled \$159,139,892, an increase of 7.74% over the previous year. Property tax revenue increased \$1,145,995 as a result of increased receipts within the General and Debt Service Fund. The General Fund property tax revenue increased slightly due to increased levies for Police and Firefighters' Pensions. The increase within the Debt Service Fund was due to a planned drawdown of fund balance during 2017 resulting in a reduced tax levy. Hotel/motel tax increased 94% to \$959,254 due to an increase in the hotel/motel tax rate. Sales tax receipts of \$32,591,567 exceeded 2017 results by \$3,357,676 due in part to a 0.25 percent increase in the home rule sales rate as of July 1, 2018. The City introduced municipal electricity, natural gas and alcoholic beverage taxes in July of 2012.

The utility taxes and alcoholic beverage tax contributed \$6,568,379 and \$1,451,207 respectively, to 2018 revenues. An additional utility tax for telecommunications contributed \$2,520,429. Other taxes increased due to the implementation, as of July 1, 2018, of a new local motor fuel tax in the amount of four cents per gallon. This new revenue source contributed \$987,231 to 2018 revenues. Gaming revenues of \$9,571,074 decreased \$436,345 from 2017. Riverboat gaming revenue has been declining for years due to the State of Illinois implementing a smoking ban, the approval of video gaming in Illinois and the continued success of the Rivers Casino located in Des Plaines. Income taxes revenue, totaling \$10,360,740, increased \$423,762 from the previous year. The City receives income tax revenue from the State of Illinois based on the City's population and collected state revenues. The state's 2018 budget reduced distributions to local governments from the state's income tax sharing fund known as the Local Government Distributive Fund (LGDF) by 10%.

However, the State's fiscal year 2019 budget partially restored the reduction in distributions to local governments and reduces LGDF payments by 5%, accounting for the increase in income tax revenue in 2018. Interest income increased greatly by \$716,660 to \$1,714,217. The combination of these major tax sources contributed 78.8% of the Governmental Activity revenues. Program revenues related to charges for services increased by 16.3% to \$26,130,928. Increased revenue from ambulance fees, telephone surcharge taxes and sanitation charges contributed to the increase. Ambulance fees increased due to an increase in fees charged to non-residents. The State of Illinois increased the telephone surcharge tax from \$0.87 to \$1.50 resulting in increased telephone surcharge tax revenue. Capital grants and contributions totaled \$2,669,503 representing a 70.2% increase over the previous year. Increased developer contributions of infrastructure and streets accepted and capital contributions contributed to this increase.

Expenses:

Total expenses for Governmental Activities totaled \$165,756,602, a 5.1% decrease from the prior year. Expenses in all functions decreased, when compared to 2017, excluding Public Safety and Sanitation. General Government expenses decreased less than 1%. Highway and

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streets expense decreased \$7,635,676 or 16.8% due to decreased spending on capital outlay that did not meet the capitalization threshold. In addition, the City did not issue any new general obligation bonds in 2018. Health and Welfare expense decreased 10.1% due to decreased spending within the Community Development Block Grant. Culture and Recreation expense decreased due to decreased spending on capital outlay that did not meet capitalization thresholds. Economic Development expenses decreased \$5,622,669 or 67.4%. During 2017 development assistance provided within the Central Area Tax Allocation Fund resulted in a large increase to the 2017 Economic Development expense. Interest expense on general obligation bonds decreased from 2017. Sanitation expense increased due to increased expenses within contractual services. Public Safety expenses increased \$5,585,724 and in total account for 55.1% of the Governmental Activities expense for 2018. Public Safety expense increased due to increased expenses for long-term liabilities within the Police and Firefighters' Pension Funds and increased personal services for the Police department.

Business-Type Activities

Revenues:

Business-Type Activity revenue (including transfers) remained flat, when compared to 2017, and totaled \$35,249,106. Increased charges for services and general revenue were offset by decreased capital grants and contributions revenue. Charges for services increased due to increased revenue within the Water and Sewer Funds that was slightly offset by decreased revenue within the Golf Fund. Charges for services within the Water Fund increased due to increased sales of water to a neighboring community and increased water rates. The Sewer Fund charges for services increased due to increased sewer impact fees collected and increased sewer rates. The Golf Fund charges for services declined due to decreased green fees and golf cart and club rentals that were the result of poor weather conditions, including an increased number of rain out events during 2018. Contributions related to water and sewer infrastructure were \$361,150 in 2018 compared to \$2,571,525 in the prior year. The decline in contributions is due to reduced developer contributions of water and sewer main infrastructure from newly accepted developments. General revenues and transfers increased due to increased investment income and a 3.2% decrease in transfers out.

Expenses:

For the fiscal year ended December 31, 2018, expenses for Business-Type Activities totaled \$32,805,724 which is a decrease of \$1,190,190 or 3.5% when compared to the prior year. Water expenses decreased 3.5% due to decreased contractual services for engineering projects funded by the 2016 general obligation bond issuance and decreased interest expense on debt service offset by increased spending on capital outlay not capitalized. Sewer related expenses decreased 2.7% due to decreased personal services, lower interest expense on debt service and decreased spending on capital outlay not capitalized. Golf expenditures decreased 4.6% from 2017, due to decreased expenses for contractual services and capital outlay not capitalized.

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FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

At December 31, 2018 the Governmental Funds (as presented on the balance sheet on page 8-9) reported a combined fund balance of \$98,600,466. The unassigned fund balance amount of \$68,773,923 indicates availability for continuing city services or new initiatives. The assigned fund balance of \$9,823,454 represents amounts constrained by the City's intent to use them for a specific purpose. The non-spendable portion of fund balance totals \$28,988 and is classified as such because it represents prepaid items. The remaining fund balance of \$19,974,101 is restricted primarily for capital outlay, public safety, maintenance of roadways and economic development.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. In 2018, the fund balance of the General Fund increased \$10,556,651. Revenues increased \$8,750,702 due to increased hotel/motel taxes, sales taxes, utility taxes, license, fees and permits revenue, charges for services, investment income and a new local motor fuel tax. Hotel/motel and sales tax revenue increased as a result of improvements in the economy and due to rate increases adopted in 2018. Utility taxes increased due to increases in both the natural gas tax and the electricity tax. Licenses, fees and permits increased due to an increase in the number of permits issued. Charges for services increased due to increased ambulance fees revenue and increased fees received from developers. A decrease in intergovernmental revenue due to declining gaming revenue partially offset these increases.

Expenditures decreased \$5,682,252 when compared to 2017. Capital outlay expenditures decreased \$7,584,036 due to decreased spending on capital outlay for resurfacing and rehabilitation of streets and decreased spending for major repairs. During 2017 the City had a large capital outlay for major repairs to the aquatic area at the Edward Shock Centre of Elgin. This decrease was partly offset by increased spending within General Government and Public Safety for personal services. Within Public Safety increases within the Police Department for personal services were partially offset by decreases within the Fire Department due to reduced overtime.

The Debt Service Fund pays the principal and interest on the City's general obligation debt. The fund balance at December 31, 2018 was \$1,479,421 which equates to a \$488 increase from the previous year. Property tax revenue increased \$592,620. During the 2017 budget process, the City opted to use available fund balance to service debt and reduced the Debt Service Fund property tax levy. During the 2018 budget process the City choose to discontinue using fund balance and levy the full amount required to service the debt. Expenditures decreased due to decreased principal and interest payments on general obligation bonds.

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Nonmajor Governmental Funds

Nonmajor Governmental Funds

The Nonmajor Governmental Funds ending fund balance of \$23,818,091, increased by \$4,861,071, when compared to 2017. The Nonmajor Special Revenue Funds balance increased \$4,008,964 and the Nonmajor Capital Projects Funds balance increased \$852,107. Revenue exceeding expenditures within the Central Area Tax Allocation Fund, Motor Fuel Tax Fund and the Emergency Telephone System Fund contributed to the increase within the Nonmajor Special Revenue Funds that was partially offset by expenditures exceeding revenue and transfers in within the Recreation Fund. The increase in fund balance within the Nonmajor Capital Projects Funds resulted from the positive net change in fund balance within the Capital Improvements Fund exceeding the negative net change in fund balances within the Park Development Fund and the 2016 Corporate Bond Fund. The positive net change in fund balance within the Capital Improvements Fund was due to delayed projects resulting in revenue exceeding expenditures. The 2016 Corporate Bond Fund expended prior year bond proceeds on capital outlay resulting in the decrease to fund balance. Within Park Development, park impact fees were less than capital outlay resulting in a decrease in fund balance.

Major Enterprise Funds

The Water Fund provides for the treatment and distribution of high-quality water to the water customers of Elgin and two surrounding communities. All activity necessary to provide such service is accounted for in the Fund including, but not limited to operations, maintenance, debt service, billing and collections. The net position at December 31, 2018 was \$165,125,536 which is an increase of \$2,828,635, excluding a prior period adjustment for a change in accounting principle. Increased revenue from the sale of water resulted in operating revenue increasing from 2017. Operating expenditures decreased from 2017 due to decreases within personal services and contractual services. Operating revenue exceeded operating expenses and depreciation resulting in an operating income of \$4,608,652. In addition, the Water Fund received \$223,650 in water system contributions from developers.

The Sewer Fund provides for the maintenance of the existing sewer lines and finances the expansion of the collection system. While the City is responsible for the maintenance and additions to the sewer lines, the wastewater treatment services are provided by the Fox River Water Reclamation District (FRWRD), a separate governmental entity. The net position at December 31, 2018 was \$99,930,815 which is an increase of \$545,066, excluding a prior period adjustment for a change in accounting principle. Operating revenue increased due to increased revenue from sewer billings and increased sewer impact fees. Operating expenses decreased slightly resulting in an operating income of \$751,152. In addition, the Sewer Fund received \$137,500 in sewer system contributions from developers.

(See independent auditor's report)
- MD&A 13 -

Nonmajor Enterprise Funds

The Golf Course Fund is used to account for the revenue and expenses of the three golf courses owned and operated by the City. Financing of operations is provided by golf fees and commodity sales. The net position at December 31, 2018 was \$21,763,754, which is a decrease of \$930,319, excluding a prior period adjustment for a change in accounting principle. Operating revenues decreased 8.7% from the prior year due to decreased greens fees and golf cart and club rentals. Operating expenses decreased due to decreased expenses for pensions and contractual services for temporary labor. The Golf Fund had an operating loss before depreciation of \$145,474 for 2018. Depreciation expense was the primary factor contributing to the decrease in net position.

General Fund Budgetary Highlights

Over the course of the year the City amended the budget once, which occurred at the end of the fiscal year. Below is a table which reflects the original and revised budget and the actual 2018 revenues and expenditures for the General Fund.

General Fund	Original Budget	FY2018 Amended Budget	Actual
Revenues			
Taxes	\$80,621,000	\$80,621,000	\$83,638,004
Licenses & Permits	1,796,460	1,796,460	2,348,217
Intergovernmental	22,452,400	22,583,580	21,872,308
Charges for Services	10,236,750	10,404,064	12,543,009
Other	5,068,100	5,153,264	6,631,797
Total	\$120,174,710	\$120,558,368	\$127,033,335
Expenditures	\$130,806,180	\$134,760,309	\$116,901,654
Other Financing Sources			
Transfers In	5,509,360	5,509,360	5,400,660
Transfers Out	(4,975,690)	(4,975,690)	(4,975,690)
Sale of Property	-	-	-
Total	\$130,272,510	\$134,226,639	\$116,476,684
Change in Fund Balance	\$ (10,097,800)	\$ (13,668,271)	\$ 10,556,651

(See independent auditor's report)
- MD&A 14 -

CITY OF ELGIN, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Actual General Fund revenues, which include the separately budgeted Riverboat and Grand Victoria Lease Funds, exceeded the amended budget. Taxes, licenses and permits, charges for services and other revenues caused this positive variance. The tax revenues positive variance, to budget, was due to greater than anticipated sales tax that was partially offset by a negative variance within property tax revenues. Property tax shortfalls are expected to be collected in subsequent years. Licenses and permits exceeded budget due to increases from building permits issued. Charges for services exceeded budget within ambulance fees and fees for engineering services. Investment income exceeding budget caused the positive variance in other revenue. A negative variance within intergovernmental revenues partly offset the positive variances and was due to less than anticipated gaming taxes and grant revenue that was partly offset by greater than anticipated income tax revenue.

Actual General Fund expenditures were significantly less than budget in total. The majority of the positive variance is due to less than planned capital outlay and other expenditures. Actual General Fund expenditures were less than budget in all functions. Capital outlay expenditures were lower than planned due to projects being delayed or completed under budget. While the delayed projects will be finished in the next fiscal year any project savings will be reprogrammed to future projects. Other expenditures were under budget due to delayed economic development payments and delayed projects anticipated to be completed in subsequent years.

Capital Assets

At the end of Fiscal Year 2018, the City's Governmental Activities had invested \$524,447,218 (see Notes to Financial Statement No. 4) in a variety of capital assets, as reflected in the following schedule.

	Governmental Activities		Net Additions/ Deletions	Balance December 31, 2018
	Balance December 31, 2017	Change in Capital Assets		
Non-Depreciable Assets				
Land & Land Right of Way & Easements	\$93,880,616		\$919,210	\$94,799,826
Other Capital Assets				
Buildings	198,960,056		1,199,740	200,159,796
Machinery & Equipment	34,840,340		377,773	35,218,113
Furniture and Equipment	90,408		-	90,408
Infrastructure	687,431,951		1,086,334	688,518,285
Internal Service Fund Capital Assets	19,660,842		714,797	20,375,639
Accumulated Depreciation on other Capital Assets	(490,455,512)		(24,259,337)	(514,714,849)
Totals	\$544,408,701		\$(19,961,483)	\$524,447,218

(See independent auditor's report)

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Debt Outstanding

As a home rule municipality, the City has no legal debt limit. The City's outstanding General Obligation (G.O.) Bond debt at December 31, 2018 was \$67,405,000 of which \$47,570,000 was payable by Business-Type Activities (Water and Sewer).

The City's outstanding general obligation ratings are "AA+" from Standard & Poor's and "AAA" from Fitch Ratings. The criteria cited by Fitch Ratings include strong budget management, a strong revenue and expenditure framework, diversification of revenue streams, flexibility over main expenditure items, a moderate debt burden, ample reserves and gap closing ability throughout an economic cycle. Standard & Poor's cited very strong management with good financial policies, very strong budget flexibility and liquidity and a strong debt and contingent liability position. See Notes to Financial Statement No. 6 for additional information.

Economic Factors

The City has a highly diversified, well-balanced economy and is not dominated by any single commercial or industrial sector. Elgin offers a variety of housing types at costs competitive with neighboring suburban areas. New single family homes in Elgin range from \$150,000 to more than \$405,000.

The City currently anticipates that 4,500 new housing units will be added to Elgin's housing stock once the major developments on the west side of Elgin are complete.

The City's unemployment rate decreased 0.1%, from 5.5% in 2017 to 5.4% in 2018.

The Grand Victoria Riverboat Casino has been operating in Elgin since October 1994. The local share of gaming proceeds are 5% of the casino operation's net gaming receipts and a \$1 admission tax. The 2018 local share of gaming revenues decreased to \$9.6 million, from \$10.0 million in the prior year. The local share of the riverboat proceeds are budgeted in conjunction with the development of the three year financial plan. The financial plan invests riverboat proceeds into projects and programs that align with the City's core values of collaboration, diversity and inclusion, innovation and stewardship, as defined in the 2018-2022 Strategic Principles & Priorities, adopted by the City Council. To help offset declining revenue within the Riverboat Fund, home rule sales tax was increased 0.25% in July 2018. This revenue stream produced \$4,778,990 in 2018 and was directed to a Nonmajor Capital Project Fund to finance future infrastructure improvements.

The 2019 Operating Budget for the General Fund plans for revenues totaling \$120.4 million. Budgeted expenditures, totaling \$121.4 million, exceed revenues by \$1.0 million. This planned draw on fund balance maintains a flat general fund tax levy and provides for a projected year end fund balance that exceeds the City's fund balance policy.

The City's Water and Sewer Funds continue to provide for both the ongoing operational support and the cost of supporting future capital improvement projects. The water rates were increased

(See independent auditor's report)

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CITY OF ELGIN, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CITY OF ELGIN, ILLINOIS
STATEMENT OF NET POSITION

December 31, 2018

7% and sewer rates were increased 8% for 2018. The increased water and sewer rates will ensure water and sewer operations maintain expected service levels and infrastructure repairs continue in a timely manner.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Debra Nawrocki, Chief Financial Officer, City of Elgin, 150 Dexter Court, Elgin, Illinois 60120.

	Governmental Activities	Business-Type Activities	Primary Government Activities	Total
ASSETS				
Cash and investments	\$ 127,002,903	\$ 37,431,305	\$ 164,434,208	
Receivables (net of allowance where applicable)				
Property taxes	51,423,120	-	51,423,120	
Accounts	518,742	4,099,838	4,618,580	
Accrued interest	598,335	264,335	862,670	
Other	5,609,111	5,628	5,614,739	
Prepaid expenses	309,350	2,000	311,350	
Inventories	129,274	939,111	1,068,385	
Due from other governments	10,914,598	-	10,914,598	
Internal balances	(304,283)	-	-	
Net pension asset	2,030,725	428,191	2,458,916	
Capital assets				
Nondepreciable	94,799,826	2,931,639	97,731,465	
Depreciable (net of accumulated depreciation)	429,647,392	294,820,656	724,468,048	
Total assets	722,879,093	341,226,986	1,064,106,079	
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding	56,702	2,036,751	2,093,453	
OPFB items	836,591	110,116	946,707	
Pension items - IMRF	2,947,446	810,315	3,757,761	
Pension items - Police Pension	16,759,283	-	16,759,283	
Pension items - Firefighters' Pension	17,778,901	-	17,778,901	
Total deferred outflows of resources	38,378,923	2,957,182	41,336,105	
Total assets and deferred outflows of resources	761,258,016	344,184,168	1,105,442,184	
LIABILITIES				
Accounts payable	6,650,562	1,223,301	7,873,863	
Accrued payroll	3,648,186	267,491	3,915,677	
Retainage payable	462,523	54,251	516,774	
Deposits payable	9,961,105	46,598	10,007,703	
Claims payable	5,895,424	-	5,895,424	
Unearned revenue	2,512,445	134,749	2,637,194	
Long-term liabilities				
Due within one year	5,924,829	6,289,673	12,214,502	
Due in more than one year	259,425,332	46,006,003	305,431,335	
Total liabilities	294,480,406	54,012,066	348,492,472	
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	51,423,120	-	51,423,120	
OPFB items	1,273,617	167,639	1,441,256	
Pension items - IMRF	11,582,790	3,184,358	14,767,148	
Pension items - IMRF (SLEP)	125,462	-	125,462	
Pension items - Police Pension	16,684,705	-	16,684,705	
Pension items - Firefighters' Pension	6,805,567	-	6,805,567	
Total deferred inflows of resources	87,895,261	3,351,997	91,247,258	
Total liabilities and deferred inflows of resources	382,375,667	57,364,063	439,739,730	

(See independent auditor's report)

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(This statement is continued on the following page.)

CITY OF ELGIN, ILLINOIS
STATEMENT OF NET POSITION (Continued)

December 31, 2018

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
NET POSITION			
Net investment in capital assets	\$ 503,534,676	\$ 251,466,784	\$ 755,001,460
Restricted for:			
Public safety	2,885,472	-	2,885,472
Economic development	4,957,824	-	4,957,824
Employee retirement	679,093	-	679,093
Maintenance of roadways	4,388,552	-	4,388,552
Cemetery	1,966,782	-	1,966,782
Capital outlay	5,096,378	-	5,096,378
Unrestricted	(144,626,428)	35,353,321	(109,273,107)
TOTAL NET POSITION	\$ 378,882,349	\$ 286,820,105	\$ 665,702,454

CITY OF ELGIN, ILLINOIS
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
PRIMARY GOVERNMENT				
Governmental Activities				
General government	\$ 12,895,941	\$ 6,262,481	\$ -	\$ -
Public safety	91,363,608	7,645,526	882,481	-
Highways and streets	37,899,617	105,892	2,923,061	2,645,184
Health and welfare	1,190,933	77,580	1,016,401	-
Culture and recreation	12,277,316	5,140,720	127,581	24,319
Economic development	2,721,315	-	-	-
Sanitation	6,863,022	6,898,729	-	-
Interest	544,850	-	-	-
Total governmental activities	165,756,602	26,130,928	4,949,524	2,669,503
Business-Type Activities				
Water	22,919,616	26,316,708	-	223,650
Sewer	6,048,523	6,246,920	-	137,500
Golf course	3,837,585	2,907,266	-	-
Total business-type activities	32,805,724	35,470,894	-	361,150
TOTAL PRIMARY GOVERNMENT	\$ 198,562,326	\$ 61,601,822	\$ 4,949,524	\$ 3,030,653

See accompanying notes to financial statements.

CITY OF ELGIN, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2018

Net (Expense) Revenue and Change in Net Position		Primary Government		Total
Governmental	Business-Type	Governmental	Business-Type	
\$ (6,633,460)	\$ -	\$ (6,633,460)	\$ -	(6,633,460)
(82,835,601)	-	(82,835,601)	-	(82,835,601)
(32,225,480)	-	(32,225,480)	-	(32,225,480)
(96,952)	-	(96,952)	-	(96,952)
(6,984,696)	-	(6,984,696)	-	(6,984,696)
(2,721,315)	-	(2,721,315)	-	(2,721,315)
35,707	-	35,707	-	35,707
(544,850)	-	(544,850)	-	(544,850)
(132,006,647)	-	(132,006,647)	-	(132,006,647)
-	3,620,742	3,620,742	-	3,620,742
-	335,897	335,897	-	335,897
-	(930,319)	(930,319)	-	(930,319)
-	3,026,320	3,026,320	-	3,026,320
(132,006,647)	3,026,320	(128,980,327)	-	(128,980,327)
General Revenues				
Taxes				
Property	53,245,175	-	-	53,245,175
Road and bridge	974,468	-	-	974,468
Hotel/motel	959,254	-	-	959,254
Sales	32,591,567	-	-	32,591,567
Utility	9,088,808	-	-	9,088,808
Other	2,233,273	-	-	2,233,273
Gaming	9,571,074	-	-	9,571,074
Income taxes	10,360,740	-	-	10,360,740
Investment income	1,714,217	651,211	-	2,365,428
Miscellaneous	3,417,212	-	-	3,417,212
Transfers in (out)	1,234,149	(1,234,149)	-	-
Total general revenues and transfers	125,389,937	(582,938)	124,806,999	
CHANGE IN NET POSITION	(6,616,710)	2,443,382	(4,173,328)	
NET POSITION, JANUARY 1	394,699,672	285,587,743	680,287,415	
Change in accounting principle	(9,200,613)	(1,211,020)	(10,411,633)	
NET POSITION, JANUARY 1, RESTATED	385,499,059	284,376,723	669,875,782	
NET POSITION, DECEMBER 31	\$ 378,882,349	\$ 286,820,105	\$ 665,702,454	

See accompanying notes to financial statements.

**ASSETS AND DEFERRED
OUTFLOWS OF RESOURCES**

	General	Debt Service	Nonmajor Governmental	Total Governmental
ASSETS				
Cash and investments	\$ 78,471,186	\$ 1,478,683	\$ 24,205,756	\$ 104,155,625
Receivables	43,637,570	3,617,140	4,168,410	51,423,120
Property taxes	518,742	-	-	518,742
Accounts	431,037	738	79,257	511,032
Accrued interest	4,555,551	-	1,016,130	5,571,681
Other	26,238	-	2,750	28,988
Prepaid items	9,278,256	-	1,636,342	10,914,598
Due from other governments	333,819	-	1,128,429	1,462,248
Due from other funds	-	-	-	-
Total assets	137,252,399	5,096,561	32,237,074	174,586,034
DEFERRED OUTFLOWS OF RESOURCES				
None	-	-	-	-
Total deferred outflows of resources	-	-	-	-

**TOTAL ASSETS AND DEFERRED
OUTFLOWS OF RESOURCES**

\$ 137,252,399	\$ 5,096,561	\$ 32,237,074	\$ 174,586,034
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CITY OF ELGIN, ILLINOIS

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION

December 31, 2018

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 98,600,466
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the government funds Less amount reported in internal service funds below

524,447,218
(6,218,761)

Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings and contributions after the measurement date are recognized as deferred outflows and inflows of resources on the statement of net position

Other Post Employment Benefits (437,026)
 Illinois Municipal Retirement Fund (8,635,344)
 Illinois Municipal Retirement Fund - SLEP (125,462)
 Police Pension Fund 74,578
 Firefighters' Pension Fund 10,973,334

The net pension asset is reported only on the statement of net position
 Illinois Municipal Retirement Fund 1,557,503
 Illinois Municipal Retirement Fund - SLEP 473,222

Long-term liabilities and related amounts are not due and payable in the current period and, therefore, are not reported in the governmental funds

General obligation bonds (19,835,000)
 Compensated absences (4,446,430)
 Unamortized bond premiums (1,134,244)
 Unamortized loss on refunding 56,702
 OPEB liability (19,448,660)
 Net pension liability for the Police Pension Fund (123,599,279)
 Net pension liability for the Firefighters' Pension Fund (96,861,949)

The net positions of the internal service funds are included in the governmental activities in the statement of net position

23,441,481
\$ 378,882,349

NET POSITION OF GOVERNMENTAL ACTIVITIES

See accompanying notes to financial statements.

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
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LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

Accounts payable	\$ 5,198,653	\$ -	\$ 1,041,361	\$ 6,240,014
Accrued payroll	3,490,084	-	129,753	3,619,837
Retainage payable	271,291	-	191,232	462,523
Deposits payable	9,334,996	-	626,109	9,961,105
Unearned revenue	888,422	-	1,624,023	2,512,445
Due to other funds	1,128,429	-	638,095	1,766,524
Total liabilities	20,311,875	-	4,250,573	24,562,448

DEFERRED INFLOWS OF RESOURCES

Unavailable revenue	43,637,570	3,617,140	4,168,410	51,423,120
Total deferred inflows of resources	43,637,570	3,617,140	4,168,410	51,423,120

Total liabilities and deferred inflows of resources

FUND BALANCES

Nonspendable	26,238	-	2,750	28,988
Restricted	-	-	2,885,472	2,885,472
Public safety	-	-	4,957,824	4,957,824
Economic development	-	-	679,093	679,093
Employee retirement	-	-	4,388,552	4,388,552
Maintenance of roadways	-	-	1,966,782	1,966,782
Cemetery	-	-	5,096,378	5,096,378
Capital outlay	-	-	-	-
Unrestricted	66,127	-	-	66,127
Assigned	715,361	-	-	715,361
Public safety	-	-	-	-
Highways and streets	-	1,479,421	-	1,479,421
Debt service	-	-	1,394,392	1,394,392
Cemetery	-	-	-	3,037,700
Economic development	3,037,790	-	-	2,693,304
Health and welfare	2,693,304	-	-	1,484,755
Recreation	194,101	-	1,290,654	23,570
Other purposes	23,570	-	-	1,352,734
Capital outlay	196,540	-	1,156,194	68,773,923
Unassigned	68,773,923	-	-	-
Total fund balances	73,302,954	1,479,421	23,818,091	98,600,466

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

	\$ 137,252,399	\$ 5,096,561	\$ 32,237,074	\$ 174,586,034
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See accompanying notes to financial statements.

CITY OF ELGIN, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2018

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes				
Property	\$ 42,192,320	\$ 3,627,135	\$ 7,425,719	\$ 53,245,174
Road and bridge	974,468	-	-	974,468
Hotel/motel	959,254	-	-	959,254
Sales	27,812,577	-	4,778,990	32,591,567
Utility	6,568,379	-	-	6,568,379
Telecommunications	2,520,429	-	-	2,520,429
Local liquor	1,451,207	-	-	1,451,207
Local motor fuel	987,231	-	-	987,231
Other	172,139	-	-	172,139
Intergovernmental	21,872,308	-	4,136,409	26,008,717
Licenses, fees and permits	2,348,217	-	-	2,348,217
Charges for services	12,543,009	-	5,128,738	17,671,747
Fines and forfeits	1,747,366	-	-	1,747,366
Investment income	1,347,893	27,431	338,894	1,714,218
Other	3,536,538	140,200	2,632,222	6,308,960
Total revenues	127,033,335	3,794,766	24,440,972	155,269,073
EXPENDITURES				
Current				
General government	8,253,994	-	456,528	8,670,522
Public safety	78,317,482	-	809,528	79,127,010
Highways and streets	14,047,297	-	1,567,809	15,615,106
Health and welfare	-	-	970,568	970,568
Culture and recreation	268,700	-	8,949,801	9,218,501
Economic development	2,026,217	-	695,098	2,721,315
Sanitation	6,863,022	-	-	6,863,022
Other	1,654,948	-	-	1,654,948
Capital outlay	5,489,994	-	4,709,748	10,199,742
Debt service	-	3,045,000	-	3,045,000
Principal	-	749,278	-	749,278
Interest and fiscal charges	-	-	-	-
Total expenditures	116,901,654	3,794,278	18,139,080	138,835,012
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	10,131,681	488	6,301,892	16,434,061
OTHER FINANCING SOURCES (USES)				
Transfers in	5,400,660	-	3,419,091	8,819,751
Transfers (out)	(4,975,690)	-	(4,859,912)	(9,835,602)
Total other financing sources (uses)	424,970	-	(1,440,821)	(1,015,851)
NET CHANGE IN FUND BALANCES	10,556,651	488	4,861,071	15,418,210
FUND BALANCES, JANUARY 1	62,746,303	1,478,933	18,957,020	83,182,256
FUND BALANCES, DECEMBER 31	\$ 73,302,954	\$ 1,479,421	\$ 23,818,091	\$ 98,600,466

See accompanying notes to financial statements.

CITY OF ELGIN, ILLINOIS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

	\$
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	15,418,210
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities	2,515,348
Contributions of capital assets are reported only in the statement of activities Less internal service fund	2,636,670 (914,075)
Sales of capital assets are reported as a proceed in governmental funds but as a gain (loss) from sale on the statement of activities Less internal service fund	(509,510) 5,975
The change in the net pension asset is only reported only in the statement of activities Illinois Municipal Retirement Fund - SLEP	238,434
The change in the net pension liabilities/assets are only reported only in the statement of activities Illinois Municipal Retirement Fund Police Pension Fund Firefighters' Pension Fund	17,265,125 (16,232,585) (2,173,401)
The changes in deferred inflows and outflows of resources for net pension liabilities are reported only in the statement of activities Illinois Municipal Retirement Fund Police Pension Fund Firefighters' Pension Fund	(18,312,256) (216,914) 14,070,171 17,273,291 (255,563)
The changes in deferred inflows and outflows of resources for OPEB liabilities are reported only in the statement of activities	74,100
The repayment and refunding of the principal portion long-term debt are reported as an expenditure when due in governmental funds but as a reduction of principal outstanding in the statement of activities Principal repaid Amortization of debt related costs	3,045,000 204,428
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds Depreciation Change in compensated absences payable	(23,208,508) (499,142)
The change in net position of certain activities of internal service funds is in governmental funds	1,958,492
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ (6,616,710)

See accompanying notes to financial statements.

CITY OF ELGIN, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

December 31, 2018

	Business-Type Activities			Governmental Activities
	Water	Sewer	Nonmajor Enterprise Fund	
CURRENT ASSETS				
Cash and investments	\$ 25,652,554	\$ 11,501,132	\$ 297,639	\$ 37,431,305
Receivables				\$ 22,847,278
Accounts receivable	3,348,791	738,449	12,598	4,099,838
Accrued interest	143,450	120,885	-	264,335
Other	5,628	-	-	5,628
Prepaid expenses	-	-	2,000	2,000
Inventories	869,098	-	70,013	939,111
Due from other funds	305,616	17,095	-	322,711
Total current assets	30,305,117	12,377,561	382,250	43,064,928
				23,642,540
NONCURRENT ASSETS				
Capital assets				
Nondepreciable	2,843,479	80,900	7,260	2,931,639
Depreciable, net of accumulated depreciation	171,260,721	101,482,591	22,077,344	294,820,656
Net capital assets	174,104,200	101,563,491	22,084,604	297,752,295
IMRF net pension asset	305,318	77,635	45,238	428,191
Advance to other funds	68,036	-	-	68,036
Total noncurrent assets	174,477,554	101,641,126	22,129,842	298,248,522
Total assets	204,782,671	114,018,687	22,512,092	341,313,450
				29,861,301
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding	1,445,430	591,321	-	2,036,751
Pension items - IMRF	577,789	146,917	85,609	810,315
OPEB items	77,224	18,591	14,301	110,116
Total deferred outflows of resources	2,100,443	756,839	99,910	2,957,182
Total assets and deferred outflows of resources	206,883,114	114,775,516	22,612,002	344,270,632
				29,861,301

(This statement is continued on the following page.)

CITY OF ELGIN, ILLINOIS
STATEMENT OF NET POSITION (Continued)
PROPRIETARY FUNDS

December 31, 2018

	Business-Type Activities			Governmental Activities
	Water	Sewer	Nonmajor Enterprise Fund	
CURRENT LIABILITIES				
Accounts payable	\$ 1,095,645	\$ 91,382	\$ 36,274	\$ 1,223,301
Retainage payable	-	54,251	-	54,251
Accrued payroll	207,005	34,499	25,987	267,491
Deposits payable	46,598	-	-	46,598
Unearned revenue	-	-	124,749	124,749
Due to other funds	17,332	995	101	18,428
Advances from other funds	-	-	68,036	68,036
Claims payable	-	-	-	5,895,424
Compensated absences payable	198,200	37,913	28,560	264,673
General obligation bonds payable	3,855,000	2,170,000	-	6,025,000
Total current liabilities	5,419,780	2,389,040	283,707	8,092,527
				6,419,820
LONG-TERM LIABILITIES				
Compensated absences payable	72,202	3,169	27,796	103,167
General obligation bonds payable	32,913,290	11,614,727	-	44,528,017
OPEB liability	964,159	232,112	178,548	1,374,819
IMRF net pension liability	-	-	-	-
Total long-term liabilities	33,949,651	11,850,008	206,344	46,006,003
Total liabilities	39,369,431	14,239,048	490,051	54,098,530
				6,419,820
DEFERRED INFLOWS OF RESOURCES				
Pension items - IMRF	2,270,582	577,350	356,426	3,184,358
OPEB items	117,565	28,303	21,771	167,639
Total deferred inflows of resources	2,388,147	605,653	358,197	3,351,997
Total liabilities and deferred inflows of resources	41,757,578	14,844,701	848,248	57,450,527
				6,419,820
NET POSITION				
Net investment in capital assets	139,918,643	89,463,537	22,084,604	251,466,784
Unrestricted	25,206,893	10,467,278	(320,850)	35,353,321
TOTAL NET POSITION	\$ 165,125,536	\$ 99,930,815	\$ 21,763,754	\$ 286,820,105
				\$ 23,441,481

See accompanying notes to financial statements.

CITY OF ELGIN, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended December 31, 2018

	Business-Type Activities			Governmental Activities
	Water	Sewer	Enterprise Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 25,668,426	\$ 6,191,540	\$ 3,146,812	\$ 35,006,778
Receipts from interfund service transactions	-	-	-	19,255,278
Receipts from miscellaneous revenues	267,087	595	1,426	269,108
Payments to other funds	(1,702,700)	(334,220)	(25,800)	(2,062,720)
Payments to suppliers	(8,473,441)	(615,522)	(1,423,083)	(10,512,046)
Payments to employees	(7,102,135)	(1,398,153)	(1,795,795)	(10,294,081)
	8,657,237	3,844,240	(94,438)	12,407,039
				1,132,054
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	51,251	-	-	51,251
Transfers (out)	(1,285,400)	-	-	(1,285,400)
Due from other funds	(304,487)	(16,157)	1,152	(319,492)
Due to other funds	17,137	(134)	101	17,104
Advances to other funds	381,864	-	(19,973)	361,891
	(1,139,635)	(16,291)	(18,720)	(1,174,646)
				2,250,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital assets purchased	(1,189,479)	(1,395,268)	-	(2,584,747)
Bond principal payments	(4,150,000)	(2,595,000)	-	(6,745,000)
Bond interest payments	(1,315,545)	(595,269)	-	(1,910,814)
	(6,655,024)	(4,585,537)	-	(11,240,561)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	348,096	199,983	-	548,079
	348,096	199,983	-	548,079
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,210,674	(557,605)	(113,158)	539,911
CASH AND CASH EQUIVALENTS, JANUARY 1	24,421,860	12,058,737	410,797	36,891,394
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 25,632,534	\$ 11,501,132	\$ 297,639	\$ 37,431,305

(This statement is continued on the following page.)

CITY OF ELGIN, ILLINOIS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the Year Ended December 31, 2018

	Business-Type Activities			Governmental Activities
	Water	Sewer	Enterprise Fund	
OPERATING REVENUES				
Charges for services	\$ 602,476	\$ 502,907	\$ 2,294,089	\$ 3,399,472
Charges for commodities	25,447,145	5,743,418	611,751	31,802,314
Miscellaneous	267,087	595	1,426	269,108
	26,316,708	6,246,920	2,907,266	35,470,894
OPERATING EXPENSES				
Administration	1,702,700	334,220	25,800	2,062,720
Personal services	7,463,216	1,486,259	1,633,665	10,583,140
Commodities	2,801,839	69,377	475,075	3,346,691
Contractual services	4,426,187	647,660	908,210	5,982,057
Insurance	183,490	320	9,390	193,400
Self-insurance claims and fees	684,111	9,500	-	693,611
Miscellaneous	17,261,543	2,547,336	3,052,740	22,861,619
	9,055,165	3,699,584	(145,474)	12,609,275
	4,446,513	2,948,432	784,845	8,179,790
	4,608,652	751,152	(930,319)	4,429,485
NON-OPERATING REVENUES (EXPENSES)				
Investment income	442,042	209,169	-	651,211
Interest expense and fiscal charges	(1,211,560)	(552,755)	-	(1,764,315)
Gain (loss) on sale of capital assets	(769,518)	(343,586)	-	(1,113,104)
	3,839,134	407,566	(930,319)	3,316,381
NET INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	51,251	-	-	51,251
Transfers in	(1,285,400)	-	-	(1,285,400)
Transfers (out)	(1,234,149)	-	-	(1,234,149)
	225,650	137,500	-	363,150
CONTRIBUTIONS				
	2,828,635	545,066	(930,319)	2,443,382
CHANGE IN NET POSITION	163,146,188	99,390,207	22,851,348	285,387,743
NET POSITION, JANUARY 1	(849,287)	(204,458)	(157,275)	(1,211,020)
Change in accounting principle	162,296,901	99,385,749	22,694,073	284,376,723
NET POSITION, JANUARY 1, RESTATED	\$ 165,125,536	\$ 99,930,815	\$ 21,763,754	\$ 286,820,105
NET POSITION, DECEMBER 31				
				23,441,481

See accompanying notes to financial statements.

CITY OF ELGIN, ILLINOIS

STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS

For the Year Ended December 31, 2018

	Business-Type Activities			Total	Governmental Activities	
	Water	Sewer	Nonmajor Enterprise Fund		Internal Service Funds	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES						
Operating income (loss)	\$ 4,608,652	\$ 751,132	\$ (930,319)	\$ 4,429,485	\$ (1,447,754)	
Adjustments to reconcile operating income (loss) to net cash from operating activities						
Depreciation	4,446,513	2,948,432	784,845	8,179,790	1,395,483	
(Increase) decrease in						
Receivables	(378,381)	(54,785)	26,829	(406,337)	25,323	
Prepaid expenses	(4,326)	-	(10,409)	(14,735)	10,532	
Inventories	(306,318)	(77,635)	(45,238)	(428,191)	3,796	
Net pension asset	1,369,697	337,460	211,816	1,918,973	-	
Deferred outflows						
Increase (decrease) in						
Accounts payable	(226,714)	57,084	(29,808)	(199,438)	86,247	
Retainage payable	(146,774)	54,251	-	(92,523)	-	
Accrued salaries	21,861	8,308	3,028	33,197	(1,221)	
Compensated absences payable	18,264	(5,159)	3,469	16,574	1,410	
OPEB liability	26,146	3,902	6,580	36,628	-	
Deposits payable	(2,814)	-	12,736	12,736	-	
Unearned revenue	(2,862,127)	(710,994)	(440,655)	(4,013,776)	-	
Net pension liability	2,092,538	532,224	312,688	2,937,470	-	
Deferred inflows						
Claims payable					1,088,238	
NET CASH FROM OPERATING ACTIVITIES	\$ 8,657,237	\$ 3,844,240	\$ (94,438)	\$ 12,407,039	\$ 1,132,054	
CASH AND INVESTMENTS						
Cash and cash equivalents	\$ 25,632,534	\$ 11,501,132	\$ 297,639	\$ 37,431,305	\$ 22,847,278	
TOTAL CASH AND INVESTMENTS	\$ 25,632,534	\$ 11,501,132	\$ 297,639	\$ 37,431,305	\$ 22,847,278	
NONCASH TRANSACTIONS						
Contributions of capital assets by developers	\$ 223,650	\$ 137,500	\$ -	\$ 361,150	\$ -	914,075
Contributions of capital assets by other funds	-	-	-	-	-	-
TOTAL NONCASH TRANSACTIONS	\$ 223,650	\$ 137,500	\$ -	\$ 361,150	\$ 914,075	

See accompanying notes to financial statements.

CITY OF ELGIN, ILLINOIS

STATEMENT OF FIDUCIARY NET POSITION

December 31, 2018

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS		
Cash and short-term investments	\$ 693,297	\$ 450,005
Receivables	-	-
Property taxes	-	56,310
Accounts	13,331	-
Special assessments	-	74,107
Accrued interest	430,215	12,027
Investments		
U.S. Treasury obligations	13,782,983	-
U.S. agency obligations	20,584,136	-
State and local obligations	412,000	-
Corporate bonds	26,794,241	-
Corporate equity securities	14,152,447	-
Equity mutual funds	91,406,548	-
Bond mutual funds	5,028,276	-
Balanced mutual funds	7,018,398	-
Money market mutual funds	5,792,000	-
Certificates of deposit	4,621,149	-
Pooled real estate	18,509,284	-
Prepays	33,602	-
Total assets	209,271,907	\$ 592,449
LIABILITIES		
Accounts payable	83,028	\$ -
Deposits payable	102,329	-
Due to bondholders	-	592,449
Total liabilities	185,357	\$ 592,449
NET POSITION RESTRICTED FOR BENEFITS	\$ 209,086,550	

See accompanying notes to financial statements.

CITY OF ELGIN, ILLINOIS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended December 31, 2018
(With Comparative Actual)

	2018	2017
ADDITIONS		
Contributions		
Employer	\$ 16,424,602	\$ 16,525,267
Employee	3,203,309	3,246,926
Total contributions	19,627,911	19,772,193
Investment income		
Net appreciation (depreciation) in fair value of investments	(13,738,442)	25,601,846
Interest	4,433,620	3,818,228
Total investment income	(9,304,822)	29,420,074
Less investment expense	(402,077)	(410,762)
Net investment income	(9,706,899)	29,009,312
Total additions	9,921,012	48,781,505
DEDUCTIONS		
Benefits and refunds	16,739,576	15,151,917
Administration	203,866	187,079
Total deductions	16,943,442	15,338,996
NET INCREASE (DECREASE)	(7,022,430)	33,442,509
NET POSITION RESTRICTED FOR BENEFITS		
January 1	216,108,980	182,666,471
December 31	\$ 209,086,550	\$ 216,108,980

See accompanying notes to financial statements.

CITY OF ELGIN, ILLINOIS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Elgin, Illinois (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

a. Reporting Entity

The City is a municipal corporation operating under a Mayor-Council-City Manager form of government. As required by GAAP, these financial statements present the City (the primary government) and its component units.

The City's financial statements include two pension trust funds:

Police Pension Employees Retirement System

The City's police employees participate in the Police Pension Employees Retirement System (PPERS). PPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the City's Mayor; one elected pension beneficiary and two elected police employees constitute the pension board. The City and PPERS participants are obligated to fund all PPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the City is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it possesses many of the characteristics of a legally separate government, PPERS is reported as if it was part of the primary government because its sole purpose is to finance and administer the pensions of the City's police employees and because of the fiduciary nature of such activities. PPERS is reported as a pension trust fund.

Firefighters' Pension Employees Retirement System

The City's firefighters participate in the Firefighters' Pension Employees Retirement System (FPERS). FPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the City's Mayor; one elected pension beneficiary and two elected firefighters' employees constitute the pension board. The City and FPERS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

Firefighters' Pension Employees Retirement System (Continued)

Participants are obligated to fund all FERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the City is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it possesses many of the characteristics of a legally separate government, FERS is reported as if it were part of the primary government because its sole purpose is to finance and administer the pensions of the City's firefighters and because of the fiduciary nature of such activities. FERS is reported as a pension trust fund.

b. Fund Accounting

The City uses funds to report on its financial position, changes in its financial position and cash flows. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. The minimum numbers of funds are maintained consistent with legal and managerial requirements. Funds are classified into the following categories: governmental, proprietary and fiduciary.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of restricted or committed monies (special revenue funds), the funds committed, restricted or assigned for the acquisition or construction of capital assets (capital projects funds) and the funds restricted, committed or assigned for the servicing of long-term debt (debt service funds). The General Fund is used to account for all activities of the City not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. The City utilizes pension and other employee benefit trust funds and agency funds which are generally used to account for assets that the City holds in a fiduciary capacity or on behalf of others as their agent.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. 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 activities of the City. The effect of material interfund activity, other than interfund sales and services, has been eliminated 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 fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable 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 standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter 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.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The Debt Service Fund is used to accumulate monies for the payment of principal and interest on all general obligation bonds not repaid by Proprietary Funds. The City has elected to present this fund as major.

The City reports the following major enterprise funds:

The Water Fund accounts for the provision of water service to the residents of the City. All activity necessary to provide such services is accounted for in this fund including, but not limited to, administration, operation, maintenance, financing and related debt service and billing and collections.

The Sewer Fund is used to account for the funds necessary to provide sewer transmission services to the residents of the City. Financing is provided through a sewer maintenance charge on the water bill.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- c. Government-Wide and Fund Financial Statements (Continued)

Additionally, the City reports the following internal service funds:

Internal service funds account for the City's equipment replacement program; self-insured property, casualty and workers' compensation insurance programs (risk management) and the employee health benefits (medical insurance) provided to other departments or agencies of the City on a cost reimbursement basis.

The City reports the following fiduciary funds:

The City reports pension trust funds as fiduciary funds to account for the Police Pension Fund and Firefighters' Pension Fund. In addition, the City reports another postemployment benefit (OPEB) fund to account for the Retiree Health Insurance Fund. Furthermore, the City reports the following agency fund as a fiduciary fund: Special Assessments Fund, which accounts for collection of special assessments from benefited property owners and the Special Service Area #19, which accounts for the repayment of no commitment debt.

- d. 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 (pension funds) financial statements. Agency funds use the accrual basis of accounting but have no measurement focus. Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied (i.e., intended to finance). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Operating revenues/expenses include all revenues/expenses directly related to providing enterprise fund services. Incidental revenues/expenses are reported as non-operating.

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. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for property taxes, which are recognized on a cash basis, and sales taxes and telecommunications tax, which use a 90-day period. Expenditures generally are recorded when a fund liability is incurred. However, debt service expenditures are recorded only when payment is due by the end of the year or the first of the following year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- d. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)

Sales and telecommunication taxes owed to the state at year end, franchise taxes, licenses, charges for services, food and beverage taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. Fines and permit revenue are considered to be measurable and available only when cash is received by the City.

The City reports unavailable/deferred revenue and unearned revenue on its financial statements. Unavailable/deferred revenues arise when a potential revenue does not meet both the measurable and available or earned criteria for recognition in the current period. Unearned revenues arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the deferred inflow for unavailable/deferred revenue or the liability for unearned revenue is removed from the financial statements and revenue is recognized.

In applying the susceptible to accrual concept to intergovernmental revenues (i.e., federal and state grants), the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures/expenses incurred. In the other, monies are virtually unrestricted as to purpose of expenditures/expenses and are generally revocable only for failure to comply with prescribed eligibility requirements. These resources are reflected as revenues at the time of receipt or earlier if they meet the eligibility criterion.

- e. Cash and Investments

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City's proprietary funds consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments with a maturity of less than one year when purchased and non-negotiable certificates of deposit are stated at cost or amortized cost. Money market mutual funds are stated at amortized cost, which approximates fair value. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

CITY OF ELGIN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Cash and Investments (Continued)

Investments (Continued)

The Illinois Public Treasurers' Investment Pool, known as The Illinois Funds, operates as a qualified external investment pool in accordance with the criteria established in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and thus, reports all investments at amortized cost rather than fair value. The investment in The Illinois Funds by participants is also reported at amortized cost. The Illinois Funds does not have any limitations or restrictions on participant withdrawals. The Illinois Treasurer's Office issues a separate financial report for The Illinois Funds which may be obtained by contacting the Administrative Office at Illinois Business Center, 400 West Monroe Street, Suite 401, Springfield, Illinois 62704.

f. Property Taxes

Property taxes are recognized as receivable in the year that they attach as an enforceable lien and are levied. Funds utilizing the modified accrual basis of accounting treat property taxes receivable as unavailable revenue until the measurable and available criteria have been met (the year intended to finance and collected before year end). On the accrual basis, property taxes are recognized as revenue in the year intended to finance, regardless of when collected. Property taxes receivable more than one year old have been fully offset by an allowance account.

g. Interfund Receivable/Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year 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). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable account in applicable governmental funds fund financial statements to indicate that they are not available for appropriation and are not expendable available financial resources.

h. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund inventories are recorded as expenditures when purchased rather than when consumed.

CITY OF ELGIN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Prepaid Items/Expenses

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items/expenses. Prepaid items are recognized as expenditures on the consumption method in governmental funds.

j. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, storm sewers and similar items since the City's inception), 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 with an initial, individual cost in excess of the following and an estimated useful life in excess of one year.

Asset Class	Capitalization Threshold
Building improvements, land improvements	\$ 50,000
Vehicles, machinery, furniture and equipment	50,000
Works of art, historical artifacts	100,000
Infrastructure	100,000
Intangible assets	100,000

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, including street overlays that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, equipment and infrastructure assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Building improvements	15-30
Buildings and structures	30-50
Distribution system	30-75
Machinery and equipment	5-20
Mobile equipment	3-20
Furniture and fixtures	3-20
Office equipment	3-10
Infrastructure	30-75

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Compensated Absences

Vested or accumulated vacation leave that is due to employees who have retired or terminated by the end of the year is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation leave of proprietary funds and governmental activities is recorded as an expense and liability of those funds as the benefits accrue to employees.

Sick pay benefits accumulated above a minimum number of hours may be converted to vacation hours based on preset conversion ratios. Such conversions are limited to a maximum number of hours each year and are expected to be liquidated within the next year. The remaining sick pay benefits may be converted for cash payment based on preset conversion ratios upon retirement in good standing.

No liability is recognized for nonvested accumulated rights to receive sick pay benefits. A liability is recognized for that portion of accumulating sick leave benefits that it is estimated to be converted and taken as vacation prior to retirement or converted to a cash payment upon retirement.

l. Long-Term Obligations

In the government-wide financial statements, proprietary funds 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 financial statements. Bond premiums and discounts, as well as gains/losses on refundings, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as expenses during the current period.

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 on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

m. Fund Balances/Net Position

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities or from enabling legislation adopted by the

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Fund Balances/Net Position (Continued)

City. Committed fund balance is constrained by formal actions of the City Council, which is considered the City's highest level of decision-making authority. Formal actions include resolutions and ordinances (both equally binding) approved by the City Council. Assigned fund balance represents amounts constrained by the City's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the City's Chief Financial Officer through an approved resolution of the City. Any residual fund balance of the General Fund and any deficit fund balance of any other governmental fund is reported as unassigned.

The City's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending the City considers committed funds to be expended first followed by assigned and then unassigned funds.

In the government-wide financial statements, restricted net position is legally restricted by outside parties for a specific purpose. Net investment in capital assets, represents the City's investment in the book value of capital assets, less any outstanding debt that was issued to construct or acquire the capital asset. Restricted net position and restricted fund balance resulting from enabling legislation adopted by the City consists of \$5,096,378 restricted by the original ordinances to be used for capital outlay.

n. Interfund Transactions

Interfund service transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund service transactions and reimbursements, are reported as transfers.

o. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- p. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available-for-use by all funds except the pension trust funds. Each fund's portion of this pool is displayed on the financial statements as "cash and investments." In addition, investments are separately held by several of the City's funds. The deposits and investments of the pension trust funds and the investments of the Retiree Health Insurance Fund are held separately from those of other funds. The investments are governed by four separate investment policies; one policy for the City adopted by the City Council, one policy each for the Police Pension Fund and the Firefighters' Pension Fund approved by their respective boards and one policy for the Retiree Health Insurance Fund approved by their board.

The City's investment policy (Ordinance No. S37-04) authorizes the City to make deposits/invest in any type of security allowed by law as set out in the Illinois Compiled Statutes, Chapter 30 ILCS 235/2 including insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States Government or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services and The Illinois Funds.

The Police Pension Fund and the Firefighters' Pension Fund can invest in the same securities as the City, plus the following: certain non-U.S. obligations (corporate debt securities managed through an investment advisor, rated A or higher by one of the two largest rating services at the time of purchase and liquidated within 90 days if downgraded below an A rating), Illinois municipal corporations tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political divisions, Illinois insurance company general and separate accounts, mutual funds, equity securities and real estate investment trusts. The Retiree Health Insurance Fund can invest in the same securities as the City, plus mutual funds and equity securities.

It is the policy of the City to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objective of the policy is safety (preservation of capital and protection of investment principal), liquidity and yield.

2. DEPOSITS AND INVESTMENTS (Continued)

- a. City Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the City's deposits may not be returned to it. The City's investment policy requires pledging of collateral with a fair value of 105% of all bank balances in excess of federal depository insurance. Collateral is to be held by the City or in safekeeping or evidenced by a safekeeping agreement.

- b. City Investments

The following table presents the investments and maturities of the City's debt securities as of December 31, 2018:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
U.S. Treasury and agency obligations	\$ 18,403,263	\$ 15,204,600	\$ 3,198,663	\$ -	\$ -
Negotiable certificates of deposit	2,691,675	1,477,883	1,213,792	-	-
TOTAL	\$ 21,094,938	\$ 16,682,483	\$ 4,412,455	\$ -	\$ -

The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of December 31, 2018: the U.S. agency obligations and the negotiable certificates of deposit are valued using quoted matrix pricing models (Level 2 inputs).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed within a three-year period. The investment policy limits the maximum maturity length of investments in the General Fund and the special revenue funds to three years from date of purchase. Investments in other funds may be purchased with maturities to match future projects or liability requirements. In addition, the policy requires the City to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

CITY OF ELGIN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

- b. City Investments (Continued)

The City limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in U.S. agency obligations and short-term money market funds rated AA to AAA and limiting investments in commercial paper to the highest three rating categories. The U.S. Treasury and agency obligations are rated AA+ by Standard and Poor's.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the City will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the City's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the City's agent separate from where the investment was purchased or by the trust department of the bank where purchased, in the City's name. The Illinois Funds and the money market mutual fund are not subject to custodial credit risk.

Concentration of credit risk - The City's investment policy limits investments the amount of the portfolio that can be invested in any one investment vehicle as follows:

Diversification by Instrument	Percent of Portfolio
U.S. Treasury obligations (bills, notes and bonds)	100%
U.S. Government agency securities and instrumentalities of government sponsored corporations	50%
Bankers acceptances (BAs)	25%
Repurchase agreements (REPOs) (monies in the public funds or other money market funds are not to be included in this limitation)	35%
Certificates of deposit (CDs) commercial banks/savings and loans	100%
Certificates of deposit (CDs) credit unions	25%
Illinois Public Funds (or similar types of investments/ money market pools)	75%
Commercial paper (CP)	33%

Diversification by Financial Institution

Banker's acceptances
No more than 25% of the total portfolio with any one institution.
Repurchase agreements
No more than 25% of the total portfolio with any one institution.

CITY OF ELGIN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

- b. City Investments (Continued)

Diversification by Financial Institution (Continued)

Certificates of deposit commercial banks, savings and loan associations, credit unions
No more than 25% of the total portfolio with any one institution.

Local Government Investment Pool - Illinois Public Funds or similar type investment/money market pools
No more than \$30,000,000.

The City's investment policy does not specifically prohibit the use of or the investment in derivatives.

3. RECEIVABLES - TAXES

Property taxes for 2018 attach as an enforceable lien on January 1, 2018 on property values assessed as of the same date. Taxes are levied by December of the fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and issued on or about May 2019, and are payable in two installments, on or about June 1, 2019 and September 1, 2019. The County collects such taxes and remits them periodically. The allowance for uncollectible taxes has been stated at 1% of the tax levy, to reflect actual collection experience. Since the levy is intended to fund the 2019 fiscal year, the levy has been recorded as a receivable and unavailable/deferred revenue as of December 31, 2018.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated	\$ 50,182,254	\$ 125,000	\$ 293,000	\$ 50,014,254
Land	40,997,389	1,039,900	-	42,037,289
Land right of way	2,700,973	47,310	-	2,748,283
Easements	93,880,616	1,212,210	293,000	94,799,826
Total capital assets not being depreciated				

CITY OF ELGIN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. CAPITAL ASSETS (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
BUSINESS-TYPE ACTIVITIES (Continued)				
Less accumulated depreciation for:				
Land improvements	\$ 11,984,809	\$ 764,608	\$ -	\$ 12,749,417
Buildings and structures	38,482,776	2,041,397	769	40,523,404
Distribution system	67,590,863	5,105,845	-	72,696,708
Machinery and equipment	4,619,659	237,064	8	4,856,715
Mobile equipment	69,850	30,876	-	100,726
Total accumulated depreciation	122,747,957	8,179,790	777	130,926,970
Total capital assets being depreciated, net	300,054,549	(5,216,487)	17,406	294,820,656
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	\$ 302,986,188	\$ (5,216,487)	\$ 17,406	\$ 297,752,295

Depreciation expense was charged to functions/programs of the primary government as follows:

GOVERNMENTAL ACTIVITIES	
General government	\$ 1,182,350
Public safety	2,489,431
Highways and streets, including depreciation of general infrastructure assets	16,908,608
Culture and recreation	2,576,374
Health and welfare	51,745
Internal Service Fund	1,395,483
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	\$ 24,603,991

5. 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; injuries to employees; illnesses of employees; and natural disasters. The City has purchased insurance from private insurance companies for illnesses of employees, employee bonds, boiler and machinery, cyber liability, pollution and property risks. The policies call for various levels of deductibles or self-insured retentions.

The City is self-insured for all other risks and has established a risk financing fund (Risk Management Fund) for all risks, except employee health which is accounted for in a separate fund (Medical Insurance Fund). These are accounted for as Internal Service Funds where assets are set aside for claim settlements. Under this program, the funds provide coverage up to a maximum of \$250,000 for each general liability claim, \$650,000 for each workers'

CITY OF ELGIN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. CAPITAL ASSETS (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
GOVERNMENTAL ACTIVITIES				
(Continued)				
Capital assets being depreciated	\$ 198,960,056	\$ 1,262,816	\$ 63,076	\$ 200,159,796
Buildings and structures	5,147,791	-	-	5,147,791
Office equipment	29,692,549	676,583	298,810	30,070,322
Machinery and equipment	90,408	-	-	90,408
Furniture and fixtures	687,431,951	1,086,334	-	688,518,285
Infrastructure				
Internal Service Fund machinery and equipment	19,660,842	914,075	199,278	20,375,639
Total capital assets being depreciated	940,983,597	3,939,808	561,164	944,362,241
Less accumulated depreciation for:				
Buildings and structures	98,182,859	5,553,781	26,019	103,710,621
Office equipment	3,457,322	399,361	-	3,856,683
Machinery and equipment	15,438,652	1,204,682	125,332	16,518,002
Furniture and fixtures	82,083	4,996	-	87,079
Infrastructure	360,339,898	16,045,688	-	376,385,586
Internal Service Fund machinery and equipment	12,954,698	1,395,483	193,303	14,156,878
Total accumulated depreciation	490,455,512	24,603,991	344,654	514,714,849
Total capital assets being depreciated, net	450,528,085	(20,664,183)	216,510	429,647,392
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 544,408,701	\$ (19,451,973)	\$ 509,510	\$ 524,447,218

BUSINESS-TYPE ACTIVITIES

Capital assets not being depreciated	\$ 2,642,289	\$ -	\$ -	\$ 2,642,289
Land	289,350	-	-	289,350
Easements	2,931,639	-	-	2,931,639
Total capital assets not being depreciated				
Capital assets being depreciated	32,326,136	-	-	32,326,136
Land improvements	79,759,486	6,090	17,943	79,747,633
Buildings and structures	303,876,196	2,032,016	-	305,908,212
Distribution system	6,770,838	369,139	240	7,139,737
Machinery and equipment	69,850	556,058	-	625,908
Mobile equipment	422,802,506	2,963,303	18,183	425,747,626
Total capital assets being depreciated				

CITY OF ELGIN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

5. RISK MANAGEMENT (Continued)

compensation claim and \$25,000 for each property damage claim. The City purchases commercial insurance for claims in excess of the coverages provided by the funds up to a maximum of \$15,000,000. Settled claims have not exceeded the funds coverage and the commercial coverage has not been exceeded in any of the past three fiscal years.

All funds of the City participate and make payments to the funds based upon actuarial estimates of the amounts are needed to pay prior and current year claims. Liabilities of the funds are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and societal factors. Changes in the balances of claims liabilities during the past two fiscal years are as follows:

	2018	2017
CLAIMS PAYABLE, JANUARY 1	\$ 4,837,186	\$ 4,809,673
Add claims incurred	5,110,518	3,720,218
Less claims paid	4,052,280	3,692,705
CLAIMS PAYABLE, DECEMBER 31	<u>\$ 5,895,424</u>	<u>\$ 4,837,186</u>

6. LONG-TERM DEBT

a. General Obligation Bonds and Notes

The City issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds and notes are direct obligations and pledge the full faith and credit of the City. General obligation bonds and notes currently outstanding are as follows:

Issue	Fund Debt Retired by	Balances January 1	Issuances	Retirements/ Refundings	Balances December 31	Current Portion
\$14,825,000 2008A Series General Obligation Bonds dated May 15, 2008, due in annual installments of \$440,000 to \$2,650,000 through 2027 with interest ranging from 3.50% to 5.00%.	Water	\$ 940,000	\$ -	\$ -	\$ 480,000	\$ 480,000

CITY OF ELGIN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

6. LONG-TERM DEBT (Continued)

a. General Obligation Bonds and Notes (Continued)

Issue	Fund Debt Retired by	Balances January 1	Issuances	Retirements/ Refundings	Balances December 31	Current Portion
\$7,105,000 2010A Series General Obligation Bonds dated April 14, 2010, due in annual installments of \$10,000 to \$1,335,000 through 2026 with interest ranging from 2.00% to 4.10%.	Sewer	\$ 695,000	\$ -	\$ 65,000	\$ 630,000	\$ 70,000
\$4,755,000 2010B Series General Obligation Refunding Bonds dated April 14, 2010, due in annual installments of \$295,000 to \$750,000 through 2018 with interest ranging from 2% to 4%.	Water Sewer	225,000 525,000	-	225,000 525,000	-	-
\$6,610,000 2010C Series General Obligation Refunding Bonds dated October 13, 2010, due in annual installments of \$150,000 to \$960,000 with interest ranging from 2% to 4%.	Debt Service Water Sewer	630,000 345,000 365,000	-	115,000 110,000 125,000	515,000 235,000 240,000	125,000 115,000 120,000
\$9,695,000 2011 Series General Obligation Bonds dated June 15, 2011, due in annual installments of \$100,000 to \$995,000 with interest ranging from 2.50% to 4.25%.	Water Sewer	5,750,000 740,000	-	590,000 60,000	5,160,000 680,000	405,000 65,000
\$15,215,000 2012 Series General Obligation Refunding Bonds dated March 15, 2012, due in annual installments of \$190,000 to \$2,115,000 with interest ranging from 2% to 5%.	Debt Service Water Sewer	980,000 5,675,000 1,855,000	-	480,000 925,000 310,000	500,000 4,750,000 1,545,000	500,000 985,000 320,000
\$8,600,000 2012A Series General Obligation Bonds Dated June 4, 2012, due in annual installments of \$490,000 to \$745,000 with interest ranging from 2.00% to 3.50%.	Debt Service Water	2,080,000 3,785,000	-	390,000 260,000	1,690,000 3,525,000	405,000 270,000

CITY OF ELGIN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

6. LONG-TERM DEBT (Continued)

a. General Obligation Bonds and Notes (Continued)

Issue	Fund Debt Retired by	Balances January 1	Issuances	Retirements/Refundings	Balances December 31	Current Portion
\$4,785,000 2012B Series General Obligation Refunding Bonds dated June 27, 2012, due in annual installments of \$240,000 to \$680,000 with interest ranging from 2% to 4%.	Sewer	\$ 3,135,000	\$ -	\$ 605,000	\$ 2,530,000	\$ 625,000
\$13,190,000 2013A Series General Obligation Refunding Bonds dated April 1, 2013, due in annual installments of \$295,000 to \$2,430,000 with interest ranging from 1% to 5%.	Water Sewer	2,695,000 4,965,000	- -	250,000 380,000	2,445,000 4,585,000	310,000 445,000
\$12,450,000 2013B Series General Obligation Bonds dated April 1, 2013, due in annual installments of \$1,105,000 to \$1,200,000 with interest ranging from 1% to 4%.	Debt Service Water Sewer	4,640,000 855,000 305,000	- - -	1,160,000 270,000 100,000	3,480,000 585,000 205,000	1,175,000 285,000 100,000
\$5,025,000 2013C Series General Obligation Bonds dated April 1, 2013, due in annual installments of \$420,000 to \$1,590,000 with interest ranging from 2.10% to 3.05%.	Debt Service Water Sewer	1,360,000 2,930,000 735,000	- - -	- - -	1,360,000 2,930,000 735,000	- - -
\$8,855,000 2015A Series General Obligation Refunding Bonds dated April 8, 2015, due in annual installments of \$105,000 to \$1,095,000 with interest ranging from 2% to 3%.	Water Sewer	6,625,000 1,400,000	- -	235,000 145,000	6,390,000 1,255,000	245,000 145,000
\$2,090,000 2015B Series General Obligation Refunding Bonds dated April 8, 2015, due in annual installments of \$50,000 to \$545,000 with interest ranging from 0.70% to 1.80%.	Water Sewer	405,000 560,000	- -	240,000 280,000	165,000 280,000	165,000 280,000

CITY OF ELGIN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

6. LONG-TERM DEBT (Continued)

a. General Obligation Bonds and Notes (Continued)

Issue	Fund Debt Retired by	Balances January 1	Issuances	Retirements/Refundings	Balances December 31	Current Portion
\$24,995,000 2016 Series General Obligation Bonds dated February 10, 2016, due in annual installments of \$1,355,000 to \$1,995,000 with interest at 3%.	Debt Service Water	\$ 13,190,000 8,805,000	\$ - -	\$ 900,000 585,000	\$ 12,290,000 8,220,000	\$ 920,000 595,000
TOTAL GENERAL OBLIGATION BONDS		\$ 77,195,000	\$ -	\$ 9,790,000	\$ 67,405,000	\$ 9,150,000

b. Debt Service Requirements to Maturity

Annual debt service requirements to maturity are as follows:

Fiscal Year Ending December 31,	General Obligation Bonds Payable from Governmental Activities		General Obligation Bonds Payable by Enterprise Funds		Total
	Principal	Interest	Principal	Interest	
2019	\$ 3,125,000	\$ 637,740	\$ 3,762,740	\$ 6,025,000	\$ 7,705,509
2020	2,470,000	520,990	2,990,990	5,910,000	7,187,660
2021	2,535,000	433,640	2,968,640	5,930,000	7,169,623
2022	2,595,000	346,275	2,941,275	5,770,000	6,812,634
2023	995,000	273,300	1,268,300	5,600,000	6,428,837
2024	1,105,000	243,450	1,348,450	4,715,000	5,336,006
2025	1,125,000	210,300	1,335,300	3,910,000	4,456,419
2026	1,155,000	176,550	1,331,550	3,185,000	3,717,733
2027	1,175,000	141,900	1,316,900	2,640,000	2,854,149
2028	1,195,000	106,650	1,301,650	2,305,000	2,431,852
2029	1,170,000	70,800	1,240,800	775,000	822,400
2030	1,190,000	35,700	1,225,700	805,000	829,150
TOTAL	\$ 19,835,000	\$ 3,197,295	\$ 23,032,295	\$ 47,570,000	\$ 8,046,972

CITY OF ELGIN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

6. LONG-TERM DEBT (Continued)

c. Changes in Long-Term Liabilities

During the fiscal year the following changes occurred in long-term liabilities reported in the governmental activities:

	Balances January 1, Restated	Issuances	Retirements	Balances December 31	Current Portion
Compensated absences*	\$ 3,970,477	\$ 3,197,165	\$ 2,696,613	\$ 4,471,029	\$ 2,799,829
General obligation bonds	22,880,000	-	3,045,000	19,835,000	3,125,000
Net OPEB Liability*	19,704,223	-	255,563	19,448,660	-
Net pension liability - IMRF*	15,234,400	-	15,234,400	-	-
Net pension liability - Police Pension*	107,366,694	16,232,585	-	123,599,279	-
Net pension liability - Firefighters' Pension*	75,688,548	21,173,401	-	96,861,949	-
Unamortized bond premium	1,381,145	-	246,901	1,134,244	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 246,225,487	\$ 40,603,151	\$ 21,478,477	\$ 265,350,161	\$ 5,924,829

* Primarily retired by the General Fund.

During the fiscal year, the following changes occurred in long-term liabilities reported in the business-type activities:

	Balances January 1, Restated	Issuances	Retirements	Balances December 31	Current Portion
Compensated absences	\$ 351,266	\$ 367,840	\$ 351,266	\$ 367,840	\$ 264,673
General obligation bonds	54,315,000	-	6,745,000	47,570,000	6,025,000
Net OPEB Liability	1,338,192	36,627	-	1,374,819	-
Net pension liability - IMRF	4,013,776	-	4,013,776	-	-
Unamortized bond premium	3,456,771	-	473,754	2,983,017	-
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 63,475,005	\$ 404,467	\$ 11,583,796	\$ 52,295,676	\$ 6,289,673

CITY OF ELGIN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

6. LONG-TERM DEBT (Continued)

d. Legal Debt Margin

The City is a home rule municipality.

Article VII, Section 6(k) of the 1970 Illinois Constitution governs computation of the legal debt margin.

"The General Assembly may limit by law the amount and require referendum approval of debt to be incurred by home rule municipalities, payable from ad valorem property tax receipts, only in excess of the following percentages of the assessed value of its taxable property... (2) if its population is more than 25,000 and less than 500,000 an aggregate of one percent: ...indebtedness which is outstanding on the effective date (July 1, 1971) of this constitution or which is thereafter approved by referendum... shall not be included in the foregoing percentage amounts."

To date the General Assembly has set no limits for home rule municipalities.

e. Special Service Area Bonds

Special Service Area Bonds outstanding as of the date of this report totaled \$412,000. These bonds are not an obligation of the City and are to be paid solely from the collections of the special assessments on the real property within the special service area. The City is in no way liable for repayment but is only acting as agent for the property owners in levying and collecting the tax and forwarding the collections to the bondholders.

f. Conduit Debt

The City has issued industrial revenue bonds to provide financing for various economic development projects. The bonds are secured solely by the property financed and are payable solely from the payments received on the underlying mortgage loans on the property. The City is not obligated in any manner for the repayment of these bonds. Accordingly, the bonds outstanding are not reported as a liability in these financial statements. As of December 31, 2018, there were seven series of bonds outstanding. The aggregate principal amount payable for the series of bonds could not be determined; however, their original issue amounts of the bonds totaled \$25,183,000.

CITY OF ELGIN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. INTERFUND ASSETS/LIABILITIES

Due from/to other funds are as follows:

	Due From	Due To
General		
Nonmajor Governmental	\$ 333,425	\$ 1,128,429
Water	237	-
Sewer	49	-
Nonmajor Enterprise	101	-
Internal Service	7	-
Total General	333,819	1,128,429
Water		
General	-	237
Nonmajor Governmental	304,670	-
Sewer	946	17,095
Total Water	305,616	17,332
Sewer		
General	-	49
Water	17,095	946
Total Sewer	17,095	995
Nonmajor Governmental		
General	1,128,429	333,425
Water	-	304,670
Total Nonmajor Governmental	1,128,429	638,095
Nonmajor Enterprise		
General	-	101
Total Nonmajor Enterprise	-	101
Internal Service		
Internal Service	60,893	60,893
General	-	7
Total Internal Service	60,893	60,900
TOTAL	\$ 1,845,852	\$ 1,845,852

CITY OF ELGIN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. INTERFUND ASSETS/LIABILITIES (Continued)

Advances from/to other funds are as follows:

Receivable Fund	Payable Fund	Amount
Water	Nonmajor Enterprise	\$ 68,036
TOTAL		\$ 68,036

The purpose of significant due from/to other funds and advances from/to other funds are as follows:

- \$1,128,429 to Nonmajor Governmental Funds from General Fund is for net expenditures for Motor Fuel Tax expenses.
- \$299,950 to General Fund from Nonmajor Governmental Funds is for net expenditures not qualifying as Motor Fuel Tax expenses.
- \$304,670 to Water Fund from Nonmajor Governmental Funds is for expenses to close the 2016 Bond Fund.
- \$68,036 to Water Fund from Nonmajor Enterprise Funds is a loan for the renovation of the Grumpy Goat Restaurant at the Highlands Golf Course.

8. INTERFUND TRANSFERS

Interfund transfers between funds for the year ended December 31, 2018 were as follows:

	Transfers In	Transfers Out
General	\$ 1,285,400	\$ -
Water	-	-
Sewer	-	-
Nonmajor Governmental	4,115,260	3,475,690
Internal Service	-	1,500,000
Total General	5,400,660	4,975,690
Water		
General	51,251	1,285,400
Total Water	51,251	1,285,400

CITY OF ELGIN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

8. INTERFUND TRANSFERS (Continued)

	Transfers In	Transfers Out
Nonmajor Governmental General	\$ 2,725,690	\$ 4,115,260
Nonmajor Governmental Water	693,401	693,401
Total Nonmajor Governmental	3,419,091	4,859,912
Internal Service General	2,250,000	-
Total Internal Service	2,250,000	-
TOTAL	\$ 11,121,002	\$ 11,121,002

The purpose of significant transfers is as follows:

- \$4,115,260 transferred from the Nonmajor Governmental Funds to the General Fund for pension costs paid for by the General Fund.
- \$4,225,690 transferred from the General Fund to other funds, \$1,500,000 was transferred from the General Fund to the Equipment Replacement Fund for operations and vehicle and equipment purchases. \$2,725,690 was transferred to Nonmajor Governmental Funds. This consists of \$110,140 to fund cemetery operations and \$2,615,550 to fund operations of the Recreation Fund.

9. CONTINGENT LIABILITIES

- Litigation
The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City.
- Grants
Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time; although, the City expects such amounts, if any, to be immaterial.

CITY OF ELGIN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

10. COMMITMENTS

The City has entered into contracts for the construction or renovation of various facilities as follows:

Project	Project Authorization	Expended To Date	Commitment
Alt Lane Water Tower Repair	\$ 136,075	\$ 19,700	\$ 116,375
Bikeway Route 4	230,500	224,134	6,366
Bluff City Combined Sewer Separation	729,556	53,858	675,698
Bowes Rd/Trunk 20	1,190,000	1,030,768	159,232
Central Business District Highland and Chicago	1,350,114	1,150,114	200,000
Chicago Street STP	873,448	868,795	4,653
Collector Street Resurfacing	2,513,956	2,045,896	468,060
Environmental Remediation - McBride	1,044,305	785,926	258,379
McLean/Timber Railroad Crossing	100,017	16,885	83,132
Police Security System	1,136,457	1,062,696	73,761
Recreation Center Remodel	110,787	-	110,787
Residential Street Resurfacing East	2,291,915	1,823,204	468,711
Riverside Water Treatment Plant River Intake Improvement	194,690	12,683	182,007
Sewer Improvements	136,000	-	136,000
US 20/McLean	262,263	112,718	149,545
Water Towers - Fiber Optic Cable	316,684	158,342	158,342
Wing Park Drainage	73,840	68,115	5,725
TOTAL	\$ 12,690,607	\$ 9,433,834	\$ 3,256,773

11. OTHER POSTEMPLOYMENT BENEFITS

- Plan Administration
In addition to providing the pension benefits described, the City provides postemployment health benefits (OPEB) for retired employees through a single-employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and union contracts. The plan does not issue a separate report.
Management of the plan is vested with the plan's Board of Trustees. The Board of Trustees consists of five members: three ex officio members and two elected retiree plan participants.
The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

b. Benefits Provided

The City provides postemployment health care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the City's retirement plans. For certain disabled employees who qualify for health insurance benefits under the Public Safety Employee Benefits Act (PSEBA), the City is required to pay 100% of the cost of basic health insurance for the employee and their dependents for their lifetime.

All health care benefits are provided through the City's insured health plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, nervous and substance abuse care; vision care; dental care; and prescriptions. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the City's plan becomes secondary.

c. Membership

At December 31, 2018, membership consisted of:

Inactive fund members and beneficiaries currently receiving benefit payments	65
Inactive fund members entitled to but not yet receiving benefit payments	-
Active fund members	<u>597</u>
TOTAL	<u>662</u>
Participating employers	<u>1</u>

d. Contributions

The City negotiates the contribution percentages between the City and employees through the union contracts and personnel policy. All retirees hired before March 1, 2010 contribute 0% of the premium from ages 60 to 62 and 50% of premiums for age 63 to 65 to the plan and the City contributes the remainder to cover the cost of providing the benefits to the retirees via the insured plan. Retirees hired after March 1, 2010 contribute 100% of premiums. For the fiscal year ended December 31, 2018, the City's contribution rate was 2.80% of covered payroll.

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Deposits and Investments

Investment Policy

The fund's Board of Trustees adopted an investment policy which can be amended by a majority vote of the Board of Trustees. During the year ended December 31, 2018, no changes to the investment policy were approved by the Board of Trustees, which included changes to the target asset allocation and permissible ranges, as noted in the table below, as well as performance benchmarks for investments. See Note 2 for a list of allowable investments.

The investment policy calls for the following allocation of the Fund's assets:

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed Income	45%	2.10%
Domestic Equities	25%	5.60%
International Equities	17.50%	5.80%
Global	10%	3.90%
Cash and Cash Equivalents	2.50%	0.40%

The long-term expected real rates of return shown for the asset classes above are long-term expected returns after adjustment to eliminate inflation.

Custodial Credit Risk for Deposits

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the fund's deposits may not be returned to them. The fund does not specifically address custodial credit risk for deposits.

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

- e. Deposits and Investments (Continued)

Interest Rate Risk

The following table presents the investments and maturities of the fund's debt securities as of December 31, 2018:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
State and local obligations	\$ 412,000	\$ 27,000	\$ 125,000	\$ 209,000	\$ 51,000
Bond mutual funds	5,028,276	-	5,028,276	-	-
TOTAL	\$ 5,440,276	\$ 27,000	\$ 5,153,276	\$ 209,000	\$ 51,000

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for the monthly benefit payments for the Retiree Health Insurance Trust for three years while maintaining an average duration of 3.5 years or less.

Credit Risk

The fund investment policy does not contain guidance on credit risk. However, the fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government. The bond mutual funds are rated AAA, the state and local obligations are rated AAA to CCC.

Custodial Credit Risk for Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the fund will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the fund's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the fund's agent separate from where the investment was purchased in the fund's name. The money market mutual funds are not subject to custodial credit risk.

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

- e. Deposits and Investments (Continued)

Concentration of Credit Risk

The fund's investment policy limits the amount of the portfolio that can be invested in any one investment vehicle as follows:

Diversification by Instrument	Targeted Percent of Portfolio
Fixed income	45.00%
Domestic equity	25.00%
International equity	17.50%
Global	10.00%
Cash/other	2.50%

The fund's investment policy does not specifically prohibit the use of or the investment in derivatives.

The fund did not hold any investments in any one organization (excluding those issued or explicitly guaranteed by the U.S. Government) that represented 5% or more of the fund's fiduciary net position.

Fair Value Measurement

The City has the following recurring fair value measurements as of December 31, 2018: the equity mutual funds are valued using quoted prices in active markets for identical assets (Level 1 inputs). The state and local obligations are manually priced through multiple sources (Level 3 inputs). The bond mutual funds are valued using quoted prices in active markets for identical assets (Level 1 inputs).

Rate of Return

For the year ended December 31, 2018, the annual money-weighted rate of return on the fund's investments, net of the fund's investment expense, was (4.17)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

f. Actuarial Assumptions

The total OPEB liability above, after considering the sharing of benefit-related costs with inactive fund members, was determined by an actuarial valuation performed as of December 31, 2018 using the following actuarial methods and assumptions.

Actuarial valuation date	December 31, 2018
Measurement date	December 31, 2018
Actuarial cost method Assumptions	Entry-age normal
Inflation	2.50%
Investment rate of return (Net of fund investment expense, including inflation)	6.00%
Healthcare cost trend rates	4.00% to 8.00%
Asset valuation method	Market

For public employees, mortality rates were based on the RP-2000 mortality tables. Rates were projected to the valuation date using mortality improvement scale AA. For Illinois Municipal Retirement Fund employees, mortality rates were based on the RP-2014 mortality tables as described below:

Healthy Lives:

For female lives, 99% of the RP-2014 Blue Collar table was used. For male lives, a 100% of the Blue-Collar RP-2014 table was used. All tables include fully generational adjustments for mortality improvements using improvement scale MP-2017.

Disabled Lives:

For all disabled lives, the RP-2014 Disabled Retiree Mortality Table was used. All tables include fully generational adjustments for mortality improvements using improvement scale MP-2017.

The long-term rate of return on the fund's investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of 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. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2018 are indicated above.

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

g. Discount Rate

The discount rate used to measure the total OPEB liability was 5.00%. The projection of cash flows used to determine the discount rate assumed that current Plan Member and Sponsor contributions will be made at the current contribution rate. The expected rate of return on trust investments is 6.00%. This rate was used to discount projected benefit payments for 24 years at which point the trust will become insolvent. The remaining projected benefit payments were discounted at a municipal bond rate. The high-quality municipal bond rate, 4.10%, was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligations bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Services' Aa2 rating and Standard & Poor's Corp.'s AA. The single equivalent rate was 5.00%.

h. Changes in the Net OPEB Liability

	(a) Total OPEB Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net OPEB Liability
BALANCES AT JANUARY 1, 2018	\$ 32,021,617	\$ 10,979,202	\$ 21,042,415
Changes for the period			
Service cost	1,449,132	-	1,449,132
Interest	1,512,144	-	1,512,144
Difference between expected and actual experience	(1,086,074)	-	(1,086,074)
Changes in assumptions	(561,076)	-	(561,076)
Employer trust contributions	-	1,627,171	(1,627,171)
Pay-as-you-go contributions	-	434,210	(434,210)
Net investment income	-	(528,319)	528,319
Benefit payments and refunds	(1,064,805)	(1,064,805)	-
Administrative expense	-	-	-
Net Changes	249,321	468,257	(218,936)

BALANCES AT
DECEMBER 31, 2018

\$ 32,270,938 \$ 11,447,459 \$ 20,823,479

In 2018, changes in assumptions related to the discount rate were made (4.59% to 5.00%).

CITY OF ELGIN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

i. Rate Sensitivity

The following is a sensitive analysis of the net OPEB liability to changes in the discount rate and the healthcare cost trend rate. The table below presents the net OPEB liability of the City calculated using the discount rate of 5% as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4%) or 1 percentage point higher (6%) than the current rate:

	Current		
	1% Decrease (4%)	Discount Rate (5%)	1% Increase (6%)
Net OPEB liability	\$ 24,409,911	\$ 20,823,479	\$ 17,696,848

The table below presents the net OPEB liability of the City calculated using the healthcare rate of 4% to 8% as well as what the City's net OPEB liability would be if it were calculated using a healthcare rate that is 1 percentage point lower (3% to 7%) or 1 percentage point higher (5% to 9%) than the current rate:

	Current		
	1% Decrease (3% to 7%)	Healthcare Rate (4% to 8%)	1% Increase (5% to 9%)
Net OPEB liability	\$ 16,861,987	\$ 20,823,479	\$ 25,578,303

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

For the year ended December 31, 2018, the City recognized OPEB expense of \$2,337,421. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 950,315
Changes in assumption	-	490,941
Net difference between projected and actual earnings on pension plan investments	946,706	-
TOTAL	\$ 946,706	\$ 1,441,256

CITY OF ELGIN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

j. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending December 31,	
2019	\$ 30,782
2020	30,782
2021	30,782
2022	30,783
2023	(205,894)
Thereafter	(411,785)
TOTAL	\$ 494,550

12. EMPLOYEE RETIREMENT SYSTEMS

The City contributes to four defined benefit pension plans (collectively referred to as the Pension Plans), the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system; the Sheriff's Law Enforcement Personnel Fund (SLEPF), which is administered by IMRF and is also an agent multiple-employer public employee retirement system; the Police Pension Plan, which is a single-employer pension plan; and the Firefighters' Pension Plan, which is also a single-employer pension plan. The benefits, benefit levels, employee contributions and employer contributions for all four plans are governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly. None of the pension plans issue separate reports on the pension plans. However, IMRF issues a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. Those reports can be obtained from IMRF, 2211 York Road, Suite 500, Oak Brook, Illinois 60523 or at imrf.org.

The aggregate amount of pension expense recognized for all plans was \$25,433,074 for the year ended December 31, 2018.

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions

Illinois Municipal Retirement Fund

Plan Administration and Benefits Provided

All employees (other than those covered by the Police Pension Plan, Firefighters' Pension Plan, or IMRF-SLEP) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with ten years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

Contributions

These benefit provisions and all other requirements are established by state statute. Participating members are required to contribute 4.50% of their annual salary to IMRF. The City is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution for the fiscal year ended December 31, 2018 was 11.18% of covered payroll.

Plan Membership

At December 31, 2017 (most recent information available), IMRF membership consisted of:

Inactive employees or their beneficiaries currently receiving benefits	541
Inactive employees entitled to but not yet receiving benefits	234
Active employees	383
TOTAL	<u>1,158</u>

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Actuarial Assumptions

The City's net pension liability was measured as of December 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of the same date using the following actuarial methods and assumptions.

Actuarial valuation date	December 31, 2017
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.50%
Salary increases	3.39% to 14.25%
Interest rate	7.50%
Cost of living adjustments	3.00%

Asset valuation method

Market value

For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuity Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for nondisabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

CITY OF ELGIN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the IMRF'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 of 7.50% was used to determine the total pension liability.

Changes in the Net Pension Liability

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability (Asset)
BALANCES AT JANUARY 1, 2017	\$ 189,414,215	\$ 170,166,039	\$ 19,248,176
Changes for the period			
Service cost	3,041,413	-	3,041,413
Interest	13,939,038	-	13,939,038
Difference between expected and actual experience	181,350	-	181,350
Changes in assumptions	(6,050,712)	-	(6,050,712)
Employer contributions	-	3,276,069	(3,276,069)
Employee contributions	-	1,298,563	(1,298,563)
Net investment income	-	30,926,361	(30,926,361)
Benefit payments and refunds	(10,162,172)	(10,162,172)	-
Administrative expense	-	-	-
Other (net transfer)	-	(3,156,036)	3,156,036
Net changes	948,917	22,182,785	(21,233,868)
BALANCES AT DECEMBER 31, 2017	\$ 190,363,132	\$ 192,348,824	\$ (1,985,692)

There were changes in assumptions related to inflation and salary increases in 2017.

CITY OF ELGIN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended December 31, 2018, the City recognized pension expense of \$4,714,014. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 419,903	\$ 987,253
Changes in assumption	27,929	4,508,076
Net difference between projected and actual earnings on pension plan investments	-	9,271,819
Employer contributions subsequent to the measurement date	3,309,929	-
TOTAL	\$ 3,757,761	\$ 14,767,148

\$3,309,929 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the reporting year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized in pension expense as follows:

	Year Ending December 31,
2019	\$ (2,965,928)
2020	(3,293,122)
2021	(4,361,906)
2022	(3,698,360)
2023	-
Thereafter	-
TOTAL	\$ (14,319,316)

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Sheriff's Law Enforcement Personnel (Continued)

Plan Membership

At December 31, 2017 (most recent information available), SLEP membership consisted of:

Inactive employees or their beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	-
Active employees	-
TOTAL	4

Actuarial Assumptions

The City's net pension liability was measured as of December 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of the same date using the following actuarial methods and assumptions.

Actuarial valuation date	December 31, 2017
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.50%
Salary increases	3.39% to 14.25%
Interest rate	7.50%
Cost of living adjustments	3.00%
Asset valuation method	Market value

For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for nondisabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability (asset) to changes in the discount rate. The table below presents the net pension liability (asset) of the City calculated using the discount rate of 7.50% as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability (asset)	\$ 21,407,506	\$ (1,985,692)	\$ (21,332,762)

Sheriff's Law Enforcement Personnel

Benefits Provided

SLEP members having accumulated at least 20 years of SLEP service and terminating IMRF participation or after January 1, 1988, may elect to retire at or after age 50 with no early retirement discount penalty. SLEP members meeting these two qualifications are entitled to an annual retirement benefit payable monthly for life, in an amount equal to 2 1/2% of their final rate of earnings for each year of credited service up to 20 years, 2% of their final earnings rate for the next ten years of credited service and 1% for each year thereafter. For SLEP members retiring with less than 20 years of SLEP service, the regular IMRF pension formula applies. SLEP also provides death and disability benefits. These benefit provisions and all other requirements are established by ILCS.

Contributions

Participating members are required to contribute 7.50% of their annual salary to SLEP. The City is required to contribute the remaining amounts necessary to fund SLEP as specified by statute. The employer contribution for the year ended December 31, 2018 was 0.00% of covered payroll.

CITY OF ELGIN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Sheriff's Law Enforcement Personnel (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the City's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, SLEP's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

BALANCES AT JANUARY 1, 2017	\$ 1,543,657	\$ 1,778,445	\$ (234,788)
Changes for the period			
Interest	110,388	-	110,388
Difference between expected and actual experience	24,287	-	24,287
Changes of assumptions	(53,705)	-	(53,705)
Net investment income	-	358,019	(358,019)
Benefit payments and refunds	(143,641)	(143,641)	-
Administrative expense	-	-	-
Other (net transfer)	-	(38,615)	38,615
Net changes	(62,671)	175,763	(238,434)
BALANCES AT DECEMBER 31, 2017	\$ 1,480,986	\$ 1,954,208	\$ (473,222)

There were changes in assumptions related to inflation and salary increases in 2017.

CITY OF ELGIN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Sheriff's Law Enforcement Personnel (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended December 31, 2018, the City recognized pension expense of \$21,519. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to SLEP from the following sources:

Difference between expected and actual experience	\$ -	\$ -
Changes in assumption	-	-
Net difference between projected and actual earnings on pension plan investments	-	125,462
TOTAL	\$ -	\$ 125,462

Amounts reported as deferred outflows of resources and deferred inflows of resources related to SLEP will be recognized in pension expense as follows:

Year Ending December 31,	
2019	\$ (14,556)
2020	(19,662)
2021	(44,950)
2022	(46,294)
2023	-
Thereafter	-
TOTAL	\$ (125,462)

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

- a. Plan Descriptions (Continued)

Sheriff's Law Enforcement Personnel (Continued)

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability (asset) to changes in the discount rate. The table below presents the net pension liability (asset) of the City calculated using the discount rate of 7.50% as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability (asset)	\$ (357,441)	\$ (473,222)	\$ (574,958)

Police Pension Plan

Plan Administration

Police sworn personnel are covered by the Police Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The City accounts for the Police Pension Plan as a pension trust fund.

The plan is governed by a five-member Board of Trustees. Two members of the Board of Trustees are appointed by the City's Mayor, one member is elected by pension beneficiaries and two members are elected by active police employees.

The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

Plan Membership

At December 31, 2018, the Police Pension Plan membership consisted of:

Inactive plan members currently receiving benefits	138
Inactive plan members entitled to but not yet receiving benefits	12
Active plan members	<u>182</u>
TOTAL	<u>332</u>

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

- a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Benefits Provided

The Police Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officers' salary for pension purposes is capped at \$113,645, plus the lesser of 1/2 of the annual change in the Consumer Price Index or 3% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., 1/2% for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3% or 1/2 of the change in the Consumer Price Index for the preceding calendar year.

Contributions

Employees are required by ILCS to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the Police Pension Plan as actuarially determined by an enrolled actuary, including

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Contributions (Continued)

amounts for administrative costs. Benefits and refunds are recorded as a liability when due and payable. Effective January 1, 2011, the City has until the year 2040 to fund 90% of the past service cost for the Police Pension Plan. However, the City has elected to fund 100% of the past service cost by 2040. The City's contribution was 45.50% of covered payroll for the year ended December 31, 2018.

Investment Policy

ILCS limit the Police Pension Fund's (the Fund) investments to those allowable by ILCS and require the Fund's Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. During the year ended December 31, 2018, changes to the investment policy were approved by the Board of Trustees on July 18, 2018. See Note 2 for a list of allowable investments.

The Fund's investment policy establishes the following target allocation across asset classes:

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed income*	35.00%	2.10%
U.S. equity**	32.50%	5.60%
International equity	17.50%	5.80%
Real estate	10.00%	5.20%
Global tactical	5.00%	3.90%

*No single security >10% of total bond portfolio; average duration +/- 20% of the appropriate index, up to 10% in cash or cash equivalents.

**No single stock >5% of the total cash and investments of the Fund and no single stock >5% of total stock outstanding for the corporation.

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Investment Policy (Continued)

The Fund's investment policy does not specifically prohibit the use of or the investment in derivatives, but does prohibit the purchase of securities on margin.

The long-term expected real rate of return are based on the investment manager's proprietary asset allocation software, which utilizes Monte-Carlo simulations to develop expected asset class returns and volatility values. The primary inputs into the model are straightforward economic data such as yields, inflation, BBB spreads and long-dated asset class return series data.

Investment Valuations

All investments in the plan are stated at fair value and are recorded as of the trade date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investment Rate of Return

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (4.25)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Fund's deposits may not be returned to them. The Fund's investment policies do not require pledging of collateral for all bank balances in excess of federal depository insurance, since flow-through FDIC insurance is available for the Fund's deposits with financial institutions.

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

- a. Plan Descriptions (Continued)
Police Pension Plan (Continued)

Interest Rate Risk

The following table presents the investments and maturities of the Fund's debt securities as of December 31, 2018:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 6,334,134	\$ -	\$ 4,824,552	\$ 1,509,582	\$ -
U.S. agency obligations	13,020,328	852,481	5,818,847	3,881,897	2,467,103
Certificates of deposit	2,462,161	-	2,462,161	-	-
Corporate bonds	15,104,505	436,900	10,057,219	4,610,386	-
TOTAL	\$ 36,921,128	\$ 1,289,381	\$ 23,162,779	\$ 10,001,865	\$ 2,467,103

The Fund categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Fund has the following recurring fair value measurements as of December 31, 2018: the U.S. Treasury obligations, equities and mutual funds are valued using quoted prices in active markets for identical assets (Level 1 inputs). The U.S. agency obligations, certificates of deposit and the corporate bonds are valued using quoted matrix pricing models (Level 2 inputs). The pooled real estate investment is valued using appraisals, internally prepared valuations and discounted cash flow analysis (Level 3 inputs).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed within a one-year period. The investment policy does not limit the maximum maturity length of investments in the Fund.

Credit Risk

The Fund's investment policy does not contain guidance on credit risk. However, the Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government. The U.S. agency obligations are rated AAA to BBB- and the money market funds are not rated. The corporate bonds are rated Aaa to Baa3.

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

- a. Plan Descriptions (Continued)
Police Pension Plan (Continued)

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Fund will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Fund's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the Fund's agent separate from where the investment was purchased in the Fund's name. The Illinois Funds and the money market mutual funds and equity and balanced mutual funds are not subject to custodial credit risk.

Concentration of Credit Risk

There are no significant investments (other than United States Government guaranteed obligations) in any one organization that represents 5% or more of the Fund's investments.

Changes in the Net Pension Liability

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
BALANCES AT JANUARY 1, 2018	\$ 225,450,971	\$ 118,084,277	\$ 107,366,694
Changes for the period			
Service cost	3,740,764	-	3,740,764
Interest	15,467,607	-	15,467,607
Difference between expected and actual experience	(6,330,160)	-	(6,330,160)
Changes in assumptions	8,840,448	-	8,840,448
Employer contributions	-	8,604,338	(8,604,338)
Employee contributions	-	1,936,667	(1,936,667)
Net investment income	-	(4,931,756)	4,931,756
Benefit payments and refunds	(8,970,327)	(8,970,327)	-
Administrative expense	-	(123,175)	123,175
Net changes	12,748,332	(3,484,253)	16,232,585
BALANCES AT DECEMBER 31, 2018	\$ 238,199,303	\$ 114,600,024	\$ 123,599,279

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

- a. Plan Descriptions (Continued)
Police Pension Plan (Continued)

Changes in the Net Pension Liability (Continued)

There was a change with respect to actuarial assumptions from the prior year to reflect revised expectations with respect to mortality rates, mortality improvement rates, retirement rates, disability rates and termination rates.

See the schedule of changes in the employer's net pension liability and related ratios in the required supplementary information for additional information related to the funded status of the Fund.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2018 using the following actuarial methods and assumptions.

Actuarial valuation date	December 31, 2018
Measurement date	December 31, 2018
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.50%
Salary increases	4.00% to 12.48%
Interest rate	7.00%
Cost of living adjustments	Tier 1 at 3.00% Tier 2 at 2.00%
Asset valuation method	Market

Mortality rates were based on the RP-2014 Mortality Table (BCHA) projected to 2017 using improvement scale MP-2016. The other non-economic actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance (GRS) in 2012.

Discount Rate

The discount rate used to measure the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the City's contributions will be made at rates equal to the difference between actuarially determined contribution rates

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

- a. Plan Descriptions (Continued)
Police Pension Plan (Continued)

Discount Rate (Continued)

and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability of the City calculated using the discount rate of 7% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6%) or 1 percentage point higher (8%) than the current rate:

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
Net pension liability	\$ 160,213,258	\$ 123,599,279	\$ 94,020,982

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended December 31, 2018, the City recognized police pension expense of \$10,604,338. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the police pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 428,020	\$ 8,011,116
Changes in assumption	10,575,668	8,673,589
Net difference between projected and actual earnings on pension plan investments	5,755,595	-
TOTAL	\$ 16,759,283	\$ 16,684,705

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

- a. Plan Descriptions (Continued)
Police Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the police pension will be recognized in pension expense as follows:

Year Ending December 31,	
2019	\$ 1,725,548
2020	(2,304,116)
2021	(1,477,346)
2022	1,418,405
2023	359,640
Thereafter	352,447
TOTAL	\$ 74,578

Firefighters' Pension Plan
Plan Administration

Fire sworn personnel are covered by the Firefighters' Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/4-1) and may be amended only by the Illinois legislature. The City accounts for the Firefighters' Pension Plan as a pension trust fund.

The plan is governed by a five-member Board of Trustees. Two members of the Board of Trustees are appointed by the City's Mayor, one member is elected by pension beneficiaries and two members are elected by active firefighter employees.

The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

- a. Plan Descriptions (Continued)
Firefighters' Pension Plan (Continued)

Plan Membership

At December 31, 2018, the Firefighters' Pension Plan membership consisted of:

Inactive plan members currently receiving benefits	112
Inactive plan members entitle to but not yet receiving benefits	2
Active plan members	130
TOTAL	244

Benefits Provided

The Firefighters' Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held at the date of retirement. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least ten years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a covered employee who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the firefighter during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Firefighters' salary for pension purposes is capped at \$113,645, plus the lesser of 1/2 of the annual change in the Consumer Price Index or 3% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., 1/2 for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1st after the firefighter retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3% or 1/2 of the change in the Consumer Price Index for the preceding calendar year.

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

- a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

Contributions

Covered employees are required to contribute 9.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to finance the Firefighters' Pension Plan as actuarially determined by an enrolled actuary including amounts for administrative costs. Benefits and refunds are recorded as a liability when due and payable. Effective January 1, 2011, the City has until the year 2040 to fund 90% of the past services costs for the Firefighters' Pension Plan. However, the City has elected to fund 100% of the past service cost by 2040. The City's contribution was 46.48% of covered payroll for the year ended December 31, 2018.

Investment Policy

ILCS limit the Firefighters' Pension Fund's (the Fund) investments to those allowable by ILCS and require the Fund's Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. During the year ended December 31, 2017, changes to the investment policy were approved by the Board of Trustees. Changes were made to allowable duration variances, corporate bond and separate insurance account guidelines and allocation percentages. See Note 2 for a list of allowable investments.

The Fund's investment policy does not specifically prohibit the use of or the investment in derivatives.

The Fund's investment policy establishes the following target allocation across asset classes:

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed income**	35%	2.10%
U.S. equity**	40%	5.60%
International equity	20%	5.80%
Real estate	5%	5.20%

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

- a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

Investment Policy (Continued)

*No single security >10% of total bond portfolio, average duration +/- 20% of the appropriate index, up to 10% in cash or cash equivalents.

**No single stock >5% of the total cash and investments of the Fund and no single stock >5% of total stock outstanding for the corporation.

The long-term expected real rate of return are based on the investment manager's proprietary asset allocation software, which utilizes Monte-Carlo simulations to develop expected asset class returns and volatility values. The primary inputs into the model are straightforward economic data such as yields, inflation, BBB spreads and long-dated asset class return series data.

Investment Valuations

All investments in the plan are stated at fair value and are recorded as of the trade date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investment Rate of Return

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (4.83)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Fund's deposits may not be returned to them. The Fund's investment policies do not require pledging of collateral for all bank balances in excess of federal depository insurance, since flow-through FDIC insurance is available for the Fund's deposits with financial institutions.

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

- a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

Interest Rate Risk

The following table presents the investments and maturities of the Fund's debt securities as of December 31, 2018:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 7,448,849	\$ -	\$ 6,614,324	\$ 834,525	\$ -
U.S. agency obligations	7,563,808	-	3,221,502	2,239,231	2,103,075
Certificates of deposit	2,158,988	-	2,158,988	-	-
Corporate bonds	11,689,736	672,234	7,795,991	3,221,511	-
TOTAL	\$ 28,861,381	\$ 672,234	\$ 19,790,805	\$ 6,295,267	\$ 2,103,075

The Fund categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Fund has the following recurring fair value measurements as of December 31, 2018: the U.S. Treasury obligations, equities and mutual funds are valued using quoted prices in active markets for identical assets (Level 1 inputs). The U.S. agency obligations, corporate bonds and negotiable certificates of deposit are valued using quoted matrix pricing models (Level 2 inputs). The pooled real estate investment is valued using appraisals, internally prepared valuations and discounted cash flow analysis (Level 3 inputs).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed within a one-year period. The investment policy does not limit the maximum maturity length of investments in the Fund.

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

- a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

Credit Risk

The Fund's investment policy does not contain guidance on credit risk. However, the Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government or bond mutual funds that are invested in these securities. The U.S. agency obligations are rated AAA to BBB- and the money market funds and negotiable certificates of deposit are not rated. The corporate bonds are rated Baa3 to Aaa.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Fund will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Fund's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the Fund's agent separate from where the investment was purchased in the Fund's name. The money market mutual funds and mutual funds are not subject to custodial credit risk.

Concentration of Credit Risk

There are no significant investments (other than United States Government guaranteed obligations) in any one organization that represents 5% or more of the Fund's investments.

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

Actuarial Assumptions (Continued)

Actuarial valuation date	December 31, 2018
Measurement date	December 31, 2018
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.50%
Salary increases	4.00% to 8.77%
Interest rate	7.00%
Cost of living adjustments	Tier 1 at 3.00% Tier 2 at 2.00%
Asset valuation method	Market

Mortality rates were based on the RP-2014 Mortality Table (BCHA) projected to 2017 using improvement scale MP-2016. The other non-economic actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance (GRS) in 2012.

Discount Rate

The discount rate used to measure the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability of the City calculated using the discount rate of 7% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6%) or 1 percentage point higher (8%) than the current rate:

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

Changes in the Net Pension Liability

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
BALANCES AT JANUARY 1, 2018	\$ 162,734,049	\$ 87,045,501	\$ 75,688,548
Changes for the period			
Service cost	3,020,286	-	3,020,286
Interest	11,141,531	-	11,141,531
Difference between expected and actual experience	337,398	-	337,398
Changes in assumptions	9,806,406	-	9,806,406
Employer contributions	-	6,193,093	(6,193,093)
Employee contributions	-	1,266,642	(1,266,642)
Net investment income	-	(4,246,824)	4,246,824
Benefit payments and refunds	(7,138,654)	(7,138,654)	-
Administrative expense	-	(80,691)	80,691
Net changes	17,166,967	(4,006,434)	21,173,401
BALANCES AT DECEMBER 31, 2018	\$ 179,901,016	\$ 83,039,067	\$ 96,861,949

There was a change with respect to actuarial assumptions from the prior year to reflect revised expectations with respect to mortality rates, mortality improvement rates, retirement rates, disability rates and termination rates.

See the schedule of changes in the employer's net pension liability and related ratios in the required supplementary information for additional information related to the funded status of the Fund.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2018 using the following actuarial methods and assumptions.

CITY OF ELGIN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

Discount Rate Sensitivity (Continued)

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
Net pension liability	\$ 123,110,075	\$ 96,861,949	\$ 75,493,555

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended December 31, 2018, the City recognized firefighters' pension expense of \$10,093,203. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the firefighters' pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,676,466	\$ 1,022,661
Changes in assumption	11,599,611	5,782,906
Net difference between projected and actual earnings on pension plan investments	4,502,824	-
TOTAL	\$ 17,778,901	\$ 6,805,567

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the police pension will be recognized in pension expense as follows:

Year Ending December 31,	
2019	\$ 3,234,047
2020	1,504,739
2021	758,207
2022	2,569,461
2023	1,228,014
Thereafter	1,678,866
TOTAL	\$ 10,973,334

CITY OF ELGIN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

b. Fiduciary Funds Summary Financial Information

The following is summary financial information for the Police Pension Plan and the Firefighters' Pension Plan and the Retiree Health Insurance Plan.

Statement of Net Position

	Police Pension		Firefighters' Pension		Other Employee Benefits Trust		Total
					Retiree Health Insurance		
ASSETS							
Cash and short-term investments	\$ 212,694	\$ 289,649	\$ 190,954	\$ 693,297			
Receivables							
Accounts			13,331	13,331			
Accrued interest		242,905	184,961	430,215			
Investments							
U.S. Treasury obligations	6,334,134	7,448,849	-	13,782,983			
U.S. agency obligations	13,020,328	7,563,808	-	20,584,136			
State and local obligations			412,000	412,000			
Corporate bonds	15,104,505	11,689,736	-	26,794,241			
Corporate equity securities	6,530,563	7,621,884	-	14,152,447			
Equity mutual funds	47,389,823	39,424,003	4,592,722	91,406,548			
Bond mutual funds			5,028,276	5,028,276			
Balanced mutual funds	5,839,645	-	1,178,753	7,018,398			
Certificates of deposit	2,462,161	2,158,988	-	4,621,149			
Money market mutual funds	3,595,285	2,068,229	128,486	5,792,000			
Pooled real estate fund	13,887,079	4,622,205	-	18,509,284			
Prepaid items	17,828	12,857	2,917	33,602			
Total assets	114,636,950	83,085,169	11,549,788	209,271,907			
LIABILITIES							
Accounts payable	36,926	46,102	-	83,028			
Deposits	-	-	102,329	102,329			
Due to other funds	-	-	-	-			
Total liabilities	36,926	46,102	102,329	185,357			
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	\$ 114,600,024	\$ 83,039,067	\$ 11,447,459	\$ 209,086,550			

CITY OF ELGIN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

b. Fiduciary Funds Summary Financial Information (Continued)

Changes in Plan Net Position

	Pension Trust		Other Employee Benefits Trust		Total
	Police Pension	Firefighters' Pension	Retiree Health Insurance	Insurance	
ADDITIONS					
Contributions					
Employer	\$ 8,604,338	\$ 6,193,093	\$ 1,627,171	\$ -	\$ 16,424,602
Employee/retiree	1,936,667	1,266,642	-	-	3,203,309
Total contributions	10,541,005	7,459,735	1,627,171	-	19,627,911
Investment income					
Net (depreciation) in fair value of investments	(7,243,534)	(5,674,877)	(820,031)	-	(13,738,442)
Interest	2,501,263	1,616,531	315,826	-	4,433,620
Total investment income	(4,742,271)	(4,058,346)	(504,205)	-	(9,304,822)
Less investment expense	(189,485)	(188,478)	(24,114)	-	(402,077)
Net investment income	(4,931,756)	(4,246,824)	(528,319)	-	(9,706,899)
Total additions	5,609,249	3,212,911	1,098,852	-	9,921,012
DEDUCTIONS					
Benefits and refunds	8,970,327	7,138,654	630,595	-	16,739,576
Miscellaneous	110,319	72,168	-	-	182,487
Contractual professional services	12,856	8,523	-	-	21,379
Insurance					
Total deductions	9,093,502	7,219,345	630,595	-	16,943,442
NET INCREASE (DECREASE)	(3,484,253)	(4,006,434)	468,257	-	(7,022,430)
NET POSITION HELD IN TRUST FOR PENSION BENEFITS					
January 1	118,084,277	87,045,501	10,979,202	-	216,108,980
December 31	\$ 114,600,024	\$ 83,039,067	\$ 11,447,459	-	\$ 209,086,550

CITY OF ELGIN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

13. ECONOMIC DEVELOPMENT ASSISTANCE

The City has entered into various agreements with private organizations to encourage economic development in the City. Some of these agreements provide for job creation payments and rebating a portion of sales taxes to the private organization if certain benchmarks of development are achieved. During the fiscal year ended December 31, 2018, approximately \$1,699,501 in sales tax rebates were paid under these agreements. Approximately \$19,938,388 in sales tax rebates may be paid if certain criteria are met in future years.

14. TAX ABATEMENTS

The City rebates home rule sales tax and property taxes to encourage economic development in the City. The terms of these rebate arrangements are specified within written agreements with the business concerned through the City's economic development program. Certain rebates may be recaptured if the business fails to meet or maintain the criteria established in the written agreements. These agreements are authorized through resolutions approved by the City Council. The City rebated \$25,670 in property taxes during the year ended December 31, 2018. The City rebated \$523,209 of home rule sales tax during the year ended December 31, 2018.

15. CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year ended December 31, 2018, the City implemented GASB Statement No. 75. With the implementation, the City is required to retroactively record the total postemployment benefit liability and write-off the net OPEB obligation.

The beginning net position reported in the government-wide and business-type financial statements has been restated to reflect the new guidance as follows:

GOVERNMENTAL ACTIVITIES	
BEGINNING NET POSITION, AS PREVIOUSLY REPORTED	\$ 394,699,672
Write-off net OPEB obligation	10,503,610
Total OPEB liability	(19,704,223)
Total restatement	(9,200,613)
BEGINNING NET POSITION, AS RESTATED	\$ 385,499,059
BUSINESS TYPE ACTIVITIES	
BEGINNING NET POSITION, AS PREVIOUSLY REPORTED	\$ 285,587,743
Write-off net OPEB obligation	127,171
Total OPEB liability	(1,338,191)
Total restatement	(1,211,020)
BEGINNING NET POSITION, AS RESTATED	\$ 284,376,723

16. SUBSEQUENT EVENT

On March 20, 2019, the City passed an ordinance providing for the issuance of \$9,310,000 General Obligation Corporate Purpose Bonds, Series 2019. The bonds will finance certain capital improvements.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF ELGIN, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Taxes				
Property	\$ 42,777,000	\$ 42,777,000	\$ 42,192,320	\$ (584,680)
Road and bridge	900,000	900,000	974,468	74,468
Hotel/motel	969,000	969,000	959,254	(9,746)
Sales	24,700,000	24,700,000	27,812,577	3,112,577
Utility	6,400,000	6,400,000	6,568,379	168,379
Telecommunications	2,750,000	2,750,000	2,520,429	(229,571)
Local liquor	1,325,000	1,325,000	1,451,207	126,207
Local motor fuel	800,000	800,000	987,231	187,231
Other	-	-	172,139	172,139
Licenses and permits	1,796,460	1,796,460	2,348,217	551,757
Inergovernmental	22,452,400	22,583,580	21,872,308	(711,272)
Charges for services	10,236,750	10,404,064	12,543,009	2,138,945
Fines and forfeits	1,592,500	1,592,500	1,747,366	154,866
Investment income	415,000	415,000	1,347,893	932,893
Miscellaneous	3,060,600	3,145,764	3,536,538	390,774
Total revenues	120,174,710	120,558,368	127,053,335	6,474,967
EXPENDITURES				
Current				
General government	8,376,340	8,588,160	8,233,994	(354,166)
Public safety	78,273,590	78,847,963	78,317,482	(530,481)
Highways and streets	14,688,595	17,057,507	14,047,297	(3,010,210)
Culture and recreation	300,000	783,800	268,700	(515,100)
Economic development	541,510	541,510	2,026,217	1,484,707
Sanitation	6,956,485	6,956,485	6,863,022	(93,463)
Other	2,767,250	2,794,226	1,654,948	(1,139,278)
Capital outlay	18,902,410	19,190,658	5,489,994	(13,700,664)
Total expenditures	130,806,180	134,760,309	116,901,654	(17,858,655)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(10,631,470)	(14,201,941)	10,131,681	24,333,622
OTHER FINANCING SOURCES (USES)				
Transfers in	5,509,360	5,509,360	5,400,660	(108,700)
Transfers (out)	(4,975,690)	(4,975,690)	(4,975,690)	-
Total other financing sources (uses)	533,670	533,670	424,970	(108,700)
NET CHANGE IN FUND BALANCE	\$ (10,097,800)	\$ (13,668,271)	10,556,651	\$ 24,224,922
FUND BALANCE, JANUARY 1			62,746,303	
FUND BALANCE, DECEMBER 31			<u>\$ 73,302,954</u>	

(See independent auditor's report.)

CITY OF ELGIN, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2018

Budgets are adopted on a basis consistent with GAAP. Annual appropriated budgets are adopted (at the fund level) for the General, Special Revenue (except for the EECBG Grant Fund), Debt Service and Capital Projects Funds on the modified accrual basis and Enterprise, Internal Service and Pension Trust Funds on the accrual basis and a current financial resources measurement focus. The annual appropriated budget is legally enacted and provides for a legal level of control at the fund level. All annual appropriations lapse at fiscal year end.

Budgets

All departments of the City submit requests for appropriation to the City Manager so that a budget may be prepared. The budget is prepared by fund, function and activity and includes information on the past year, current year estimates and requested appropriations for the next year.

The proposed budget is presented to the City Council for review. The City Council holds public hearings and may add to, subtract from or change appropriations but may not change the form of the budget.

The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Expenditures may not legally exceed budgeted appropriations at the fund level. During the year, there were supplementary appropriations made.

During the year ended December 31, 2018, expenditures exceeded budget in the IMRF by \$141.

CITY OF ELGIN, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND

Last Four Fiscal Years

	2015	2016	2017	2018
FISCAL YEAR ENDED DECEMBER 31,				
Actuarially determined contribution	\$ 3,390,871	\$ 3,416,641	\$ 3,276,069	\$ 3,309,929
Contributions in relation to the actuarially determined contribution	3,390,871	3,416,641	3,276,069	3,309,929
CONTRIBUTION DEFICIENCY (Excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 27,657,999	\$ 27,755,007	\$ 28,537,186	\$ 29,605,805
Contributions as a percentage of covered payroll	12.26%	12.31%	11.48%	11.18%

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of January 1 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was aggregate entry-age normal; the amortization method was level percent of pay, closed and the amortization period was 26 years; the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate of return at 7.50% annually, projected salary increases assumption of 3.75% to 14.50% compounded annually and postretirement benefit increases of 3.00% compounded annually.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

CITY OF ELGIN, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND - SLEP

Last Four Fiscal Years

	2015	2016	2017	2018
FISCAL YEAR ENDED DECEMBER 31,				
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-
CONTRIBUTION DEFICIENCY (Excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of January 1 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was aggregate entry-age normal; the amortization method was level percent of pay, closed and the amortization period was 26 years; the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate of return at 7.50% annually, projected salary increases assumption of 3.75% to 14.50% compounded annually and postretirement benefit increases of 3.00% compounded annually.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

CITY OF ELGIN, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FIREFIGHTERS' PENSION FUND

Last Ten Fiscal Years

FISCAL YEAR ENDED DECEMBER 31,	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Actuarially determined contribution	\$ 2,188,257	\$ 3,097,236	\$ 3,117,165	\$ 3,259,240	\$ 3,350,199	\$ 3,797,278	\$ 4,484,657	\$ 5,366,457	\$ 6,167,330	\$ 6,268,458
Contributions in relation to the actuarially determined contribution	2,122,360	2,989,332	3,163,696	3,912,103	3,820,137	3,690,051	6,075,628	5,824,657	6,111,021	6,193,093
CONTRIBUTION DEFICIENCY (EXCESS)	\$ 65,897	\$ 107,904	\$ (46,530)	\$ (652,863)	\$ (469,938)	\$ 107,227	\$ (2,420,971)	\$ (458,200)	\$ 56,309	\$ 75,365
Covered payroll	\$ 10,982,823	\$ 11,247,335	\$ 11,696,765	\$ 11,494,553	\$ 11,953,594	\$ 12,166,388	\$ 12,158,581	\$ 13,094,740	\$ 13,369,957	\$ 13,223,476
Contributions as a percentage of covered payroll	19.32%	26.58%	27.05%	33.96%	31.96%	30.33%	56.55%	44.48%	43.71%	46.48%

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of January 1 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the amortization period was 24 years; the asset valuation method was at five-year smooth market value; and the significant actuarial assumptions were an investment rate of return at 7.00% annually, projected salary increases, assumption of 3.50% compounded annually and postretirement benefit increases of 3.00% compounded annually (Tier 1) and lesser of 3.00% or 50.00% of CPI, simple (Tier 2).

(See independent auditor's report.)

CITY OF ELGIN, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION FUND

Last Ten Fiscal Years

FISCAL YEAR ENDED DECEMBER 31,	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Actuarially determined contribution	\$ 2,336,721	\$ 3,235,793	\$ 3,421,874	\$ 3,763,639	\$ 3,887,805	\$ 5,659,869	\$ 6,453,044	\$ 7,549,348	\$ 8,891,497	\$ 8,708,536
Contributions in relation to the actuarially determined contribution	2,325,276	3,105,911	3,472,934	4,409,957	5,858,175	10,498,071	8,937,885	7,991,936	8,812,140	8,694,336
CONTRIBUTION DEFICIENCY (EXCESS)	\$ 11,445	\$ 129,882	\$ (45,060)	\$ (646,298)	\$ (1,968,370)	\$ (4,838,202)	\$ (2,384,841)	\$ (442,568)	\$ 79,357	\$ 104,198
Covered payroll	\$ 15,378,389	\$ 15,996,317	\$ 15,847,196	\$ 16,100,301	\$ 16,675,571	\$ 16,536,069	\$ 17,662,058	\$ 18,159,396	\$ 18,524,223	\$ 18,909,118
Contributions as a percentage of covered payroll	15.12%	19.42%	21.92%	27.39%	35.12%	63.49%	50.61%	44.01%	47.57%	45.50%

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of January 1 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the amortization period was 24 years; the asset valuation method was at five-year smoothed market value; and the significant actuarial assumptions were an investment rate of return at 7.00% annually, projected salary increases, assumption of compounded annually and postretirement benefit increases of 3.00% compounded annually (Tier 1) and lesser of 3.00% or 50.00% of CPI, simple (Tier 2).

(See independent auditor's report.)

CITY OF ELGIN, ILLINOIS

SCHEDULE OF CHANGES IN THE EMPLOYERS
NET PENSION LIABILITY AND RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUND

Last Four Fiscal Years

MEASUREMENT DATE DECEMBER 31,	2014	2015	2016	2017
TOTAL PENSION LIABILITY				
Service cost	\$ 2,981,268	\$ 2,864,703	\$ 3,135,364	\$ 3,041,413
Interest	12,002,574	12,965,121	13,611,190	13,939,038
Changes of benefit terms	1,469,367	2,337,041	(2,341,789)	181,350
Differences between expected and actual experience	5,841,025	2,24,657	(454,926)	(6,050,712)
Changes of assumptions	(8,897,534)	(9,444,848)	(9,871,446)	(10,162,172)
Benefit payments, including refunds of member contributions	13,396,700	8,946,674	4,078,393	948,917
Net change in total pension liability	162,992,448	176,389,148	185,335,822	189,414,215
Total pension liability - beginning	\$ 176,389,148	\$ 185,335,822	\$ 189,414,215	\$ 190,363,132
TOTAL PENSION LIABILITY - ENDING				
PLAN FIDUCIARY NET POSITION				
Contributions - employer	\$ 3,285,554	\$ 3,390,871	\$ 3,416,642	\$ 3,276,069
Contributions - member	1,223,855	1,256,048	1,311,734	1,298,563
Net investment income	9,608,416	8,16,865	11,293,220	30,926,361
Benefit payments, including refunds of member contributions	(8,897,534)	(9,444,848)	(9,871,446)	(10,162,172)
Administrative expense	842,651	1,621,507	603,430	(3,156,030)
Net change in plan fiduciary net position	6,062,942	(2,359,557)	6,753,580	22,182,785
Plan fiduciary net position - beginning	159,709,074	165,772,016	163,412,459	170,166,039
PLAN FIDUCIARY NET POSITION - ENDING	\$ 165,772,016	\$ 163,412,459	\$ 170,166,039	\$ 192,348,824
EMPLOYER'S NET PENSION LIABILITY (ASSET)	\$ 10,617,132	\$ 21,923,363	\$ 19,248,176	\$ (1,985,692)
Plan fiduciary net position as a percentage of the total pension liability	94.00%	88.20%	89.80%	101.00%
Covered payroll	\$ 25,005,566	\$ 27,657,999	\$ 27,755,007	\$ 28,537,181
Employer's net pension liability (asset) as a percentage of covered payroll	42.50%	79.30%	69.40%	(7.00%)

Notes to Required Supplementary Information

There were changes in assumptions related to inflation and salary increases in 2017.

The discount rate assumption was changed from 7.49% to 7.50% in 2016.

The discount rate assumption was changed from 7.48% to 7.49% in 2015.

The retirement age and mortality assumptions were changed in 2014.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

CITY OF ELGIN, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
RETIREE HEALTH INSURANCE FUND

Last Ten Fiscal Years

FISCAL YEAR ENDED DECEMBER 31,	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Actuarially determined contribution	\$ 2,167,527	\$ 1,455,483	\$ 2,041,775	\$ 1,997,532	\$ 2,239,444	\$ 2,159,830	\$ 1,660,566	\$ 1,757,083	\$ 2,022,618	\$ 1,933,879
Contributions in relation to the actuarially determined contribution	1,389,006	1,048,872	1,170,262	1,170,586	685,519	2,135,225	1,655,000	1,620,559	1,602,106	1,627,171
CONTRIBUTION DEFICIENCY (EXCESS)	\$ 808,521	\$ 406,611	\$ 871,513	\$ 826,946	\$ 1,553,925	\$ 24,605	\$ 5,566	\$ 1,36,524	\$ 420,512	\$ 306,708
Covered payroll	\$ 4,464,265,222	\$ 52,793,767	\$ 54,157,246	\$ 53,584,513	\$ 56,098,748	\$ 50,110,442	\$ 55,667,463	\$ 58,278,568	\$ 55,997,007	\$ 58,459,321
Contributions as a percentage of covered payroll	2.93%	1.99%	2.16%	2.18%	1.22%	4.26%	2.97%	2.78%	2.86%	2.78%

Notes to Required Supplementary Information

The information presented was determined as of January 1 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay; open and the amortization period was 30 years; the asset valuation method was at market value; and the significant actuarial assumptions were an investment rate of return of 6.00% annually, and projected salary increases assumption of 4.00%.

(See independent auditor's report.)

CITY OF ELGIN, ILLINOIS

SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUND - SLEP

Last Four Fiscal Years

MEASUREMENT DATE DECEMBER 31,	2014	2015	2016	2017
TOTAL PENSION LIABILITY				
Service cost	\$ -	\$ -	\$ -	\$ -
Interest	107,620	111,503	111,014	110,388
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	13,625	21,635	22,978	24,287
Changes of assumptions	65,519	-	-	(53,705)
Benefit payments, including refunds of member contributions	(131,662)	(138,305)	(141,031)	(143,641)
Net change in total pension liability	55,102	(5,167)	(7,039)	(62,671)
Total pension liability - beginning	1,500,761	1,555,863	1,550,696	1,543,657
TOTAL PENSION LIABILITY - ENDING	\$ 1,555,863	\$ 1,550,696	\$ 1,543,657	\$ 1,480,986
PLAN FIDUCIARY NET POSITION				
Contributions - employer	\$ -	\$ -	\$ -	\$ -
Contributions - member	108,716	8,857	122,019	358,019
Net investment income	(131,662)	(138,305)	(141,031)	(143,641)
Benefit payments, including refunds of member contributions	15,529	65,211	21,049	(38,615)
Administrative expense/other	-	-	-	-
Net change in plan fiduciary net position	(7,417)	(64,237)	2,037	175,763
Plan fiduciary net position - beginning	1,848,062	1,840,645	1,776,408	1,778,445
PLAN FIDUCIARY NET POSITION - ENDING	\$ 1,840,645	\$ 1,776,408	\$ 1,778,445	\$ 1,954,208
EMPLOYER'S NET PENSION LIABILITY (ASSET)	\$ (284,782)	\$ (225,712)	\$ (234,788)	\$ (473,222)
Plan fiduciary net position as a percentage of the total pension liability	118.30%	114.60%	115.20%	132.00%
Covered payroll	\$ -	\$ -	\$ -	\$ -
Employer's net pension liability (asset) as a percentage of covered payroll	N/A	N/A	N/A	N/A

Notes to Required Supplementary Information
There were changes in assumptions related to inflation and salary increases in 2014.
The retirement age and mortality assumptions were changed in 2014.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

CITY OF ELGIN, ILLINOIS

SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
POLICE PENSION FUND

Last Five Fiscal Years

MEASUREMENT DATE DECEMBER 31,	2014	2015
TOTAL PENSION LIABILITY		
Service cost	\$ 5,935,502	\$ 4,216,872
Interest	11,499,693	13,311,213
Changes of benefit terms	-	-
Differences between expected and actual experience	937,761	2,140,108
Changes of assumptions	16,793,174	15,008,812
Benefit payments, including refunds of member contributions	(6,945,180)	(7,629,559)
Net change in total pension liability	26,220,950	27,047,646
Total pension liability - beginning	167,753,922	193,974,872
TOTAL PENSION LIABILITY - ENDING	\$ 193,974,872	\$ 221,022,518
PLAN FIDUCIARY NET POSITION		
Contributions - employer	\$ 10,498,071	\$ 8,937,885
Contributions - member	2,111,231	1,950,540
Net investment income	4,258,499	572,188
Benefit payments, including refunds of member contributions	(6,945,180)	(7,629,559)
Administrative expense	(124,164)	(120,289)
Net change in plan fiduciary net position	9,798,457	3,710,965
Plan fiduciary net position - beginning	76,938,137	86,736,594
PLAN FIDUCIARY NET POSITION - ENDING	\$ 86,736,594	\$ 90,447,559
EMPLOYER'S NET PENSION LIABILITY	\$ 107,238,278	\$ 130,574,959
Plan fiduciary net position as a percentage of the total pension liability	44.70%	40.90%
Covered payroll	\$ 16,536,069	\$ 17,662,058
Employer's net pension liability as a percentage of covered payroll	648.50%	739.30%

Notes to Required Supplementary Information
The discount rate used in the determination of total pension liability remained constant at 7.00%.
In 2018, there were changes to the mortality rates, mortality improvement rates, retirement rates, disability rates, and termination rates.

The interest rate assumption was changed from 7.25% to 7.00% in 2014. In addition, there was a change with respect to actuarial assumptions from 2013 to reflect revised expectations with respect to mortality rates, disability rates, turnover rates and retirement rates. There was a change in 2015, 2016 and 2017 with respect to actuarial assumptions from the prior year to reflect revised expectations with respect to mortality tables. In 2017, there was a change with respect to new Department of Insurance assumptions reported in the GRS Experience Study released in 2017.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

CITY OF ELGIN, ILLINOIS
SCHEDULE OF CHANGES IN THE EMPLOYERS'
NET PENSION LIABILITY AND RELATED RATIOS
FIREFIGHTERS' PENSION FUND

Last Five Fiscal Years

MEASUREMENT DATE DECEMBER 31,	2018	2017	2014	2015
TOTAL PENSION LIABILITY				
Service cost	\$ 4,602,008	\$ 4,477,049	\$ 2,965,263	\$ 3,233,954
Interest	15,199,450	15,478,030	8,209,344	9,424,863
Changes of benefit terms	(968,483)	(3,263,579)	-	-
Differences between expected and actual experience	(6,934,808)	(8,324,311)	(123,774)	(1,305,697)
Changes of assumptions	(7,775,050)	(8,061,853)	12,004,649	12,177,401
Benefit payments, including refunds of member contributions	4,123,117	305,336	(5,536,840)	(5,845,018)
Net change in total pension liability	221,022,518	225,145,635	17,518,642	17,685,503
Total pension liability - beginning	225,145,635	225,450,971	120,044,768	137,563,410
TOTAL PENSION LIABILITY - ENDING	\$ 225,145,635	\$ 225,450,971	\$ 137,563,410	\$ 155,248,913
PLAN FIDUCIARY NET POSITION				
Contributions - employer	\$ 7,991,936	\$ 8,812,140	\$ 3,690,051	\$ 6,875,628
Contributions - member	1,815,304	1,960,184	1,146,223	1,197,974
Net investment income	7,741,951	15,382,126	2,995,181	311,633
Benefit payments, including refunds of member contributions	(7,775,050)	(8,061,853)	(5,536,840)	(5,845,018)
Administrative expense	(112,103)	(117,917)	(98,817)	(77,118)
Net change in plan fiduciary net position	9,662,038	17,974,680	2,195,798	2,463,099
Plan fiduciary net position - beginning	90,447,559	100,109,597	63,468,847	65,664,645
PLAN FIDUCIARY NET POSITION - ENDING	\$ 100,109,597	\$ 118,084,277	\$ 65,664,645	\$ 68,127,744
EMPLOYER'S NET PENSION LIABILITY	\$ 125,036,038	\$ 107,366,694	\$ 71,898,765	\$ 87,121,169
Plan fiduciary net position as a percentage of the total pension liability	44.50%	52.40%	47.70%	43.90%
Covered payroll	\$ 18,159,396	\$ 18,524,223	\$ 12,166,388	\$ 12,158,581
Employer's net pension liability as a percentage of covered payroll	688.50%	579.60%	591.00%	716.50%

Notes to Required Supplementary Information

The discount rate used in the determination of total pension liability remained constant at 7.00%.

In 2018, there were changes to the mortality rates, mortality improvement rates retirement rates disability rates and termination rates.

The interest rate assumption was changed from 7.25% to 7.00% in 2014. In addition, there was a change with respect to actuarial assumptions from 2013 to reflect revised expectations with respect to mortality rates, disability rates, turnover rates and retirement rates. There was a change in 2015, 2016 and 2017 with respect to actuarial assumptions from the prior year to reflect revised expectations with respect to mortality tables. In 2017, there was a change with respect to new Department of Insurance assumptions reported in the GRS Experience Study released in 2017.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

CITY OF ELGIN, ILLINOIS

SCHEDULE OF CHANGES IN THE EMPLOYERS
NET OPEB LIABILITY AND RELATED RATIOS
RETIREE HEALTH INSURANCE FUND

Last Two Fiscal Years

	2016	2017	2018
	\$ 3,354,457	\$ 3,404,176	\$ 3,020,286
	10,651,663	11,007,073	11,141,531
	2,870,992	(1,009,934)	337,398
	(5,443,655)	(4,657,289)	9,806,406
	(6,164,598)	(6,507,749)	(7,138,654)
	5,248,859	2,236,277	17,166,967
	155,248,913	160,497,772	162,734,049
	\$ 160,497,772	\$ 162,734,049	\$ 179,901,016
	\$ 5,824,657	\$ 6,111,021	\$ 6,193,093
	1,331,992	1,286,742	1,266,642
	4,684,072	12,495,935	(4,246,824)
	(6,164,598)	(6,507,749)	(7,138,654)
	(75,153)	(69,162)	(80,691)
	5,600,970	13,316,787	(4,006,434)
	68,127,744	73,728,714	87,045,501
	\$ 75,728,714	\$ 87,045,501	\$ 83,039,067
	\$ 86,769,058	\$ 75,688,548	\$ 96,861,949
	45.90%	53.50%	46.20%
	\$ 13,094,740	\$ 13,369,957	\$ 13,323,476
	662.60%	566.10%	727.00%

	2017	2018
TOTAL OPEB LIABILITY	\$ 1,393,396	\$ 1,449,132
Service cost	1,427,066	1,512,144
Interest	-	-
Changes of benefit terms	-	(1,086,074)
Differences between expected and actual experience	-	(561,076)
Changes of assumptions	-	-
Benefit payments, including refunds of member contributions	(981,387)	(1,064,805)
Net change in total OPEB liability	1,839,075	249,321
Total OPEB liability - beginning	30,182,542	32,021,617
TOTAL OPEB LIABILITY - ENDING	\$ 32,021,617	\$ 32,270,938
PLAN FIDUCIARY NET POSITION	\$ 1,602,106	\$ 1,627,171
Contributions - employer	1,131,251	(528,319)
Net investment income	(582,315)	(630,595)
Benefit payments, including refunds of member contributions	-	-
Administrative expense	-	-
Net change in plan fiduciary net position	2,151,042	468,257
Plan fiduciary net position - beginning	8,828,160	10,979,202
PLAN FIDUCIARY NET POSITION - ENDING	\$ 10,979,202	\$ 11,447,459
EMPLOYER'S NET OPEB LIABILITY	\$ 21,042,415	\$ 20,823,479
Plan fiduciary net position as a percentage of the total OPEB liability	34.30%	35.50%
Covered payroll	\$ 55,997,007	\$ 58,559,321
Employer's net OPEB liability as a percentage of covered payroll	37.60%	35.60%

Notes to Required Supplementary Information

In 2018, there were changes made to the assumptions related to premiums, mortality rates and the discount rate.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

(See independent auditor's report.)

CITY OF ELGIN, ILLINOIS
 SCHEDULE OF INVESTMENT RETURNS
 POLICE PENSION FUND

Last Five Fiscal Years

FISCAL YEAR ENDED DECEMBER 31,	2014	2015	2016	2017	2018
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Annual money-weighted rate of return, net of investment expense	5.57%	0.62%	8.50%	15.26%	(4.25%)
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Notes to Required Supplementary Information

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

CITY OF ELGIN, ILLINOIS
 SCHEDULE OF INVESTMENT RETURNS
 FIREFIGHTERS' PENSION FUND

Last Five Fiscal Years

FISCAL YEAR ENDED DECEMBER 31,	2014	2015	2016	2017	2018
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Annual money-weighted rate of return, net of investment expense	4.84%	0.50%	6.90%	16.95%	(4.83%)
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Notes to Required Supplementary Information

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

CITY OF ELGIN, ILLINOIS

**SCHEDULE OF INVESTMENT RETURNS
RETIREE HEALTH INSURANCE FUND**

Last Two Fiscal Years

FISCAL YEAR ENDED DECEMBER 31,	2017	2018
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Annual money-weighted rate of return, net of investment expense	11.80%	(4.17%)
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Notes to Required Supplementary Information

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is

NONMAJOR GOVERNMENTAL FUNDS



Comprehensive Annual Financial Report
For The Fiscal Year Ended December 31, 2018

(See independent auditor's report.)

CITY OF ELGIN, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2018

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Cash and investments	\$ 18,427,594	\$ 5,778,162	\$ 24,205,756
Receivables			
Property taxes	4,168,410	-	4,168,410
Accrued interest	59,045	20,212	79,257
Other	980,448	35,682	1,016,130
Prepaid items	2,750	-	2,750
Due from other governments	446,273	1,190,069	1,636,342
Due from other funds	1,128,429	-	1,128,429
Total assets	25,212,949	7,024,125	32,237,074
DEFERRED OUTFLOWS OF RESOURCES			
None	-	-	-
Total deferred outflows of resources	-	-	-
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 801,392	\$ 239,969	\$ 1,041,361
Accrued payroll	129,753	-	129,753
Retainage payable	-	191,232	191,232
Deposits payable	626,109	-	626,109
Unearned revenue	1,588,341	35,682	1,624,023
Due to other funds	333,425	304,670	638,095
Total liabilities	3,478,870	771,553	4,250,423
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	4,168,410	-	4,168,410
Total deferred inflows of resources	4,168,410	-	4,168,410
Total liabilities and deferred inflows of resources	7,647,280	771,553	8,418,833
FUND BALANCES			
Nonspendable			
Prepaid items	2,750	-	2,750
Restricted			
Public safety	2,885,472	-	2,885,472
Economic development	4,957,824	-	4,957,824
Employee retirement	679,093	-	679,093
Maintenance of roadways	4,388,552	-	4,388,552
Cemetery	1,966,782	-	1,966,782
Capital outlay	-	5,096,378	5,096,378
Unrestricted			
Assigned			
Cemetery	1,394,392	-	1,394,392
Recreation	1,290,654	-	1,290,654
Capital outlay	-	1,156,194	1,156,194
Total fund balances	17,565,519	6,252,572	23,818,091
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 25,212,949	\$ 7,024,125	\$ 32,237,074

(See independent auditor's report.)
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CITY OF ELGIN, ILLINOIS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2018

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes			
Property	\$ 7,425,719	\$ -	\$ 7,425,719
Local sales	-	4,778,990	4,778,990
Intergovernmental	4,136,409	-	4,136,409
Charges for services	5,128,738	-	5,128,738
Investment income	224,572	114,322	338,894
Miscellaneous	2,490,861	141,361	2,632,222
Total revenues	19,406,299	5,034,673	24,440,972

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
EXPENDITURES			
Current			
General government	436,528	-	436,528
Public safety	809,528	-	809,528
Highways and streets	1,567,809	-	1,567,809
Health and welfare	970,568	-	970,568
Culture and recreation	8,949,801	-	8,949,801
Economic development	695,098	-	695,098
Capital outlay	578,433	4,131,315	4,709,748
Total expenditures	14,007,765	4,131,315	18,139,080
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,398,534	903,358	6,301,892

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
OTHER FINANCING SOURCES (USES)			
Transfers in	3,419,091	-	3,419,091
Transfers out	(4,808,661)	(51,251)	(4,859,912)
Total other financing sources (uses)	(1,389,570)	(51,251)	(1,440,821)
NET CHANGE IN FUND BALANCES	4,008,964	852,107	4,861,071
FUND BALANCES, JANUARY 1	13,556,555	5,400,465	18,957,020
FUND BALANCES, DECEMBER 31	\$ 17,565,519	\$ 6,252,572	\$ 23,818,091

(See independent auditor's report.)

NONMAJOR GOVERNMENTAL FUNDS

NONMAJOR SPECIAL REVENUE FUNDS

Community Development Grant Fund - to account for revenues received from the Federal Government and the expenditure of these monies, which are restricted for the improvement of living conditions.

NSP Grant Fund - to account for revenues received from the Federal Government and expenditure of these monies, which are restricted for the neighborhood stabilization program.

EECBG Grant Fund - to account for revenues received from the Federal Government and the expenditure of these monies, which are restricted for the energy efficiency community block grant program.

Motor Fuel Tax Fund - to account for the operation of street maintenance programs and capital projects as authorized by the Illinois Department of Transportation. Financing is provided from the City's share of gasoline taxes. State law restricts the use of these gasoline taxes for street-related purposes.

Illinois Municipal Retirement Fund - to account for restricted revenues derived from a specific annual property tax levy and employee contributions, which are fixed by law and subsequently paid to the state sponsored Illinois Municipal Retirement Fund.

Drug Asset Forfeiture Fund - to account for the restricted resources provided by seizure of assets through application of the drug laws.

Recreation Center Fund - to account for the revenues and expenditures of providing recreational programs, operating the new recreation center and maintaining the City's parks and trees. Financing is provided by program fees and concession sales. Certain program fees are restricted via enabling legislation for the operations of the health club and payment of debt.

Emergency Telephone System Fund - to account for restricted revenues from E-911 surcharge tax and expenditures related to the City's emergency telephone system.

Central Area Tax Allocation Fund - to account for the incremental tax revenues restricted for expenditures made in the Central Area Tax Allocation District.

Route 20 Tax Allocation Fund - to account for the incremental tax revenues restricted for expenditures made in the Route 20 Tax Allocation District.

Bluff City Tax Allocation Fund - to account for incremental tax revenues restricted for expenditures made in the Bluff City Tax Allocation District.

Cemetery Fund - to account for the revenues and expenditures of a cemetery owned and operated by the City. Financing is provided by lot sales, interments, seasonal care and endowment investment earnings. Certain revenues are restricted for cemetery perpetual care expenditures.

CITY OF ELGIN, ILLINOIS
 COMBINING BALANCE SHEET (Continued)
 NONMAJOR SPECIAL REVENUE FUNDS

December 31, 2018
 (With Comparative Actual)

	Community Development Grant	NSP Grant	EECHG Grant	Motor Fuel Tax	Illinois Municipal Retirement
FUND BALANCES					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Prepaid items	-	-	-	-	-
Restricted	-	-	-	-	-
Public safety	-	-	-	-	-
Economic development	-	-	-	-	679,093
Employee retirement	-	-	-	4,388,552	-
Maintenance of roadways	-	-	-	-	-
Cemetery	-	-	-	-	-
Assigned	-	-	-	-	-
Cemetery	-	-	-	-	-
Recreation	-	-	-	-	-
Total fund balances	-	-	-	4,388,552	679,093
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 89,034	\$ 585	\$ 234,807	\$ 4,688,502	\$ 5,216,345

	Drug Asset Forfeiture	Recreation Center	Emergency Telephone System	Central Area Tax Allocation	Route 20 Tax Allocation	Bluff City Tax Allocation	Cemetery	Total
	\$ -	\$ 2,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,750
	-	-	2,885,472	3,958,751	654,984	344,089	-	2,885,472
	-	-	-	-	-	-	-	4,937,824
	-	-	-	-	-	-	-	679,093
	-	-	-	-	-	-	-	4,388,552
	-	-	-	-	-	-	1,966,782	1,966,782
	-	1,290,654	-	-	-	-	1,394,392	1,192,433
	-	1,290,654	-	-	-	-	-	1,290,654
	-	1,290,404	2,885,472	3,958,751	654,984	344,089	3,361,174	17,565,519
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 607,957	\$ 2,731,327	\$ 2,908,324	\$ 3,958,751	\$ 658,851	\$ 713,464	\$ 3,405,002	\$ 25,212,949
								\$ 242,17,958

(See independent auditor's report.)

CITY OF ELGIN, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended December 31, 2018
 (With Comparative Actual)

	Community Development Grant	NSP Grant	EECBG Grant	Motor Fuel Tax	Illinois Municipal Retirement	Emergency Telephone System		Central Area Tax Allocation		Route 20 Tax Allocation		Bluff City Tax Allocation		Total	
						Recreation Center	Asset Forfeiture	Allocation	Allocation	Allocation	Allocation	Allocation	Allocation	2018	2017
REVENUES															
Taxes															
Property					\$ 4,590,038									\$ 7,425,719	\$ 7,217,418
Intergovernmental	970,568	42,780		2,923,061	200,000									4,136,409	4,101,347
Charges for services														512,873	4,809,697
Investment income					19,282									224,572	133,411
Miscellaneous														107	2,490,861
															2,237,417
Total revenues	970,568	42,780		2,992,747	4,809,320									19,406,299	18,499,290
EXPENDITURES															
Current															
General government														436,494	400,643
Public safety														809,528	1,059,451
Highways and streets														1,567,809	2,073,073
Health and welfare	970,568			1,567,765										970,568	1,082,821
Culture and recreation														8,949,801	8,612,120
Economic development		42,780												695,098	6,572,063
Capital outlay														2,850	578,433
Total expenditures	970,568	42,780		1,567,765	141									14,007,765	20,026,007
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES														5,398,534	(1,526,717)
OTHER FINANCING SOURCES (USES)															
Transfers in														3,419,091	3,402,394
Transfers (out)														(4,808,661)	(4,709,245)
Total other financing sources (uses)														(1,389,570)	(1,306,851)
NET CHANGE IN FUND BALANCES														4,008,964	(2,833,568)
FUND BALANCES, JANUARY 1														13,556,555	16,390,123
FUND BALANCES, DECEMBER 31														\$ 17,565,519	\$ 13,556,555

(See independent auditor's report.)

CITY OF ELGIN, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT GRANT FUND

For the Year Ended December 31, 2018
(With Comparative Actual)

	2018		Variance Over (Under)	2017 Actual
	Original Budget	Final Budget		
REVENUES				
Intergovernmental	\$ 940,960	\$ 1,152,137	\$ 970,568	\$ 1,082,821
Federal grants				
Total revenues	940,960	1,152,137	970,568	1,082,821
EXPENDITURES				
Health and welfare	154,920	368,157	243,460	486,154
Rehabilitation grants	780,980	780,980	727,108	590,129
Capital repair and replacement	5,060	3,000	-	6,538
Administration				
Total expenditures	940,960	1,152,137	970,568	1,082,821
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ -	-
FUND BALANCE, JANUARY 1				
FUND BALANCE, DECEMBER 31				

(See independent auditor's report.)
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CITY OF ELGIN, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NSP GRANT FUND

For the Year Ended December 31, 2018

	2018		Variance Over (Under)
	Original Budget	Final Budget	
REVENUES			
Intergovernmental	\$ 42,780	\$ 42,780	\$ 42,780
Total revenues	42,780	42,780	42,780
EXPENDITURES			
Economic development	42,780	42,780	42,780
Contractual services			
Total expenditures	42,780	42,780	42,780
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ -
FUND BALANCE, JANUARY 1			
FUND BALANCE, DECEMBER 31			

(See independent auditor's report.)
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CITY OF ELGIN, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MOTOR FUEL TAX FUND

For the Year Ended December 31, 2018
(With Comparative Actual)

	2018		Variance Over (Under)	2017 Actual
	Original Budget	Final Budget		
REVENUES				
Intergovernmental	\$ 2,800,000	\$ 2,800,000	\$ 123,061	\$ 2,811,161
Motor fuel tax allotments	20,000	20,000	69,686	29,555
Investment income				
Total revenues	2,820,000	2,820,000	172,747	2,840,716
EXPENDITURES				
Highways and streets	700,000	700,000	(700,000)	273,071
Commodities and supplies	2,299,950	2,299,950	1,567,765	1,800,000
Contractual services				
Total expenditures	2,999,950	2,999,950	(1,432,185)	2,073,071
NET CHANGE IN FUND BALANCE	\$ (179,950)	\$ (179,950)	\$ 1,604,932	767,645
FUND BALANCE, JANUARY 1			2,963,570	2,195,925
FUND BALANCE, DECEMBER 31			<u>\$ 4,388,552</u>	<u>\$ 2,963,570</u>

(See independent auditor's report.)
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CITY OF ELGIN, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ILLINOIS MUNICIPAL RETIREMENT FUND

For the Year Ended December 31, 2018
(With Comparative Actual)

	2018		Variance Over (Under)	2017 Actual
	Original Budget	Final Budget		
REVENUES				
Property taxes	\$ 4,658,080	\$ 4,658,080	\$ (68,042)	\$ 4,441,948
Intergovernmental	200,000	200,000	-	200,000
Personal property replacement taxes	5,000	5,000	19,282	6,794
Investment income				
Total revenues	4,863,080	4,809,320	(53,760)	4,648,742
EXPENDITURES				
Current				
General government	-	-	34	3
Public safety	-	-	45	2
Highways and streets	-	-	44	2
Culture and recreation	-	-	18	1
Total expenditures	-	-	141	8
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,863,080	4,809,179	(53,901)	4,648,734
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(4,958,080)	(4,808,661)	149,419	(4,709,245)
Total other financing sources (uses)	(4,958,080)	(4,808,661)	149,419	(4,709,245)
NET CHANGE IN FUND BALANCE	\$ (95,000)	\$ (95,000)	\$ 95,518	(60,511)
FUND BALANCE, JANUARY 1			678,575	739,086
FUND BALANCE, DECEMBER 31			<u>\$ 679,093</u>	<u>\$ 678,575</u>

(See independent auditor's report.)
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CITY OF ELGIN, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DRUG ASSET FORFEITURE FUND

For the Year Ended December 31, 2018
(With Comparative Actual)

	2018		Variance Over (Under)	2017 Actual
	Original Budget	Final Budget		
REVENUES				
Miscellaneous	\$ 224,000	\$ 623,581	\$ 558,012	\$ 592,040
Drug asset forfeiture			(65,569)	
Total revenues	224,000	623,581	558,012	592,040
EXPENDITURES				
Public safety	224,000	424,006	358,440	605,943
Contingencies	-	199,575	(3)	47
Capital outlay				
Total expenditures	224,000	623,581	558,012	605,990
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ -	(13,950)
FUND BALANCE, JANUARY 1				13,950
FUND BALANCE, DECEMBER 31				\$ -

(See independent auditor's report.)
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CITY OF ELGIN, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
RECREATION CENTER FUND

For the Year Ended December 31, 2018
(With Comparative Actual)

	2018		Variance Over (Under)	2017 Actual
	Original Budget	Final Budget		
REVENUES				
Charges for services	\$ 3,510,200	\$ 3,517,894	\$ 3,039,503	\$ 3,411,588
Program fees	25,000	25,000	14,763	83,051
Special events				
Charges for commodities	35,000	35,000	47,853	31,843
Concession sales	15,000	15,000	38,342	21,273
Investment income				
Miscellaneous	844,150	844,150	1,071,555	1,016,477
Rents	592,110	728,260	860,430	628,769
Other				
Total revenues	5,021,460	5,165,304	5,072,446	5,193,001
EXPENDITURES				
Culture and recreation				
Personal services	4,627,104	4,701,104	4,731,094	4,484,728
Salaries	792,923	792,923	752,855	736,137
Pension contributions	799,003	799,003	825,423	26,420
Other employee costs	663,410	659,288	614,107	574,677
Commodities	2,126,160	2,197,296	2,026,304	2,047,970
Contractual services	42,000	67,050	63,888	122,821
Capital outlay				
Total expenditures	9,050,600	9,216,644	9,013,671	8,734,940
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,029,140)	(4,051,340)	(3,941,225)	(3,541,939)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,336,550	3,336,550	3,297,277	3,279,696
Total other financing sources (uses)	3,336,550	3,336,550	3,297,277	3,279,696
NET CHANGE IN FUND BALANCE	\$ (692,590)	\$ (714,790)	\$ (643,948)	\$ (262,243)
FUND BALANCE, JANUARY 1			1,937,352	2,199,595
FUND BALANCE, DECEMBER 31			\$ 1,293,404	\$ 1,937,352

(See independent auditor's report.)
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CITY OF ELGIN, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
EMERGENCY TELEPHONE SYSTEM FUND

For the Year Ended December 31, 2018
(With Comparative Actual)

	2018		Variance Over (Under)	2017 Actual
	Original Budget	Final Budget		
REVENUES				
Charges for services				
Telephone surcharge tax	\$ 892,430	\$ 892,430	\$ 1,522,233	\$ 845,951
Investment income	5,000	5,000	28,445	9,200
Total revenues	897,430	897,430	1,550,678	855,151
EXPENDITURES				
Public safety				
Contractual services				
Miscellaneous professional services	31,110	31,110	13,148	28,328
Equipment	-	3,000	2,541	9,751
Training	4,000	15,253	15,244	(9)
Communications	-	360	355	(5)
Repair and maintenance services	80,620	91,820	94,755	79,120
City of Elgin	325,000	325,000	325,000	325,000
Contingency	60,000	-	-	-
Capital outlay	-	153,924	153,924	19,230
Total expenditures	500,730	620,467	604,967	472,736
NET CHANGE IN FUND BALANCE	\$ 396,700	\$ 276,963	\$ 945,711	\$ 382,415
FUND BALANCE, JANUARY 1			1,939,761	1,557,346
FUND BALANCE, DECEMBER 31			<u>\$ 2,885,472</u>	<u>\$ 1,939,761</u>

(See independent auditor's report.)
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CITY OF ELGIN, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CENTRAL AREA TAX ALLOCATION FUND

For the Year Ended December 31, 2018
(With Comparative Actual)

	2018		Variance Over (Under)	2017 Actual
	Original Budget	Final Budget		
REVENUES				
Taxes				
Property	\$ 2,259,700	\$ 2,259,700	\$ 2,510,021	\$ 2,516,733
Investment income	30,000	30,000	32,113	50,592
Miscellaneous	-	-	757	90
Total revenues	2,289,700	2,289,700	2,542,891	2,567,415
EXPENDITURES				
Economic development				
Contractual services	1,037,000	912,196	255,757	652,151
Contingency	187,700	149,399	-	-
Capital outlay	1,065,000	1,228,105	158,199	(1,069,906)
Total expenditures	2,289,700	2,289,700	413,956	652,151
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ 2,128,935	\$ (3,954,136)
FUND BALANCE, JANUARY 1			1,829,816	5,783,952
FUND BALANCE, DECEMBER 31			<u>\$ 3,958,751</u>	<u>\$ 1,829,816</u>

(See independent auditor's report.)
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CITY OF ELGIN, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE-- BUDGET AND ACTUAL
ROUTE 20 TAX ALLOCATION FUND

For the Year Ended December 31, 2018
(With Comparative Actual)

	2018			2017 Actual
	Original Budget	Final Budget	Variance Over (Under)	
REVENUES				
Taxes				
Property	\$ 57,110	\$ 57,110	\$ 4,626	\$ 57,110
Investment income	-	-	19	2
Total revenues	57,110	57,110	4,645	57,112
EXPENDITURES				
Economic development				
Contractual services	16,000	16,000	11,186	32,472
Capital outlay	425,000	425,000	(425,000)	83,738
Total expenditures	441,000	441,000	(413,814)	116,210
NET CHANGE IN FUND BALANCE	\$ (383,890)	\$ (383,890)	\$ 418,459	(59,098)
FUND BALANCE, JANUARY 1		620,415		679,513
FUND BALANCE, DECEMBER 31		\$ 654,984		\$ 620,415

(See independent auditor's report.)
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CITY OF ELGIN, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE-- BUDGET AND ACTUAL
BLUFF CITY TAX ALLOCATION FUND

For the Year Ended December 31, 2018
(With Comparative Actual)

	2018			2017 Actual
	Original Budget	Final Budget	Variance Over (Under)	
REVENUES				
Taxes				
Property	\$ 210,000	\$ 210,000	\$ 53,924	\$ 201,627
Investment income	-	-	25	12
Total revenues	210,000	210,000	53,949	201,639
EXPENDITURES				
Economic development				
Economic incentives	-	369,376	369,375	(1)
Contractual services	-	-	-	10,675
Capital outlay	210,000	-	-	-
Total expenditures	210,000	369,376	369,375	10,675
NET CHANGE IN FUND BALANCE	\$ -	\$ (159,376)	(105,426)	\$ 53,950
FUND BALANCE, JANUARY 1		449,515		258,551
FUND BALANCE, DECEMBER 31		\$ 344,089		\$ 449,515

(See independent auditor's report.)
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CITY OF ELGIN, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CEMETERY FUND

For the Year Ended December 31, 2018
(With Comparative Actual)

	2018		2017		
	Original Budget	Final Budget	Actual	Variance Over (Under)	Actual
REVENUES					
Charges for services	\$ 251,220	\$ 251,220	\$ 331,472	\$ 80,252	\$ 300,619
Charges for commodities	136,020	136,020	172,914	36,894	136,645
Investment income	14,000	14,000	36,660	22,660	15,983
Miscellaneous	-	-	107	107	41
Total revenues	401,240	401,240	541,153	139,913	453,288
EXPENDITURES					
General government					
Personal services					
Salaries	69,680	69,680	63,188	(6,492)	68,555
Pension contributions	13,120	13,120	11,592	(1,528)	12,584
Other employee costs	19,350	19,350	18,487	(863)	18,246
Commodities	60,380	45,708	26,090	(19,618)	23,352
Contractual services	334,850	340,550	317,137	(23,413)	277,903
Capital outlay	25,000	33,972	2,850	(31,122)	-
Total expenditures	522,380	522,380	439,344	(83,036)	400,640
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(121,140)	(121,140)	101,809	222,949	52,648
OTHER FINANCING SOURCES (USES)					
Transfers in	123,260	123,260	121,814	(1,446)	122,698
Total other financing sources (uses)	123,260	123,260	121,814	(1,446)	122,698
NET CHANGE IN FUND BALANCE	\$ 2,120	\$ 2,120	223,623	\$ 221,503	175,346
FUND BALANCE, JANUARY 1			3,137,551		2,962,205
FUND BALANCE, DECEMBER 31			<u>\$ 3,361,174</u>		<u>\$ 3,137,551</u>

NONMAJOR GOVERNMENTAL FUNDS

NONMAJOR CAPITAL PROJECTS FUNDS

Park Development Fund - to account for the resources assigned for the redemption and development of the Elgin Mental Health Center property into a park site. Financing will be provided from royalties, rental income grants, donations and bond proceeds.

Tyler Creek Fund - to account for the resources assigned for the acquisition and development of the Tyler Creek Detention Area.

Capital Improvement Fund - to account for revenues restricted (home rule sales tax) or assigned for capital improvements throughout the City.

2016 Corporate Bond Fund - to account for the proceeds of a general obligation bond issue for the construction of various water and other capital improvements.

(See independent auditor's report.)

CITY OF ELGIN, ILLINOIS
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS

December 31, 2018
(With Comparative Actual)

	Park Development	Tyler Creek	Capital Improvement		2016 Corporate Bond	Total
					2018	2017
ASSETS AND DEFERRED						
OUTFLOWS OF RESOURCES						
ASSETS						
Cash and investments	\$ 259,089	\$ 672,760	\$ 4,530,764		\$ 315,549	\$ 5,172,099
Receivables					-	962
Accrued interest	25	1,764	18,423		-	35,682
Other	-	35,682	-		-	43,573
Due from other governments	-	-	1,190,069		-	1,228,445
Total assets	<u>259,114</u>	<u>710,206</u>	<u>5,739,256</u>		<u>315,549</u>	<u>6,445,079</u>
DEFERRED OUTFLOWS OF RESOURCES						
None	-	-	-		-	-
Total deferred outflows of resources	-	-	-		-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 259,114</u>	<u>\$ 710,206</u>	<u>\$ 5,739,256</u>		<u>\$ 315,549</u>	<u>\$ 7,024,125</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 121,285	\$ -	\$ 107,805		\$ 10,879	\$ 239,969
Retainage payable	10,739	-	180,493		-	191,232
Unearned revenue	-	35,682	-		-	35,682
Due to other funds	-	-	-		304,670	304,670
Advance from other funds	-	-	-		-	361,891
Total liabilities	<u>132,024</u>	<u>35,682</u>	<u>288,298</u>		<u>315,549</u>	<u>771,553</u>
DEFERRED INFLOWS OF RESOURCES						
None	-	-	-		-	-
Total deferred inflows of resources	-	-	-		-	-
Total liabilities and deferred inflows of resources	<u>132,024</u>	<u>35,682</u>	<u>288,298</u>		<u>315,549</u>	<u>1,095,533</u>
FUND BALANCES						
Restricted for capital outlay	-	-	5,096,378		-	4,032,868
Unrestricted	127,090	674,524	354,580		-	1,349,711
Assigned for capital outlay	-	-	-		-	17,886
Assigned for recreation	-	-	-		-	-
Total fund balances	<u>127,090</u>	<u>674,524</u>	<u>5,450,958</u>		<u>-</u>	<u>5,400,465</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 259,114</u>	<u>\$ 710,206</u>	<u>\$ 5,739,256</u>		<u>\$ 315,549</u>	<u>\$ 7,024,125</u>

(See independent auditor's report.)

CITY OF ELGIN, ILLINOIS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS

For the Year Ended December 31, 2018
(With Comparative Actual)

	Park Development	Tyler Creek	Capital Improvement	2016 Corporate Bond	Total 2017
REVENUES					
Local sales tax	\$ -	\$ -	\$ 4,778,990	\$ -	\$ 4,605,397
Intergovernmental	-	-	-	-	26,775
Investment income	4,076	12,317	90,776	7,153	114,322
Miscellaneous	133,469	7,892	-	-	141,361
Total revenues	137,545	20,209	4,869,766	7,153	5,034,673
EXPENDITURES					
Capital outlay	349,713	-	3,587,681	193,921	4,131,315
Total expenditures	349,713	-	3,587,681	193,921	4,131,315
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(212,168)	20,209	1,282,085	(186,768)	903,358
OTHER FINANCING SOURCES (USES)					
Transfers (out)	-	-	-	(51,251)	(10,655)
Total other financing sources (uses)	-	-	-	(51,251)	(10,655)
NET CHANGE IN FUND BALANCES	(212,168)	20,209	1,282,085	(238,019)	852,107
FUND BALANCES, JANUARY 1	339,258	654,314	4,168,874	238,019	5,400,465
FUND BALANCES, DECEMBER 31	\$ 127,090	\$ 674,523	\$ 5,450,959	\$ -	\$ 6,252,572

(See independent auditor's report.)

CITY OF ELGIN, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PARK DEVELOPMENT FUND

For the Year Ended December 31, 2018
(With Comparative Actual)

	2018		Variance Over (Under)	2017	
	Original Budget	Final Budget		Actual	Actual
REVENUES					
Intergovernmental	\$ 26,770	\$ 26,770	\$ -	\$ (26,770)	\$ 26,775
Investment income	100	100	4,076	3,976	189
Miscellaneous	225,000	225,000	133,469	(91,531)	200,510
Total revenues	251,870	251,870	137,545	(114,325)	227,474
EXPENDITURES					
Capital outlay					
Land and land improvements	523,750	523,750	349,713	(174,037)	588,941
Total expenditures	523,750	523,750	349,713	(174,037)	588,941
NET CHANGE IN FUND BALANCE	\$ (271,880)	\$ (271,880)	(212,168)	\$ 59,712	(361,467)
FUND BALANCE, JANUARY 1			339,258		700,725
FUND BALANCE, DECEMBER 31			\$ 127,090		\$ 339,258

(See independent auditor's report.)
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CITY OF ELGIN, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TYLER CREEK FUND

For the Year Ended December 31, 2018
(With Comparative Actual)

	2018		Variance Over (Under)	2017	
	Original Budget	Final Budget		Actual	Actual
REVENUES					
Investment income	\$ 4,700	\$ 4,700	\$ 12,317	\$ 7,617	\$ 5,936
Miscellaneous	8,200	8,200	7,892	(308)	14,401
Total revenues	12,900	12,900	20,209	7,309	20,337
EXPENDITURES					
Capital outlay					
Land and land improvements	-	-	-	-	43,125
Total expenditures	-	-	-	-	43,125
NET CHANGE IN FUND BALANCE	\$ 12,900	\$ 12,900	20,209	\$ 7,309	(22,788)
FUND BALANCE, JANUARY 1			654,314		677,102
FUND BALANCE, DECEMBER 31			\$ 674,523		\$ 654,314

(See independent auditor's report.)
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CITY OF ELGIN, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT FUND

For the Year Ended December 31, 2018
(With Comparative Actual)

	2018		2017	
	Original Budget	Final Budget	Actual	Actual
REVENUES				
Local sales tax	\$ 4,300,000	\$ 4,300,000	\$ 4,778,990	\$ 4,605,397
Investment income	25,000	25,000	90,776	30,205
Total revenues	4,325,000	4,325,000	4,869,766	4,635,602
EXPENDITURES				
Capital outlay	6,500,000	6,606,881	3,587,681	(3,019,200)
Capital additions	6,500,000	6,606,881	3,587,681	(3,019,200)
Total expenditures				
NET CHANGE IN FUND BALANCE	\$ (2,175,000)	\$ (2,281,881)	1,282,085	\$ 3,563,966
FUND BALANCE, JANUARY 1			4,168,874	2,322,696
FUND BALANCE, DECEMBER 31			\$ 5,450,959	\$ 4,168,874

(See independent auditor's report.)
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CITY OF ELGIN, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
2016 CORPORATE BOND FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Investment income	\$ -	\$ -	7,153	\$ 7,153
Total revenues	-	-	7,153	7,153
EXPENDITURES				
Capital outlay	335,690	397,150	193,921	(203,229)
Capital additions	335,690	397,150	193,921	(203,229)
Total expenditures	(335,690)	(397,150)	(186,768)	210,382
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
OTHER FINANCING SOURCES (USES)				
Transfers (out)	-	-	(51,251)	(51,251)
Total other financing sources (uses)	-	-	(51,251)	(51,251)
NET CHANGE IN FUND BALANCE	\$ (335,690)	\$ (397,150)	(238,019)	\$ 210,382
FUND BALANCE, JANUARY 1			238,019	
FUND BALANCE, DECEMBER 31			\$ -	

(See independent auditor's report.)
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PROPRIETARY FUNDS

NONMAJOR ENTERPRISE FUNDS



Comprehensive Annual Financial Report
For The Fiscal Year Ended December 31, 2018



Comprehensive Annual Financial Report
For The Fiscal Year Ended December 31, 2018

CITY OF ELGIN, ILLINOIS

SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
GOLF COURSE FUND

For the Year Ended December 31, 2018
(With Comparative Actual)

Golf Course Fund - to account for the revenues and expenses of three golf courses owned and operated by the City. Financing is provided by golf revenues.

NONMAJOR ENTERPRISE FUND

	2018		Variance Over (Under)	2017	
	Original Budget	Final Budget		Actual	Actual
OPERATING REVENUES					
Charges for services	\$ 2,118,430	\$ 2,121,610	\$ 1,790,794	\$ (330,816)	\$ 1,977,247
Greens fees	460,000	460,000	395,215	(64,785)	453,830
Season ticket sales	111,000	111,000	108,080	(2,920)	120,652
Driving range fees					
Charges for commodities	170,000	170,000	150,438	(19,562)	168,493
Merchandise sales	17,000	17,000	11,438	(5,562)	12,041
Concession sales	380,000	380,000	395,875	15,875	431,128
Golf cart and club rental	54,000	54,000	54,000	-	14,423
Restaurant fees	-	-	1,426	1,426	5,123
Miscellaneous					
Total operating revenues	\$ 3,310,430	\$ 3,313,610	\$ 2,907,266	\$ (406,344)	\$ 3,182,937
OPERATING EXPENSES					
Administrative	\$ 25,800	\$ 25,800	\$ 25,800	\$ -	\$ 25,800
Administrative support					
Personal services					
Salaries	1,160,352	1,228,092	1,162,230	(65,862)	1,124,085
Pension contributions	194,817	222,042	198,963	(23,079)	186,596
Other employee costs	217,551	215,031	212,590	(2,441)	209,888
Total personal services	1,572,720	1,665,165	1,573,783	(91,382)	1,520,569
Commodities	536,990	526,641	470,890	(55,751)	497,662
Contractual services	1,024,290	983,189	908,210	(74,979)	978,424
Insurance	9,590	9,590	9,590	-	9,590
Other					
Capital repair and replacement	280,000	242,185	4,585	(237,600)	106,952
Total operating expenses	3,449,390	3,452,570	2,992,858	(459,712)	3,138,997
ADJUSTMENTS TO GAAP BASIS					
Pension and OPEB expense adjustment	-	-	59,882	59,882	100,681
Capital assets capitalized	(280,000)	(242,185)	-	242,185	-
Depreciation	-	-	784,845	784,845	784,845
Total adjustments to GAAP basis	(280,000)	(242,185)	844,727	1,086,912	885,526
TOTAL OPERATING EXPENSES - GAAP BASIS	\$ 3,169,390	\$ 3,210,385	\$ 3,837,585	\$ 627,200	\$ 4,024,523

(See independent auditor's report.)
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INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS

Equipment Replacement Fund - to account for the purchase and maintenance of city vehicles, computer equipment and telephone equipment used by all city departments. Financing is provided by a rental charge that is paid by the using departments.

Risk Management Fund - to account for the City's risk management program. The City maintains a partial self-insurance program for workers' compensation, liability and vehicle loss and other claims in excess of self-insured limits. Financing is provided from city operating funds based upon personnel costs and also established premium rates for various insurance coverage.

Medical Insurance Fund - to account for the medical and life insurance and unemployment insurance portions of the City's risk management program. Financing is provided from city operating funds based upon personnel costs.



Comprehensive Annual Financial Report
For The Fiscal Year Ended December 31, 2018

CITY OF ELGIN, ILLINOIS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

December 31, 2018
(With Comparative Totals)

	Equipment Replacement	Risk Management	Medical Insurance	Total 2018	Total 2017
CURRENT ASSETS					
Cash and investments	\$ 3,810,703	\$ 14,540,105	\$ 4,496,470	\$ 22,847,278	\$ 19,278,465
Receivables	-	86,196	1,107	87,303	25,916
Accrued interest	-	37,354	76	37,430	62,753
Other	-	480,362	-	480,362	490,894
Prepaid expenses	129,274	-	-	129,274	133,070
Inventories	-	60,893	-	60,893	54,754
Due from other funds	-	-	-	-	-
Total current assets	3,939,977	15,204,910	4,497,653	23,642,540	20,045,852
CAPITAL ASSETS					
Depreciable, net of accumulated depreciation	6,218,761	-	-	6,218,761	6,706,144
Net capital assets	6,218,761	-	-	6,218,761	6,706,144
Total assets	10,158,738	15,204,910	4,497,653	29,861,301	26,751,996
DEFERRED OUTFLOWS OF RESOURCES					
None	-	-	-	-	-
Total deferred outflows of resources	-	-	-	-	-
Total assets and deferred outflows of resources	10,158,738	15,204,910	4,497,653	29,861,301	26,751,996
CURRENT LIABILITIES					
Accounts payable	293,394	94,553	22,601	410,548	324,301
Accrued payroll	28,349	-	-	28,349	29,570
Due to other funds	60,900	-	-	60,900	54,761
Claims payable	-	5,895,424	-	5,895,424	4,837,186
Compensated absences payable	24,599	-	-	24,599	23,189
Total current liabilities	407,242	5,989,977	22,601	6,419,820	5,269,007
LONG-TERM LIABILITIES					
None	-	-	-	-	-
Total long-term liabilities	-	-	-	-	-
Total liabilities	407,242	5,989,977	22,601	6,419,820	5,269,007
DEFERRED INFLOWS OF RESOURCES					
None	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Total liabilities and deferred inflows of resources	407,242	5,989,977	22,601	6,419,820	5,269,007
NET POSITION					
Net investment in capital assets	6,218,761	-	-	6,218,761	6,706,144
Unrestricted	3,532,735	9,214,933	4,475,052	17,222,720	14,776,845
TOTAL NET POSITION	\$ 9,751,496	\$ 9,214,933	\$ 4,475,052	\$ 23,441,481	\$ 21,482,989

(See independent auditor's report.)
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CITY OF ELGIN, ILLINOIS

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2018
(With Comparative Totals)

	Equipment Replacement	Risk Management	Medical Insurance	Total 2018	Total 2017
OPERATING REVENUES					
Charges for services	\$ 2,235,373	\$ 6,368,438	\$ 12,229,532	\$ 20,833,343	\$ 20,226,636
Miscellaneous	-	92,871	-	92,871	49,769
Total operating revenues	2,235,373	6,461,309	12,229,532	20,926,214	20,276,405
OPERATING EXPENSES					
Administration	28,370	138,100	100,000	266,470	266,470
Personal services	984,637	-	-	984,637	954,210
Commodities - supplies	1,458,815	3,500	-	1,462,315	1,835,580
Contractual services	1,419,102	68,176	131,911	1,619,189	1,664,900
Insurance	117,798	1,060,394	11,133,532	12,311,724	12,419,410
Self-insurance claims and fees	-	4,334,150	-	4,334,150	2,934,317
Depreciation	1,395,483	-	-	1,395,483	1,504,466
Total operating expenses	5,404,205	5,604,320	11,365,443	22,373,968	21,579,353
OPERATING INCOME (LOSS)	(3,168,832)	856,989	864,089	(1,447,754)	(1,302,948)
NON-OPERATING REVENUES (EXPENSES)					
Investment income	-	201,279	46,867	248,146	70,118
Gain (loss) on sale of capital assets	(5,975)	-	-	(5,975)	-
Total non-operating revenues (expenses)	(5,975)	201,279	46,867	242,171	70,118
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	(3,174,807)	1,058,268	910,956	(1,205,583)	(1,232,830)
TRANSFERS					
Transfers in	2,250,000	-	-	2,250,000	2,290,000
Total transfers	2,250,000	-	-	2,250,000	2,290,000
CONTRIBUTIONS					
CHANGE IN NET POSITION	(10,732)	1,058,268	910,956	1,958,492	1,205,537
NET POSITION, JANUARY 1	9,762,228	8,156,665	3,564,096	21,482,989	22,330,149
Prior period adjustment	-	-	-	-	(2,052,697)
NET POSITION, JANUARY 1, RESTATED	9,762,228	8,156,665	3,564,096	21,482,989	20,277,452
NET POSITION, DECEMBER 31	\$ 9,751,496	\$ 9,214,933	\$ 4,475,052	\$ 23,441,481	\$ 21,482,989

(See independent auditor's report.)
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CITY OF ELGIN, ILLINOIS
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2018
 (With Comparative Totals)

	Equipment Replacement	Risk Management	Medical Insurance	Total 2018	Total 2017
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from interfund service transactions	\$ 2,235,373	\$ 6,353,246	\$ 10,666,659	\$ 19,255,278	\$ 18,766,248
Receipts from customers and users	-	-	1,562,873	1,562,873	1,462,091
Receipts from miscellaneous revenue	-	92,871	-	92,871	49,769
Payments to other funds	(28,370)	(138,100)	(100,000)	(266,470)	(266,470)
Payments to suppliers	(2,846,161)	(4,450,186)	(11,231,703)	(18,528,050)	(18,811,092)
Payments to employees	(984,448)	-	-	(984,448)	(928,052)
Net cash from operating activities	(1,623,606)	1,857,831	897,829	1,132,054	272,494
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Due from other funds	6,139	(6,139)	-	(6,139)	(4,544)
Due to other funds	2,250,000	-	-	2,250,000	2,290,000
Transfers in	-	-	-	-	-
Net cash from noncapital financing activities	2,256,139	(6,139)	-	2,250,000	2,313,814
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
None	-	-	-	-	-
Net cash from capital and related financing activities	-	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	-	140,448	46,311	186,759	58,580
Net cash from investing activities	-	140,448	46,311	186,759	58,580
NET INCREASE IN CASH AND CASH EQUIVALENTS	632,533	1,992,140	944,140	3,568,813	2,644,688
CASH AND CASH EQUIVALENTS, JANUARY 1	3,178,170	12,547,965	3,552,330	19,278,465	16,633,777
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 3,810,703	\$ 14,540,105	\$ 4,496,470	\$ 22,847,278	\$ 19,278,465

(This statement is continued on the following page.)

CITY OF ELGIN, ILLINOIS
 COMBINING STATEMENT OF CASH FLOWS (Continued)
 INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2018
 (With Comparative Totals)

	Equipment Replacement	Risk Management	Medical Insurance	Total 2018	Total 2017
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ (3,168,832)	\$ 856,989	\$ 864,089	\$ (1,447,754)	\$ (1,302,948)
Adjustments to reconcile operating income (loss) to net cash from operating activities					
Depreciation	1,395,483	-	-	1,395,483	1,504,466
(Increase) decrease in Receivables	-	(15,192)	40,515	25,323	(1,864)
Prepaid expenses	-	10,552	-	10,552	(58,117)
Inventories	3,796	-	-	3,796	3,189
Increase (decrease) in Accounts payable	145,758	(52,736)	(6,775)	86,247	74,097
Accrued salaries	(1,221)	-	-	(1,221)	22,105
Compensated absences payable	1,410	-	-	1,410	4,053
Claims payable	-	1,058,238	-	1,058,238	27,513
NET CASH FROM OPERATING ACTIVITIES	\$ (1,623,606)	\$ 1,857,831	\$ 897,829	\$ 1,132,054	\$ 272,494
NONCASH TRANSACTIONS					
Contributions of capital assets by other funds	\$ 914,075	\$ -	\$ -	\$ 914,075	\$ 148,367
TOTAL NONCASH TRANSACTIONS	\$ 914,075	\$ -	\$ -	\$ 914,075	\$ 148,367

(See independent auditor's report.)

CITY OF ELGIN, ILLINOIS

SCHEDULE OF OPERATING REVENUES AND EXPENSES - BUDGET AND ACTUAL
EQUIPMENT REPLACEMENT FUND

For the Year Ended December 31, 2018
(With Comparative Actual)

	2018		Variance Over (Under)	2017 Actual
	Original Budget	Final Budget		
OPERATING REVENUES				
Charges for services	\$ 900,000	\$ 900,000	\$ 373	\$ 900,000
Garage service charges	1,335,000	1,335,000	-	1,335,000
Equipment rental				
Total operating revenues	\$ 2,235,000	\$ 2,235,000	\$ 373	\$ 2,235,000
OPERATING EXPENSES				
Operations				
Administration support	\$ 28,370	\$ 28,370	\$ -	\$ 28,370
Personal services				
Salaries	652,329	667,392	15,063	661,772
Pension contributions	73,901	74,342	441	74,793
Other employee costs	213,640	242,903	29,263	217,645
Total personal services	939,870	984,637	44,767	954,210
Commodities	1,557,320	1,549,018	(8,302)	1,531,395
Contractual services	1,643,670	1,651,972	8,302	1,502,385
Insurance	118,250	118,250	(452)	109,603
Other				
Capital repair and replacement	750,000	750,000	(485,748)	700,858
Total other	750,000	750,000	(485,748)	700,858
Total operating expenses	5,037,480	5,037,480	(1,028,758)	4,426,821
ADJUSTMENTS TO GAAP BASIS				
Capital assets capitalized	(750,000)	(750,000)	(750,000)	-
Depreciation	-	-	1,395,483	1,504,466
Total adjustments to GAAP basis	(750,000)	(750,000)	645,483	1,504,466
TOTAL OPERATING EXPENSES - GAAP BASIS	\$ 4,287,480	\$ 4,287,480	\$ (383,275)	\$ 5,931,287

(See independent auditor's report.)
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CITY OF ELGIN, ILLINOIS

SCHEDULE OF OPERATING REVENUES AND EXPENSES - BUDGET AND ACTUAL
RISK MANAGEMENT FUND

For the Year Ended December 31, 2018
(With Comparative Actual)

	2018		Variance Over (Under)	2017 Actual
	Original Budget	Final Budget		
OPERATING REVENUES				
Charges for services	\$ 6,375,010	\$ 6,375,010	\$ (6,572)	\$ 6,371,318
Miscellaneous	-	-	92,871	49,769
Total operating revenues	\$ 6,375,010	\$ 6,375,010	\$ 86,299	\$ 6,421,087
OPERATING EXPENSES				
Operations				
Administration	\$ 138,100	\$ 138,100	\$ -	\$ 138,100
Commodities				
Office supplies	4,680	4,680	(1,180)	3,327
Contractual services	100,000	100,000	68,176	70,540
Professional services	1,449,850	1,444,550	(5,300)	-
Insurance claim reserves	1,800	1,800	(1,800)	25
Other miscellaneous services				
Total contractual services	1,556,650	1,551,350	(5,300)	70,565
Insurance				
Public official liability	100,540	100,540	(86)	100,475
Workers' compensation	269,370	269,370	(22,089)	243,960
Automobile	115,940	117,840	(2,129)	109,603
Liability	250,370	253,770	251,081	254,338
Umbrella liability	108,160	108,160	(402)	108,128
Property	242,000	242,000	(7,776)	228,794
Crime and faithful performance	4,200	4,200	(315)	3,590
Surety bonds	-	-	-	50
Total insurance	1,090,580	1,095,880	(5,300)	1,048,938
Self-insurance claims				
Workers' compensation	3,000,000	3,000,000	598,632	2,735,471
General liability	425,000	425,000	235,790	149,155
Auto liability	130,000	130,000	36,158	21,824
Other	75,000	75,000	(36,430)	27,867
Total self-insurance claims	3,630,000	3,630,000	704,150	2,934,317
TOTAL OPERATING EXPENSES	\$ 6,420,010	\$ 6,420,010	\$ (815,690)	\$ 4,195,247

(See independent auditor's report.)
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CITY OF ELGIN, ILLINOIS

SCHEDULE OF OPERATING REVENUES AND EXPENSES - BUDGET AND ACTUAL
 MEDICAL INSURANCE FUND

For the Year Ended December 31, 2018
 (With Comparative Actual)

	2018		Variance Over (Under)	2017	
	Original Budget	Final Budget		Actual	Actual
OPERATING REVENUES					
Charges for services	\$ 12,649,210	\$ 12,649,210	\$ (419,678)	\$ 11,620,318	\$ 11,620,318
Total operating revenues	\$ 12,649,210	\$ 12,649,210	\$ (419,678)	\$ 11,620,318	\$ 11,620,318
OPERATING EXPENSES					
Operations	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ 100,000
Administration					
Contractual services					
Professional services	101,500	101,500	131,911	30,411	91,950
Insurance					
Medical	8,233,650	8,233,650	7,934,208	(299,442)	8,207,215
Life	80,000	80,000	48,722	(31,278)	65,145
Employment	100,000	100,000	57,049	(42,951)	107,080
HMO	3,053,250	3,053,250	3,093,553	40,303	2,881,429
Total insurance	11,466,900	11,466,900	11,133,532	(333,368)	11,260,869
TOTAL OPERATING EXPENSES	\$ 11,668,400	\$ 11,668,400	\$ 11,365,443	\$ (302,957)	\$ 11,452,819

(See independent auditor's report.)

FIDUCIARY FUNDS



Comprehensive Annual Financial Report
 For The Fiscal Year Ended December 31, 2018

CITY OF ELGIN, ILLINOIS

COMBINING STATEMENT OF NET POSITION
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

December 31, 2018

FIDUCIARY FUNDS

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

Police Pension Fund - to account for the accumulation of resources to pay pension costs. Resources are contributed by police force members at rates fixed by state statutes and by the City through an annual property tax levy.

Firefighters' Pension Fund - to account for the accumulation of resources to pay pension costs. Resources are contributed by fire personnel members at rates fixed by state statutes and by the City through an annual property tax levy.

Retiree Health Insurance Fund - to account for the accumulation of resources to pay retiree health insurance costs.

AGENCY FUNDS

Special Assessments Fund - to account for the collection of assessments levied to retire special assessment bonds for which the City has no obligation.

Special Service Area #19 Fund - to account for the collection of property taxes levied to retire special service area bonds for which the City has no obligation.

	Police Pension		Firefighters' Pension		Other Employee Benefit Trust		Total
	Pension	Health	Pension	Health	Pension	Health	
ASSETS							
Cash and short-term investments	\$ 212,694	\$ -	\$ 289,649	\$ -	\$ 190,954	\$ -	\$ 693,297
Receivables					13,331		13,331
Accounts					2,349		430,215
Investments	242,905		184,961				
U.S. Treasury obligations	6,334,134		7,448,849				13,782,983
U.S. agency obligations	13,020,328		7,563,808				20,584,136
State and local obligations					412,000		412,000
Corporate bonds	15,104,505		11,689,736				26,794,241
Corporate equity securities	6,530,563		7,621,884				14,152,447
Equity mutual funds	47,389,823		39,424,003		4,592,722		91,406,548
Bond mutual funds					5,028,276		5,028,276
Balanced mutual funds	5,839,645				1,178,753		7,018,398
Money market mutual funds	3,595,285		2,068,229		128,486		5,792,000
Certificates of deposit	2,462,161		2,158,988				4,621,149
Pooled real estate fund	13,887,079		4,622,205				18,509,284
Prepaid items	17,828		12,857		2,917		33,602
Total assets	114,636,950		83,085,169		11,549,788		209,271,907
LIABILITIES							
Accounts payable	36,926		46,102				83,028
Deposits payable					102,329		102,329
Total liabilities	36,926		46,102		102,329		185,357
NET POSITION RESTRICTED FOR PENSION/OPEB BENEFITS	\$ 114,600,024		\$ 83,039,067		\$ 11,447,459		\$ 209,086,550

(See independent auditor's report.)

CITY OF ELGIN, ILLINOIS

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

For the Year Ended December 31, 2018

	Pension Trust		Other Employee		Total
	Police Pension	Firefighters' Pension	Benefit Trust	Retiree Health Insurance	
ADDITIONS					
Contributions					
Employer	\$ 8,604,338	\$ 6,193,093	\$ 1,627,171	\$	\$ 16,424,602
Employee	1,936,667	1,266,642	-	-	3,203,309
Total contributions	10,541,005	7,459,735	1,627,171		19,627,911
Investment income					
Net (depreciation) in fair value of investments	(7,243,534)	(5,674,877)	(820,031)		(13,738,442)
Interest	2,501,263	1,616,531	315,826		4,433,620
Total investment income	(4,742,271)	(4,058,346)	(504,205)		(9,304,822)
Less investment expense	(189,485)	(188,478)	(24,114)		(402,077)
Net investment income	(4,931,756)	(4,246,824)	(528,319)		(9,706,899)
Total additions	5,609,249	3,212,911	1,098,852		9,921,012
DEDUCTIONS					
Benefits and refunds	8,970,327	7,138,654	1,764,553		17,873,534
Less retiree contributions	-	-	(1,133,758)		(1,133,758)
Miscellaneous	110,319	72,168	-		182,487
Contractual professional services	12,856	8,523	-		21,379
Insurance					
Total deductions	9,093,502	7,219,345	630,595		16,943,442
NET INCREASE (DECREASE)	(3,484,253)	(4,006,434)	468,257		(7,022,430)
NET POSITION RESTRICTED FOR PENSION/OPEB BENEFITS					
January 1	118,084,277	87,045,501	10,979,202		216,108,980
December 31	\$ 114,600,024	\$ 83,039,067	\$ 11,447,459		\$ 209,086,550

(See independent auditor's report.)
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CITY OF ELGIN, ILLINOIS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

For the Year Ended December 31, 2018

	All Funds		Balances	
	January 1	Additions	Deductions	December 31
ASSETS				
Cash and investments	\$ 424,959	\$ 25,046	\$ -	\$ 450,005
Receivables				
Property taxes	55,990	56,310	55,990	56,310
Special assessments	95,147	-	21,040	74,107
Accrued interest	11,481	12,027	11,481	12,027
TOTAL ASSETS	\$ 587,577	\$ 93,383	\$ 88,511	\$ 592,449
LIABILITIES				
Due to bondholders	\$ 587,577	\$ 93,383	\$ 88,511	\$ 592,449
TOTAL LIABILITIES	\$ 587,577	\$ 93,383	\$ 88,511	\$ 592,449
Special Assessments				
ASSETS				
Cash and investments	\$ 417,282	\$ 24,470	\$ -	\$ 441,752
Receivables	95,147	-	21,040	74,107
Special assessments	11,481	12,027	11,481	12,027
Accrued interest				
TOTAL ASSETS	\$ 523,910	\$ 36,497	\$ 32,521	\$ 527,886
LIABILITIES				
Due to bondholders	\$ 523,910	\$ 36,497	\$ 32,521	\$ 527,886
TOTAL LIABILITIES	\$ 523,910	\$ 36,497	\$ 32,521	\$ 527,886

(This statement is continued on the following page.)
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CITY OF ELGIN, ILLINOIS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (Continued)
AGENCY FUNDS

For the Year Ended December 31, 2018

	Balances January 1	Additions	Deductions	Balances December 31
Special Service Area #19				
ASSETS				
Cash and investments	\$ 7,677	\$ 576	\$ -	\$ 8,253
Receivables	55,990	56,310	55,990	56,310
Property taxes				
TOTAL ASSETS	\$ 63,667	\$ 56,886	\$ 55,990	\$ 64,563
LIABILITIES				
Due to bondholders	\$ 63,667	\$ 56,886	\$ 55,990	\$ 64,563
TOTAL LIABILITIES	\$ 63,667	\$ 56,886	\$ 55,990	\$ 64,563

(See independent auditor's report.)
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SUPPLEMENTAL DATA



Comprehensive Annual Financial Report
 For The Fiscal Year Ended December 31, 2018

CITY OF ELGIN, ILLINOIS
COMBINING BALANCE SHEET
GENERAL FUND

December 31, 2018

	General	Elgin Riverboat	Grand Victoria Lease	Eliminations	Total
ASSETS AND DEFERRED					
OUTFLOWS OF RESOURCES					
ASSETS					
Cash and investments	\$ 57,840,460	\$ 20,630,726	\$ -	\$ -	\$ 78,471,186
Receivables	43,637,570	-	-	-	43,637,570
Property taxes	518,742	-	-	-	518,742
Accounts	326,323	104,714	-	-	431,037
Accrued interest	4,298,044	257,507	-	-	4,555,551
Other	26,238	-	-	-	26,238
Prepaid items	8,280,499	997,757	-	-	9,278,256
Due from other governments	333,819	-	-	-	333,819
Due from other funds	115,261,695	21,990,704	-	-	137,252,399
Total assets					
None	-	-	-	-	-
Total deferred outflows of resources	-	-	-	-	-
TOTAL ASSETS AND DEFERRED					
OUTFLOWS OF RESOURCES	\$ 115,261,695	\$ 21,990,704	\$ -	\$ -	\$ 137,252,399
LIABILITIES, DEFERRED INFLOWS					
OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 2,058,347	\$ 3,140,306	\$ -	\$ -	\$ 5,198,653
Accrued payroll	3,490,084	-	-	-	3,490,084
Retention payable	9,333,841	271,291	-	-	9,605,132
Deposits payable	888,422	1,155	-	-	889,577
Unearned revenue	1,128,429	-	-	-	1,128,429
Due to other funds	16,899,123	3,412,752	-	-	20,311,875
Total liabilities	43,637,570	-	-	-	43,637,570
Unavailable revenue	43,637,570	-	-	-	43,637,570
Total deferred inflows of resources	60,536,693	3,412,752	-	-	63,949,445
Total liabilities and deferred inflows of resources					
FUND BALANCES					
Nonspendable	26,238	-	-	-	26,238
Assigned	53,477	12,650	-	-	66,127
Prepaid items	73,309	200,792	-	-	274,101
Retention	-	269,304	-	-	269,304
Health and welfare	-	715,561	-	-	715,561
Highways and streets	-	3,057,624	-	-	3,057,624
Economic development	17,326	-	-	-	17,326
Other purposes	158,342	38,198	-	-	196,540
Capital projects	54,596,310	14,377,613	-	-	68,973,923
Unassigned	54,725,002	18,577,952	-	-	73,302,954
Total fund balances	\$ 115,261,695	\$ 21,990,704	\$ -	\$ -	\$ 137,252,399

(See independent auditor's report.)
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CITY OF ELGIN, ILLINOIS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GENERAL FUND

For the Year Ended December 31, 2018

	General	Elgin Riverboat	Grand Victoria Lease	Eliminations	Total
REVENUES					
Taxes					
Property	\$ 42,192,320	\$ -	\$ -	\$ -	\$ 42,192,320
Road and bridge	974,468	-	-	-	974,468
Hotel/motel	959,254	-	-	-	959,254
Sales	27,812,577	-	-	-	27,812,577
Utility	6,568,579	-	-	-	6,568,579
Local liquor	1,451,207	-	-	-	1,451,207
Local motor fuel	987,231	-	-	-	987,231
Telecommunications	2,520,429	-	-	-	2,520,429
Other	172,139	-	-	-	172,139
Intergovernmental	12,276,915	9,595,393	-	-	21,872,308
Licenses, fees and permits	2,348,217	-	-	-	2,348,217
Charges for services	12,543,009	-	-	-	12,543,009
Fines and forfeits	1,747,566	-	-	-	1,747,566
Investment income	1,019,292	326,446	2,155	-	1,347,893
Other	2,321,152	1,215,386	-	-	3,536,538
Total revenues	115,893,955	11,137,225	2,155	-	127,033,335
EXPENDITURES					
Current					
General government	8,233,994	-	-	-	8,233,994
Public safety	78,317,482	-	-	-	78,317,482
Highways and streets	13,586,303	460,994	-	-	14,047,297
Culture and recreation	268,700	-	-	-	268,700
Economic development	422,968	1,603,249	-	-	2,026,217
Sanitation	6,863,022	-	-	-	6,863,022
Other	1,382,542	272,406	-	-	1,654,948
Capital outlay	-	5,489,994	-	-	5,489,994
Total expenditures	108,806,311	8,095,343	-	-	116,901,654
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,087,644	3,041,882	2,155	-	10,131,681
OTHER FINANCING SOURCES (USES)					
Transfers in	5,400,660	2,708,630	-	(2,708,630)	5,400,660
Transfers (out)	(4,225,690)	(750,000)	(2,708,630)	2,708,630	(4,975,690)
Total other financing sources (uses)	1,174,970	1,958,630	(2,708,630)	-	424,970
NET CHANGE IN FUND BALANCES	8,262,614	5,000,512	(2,706,475)	-	10,556,651
FUND BALANCES, JANUARY 1	46,462,388	13,577,440	2,706,475	-	62,746,303
FUND BALANCES, DECEMBER 31	\$ 54,725,002	\$ 18,577,952	\$ -	\$ -	\$ 73,302,954

(See independent auditor's report.)
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CITY OF ELGIN, ILLINOIS
SCHEDULE OF REVENUES - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended December 31, 2018
(With Comparative Actual)

	2018			2017 Actual
	Original Budget	Final Budget	Actual	
TAXES				
Property tax - current	\$ 42,777,000	\$ 42,777,000	\$ 42,192,320	\$ 41,847,247
Road and bridge	900,000	900,000	974,468	936,928
Hotel/motel	969,000	969,000	959,254	494,382
Sales	17,200,000	17,200,000	19,374,212	17,720,398
Local sales	7,500,000	7,500,000	8,438,365	6,908,096
Utility taxes	6,400,000	6,400,000	6,568,379	6,057,398
Telecommunications	2,750,000	2,750,000	2,520,429	2,770,630
Local liquor	1,325,000	1,325,000	1,451,207	1,363,927
Local motor fuel	800,000	800,000	987,231	1,087,231
Foreign fire insurance	-	-	172,139	201,708
Total taxes	80,621,000	80,621,000	83,638,004	78,300,714
LICENSES AND PERMITS				
Business licenses	312,970	312,970	331,008	337,914
Liquor licenses	100,490	100,490	113,874	116,109
Total licenses	413,460	413,460	444,882	454,023
Permits				
Building	800,000	800,000	931,945	784,572
Electrical	120,000	120,000	239,395	120,365
Heating and air conditioning	90,000	90,000	201,070	92,655
Occupancy	85,000	85,000	96,507	89,880
Plumbing	145,000	145,000	286,398	156,795
Sign	15,000	15,000	13,355	24,050
Engineering	20,000	20,000	15,448	12,019
Parking lot	28,000	28,000	30,752	33,442
Miscellaneous	80,000	80,000	104,265	98,885
Total permits	1,383,000	1,383,000	1,903,335	1,412,663
Total licenses and permits	1,796,460	1,796,460	2,348,217	1,866,686
INTERGOVERNMENTAL				
Replacement taxes	765,000	765,000	873,903	108,903
State income taxes	9,800,000	9,800,000	10,360,740	9,936,978
State route maintenance	100,890	100,890	105,892	102,390
State grants - other	6,000	6,052	7,306	7,951
State revenues - other	5,000	5,000	8,737	3,737
Federal grants - other	104,000	232,128	319,365	532,098
County grants - Kane	-	-	-	31,449
School District U-46 Liaison Program	525,710	525,710	600,972	558,542
Total intergovernmental	11,306,600	11,437,780	12,276,915	12,150,672
CHARGES FOR SERVICES				
Ambulance fees	2,700,000	2,700,000	3,498,886	2,249,511
CPR training	9,000	9,000	2,128	14,365
Fire services - tow/hwy	-	-	-	400
Elevator inspection fees	60,000	60,000	9,945	75,828
Rental fees	28,500	28,500	29,587	28,449

(This schedule is continued on the following page.)

CITY OF ELGIN, ILLINOIS
SCHEDULE OF REVENUES - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended December 31, 2018
(With Comparative Actual)

	2018			2017 Actual
	Original Budget	Final Budget	Actual	
CHARGES FOR SERVICES (Continued)				
Engineering services	\$ 58,000	\$ 102,673	\$ 465,296	\$ 362,623
Miscellaneous police services	162,500	162,500	244,983	82,483
Fire protection services	66,750	40,000	66,848	98
Vacuum home fee	40,000	40,000	29,450	33,200
Housing inspection fees	60,000	230,000	35,000	52,500
Rental inspection fees	250,000	230,000	251,877	241,461
Pen check fees	140,000	140,000	172,229	162,555
Program registration fees	4,000	4,000	18,112	22,641
ESD sewer collection fees	270,000	270,000	392,427	317,194
Special event ticket sales	2,500	2,500	4,940	2,440
Tree removal fees	5,000	5,000	23,395	18,395
IRP application fees	-	-	2,195	8,020
Weed control fees	75,000	75,000	89,292	14,292
Zoning petitions and variations	37,000	37,000	93,740	56,740
Refuse collection	5,670,000	5,670,000	5,694,589	5,487,356
Miscellaneous services	618,500	741,141	1,418,090	676,949
Total charges for services	10,236,750	10,404,064	12,543,009	2,138,945
FINES AND FORFEITS				
Court and parking fines	6,500	6,500	8,112	1,612
Cook County fines	462,000	462,000	568,879	520,878
Kane County fines	1,000	1,000	780	1,057
Building permit fines	300,000	300,000	313,500	284,902
Parking tickets - current	20,000	20,000	21,300	22,200
Alarm fees	733,000	733,000	745,972	844,879
Code violation fines	20,000	20,000	23,798	28,458
Animal control fines	50,000	50,000	65,025	9,375
Overweight trucks	-	-	-	-
Total fines and forfeits	1,592,500	1,592,500	1,747,366	1,719,374
INVESTMENT INCOME				
	300,000	300,000	1,019,292	566,673
MISCELLANEOUS				
Site of maps and publications	-	-	55	55
Gas franchise	55,000	55,000	61,007	60,071
Cable TV franchise	1,470,000	1,470,000	1,425,315	1,490,462
Security system franchise	19,000	19,000	17,651	17,828
Roadway impact fee	-	-	-	10,156
Other	487,800	503,951	774,847	754,850
Special events	-	-	1,000	1,000
Construction plans	3,500	3,500	1,380	2,330
Police reports	25,000	25,000	38,612	29,877
Photocopies	300	300	1,285	985
Total miscellaneous	2,060,600	2,076,751	2,321,152	2,361,547
TOTAL REVENUES	\$ 107,913,910	\$ 108,228,555	\$ 115,893,955	\$ 107,068,522

(See independent auditor's report.)

CITY OF ELGIN, ILLINOIS
SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2018
(With Comparative Actual)

	2018		2017		Variance Over (Under)
	Original Budget	Final Budget	Actual	Actual	
GENERAL GOVERNMENT					
Mayor and City Council					
Personal services	\$ 205,530	\$ 205,530	\$ 193,565	\$ 207,487	(11,965)
Commodities	75,980	75,835	61,804	75,757	(14,031)
Contractual services	255,870	339,062	316,367	238,177	(22,695)
Insurance	26,750	26,750	26,750	26,750	-
Total Mayor and City Council	564,130	647,177	598,486	568,171	(48,691)
Office of the City Manager					
Personal services	1,163,590	1,163,590	1,123,482	1,042,828	(40,108)
Commodities	42,090	72,555	69,992	63,430	(2,563)
Contractual services	301,320	240,426	212,929	216,053	(27,497)
Insurance	5,680	5,680	5,680	5,680	-
Capital outlay	-	19,127	18,900	-	18,900
Total Office of the City Manager	1,512,680	1,501,378	1,430,983	1,327,991	(70,395)
Purchasing and research					
Personal services	344,940	344,340	336,050	329,787	(8,290)
Commodities	2,260	1,827	991	1,262	(836)
Contractual services	10,910	11,510	9,154	8,480	(2,356)
Insurance	13,910	17,973	17,973	1,410	-
Total purchasing and research	372,020	375,650	364,168	340,939	(11,482)
Human resources					
Personal services	612,270	612,270	616,044	592,968	3,774
Commodities	21,950	21,079	19,946	16,511	(1,133)
Contractual services	315,340	313,788	208,898	198,320	(104,890)
Capital outlay	-	1,082	1,081	-	1,081
Other	3,700	3,700	3,700	876	-
Total human resources	953,260	951,919	849,669	808,675	(102,250)
Legal department					
Personal services	1,147,920	1,147,920	1,141,538	1,117,345	(6,382)
Commodities	10,500	11,634	10,336	9,572	(1,298)
Contractual services	301,710	309,198	291,205	183,931	(17,993)
Insurance	2,280	2,230	2,155	2,276	(75)
Total legal department	1,462,410	1,470,982	1,445,234	1,313,124	(25,748)
Boards and commissions					
Personal services	54,430	54,430	64,350	36,467	9,920
Other	487,200	492,276	437,314	454,843	(54,962)
Total boards and commissions	541,630	546,706	501,664	491,310	(45,042)

(This schedule is continued on the following pages.)
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CITY OF ELGIN, ILLINOIS
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2018
(With Comparative Actual)

	2018		2017		Variance Over (Under)
	Original Budget	Final Budget	Actual	Actual	
GENERAL GOVERNMENT					
Mayor and City Council					
Office of the City Manager	\$ 564,130	\$ 647,177	\$ 598,486	\$ 568,171	(48,691)
Purchasing and research	1,512,680	1,501,378	1,430,983	1,327,991	(70,395)
Human resources	372,020	375,650	364,168	340,939	(11,482)
Legal department	953,260	951,919	849,669	808,675	(102,250)
Boards and commissions	1,462,410	1,470,982	1,445,234	1,313,124	(25,748)
Finance department	541,630	546,706	501,664	491,310	(45,042)
City Clerk	2,181,040	2,183,015	2,240,935	2,079,315	57,920
Planning department	280,820	280,675	266,576	266,287	(14,099)
Management information	400,330	402,943	396,011	6,932	(6,932)
311 department	1,354,110	1,474,097	1,480,502	1,281,827	6,405
Less administrative expenditures paid by other funds	1,088,160	1,087,868	988,956	1,020,964	(98,912)
Total general government	(2,334,250)	(2,334,250)	(2,329,190)	(2,335,728)	5,060
PUBLIC SAFETY					
Police department	8,376,340	8,588,160	8,233,994	7,787,055	(354,166)
Fire department	45,712,820	46,282,678	45,818,060	44,405,398	(464,618)
Bureau of inspection services	29,016,620	29,147,437	29,245,040	29,669,829	97,903
Total public safety	82,105,780	83,958,275	83,297,094	81,862,282	(1,095,981)
HIGHWAYS AND STREETS					
Public works administration	457,213	461,040	220,771	470,767	(240,269)
Engineering division	1,439,614	1,485,834	1,406,212	1,102,872	(79,622)
Traffic division	1,517,883	2,186,768	1,337,329	1,535,783	(849,439)
Streets division	2,705,534	4,414,394	3,041,190	1,566,380	(1,373,204)
Building maintenance	3,104,650	3,104,524	3,002,880	2,981,069	(101,644)
Park maintenance	4,880,571	4,802,817	4,577,921	4,713,359	(224,896)
Total highways and streets	14,105,465	16,455,377	13,586,303	12,370,230	(2,869,074)
ECONOMIC DEVELOPMENT					
Sanitation	541,510	541,510	422,968	379,981	(118,542)
Miscellaneous	6,956,485	6,956,485	6,863,022	6,766,654	(93,463)
Total economic development	7,498,000	7,498,000	7,286,000	7,146,635	(152,000)
MISCELLANEOUS					
Miscellaneous	1,820,740	1,843,516	1,382,542	1,290,122	(460,974)
Total miscellaneous	1,820,740	1,843,516	1,382,542	1,290,122	(460,974)
TOTAL EXPENDITURES	\$ 110,074,130	\$ 113,233,011	\$ 108,806,311	\$ 105,936,791	(4,426,700)

(See independent auditor's report.)
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CITY OF ELGIN, ILLINOIS

SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended December 31, 2018
(With Comparative Actual)

	2018			Variance Over (Under)	2017 Actual
	Original Budget	Final Budget	Actual		
GENERAL GOVERNMENT (Continued)					
Finance department					
Personal services	\$ 1,562,240	\$ 1,558,740	\$ 1,609,125	\$ 50,385	\$ 1,492,862
Commodities	10,600	7,610	7,500	(110)	8,719
Contractual services	599,080	604,624	612,299	7,675	568,584
Insurance	9,120	9,171	9,141	(30)	9,150
Capital outlay	-	2,870	2,870	-	-
Total finance department	2,181,040	2,183,015	2,240,935	57,920	2,079,315
City Clerk					
Personal services	236,950	236,950	238,792	1,842	227,994
Commodities	2,100	1,935	1,182	(753)	1,823
Contractual services	40,360	40,380	25,192	(15,188)	35,060
Insurance	1,410	1,410	1,410	-	1,410
Total City Clerk	280,820	280,675	266,576	(14,099)	266,287
Planning department					
Personal services	339,210	339,210	341,573	2,363	520,208
Commodities	21,310	18,180	16,773	(1,407)	31,750
Contractual services	31,850	37,593	29,705	(7,888)	64,262
Insurance	7,960	7,960	7,960	-	7,960
Total planning department	400,330	402,943	396,011	(6,932)	624,180
Management information					
Personal services	1,113,690	1,253,967	1,252,734	18,767	1,054,715
Commodities	202,410	203,274	198,559	(4,715)	197,801
Contractual services	37,130	35,976	28,329	(7,647)	28,431
Insurance	880	880	880	-	880
Total management information	1,354,110	1,474,097	1,480,502	6,405	1,281,827
311 department					
Personal services	1,048,760	1,048,760	978,838	(69,922)	1,007,196
Commodities	3,700	3,688	2,272	(1,386)	2,934
Contractual services	35,700	35,450	7,846	(27,604)	10,834
Total 311 department	1,088,160	1,087,898	988,956	(98,912)	1,020,964
Total general government	10,710,590	10,922,410	10,563,184	(359,226)	10,122,783
Less administrative expenditures paid by other funds	(2,334,250)	(2,334,250)	(2,329,190)	5,060	(2,335,728)
Total general government	8,376,340	8,588,160	8,233,994	(354,166)	7,787,055

(This schedule is continued on the following pages.)

CITY OF ELGIN, ILLINOIS

SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended December 31, 2018
(With Comparative Actual)

	2018			Variance Over (Under)	2017 Actual
	Original Budget	Final Budget	Actual		
PUBLIC SAFETY					
Police department					
Personal services	\$ 37,039,004	\$ 37,577,753	\$ 34,305,865	\$ (3,271,888)	\$ 32,537,711
Commodities	1,007,630	1,029,357	931,061	(77,396)	921,541
Contractual services	2,070,930	2,066,102	1,931,081	(135,021)	1,919,246
Insurance	11,360	11,360	10,385	(975)	10,540
Other	1,500	1,500	742	(758)	-
Pension contribution	5,582,406	5,824,406	8,604,338	3,021,932	8,812,140
Capital outlay	-	14,200	13,688	(512)	204,220
Total police department	45,712,820	46,282,678	45,818,060	(464,618)	44,405,598
Fire department					
Personal services	21,670,636	21,770,636	21,609,673	(160,963)	21,941,117
Commodities	993,080	971,389	1,096,947	125,558	1,150,328
Contractual services	251,980	253,760	248,550	(5,210)	235,672
Insurance	6,010	6,010	6,010	-	6,010
Pension contribution	6,048,134	6,048,134	6,193,093	144,959	6,111,021
Capital outlay	46,780	97,208	90,767	(6,441)	225,681
Total fire department	29,016,620	29,147,137	29,245,040	97,903	29,669,829
Bureau of inspection services					
Personal services	3,026,880	2,880,762	2,835,676	(45,086)	2,929,848
Commodities	28,850	27,600	15,445	(12,155)	4,524
Contractual services	482,320	503,686	397,161	(106,525)	327,050
Insurance	6,100	6,100	6,100	-	6,100
Total bureau of inspection services	3,544,150	3,418,148	3,254,382	(163,766)	3,267,522
Total public safety	78,273,590	78,847,963	78,317,482	(530,481)	77,342,749
HIGHWAYS AND STREETS					
Public works administration					
Personal services	351,343	351,343	125,034	(226,309)	386,542
Commodities	27,500	33,386	26,272	(714)	22,721
Contractual services	76,640	74,581	67,735	(6,846)	59,774
Insurance	1,730	1,730	1,730	-	1,730
Total public works administration	457,213	461,040	220,771	(240,269)	470,767
Engineering division					
Personal services	1,174,214	1,174,214	1,097,480	(76,734)	972,526
Commodities	12,450	17,080	14,430	(2,650)	12,095
Contractual services	251,640	293,230	292,992	(238)	116,941
Insurance	1,310	1,310	1,310	-	1,310
Total engineering division	1,439,614	1,485,834	1,406,212	(79,622)	1,102,872

(This schedule is continued on the following pages.)

CITY OF ELGIN, ILLINOIS
SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended December 31, 2018
(With Comparative Actual)

	2018			Variance Over (Under)	2017 Actual
	Original Budget	Final Budget	Actual		
HIGHWAYS AND STREETS (Continued)					
Traffic division					
Personal services	\$ 962,553	\$ 962,553	\$ 899,874	\$ (62,679)	\$ 769,594
Commodities	203,910	203,910	186,536	(19,374)	198,549
Contractual services	351,270	1,011,020	243,834	(767,186)	555,848
Insurance	150	150	150	-	150
Capital outlay	-	7,135	7,135	-	11,642
Total traffic division	1,517,883	2,186,768	1,337,329	(849,439)	1,535,783
Street division					
Personal services	1,071,064	2,504,224	1,554,852	(949,372)	784,718
Commodities	49,100	71,000	42,949	(28,051)	32,403
Contractual services	1,399,420	1,623,490	1,229,036	(394,454)	748,309
Insurance	950	950	950	-	950
Capital outlay	185,000	214,730	213,403	(1,327)	-
Total street division	2,705,534	4,414,394	3,041,190	(1,373,204)	1,566,380
Building maintenance					
Personal services	1,893,460	1,893,460	1,851,923	(41,537)	1,806,473
Commodities	377,750	416,537	408,234	(8,303)	408,723
Contractual services	832,800	793,887	742,083	(51,804)	765,233
Insurance	640	640	640	-	640
Total building maintenance	3,104,650	3,104,524	3,002,880	(101,644)	2,981,069
Park maintenance					
Personal services	3,462,981	3,385,821	3,305,274	(80,547)	3,155,773
Commodities	274,470	273,261	224,914	(48,347)	200,979
Contractual services	1,123,120	1,122,870	1,039,723	(83,147)	1,356,607
Capital outlay	20,000	20,865	8,010	(12,855)	-
Total park maintenance	4,880,571	4,802,817	4,577,921	(224,896)	4,713,359
Total highways and streets	14,105,465	16,455,377	13,586,303	(2,869,074)	12,370,230
ECONOMIC DEVELOPMENT					
Commodities	41,510	41,510	26,046	(15,464)	26,049
Contractual services	500,000	500,000	396,922	(103,078)	353,932
Total economic development	541,510	541,510	422,968	(118,542)	379,981
SANITATION					
Personal services	108,855	108,855	97,778	(11,077)	100,736
Commodities	264,850	264,850	595,360	330,510	1,485
Contractual services	6,522,780	6,522,780	6,169,884	(352,896)	6,331,854
Capital outlay	60,000	60,000	-	(60,000)	332,579
Total sanitation	6,956,485	6,956,485	6,863,022	(93,463)	6,766,654

(This schedule is continued on the following page.)

CITY OF ELGIN, ILLINOIS
SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended December 31, 2018
(With Comparative Actual)

	2018			Variance Over (Under)	2017 Actual
	Original Budget	Final Budget	Actual		
MISCELLANEOUS					
Other nondepartmental					
Personal services	\$ 390,450	\$ 390,450	\$ 342,257	\$ (48,193)	\$ 356,701
Commodities	21,000	34,909	30,374	(4,535)	13,500
Contractual services	793,800	811,000	688,714	(122,286)	717,632
Insurance	77,060	77,060	77,060	-	77,060
Capital outlay	91,430	426,740	203,735	(223,005)	90,658
Other	447,000	103,357	40,402	(62,955)	34,571
Total miscellaneous	1,820,740	1,843,516	1,382,542	(460,974)	1,290,122
TOTAL EXPENDITURES	\$ 110,074,130	\$ 113,233,011	\$ 108,806,311	\$ (4,426,700)	\$ 105,936,791

(See independent auditor's report.)

CITY OF ELGIN, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ELGIN RIVERBOAT FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Intergovernmental				
Casino admission tax	\$ 1,325,000	\$ 1,325,000	\$ 1,208,469	\$ (116,531)
Gaming taxes	8,650,000	8,650,000	8,362,605	(287,395)
State grants - other	610,000	610,000	-	(610,000)
Federal grants - other	560,800	560,800	24,319	(536,481)
Investment income	115,000	115,000	326,446	211,446
Rental fees	1,000,000	1,000,000	1,086,365	86,365
Gain on sale of capital asset	-	-	52,085	52,085
Miscellaneous				
Other	-	69,013	76,936	7,923
Total revenues	12,260,800	12,329,813	11,137,225	(1,192,588)
EXPENDITURES				
Current				
Culture and recreation	300,000	783,800	268,700	(515,100)
Highways and streets	583,130	602,130	460,994	(141,136)
Economic development	4,445,290	4,445,290	1,603,249	(2,842,041)
Miscellaneous	485,000	479,860	-	(479,860)
Contingencies	461,510	470,850	272,406	(198,444)
Other	18,902,410	19,190,658	5,489,994	(13,700,664)
Capital outlay				
Total expenditures	25,177,340	25,972,588	8,095,343	(17,877,245)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(12,916,540)	(13,642,775)	3,041,882	16,684,657
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	2,708,630	2,708,630
Transfers (out)	(750,000)	(750,000)	(750,000)	-
Total other financing sources (uses)	(750,000)	(750,000)	1,958,630	2,708,630
NET CHANGE IN FUND BALANCE	\$ (13,666,540)	\$ (14,392,775)	5,000,512	\$ 19,393,287
FUND BALANCE, JANUARY 1			13,577,440	
FUND BALANCE, DECEMBER 31			<u>\$ 18,577,952</u>	

(See independent auditor's report.)
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CITY OF ELGIN, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GRAND VICTORIA LEASE FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Investment income	\$ -	\$ -	\$ 2,155	\$ 2,155
Total revenues	-	-	2,155	2,155
EXPENDITURES				
None	-	-	-	-
Total expenditures	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	2,155	2,155
OTHER FINANCING SOURCES (USES)				
Transfers (out)	-	-	(2,708,630)	(2,708,630)
Total other financing sources (uses)	-	-	(2,708,630)	(2,708,630)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	(2,706,475)	\$ (2,706,475)
FUND BALANCE, JANUARY 1			2,706,475	
FUND BALANCE, DECEMBER 31			<u>\$ -</u>	

(See independent auditor's report.)
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CITY OF ELGIN, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND

For the Year Ended December 31, 2018
(With Comparative Actual)

	2018		Variance Over (Under)	2017	
	Original Budget	Final Budget		Actual	Actual
REVENUES					
Property taxes	\$ 3,650,890	\$ 3,650,890	\$ 3,627,135	\$ (23,755)	\$ 3,034,515
Investment income	10,000	10,000	27,431	17,431	13,849
Miscellaneous					
Other	140,200	140,200	140,200	-	144,800
Total revenues	3,801,090	3,801,090	3,794,766	(6,324)	3,193,164
EXPENDITURES					
Debt service					
Principal retirement	3,045,000	3,045,000	3,045,000	-	3,330,000
Interest and fiscal charges	769,090	769,090	749,278	(19,812)	857,809
Total expenditures	3,814,090	3,814,090	3,794,278	(19,812)	4,187,809
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(13,000)	(13,000)	488	13,488	(994,645)
NET CHANGE IN FUND BALANCE	\$ (13,000)	\$ (13,000)	\$ 488	\$ 13,488	\$ (994,645)
FUND BALANCE, JANUARY 1			1,478,933		2,473,578
FUND BALANCE, DECEMBER 31			\$ 1,479,421		\$ 1,478,933

(See independent auditor's report.)

CITY OF ELGIN, ILLINOIS

SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
WATER FUND

For the Year Ended December 31, 2018
(With Comparative Actual)

	2018		Variance Over (Under)	2017	
	Original Budget	Final Budget		Actual	Actual
OPERATING REVENUES					
Charges for services					
Service connections	\$ 100,000	\$ 100,000	\$ 217,014	\$ 117,014	\$ 120,400
Water service fees	101,000	101,000	113,739	12,739	118,682
Water impact fees	200,000	200,000	271,723	71,723	198,860
Charges for commodities					
Sale of water	25,543,750	25,543,750	25,447,145	(96,605)	24,433,830
Miscellaneous					
Other	44,560	47,130	267,087	219,957	78,710
Total operating revenues	\$ 25,989,310	\$ 25,991,880	\$ 26,316,708	\$ 324,828	\$ 24,950,482
OPERATING EXPENSES					
Administration	\$ 1,702,700	\$ 1,702,700	\$ 1,702,700	\$ -	\$ 1,702,700
Administrative support					
Personal services					
Salaries	5,046,043	5,046,043	4,870,027	(176,016)	4,703,230
Pension contributions	1,023,944	1,023,944	1,005,378	(18,566)	995,429
Other employee costs	1,284,283	1,284,283	1,178,130	(106,153)	1,196,728
Total personal services	7,354,270	7,354,270	7,053,535	(300,735)	6,895,387
Commodities	3,169,880	3,169,880	2,801,839	(367,841)	2,827,886
Contractual services	4,699,120	5,165,272	4,426,187	(739,085)	5,443,669
Insurance	183,490	183,490	183,490	-	183,490
Debt service					
Principal	4,150,000	4,150,000	4,150,000	-	4,400,000
Interest and fiscal charges	1,430,550	1,430,550	1,211,560	(218,990)	1,367,931
Total debt service	5,580,550	5,580,550	5,361,560	(218,990)	5,767,931
Other					
Capital repair and replacement	2,943,080	3,649,313	1,312,229	(2,337,084)	2,668,755
Major repairs	480,000	597,828	273,859	(323,969)	153,144
Total other	3,423,080	4,247,141	1,586,088	(2,661,053)	2,821,899
Total operating expenses	26,113,090	27,403,103	23,115,399	(4,287,704)	25,642,962
ADJUSTMENTS TO GAAP BASIS					
Debt service	(4,150,000)	(4,150,000)	(4,150,000)	-	(4,400,000)
Pension and OPEB expense adjustment	(901,977)	(901,977)	409,681	409,681	(693,370)
Capital assets capitalized	-	-	4,446,513	4,446,513	(2,564,302)
Depreciation	-	-	-	-	4,408,911
Total adjustments to GAAP basis	(5,051,977)	(5,051,977)	(195,783)	4,856,194	(1,886,621)
TOTAL EXPENSES - GAAP BASIS	\$ 21,061,113	\$ 22,351,126	\$ 22,919,616	\$ 568,490	\$ 23,756,341

(See independent auditor's report.)

CITY OF ELGIN, ILLINOIS
SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
SEWER FUND

For the Year Ended December 31, 2018
 (With Comparative Actual)

	2018		Variance	
	Original Budget	Final Budget	Actual	Over (Under)
OPERATING REVENUES				
Charges for services	\$ 172,000	\$ 172,000	\$ 502,907	\$ 330,907
Sewer impact fees				\$ 121,509
Charges for commodities	5,778,000	5,778,000	5,743,418	(34,582)
Sewer billings		595	595	-
Miscellaneous				15,655
Total operating revenues	\$ 5,950,000	\$ 5,950,595	\$ 6,246,920	\$ 296,325
				\$ 5,531,590
OPERATING EXPENSES				
Administration	\$ 334,220	\$ 334,220	\$ 334,220	\$ -
Administrative support				\$ 334,220
Personal services				
Salaries	999,352	999,352	936,279	(63,073)
Pension contributions	209,114	209,114	194,830	(14,284)
Other employee costs	254,124	254,124	246,440	(7,684)
Total personal services	1,462,590	1,462,590	1,377,549	(85,041)
Commodities	101,750	101,750	69,377	(32,373)
Contractual services	670,950	784,547	647,660	(136,887)
Insurance	320	320	320	-
Debt service				
Principal	2,595,000	2,595,000	2,595,000	-
Interest and fiscal charges	634,270	634,270	552,755	(81,515)
Total debt service	3,229,270	3,229,270	3,147,755	(81,515)
Other				
Capital repair and replacement	1,610,000	1,600,000	1,404,766	(195,234)
Total other	1,610,000	1,600,000	1,404,766	(195,234)
Total operating expenses	7,409,100	7,512,697	6,981,647	(531,050)
ADJUSTMENTS TO GAAP BASIS				
Debt service	(2,595,000)	(2,595,000)	(2,595,000)	-
Pension and OPEB expense adjustment			108,710	108,710
Capital assets capitalized	(1,395,266)	(1,395,266)	(1,395,266)	-
Depreciation			2,948,432	2,948,432
Total adjustments to GAAP basis	(3,990,266)	(3,990,266)	(933,124)	(3,057,142)
TOTAL EXPENSES - GAAP BASIS	\$ 3,418,834	\$ 3,522,431	\$ 6,048,523	\$ 2,526,092
				\$ 6,215,050

(See independent auditor's report.)
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CITY OF ELGIN, ILLINOIS
SCHEDULE OF BONDED DEBT
 December 31, 2018

	Interest Rates	Interest Dates	Amount of Original Issue	(Accrued) Refunded	Bonds Outstanding December 31
GENERAL OBLIGATION BONDS					
Corporate Purpose Bond Series of 2008A	4.00% - 5.00%	June 15 and December 15	\$ 5,910,000	\$ 5,910,000	\$ -
Debt Service Fund Portion	5.00% - 5.00%	June 15 and December 15	8,435,000	8,435,000	480,000
Water Fund Portion					
Corporate Purpose Bond Series of 2010A	2.00% - 4.10%	June 15 and December 15	6,000,000	6,000,000	-
Debt Service Fund Portion	2.00% - 4.10%	June 15 and December 15	1,105,000	475,000	630,000
Water Fund Portion					
Retaining Bond Series of 2010B	2.00% - 4.00%	June 15 and December 15	1,590,000	1,590,000	-
Water Fund Portion	2.00% - 4.00%	June 15 and December 15	3,165,000	3,165,000	-
Retaining Bond Series of 2010C	2.00% - 4.00%	June 15 and December 15	3,095,000	2,580,000	515,000
Debt Service Fund Portion	2.00% - 4.00%	June 15 and December 15	2,460,000	2,225,000	235,000
Water Fund Portion	2.00% - 4.00%	June 15 and December 15	1,055,000	815,000	240,000
Sewer Fund Portion					
Corporate Purpose Bond Series of 2011	2.50% - 4.25%	June 15 and December 15	8,695,000	3,335,000	5,160,000
Water Fund Portion	2.50% - 4.25%	June 15 and December 15	1,000,000	320,000	680,000
Sewer Fund Portion					
Retaining Bond Series of 2012	2.00% - 5.00%	June 15 and December 15	2,265,000	1,765,000	500,000
Debt Service Fund Portion	2.00% - 5.00%	June 15 and December 15	9,450,000	4,700,000	4,750,000
Water Fund Portion	2.00% - 5.00%	June 15 and December 15	3,500,000	1,955,000	1,545,000
Sewer Fund Portion					
Corporate Purpose Bond Series of 2012A	2.00% - 3.50%	June 15 and December 15	3,900,000	2,210,000	1,690,000
Debt Service Fund Portion	2.00% - 3.50%	June 15 and December 15	4,700,000	1,175,000	3,525,000
Water Fund Portion					
Retaining Bond Series of 2012B	2.00% - 4.00%	June 15 and December 15	4,785,000	2,235,000	2,530,000
Sewer Fund Portion					
Retaining Bond Series of 2013A	1.00% - 5.00%	June 15 and December 15	745,000	745,000	-
Debt Service Fund Portion	1.00% - 5.00%	June 15 and December 15	6,550,000	4,105,000	2,445,000
Water Fund Portion	1.00% - 5.00%	June 15 and December 15	5,895,000	1,310,000	4,585,000
Sewer Fund Portion					
Corporate Purpose Bond Series of 2013B	1.00% - 4.00%	June 15 and December 15	10,330,000	6,850,000	3,480,000
Debt Service Fund Portion	1.00% - 4.00%	June 15 and December 15	1,355,000	770,000	585,000
Water Fund Portion	1.00% - 4.00%	June 15 and December 15	765,000	560,000	205,000
Sewer Fund Portion					
Corporate Purpose Bond Series of 2013C	2.10% - 3.05%	June 15 and December 15	1,360,000	-	1,360,000
Debt Service Fund Portion	2.10% - 3.05%	June 15 and December 15	2,930,000	-	2,930,000
Water Fund Portion	2.10% - 3.05%	June 15 and December 15	735,000	-	735,000
Retaining Bond Series of 2015A	2.00% - 3.00%	June 15 and December 15	7,160,000	770,000	6,390,000
Water Fund Portion	2.00% - 3.00%	June 15 and December 15	1,695,000	440,000	1,255,000
Sewer Fund Portion					
Retaining Bond Series of 2015B	0.70% - 1.80%	June 15 and December 15	905,000	740,000	165,000
Water Fund Portion	0.70% - 1.80%	June 15 and December 15	1,185,000	905,000	280,000
Sewer Fund Portion					
Corporate Purpose Bonds Series of 2016	3.00%	June 15 and December 15	14,995,000	2,705,000	12,290,000
Debt Service Fund Portion	3.00%	June 15 and December 15	10,000,000	1,780,000	8,220,000
Water Fund Portion					
TOTAL GENERAL OBLIGATION BONDS			\$ 138,195,000	\$ 70,790,000	\$ 67,405,000

(See independent auditor's report.)
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CITY OF ELGIN, ILLINOIS

ILLINOIS GRANT ACCOUNTABILITY AND TRANSPARENCY ACT
 CONSOLIDATED YEAR END FINANCIAL REPORT

For the Year Ended December 31, 2018

CSFA Number	Program Name	State	Federal	Other	Total
340-00-0010	Equitable Sharing Program	\$ 64,363	\$ -	\$ -	64,363
482-00-0894	EMS Assistance Fund Grant	3,052	-	-	3,052
494-00-1488	Motor Fuel Tax Program	1,567,765	-	-	1,567,765
494-10-0343	State and Community Highway Safety/National Priority Safety Program	-	65,451	-	65,451
546-00-1474	Victims of Crime Act (VOCA) FFY16	-	221,958	47,832	269,790
592-01-0853	Local Government Training Reimbursement	4,254	-	-	4,254
	Other grant programs and activities	-	1,506,999	-	1,506,999
	All other costs not allocated	-	-	195,080,652	195,080,652
TOTALS		\$ 1,639,434	\$ 1,794,408	\$ 195,128,484	\$ 198,562,326

(See independent auditor's report.)
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STATISTICAL



STATISTICAL



Comprehensive Annual Financial Report
 For The Fiscal Year Ended December 31, 2018

CITY OF ELGIN, ILLINOIS

NET POSITION BY COMPONENT

Last Ten Fiscal Years

Fiscal Year	2009	2010	2011	2012
GOVERNMENTAL ACTIVITIES				
Net investment in capital assets	\$ 514,170,170	\$ 516,975,819	\$ 538,728,512	\$ 536,128,231
Restricted	26,119,640	22,207,217	13,569,130	16,387,845
Unrestricted	59,104,594	60,145,190	71,702,720	81,148,528
TOTAL GOVERNMENTAL ACTIVITIES	\$ 599,394,404	\$ 599,328,226	\$ 624,000,362	\$ 633,664,604
BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	\$ 159,852,877	\$ 184,469,829	\$ 208,501,013	\$ 212,178,919
Restricted	-	-	-	-
Unrestricted	31,794,066	33,648,481	36,963,585	42,587,108
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 191,646,943	\$ 218,118,310	\$ 245,464,598	\$ 254,766,027
PRIMARY GOVERNMENT				
Net investment in capital assets	\$ 674,023,047	\$ 701,445,648	\$ 747,229,525	\$ 748,307,150
Restricted	26,119,640	22,207,217	13,569,130	16,387,845
Unrestricted	90,898,660	93,793,671	108,666,305	123,735,656
TOTAL PRIMARY GOVERNMENT	\$ 791,041,347	\$ 817,446,536	\$ 869,464,960	\$ 888,430,651

*The City implemented GASB Statement No. 68 for the year ended December 31, 2015.

**The City implemented GASB Statement No. 75 for the year ended December 31, 2018.

Data Source

Audited Financial Statements

STATISTICAL SECTION

This part of the City of Elgin's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

Contents Page(s)

Financial Trends
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have been changed over time. 155-164

Revenue Capacity
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax. 165-171

Debt Capacity
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. 172-177

Demographic and Economic Information
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. 178-179

Operating Information
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. 180-182

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF ELGIN, ILLINOIS
CHANGE IN NET POSITION
Last Ten Fiscal Years

Fiscal Year	2009	2010	2011	2012
EXPENSES				
Governmental activities	\$ 9,023,528	\$ 18,886,980	\$ 10,111,518	\$ 9,584,174
General government	59,908,246	60,458,152	62,860,177	62,439,806
Public safety	35,536,916	38,650,756	40,269,935	40,606,774
Highways and streets	2,977,138	4,098,862	2,232,300	964,972
Health and welfare	12,010,535	11,671,043	11,295,810	11,184,838
Culture and recreation	1,140,772	763,871	2,557,077	1,864,058
Economic development	5,159,316	5,511,356	4,990,654	5,227,350
Sanitation	1,737,954	1,594,438	1,312,690	1,150,039
Interest	-	-	-	-
Total governmental activities expenses	127,494,405	141,635,458	135,630,161	133,022,011
Business-type activities	17,861,391	18,136,939	18,240,620	18,783,056
Water	5,282,998	5,249,682	5,627,786	5,745,559
Sewer	2,535,310	3,664,115	4,493,390	4,612,446
Golf	-	-	-	-
Total business-type activities expenses	25,679,699	27,050,736	28,361,796	29,141,061
TOTAL PRIMARY GOVERNMENT EXPENSES	\$ 153,174,104	\$ 168,686,194	\$ 163,991,957	\$ 162,163,072
PROGRAM REVENUES				
Governmental activities	\$ 2,718,675	\$ 3,740,970	\$ 4,702,954	\$ 5,015,124
Charges for services	5,102,597	5,539,087	5,591,960	5,617,705
General government	140,465	142,495	296,890	89,883
Public safety	7,274	6,325	7,293	337,513
Highways and streets	5,123,637	4,762,040	4,761,370	4,776,430
Health and welfare	538,516	446,075	427,706	5,165,404
Culture and recreation	4,145,955	6,916,912	6,640,910	5,029,854
Sanitation	5,048,304	23,774,120	33,149,607	12,312,863
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
Total governmental activities program revenues	22,825,423	45,328,024	55,578,690	38,344,776
Business-type activities	21,827,827	22,493,532	23,755,633	24,642,236
Charges for services	4,733,113	5,238,565	5,403,156	5,619,089
Water	1,803,956	3,155,755	3,326,783	4,162,423
Sewer	-	-	-	29,783
Golf course	8,255,016	23,303,972	22,537,577	4,702,385
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	36,619,912	54,191,824	55,023,149	39,155,918
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	\$ 59,445,335	\$ 99,519,848	\$ 110,601,839	\$ 77,500,694

Fiscal Year	2013	2014	2015*	2016	2017	2018**
General government	\$ 557,864,331	\$ 553,444,727	\$ 554,592,394	\$ 541,856,090	\$ 520,374,530	\$ 503,534,676
Public safety	16,228,503	16,794,950	16,938,214	15,245,603	14,331,839	19,974,101
Highways and streets	83,143,818	83,400,820	(130,714,118)	(130,296,654)	(140,006,697)	(144,626,428)
Health and welfare	657,236,652	653,640,497	\$ 440,816,490	\$ 426,805,039	\$ 394,699,672	\$ 378,882,349
Culture and recreation	218,903,392	236,220,665	243,978,508	247,013,617	250,566,625	251,466,784
Economic development	41,190,817	43,332,992	39,282,855	37,840,940	35,021,118	35,353,321
Sanitation	260,094,209	279,553,657	283,261,363	284,854,557	285,587,743	286,820,105
Interest	776,767,723	789,665,392	798,570,902	788,869,707	770,941,155	755,001,460
Operating grants and contributions	16,228,503	16,794,950	16,938,214	15,245,603	14,331,839	19,974,101
Capital grants and contributions	124,334,635	126,733,812	(91,431,263)	(92,455,714)	(104,985,579)	(109,273,107)
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	\$ 917,330,861	\$ 933,194,154	\$ 724,077,853	\$ 711,659,596	\$ 680,287,415	\$ 665,702,454

CITY OF ELGIN, ILLINOIS

CHANGE IN NET POSITION (Continued)

Last Ten Fiscal Years

	2013	2014	2015*	2016	2017	2018**
\$	11,721,363	12,945,844	12,051,141	12,022,018	12,995,103	12,895,941
	68,111,907	72,544,165	92,816,963	88,538,700	85,777,884	91,363,608
	39,473,128	40,944,103	42,143,740	48,169,201	45,335,293	37,899,617
	3,381,683	4,040,042	1,680,529	954,336	1,324,457	1,190,933
	11,013,481	11,400,492	13,122,168	13,089,139	13,241,535	12,277,316
	1,902,919	1,851,051	2,039,588	2,035,435	8,343,984	2,721,315
	5,254,017	5,555,868	5,825,952	6,104,343	6,766,654	6,863,022
	1,004,981	870,259	588,833	681,323	637,911	544,850
	141,863,479	150,151,824	170,268,914	171,594,495	174,622,821	165,756,602
	20,003,302	19,528,702	21,971,424	23,243,893	23,756,341	22,919,616
	5,364,387	5,420,281	6,209,338	6,541,033	6,215,050	6,048,523
	3,677,965	3,732,519	3,903,664	3,902,736	4,024,523	3,837,585
	29,045,654	28,681,502	32,084,446	33,687,662	33,995,914	32,805,724
	\$ 170,909,133	\$ 178,833,326	\$ 202,353,360	\$ 205,282,157	\$ 208,618,735	\$ 198,562,326

	2009	2010	2011	2012
\$	104,668,982	96,307,434	80,051,471	94,677,235
	10,940,213	27,141,088	26,661,353	10,014,857
	93,728,769	69,166,346	53,390,118	84,662,378
	54,747,528	54,426,444	52,536,591	49,593,964
	16,766,660	16,480,000	14,729,338	12,275,580
	15,986,242	17,195,190	18,318,243	20,946,252
	-	-	-	7,224,224
	1,143,994	1,254,436	1,226,630	1,309,784
	8,529,335	8,258,924	8,375,642	9,506,198
	924,238	352,546	158,002	187,212
	10,582,526	10,517,287	9,980,953	5,120,239
	-	-	-	(2,600,000)
	811,149	846,600	(601,592)	778,024
	109,491,672	109,331,427	104,723,607	104,341,477
	473,534	176,879	83,343	64,596
	(811,149)	(846,600)	601,592	(778,024)
	(337,615)	(669,721)	684,935	(713,428)
	109,154,057	108,661,706	105,408,542	103,628,049
	4,822,690	13,023,993	24,672,136	9,664,242
	10,602,598	26,471,367	27,346,288	9,301,429
	15,425,288	39,495,360	52,018,424	18,965,671

*The City implemented GASB Statement No. 68 for the year ended December 31, 2015.

**The City implemented GASB Statement No. 75 for the year ended December 31, 2018.

Data Source

Audited Financial Statements

CITY OF ELGIN, ILLINOIS
FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year	2009	2010	2011	2012
GENERAL FUND				
Reserved	\$ -	\$ 3,085,350	\$ -	\$ -
Unreserved	32,115,008	31,385,411	-	-
Nonspendable	-	-	10,200	83,734
Unrestricted	-	-	-	-
Assigned	-	-	28,459,052	30,025,473
Unassigned	-	-	34,852,626	41,728,688
TOTAL GENERAL FUND	\$ 32,115,008	\$ 34,470,761	\$ 63,321,878	\$ 71,837,895
ALL OTHER GOVERNMENTAL FUNDS				
Reserved	\$ 27,597,390	\$ 26,786,437	\$ -	\$ -
Unreserved, reported in				
Special Revenue Funds	26,417,866	26,686,806	-	-
Capital Project Funds	-	-	-	-
Nonspendable	-	-	2,750	2,750
Restricted	-	-	14,462,430	17,133,845
Unrestricted	-	-	-	-
Assigned	-	-	12,749,828	12,151,223
TOTAL ALL OTHER GOVERNMENTAL FUNDS	\$ 54,015,256	\$ 53,473,243	\$ 27,215,008	\$ 29,287,818

Note: The City implemented GASB Statement No. 54 for the year ended December 31, 2011.

Data Source

Audited Financial Statements

2013	2014	2015*	2016	2017	2018**
\$ (91,932,893)	\$ (114,567,635)	\$ (131,363,731)	\$ (134,758,126)	\$ (145,482,106)	\$ (132,006,647)
6,674,404	5,201,492	5,833,550	1,218,909	2,240,620	3,026,320
\$ (85,258,489)	\$ (109,366,143)	\$ (125,530,181)	\$ (133,539,217)	\$ (143,241,486)	\$ (128,980,327)
\$ 42,882,848	\$ 43,258,079	\$ 44,740,472	\$ 50,623,985	\$ 52,099,180	\$ 53,245,175
11,336,294	10,078,400	10,125,667	9,702,764	10,007,419	9,571,074
24,864,976	26,338,972	27,610,851	27,875,322	29,233,891	32,591,567
10,409,057	10,368,821	9,467,779	9,147,568	8,828,028	9,088,808
1,374,039	2,607,953	2,853,913	2,756,679	2,814,282	4,166,995
10,308,190	10,358,332	11,511,549	10,531,456	9,936,978	10,560,740
182,803	164,917	205,210	520,153	997,557	1,714,217
5,154,263	4,923,567	3,530,408	3,524,347	3,376,358	3,417,212
-	(249,743)	-	-	-	-
8,992,471	1,468,228	1,467,145	1,103,418	1,274,745	1,234,149
115,504,941	109,318,026	111,412,994	115,785,692	118,568,438	125,589,937
61,794	66,618	94,261	188,334	343,764	651,211
7,584,455	(1,468,228)	(1,467,145)	(1,103,418)	(1,274,745)	(1,234,149)
(8,992,471)	(1,346,222)	(1,401,610)	(1,372,884)	(930,981)	(582,938)
\$ 114,158,719	\$ 107,916,416	\$ 110,040,110	\$ 114,870,608	\$ 117,637,457	\$ 124,806,999
\$ 23,572,048	\$ (5,249,609)	\$ (19,950,737)	\$ (18,972,434)	\$ (26,913,668)	\$ (6,616,710)
5,328,182	3,799,882	4,460,666	303,825	1,309,639	2,443,382
\$ 28,900,230	\$ (1,449,727)	\$ (15,490,071)	\$ (18,668,609)	\$ (25,604,029)	\$ (4,173,328)

CITY OF ELGIN, ILLINOIS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year	2009	2010	2011	2012
REVENUES				
Taxes				
Property	\$ 54,747,528	\$ 54,426,444	\$ 52,536,591	\$ 49,593,964
Road and bridge	709,244	715,280	772,827	806,703
Sales	15,986,242	17,195,190	18,318,243	20,946,252
Utility	-	-	-	3,031,381
Telecommunications	-	-	-	-
Local liquor	-	-	-	613,600
Local motor fuel	-	-	-	-
Other	434,750	539,156	453,603	503,081
Intergovernmental	31,569,189	34,059,242	31,323,550	31,456,483
Licenses, fees and permits	1,562,670	2,154,476	1,960,445	1,947,592
Charges for services	8,109,830	7,746,151	7,909,101	13,520,159
Fines and forfeitures	1,664,716	2,360,326	2,160,417	1,884,030
Investment income	924,238	352,546	158,002	187,212
Miscellaneous	12,058,769	11,352,659	12,512,350	11,091,821
Total revenues	127,767,176	130,901,470	128,105,129	135,582,278
EXPENDITURES				
General government	6,877,794	14,130,110	7,022,084	6,542,914
Public safety	56,464,199	57,717,294	59,278,679	61,498,959
Highways and streets	14,498,978	14,981,924	16,697,964	15,814,214
Health and welfare	630,934	2,789,664	1,495,383	661,100
Culture and recreation	8,946,919	8,354,509	8,323,190	7,660,290
Economic development	1,139,567	623,348	583,744	1,155,040
Sanitation	4,952,424	4,776,685	4,990,654	5,227,350
Other	3,859,081	4,404,916	2,226,646	3,208,093
Capital outlay	21,569,786	20,335,310	13,796,932	17,269,831
Debt service	7,095,000	4,105,000	5,930,000	8,475,000
Principal	1,737,954	1,594,438	1,555,629	1,166,831
Interest	-	-	-	-
Total expenditures	127,572,636	133,813,198	121,700,905	128,679,622
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	194,540	(2,911,728)	6,404,224	6,902,656
OTHER FINANCING SOURCES (USES)				
Transfers in	14,282,074	13,115,271	11,134,125	14,221,554
Transfers (out)	(14,690,925)	(14,543,671)	(14,945,467)	(14,543,530)
Bonds issued	-	4,733,113	-	3,900,000
Premium on bonds issued	-	179,870	-	72,259
Refunding bonds issued	-	3,095,000	-	2,265,000
Premium on refunding bonds issued	-	271,349	-	334,203
Sale of capital assets	4,988	213	-	-
Notes payable issued	2,300,000	-	-	-
Payment to escrow agent	-	(3,392,564)	-	(2,563,315)
Total other financing sources (uses)	1,896,137	3,458,581	(3,811,342)	3,686,171
NET CHANGE IN FUND BALANCES	\$ 2,090,677	\$ 546,853	\$ 2,592,882	\$ 10,588,827
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	7.66%	4.62%	6.24%	8.03%

Data Source:

Audited Financial Statements

CITY OF ELGIN, ILLINOIS

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Levy Years

Year	Levy	Residential	Commercial	Industrial	Less Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2009	\$ 1,888,997.26	\$ 430,169,916	\$ 309,633,610	\$ -	\$ -	\$ 2,628,803,252	\$ 1.9200	\$ 7,886,409,756
2010	1,793,511,048	385,997,755	291,814,995	-	-	2,471,323,798	1.9214	7,413,971,394
2011	1,653,126,717	368,676,691	278,412,658	-	-	2,300,216,066	1.9888	6,900,648,198
2012	1,429,382,404	363,268,208	329,129,347	-	-	2,121,979,959	1.9344	6,365,939,877
2013	1,324,195,896	331,239,009	312,493,892	-	-	1,967,928,797	2.1668	5,903,786,391
2014	1,240,570,263	309,883,818	326,265,562	-	-	1,876,719,443	2.3218	5,630,158,329
2015	1,310,470,008	329,709,978	369,913,393	-	-	2,010,093,379	2.4110	6,030,280,137
2016	1,477,630,557	349,351,890	398,765,431	-	-	2,225,747,878	2.2396	6,677,243,634
2017	1,593,641,298	359,257,227	416,687,403	-	-	2,369,588,928	2.1494	7,108,757,784
2018*	1,669,300,662	365,108,865	431,642,742	-	-	2,466,052,269	2.0240	7,398,156,807

*2018 Equalized Assessed Value for Cook County is estimated.

Note: Property in the City is reassessed each year. Property is assessed at .33% of actual value.

Data Source:

Office of the County Clerk

2013	2014	2015	2016	2017	2018
\$ 42,882,848	\$ 43,258,079	\$ 44,740,472	\$ 50,623,985	\$ 52,099,180	\$ 53,245,174
837,817	854,460	881,621	918,861	936,928	974,468
24,864,976	26,338,972	27,610,851	27,875,322	29,233,891	32,591,567
6,590,654	7,106,287	6,221,044	6,196,315	6,087,398	6,568,379
3,818,402	3,262,535	3,146,736	2,951,253	2,770,630	2,520,429
1,182,032	1,236,894	1,308,871	1,330,649	1,363,927	1,451,207
536,222	569,581	709,913	719,239	696,090	987,231
35,879,106	28,618,115	27,742,896	25,766,420	26,287,248	26,008,717
2,446,827	2,572,904	2,445,889	2,821,463	1,866,686	2,348,217
13,510,054	14,126,260	13,798,120	14,777,302	14,912,553	17,671,747
1,823,879	1,785,253	1,712,225	1,659,099	1,719,374	1,747,366
182,803	164,917	205,210	520,152	997,554	1,714,218
9,855,140	7,519,085	7,373,630	12,654,019	5,960,275	6,308,960
144,410,760	137,413,342	137,897,478	148,814,079	144,901,734	155,269,073
7,129,737	8,746,221	8,345,415	8,386,962	8,187,698	8,670,522
64,431,236	72,370,768	75,296,893	74,197,795	78,402,200	79,127,010
16,442,164	17,465,781	17,537,159	15,194,604	16,096,539	15,615,106
1,298,675	525,289	1,234,838	659,092	1,082,821	970,568
7,699,766	8,200,543	8,767,744	10,000,232	8,828,205	9,218,501
1,023,861	1,156,880	1,367,158	1,458,187	1,781,862	2,721,315
5,254,017	5,555,868	5,825,952	6,104,343	6,766,654	6,863,022
4,566,001	4,068,232	5,664,564	11,844,836	2,164,068	1,654,948
47,071,954	19,761,359	12,864,749	26,877,192	18,881,598	10,199,742
6,845,000	6,485,000	6,580,000	3,770,000	3,330,000	3,045,000
1,193,467	1,057,727	803,203	897,887	857,809	749,278
162,955,878	145,393,848	144,287,675	159,391,130	152,379,454	138,835,012
(18,545,118)	(7,980,506)	(6,390,197)	(10,577,051)	(7,477,720)	16,434,061
20,254,134	12,374,861	12,368,100	9,172,574	8,720,335	8,819,751
(13,177,163)	(12,910,633)	(12,950,955)	(9,569,156)	(9,735,590)	(9,835,602)
11,690,000	-	-	14,995,000	-	-
989,554	-	-	793,847	-	-
745,000	-	-	-	-	-
85,785	-	-	-	-	-
-	-	-	-	-	-
(818,558)	-	-	-	-	-
19,768,752	(535,772)	(682,855)	15,392,265	(1,015,255)	(1,015,851)
\$ 1,223,634	\$ (8,516,278)	\$ (6,973,052)	\$ 4,815,214	\$ (8,492,975)	\$ 15,418,210
6.33%	5.49%	5.39%	3.30%	2.85%	2.78%

CITY OF ELGIN, ILLINOIS
PRINCIPAL PROPERTY TAXPAYERS
 Current Levy Year and Nine Years Ago

	2017 Levy Year				2008 Levy Year			
	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Valuation	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Valuation
TLF Northwest Business Park VII LLC		\$ 20,333,886	1	0.86%	John B. Sanfilippo & Son	\$ 11,825,937	1	0.48%
John B. Sanfilippo & Son		17,479,121	2	0.74%	Partnership	10,530,569	2	0.43%
MHC - Daura financing Limited Partnership		9,318,579	3	0.39%	IRC (formally CNC)	8,234,458	3	0.33%
Advemus US Realty #1P		8,597,202	4	0.36%	USA	8,001,912	4	0.32%
Sherman Hospital		7,919,208	5	0.34%	Huner's Ridge IRP II, LLC	7,766,407	5	0.31%
Hunter Ridge Apartments LLS (2)		7,385,449	6	0.31%	Ball Aerosol & Specialty Packaging	7,743,789	6	0.31%
BBREP Randall Point LLC		6,835,933	7	0.29%	Henkel Adhesives	7,140,251	7	0.29%
CHI IND 1 LLC		6,818,068	8	0.29%	Home Property of NY	6,714,354	8	0.27%
DCT 305-525 Corporate LLC		6,764,985	9	0.29%	Other Creek LLC (formerly Allied)	6,516,623	9	0.26%
Henkel Corporation		6,414,926	10	0.27%	Middleby Marshall Inc.	5,770,267	10	0.23%
		\$ 97,846,227		4.14%		\$ 80,244,567		3.28%

Note: Every effort has been made to seek out and report the largest taxpayers. However, many of the taxpayers contain multiple parcels, and it is possible that some parcels and their valuations have been overlooked.

Data Source

Office of the County Clerk

CITY OF ELGIN, ILLINOIS
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
 Last Ten Levy Years

Tax Levy Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
CITY DIRECT RATES										
General	1.4096	1.3571	1.3557	1.2785	1.3484	1.4121	1.3663	1.2498	1.1688	1.1129
Illinois Municipal Retirement	0.1814	0.1002	0.1046	0.1039	0.1116	0.0309	0.0884	0.0966	0.0945	0.0697
Social Security	-	0.0796	0.0832	0.0943	0.1012	0.1139	0.1082	0.1051	0.1014	0.0972
Debt Service	0.1114	0.1375	0.1374	0.1355	0.1525	0.2188	0.2428	0.1380	0.1550	0.1463
Police Service	0.1108	0.1292	0.1485	0.1726	0.2716	0.3255	0.3538	0.3840	0.3661	0.3412
Fire Pension	0.1069	0.1178	0.1284	0.1496	0.1815	0.2206	0.2515	0.2660	0.2636	0.2567
TOTAL DIRECT RATES	1.9201	1.9214	1.9214	1.9344	2.1668	2.3218	2.4110	2.2396	2.1494	2.0240
OVERLAPPING RATES										
Kane County	0.3398	0.3730	0.3990	0.4336	0.4623	0.4684	0.4479	0.4201	0.4025	0.3877
Kane County Forest Preserve District	0.1997	0.2201	0.2609	0.2710	0.3039	0.3126	0.2944	0.2253	0.1658	0.1607
School District 46	4.5494	5.2661	5.5589	6.3706	5.9395	8.0229	7.1238	6.5487	6.3696	6.1237
Community College 509	0.3833	0.4407	0.4454	0.5215	0.5707	0.6076	0.5609	0.5296	0.4999	0.5075
Elgin Township	0.0706	0.0783	0.0890	0.0997	0.1114	0.1160	0.1102	0.1020	0.1192	0.1164
Fox River Reclamation District	0.0249	0.0273	0.0299	0.0344	0.0369	0.0409	0.0339	0.0315	0.0302	0.0291
Gait Borden Library District	0.3380	0.3650	0.4084	0.4791	0.5087	0.5796	0.5294	0.4898	0.4729	0.4630
Elgin Township Road and Bridge	0.0524	0.0581	0.0660	0.0762	0.0858	0.0893	0.0849	0.0785	0.0758	0.0745
TOTAL OVERLAPPING RATES	5.9581	6.8286	6.8286	8.2861	8.0192	10.2373	9.1854	8.4255	8.1360	7.8626
TOTAL DIRECT AND OVERLAPPING	7.8782	8.7500	8.7500	10.2205	10.1860	12.5591	11.5964	10.6651	10.2854	9.8866

Note: District value by tax code.

Data Source

Office of the County Clerk

CITY OF ELGIN, ILLINOIS
PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Levy Years

Levy Year	Collected within the			Total Collections to Date		
	Fiscal Year of the Levy	Percentage of Levy	Collections for Subsequent Years			
2009	\$ 49,487,439	\$ 47,905,883	96.80%	\$ 1,166,861	\$ 49,072,744	99.16%
2010	47,055,000	47,029,918	99.95%	837,007	47,866,925	101.73%
2011	46,413,000	45,642,535	98.34%	9,981	45,652,516	98.36%
2012	40,244,826	39,818,454	98.94%	40,076	39,858,530	99.04%
2013	42,924,000	41,111,960	95.78%	59,730	41,171,690	95.92%
2014	42,959,380	43,100,765	100.33%	12,863	43,113,628	100.36%
2015	48,620,779	48,531,694	99.82%	16,481	48,548,175	99.85%
2016	49,785,670	49,319,020	99.06%	4,690	49,323,710	99.07%
2017	51,085,970	50,406,251	98.67%	3,242	50,409,493	98.68%
2018*	50,523,120	-	0.00%	-	-	0.00%

*Tax extension from Kane County and estimate levy for Cook County.

Property in the City is reassessed each year. Property is assessed at 33% of actual value.

Total collections to date represents collections during the current levy year for both current and prior levy years.

Data Source

Tax extensions received from Cook and Kane County

CITY OF ELGIN, ILLINOIS
SALES TAX BY CATEGORY
KANE COUNTY

Last Ten Fiscal Years

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General merchandise	\$ 1,074,256	\$ 1,080,742	\$ 980,897	\$ 1,881,923	\$ 2,650,568	\$ 3,825,520	\$ 3,754,507	\$ 2,907,225	\$ 2,862,740	\$ 3,092,226
Food	1,116,267	1,167,988	1,200,002	1,199,318	1,237,912	1,176,728	1,488,536	2,216,226	2,469,283	3,131,419
Dining and eating places	1,627,017	1,665,971	1,732,405	2,081,493	2,551,802	2,699,161	2,913,951	3,020,792	3,135,315	3,550,009
Apparel	153,344	166,359	317,650	195,262	214,382	226,187	246,894	252,002	262,925	291,170
Furniture, H.H. and radio	123,787	132,425	115,201	120,108	159,557	163,391	179,663	167,000	182,463	374,887
Lumber, building hardware	1,401,731	1,532,015	1,355,554	1,455,450	1,916,936	1,942,148	2,022,541	1,963,336	2,203,141	2,423,686
Automobile and filling stations	1,995,044	2,735,982	3,054,498	3,432,497	3,905,531	2,905,825	2,841,246	2,921,176	3,015,918	3,557,468
Drugs and miscellaneous retail	1,259,277	1,644,156	1,734,325	2,072,849	2,472,033	2,753,227	2,539,938	3,608,873	3,829,358	3,600,912
Agriculture and all others	2,117,858	1,797,259	1,921,784	2,181,726	2,564,754	2,985,737	3,824,836	3,006,429	3,486,431	3,978,877
Manufacturers	338,100	412,696	436,001	480,005	660,626	809,351	884,037	941,651	964,290	1,015,328
TOTAL	\$ 11,205,181	\$ 12,335,563	\$ 12,848,217	\$ 15,100,691	\$ 18,334,101	\$ 19,477,275	\$ 20,676,069	\$ 21,116,710	\$ 22,405,864	\$ 25,076,052

CITY DIRECT SALES TAX RATES

	1.75%	1.75%	1.75%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.50%
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Data Source

Illinois Department of Revenue

CITY OF ELGIN, ILLINOIS

DIRECT AND OVERLAPPING SALES TAX RATES

Last Ten Fiscal Years

Fiscal Year	City Direct Rate	State Rate
2009	1.75%	5.00%
2010	1.75%	5.00%
2011	1.75%	5.00%
2012	2.25%	5.00%
2013	2.25%	5.00%
2014	2.25%	5.00%
2015	2.25%	5.00%
2016	2.25%	5.25%
2017	2.25%	5.25%
2018	2.50%	5.25%

Data Source

City and County Records

CITY OF ELGIN, ILLINOIS
SALES TAX BY CATEGORY
COOK COUNTY

Last Ten Fiscal Years

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General merchandise	\$ 51,185	\$ 63,087	\$ 93,292	\$ 103,701	\$ 99,932	\$ 74,922	\$ 64,891	\$ 65,522	\$ 34,843	\$ 11,371
Food	459,701	466,850	477,260	493,305	511,644	563,997	550,422	529,994	537,096	629,221
Drinking and eating places	114,044	130,152	129,683	173,311	216,146	248,161	276,118	288,554	305,366	333,889
Apparel	-	-	-	-	-	-	-	342	494	690
Furniture, H.H. and radio	6,368	7,516	7,791	9,439	9,349	4,068	5,356	3,233	5,792	8,286
Lumber, building hardware	22,325	19,100	15,474	12,105	25,931	25,148	25,715	45,191	26,690	32,577
Automobile and filling stations	2,116,397	2,270,464	2,457,190	2,681,600	2,898,529	2,951,586	2,765,798	2,399,603	2,397,159	2,594,678
Drugs and miscellaneous retail	413,734	373,331	366,564	382,317	430,332	407,868	475,079	463,607	507,264	529,946
Agriculture and all others	178,179	145,239	173,485	196,182	182,883	229,743	216,166	230,901	195,859	207,199
Manufacturers	84,576	45,935	59,628	88,676	80,748	96,032	81,838	87,613	144,749	112,872
TOTAL	\$ 3,446,609	\$ 3,520,674	\$ 3,780,367	\$ 4,140,637	\$ 4,455,514	\$ 4,601,525	\$ 4,461,383	\$ 4,114,560	\$ 4,145,312	\$ 4,461,029

CITY DIRECT SALES TAX RATES	1.75%	1.75%	1.75%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.50%
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Data Source

Illinois Department of Revenue

CITY OF ELGIN, ILLINOIS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less Amounts Available In Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property*	
				Value of Property	Per Capita
2009	\$ 113,032,369	\$ 8,280,852	\$ 104,751,517	1.33%	\$ 985.15
2010	107,558,744	7,716,876	99,841,868	1.35%	922.86
2011	104,022,872	-	104,022,872	1.51%	961.50
2012	99,611,742	-	99,611,742	1.56%	920.73
2013	109,045,540	-	109,045,540	1.85%	991.98
2014	93,956,955	-	93,956,955	1.67%	853.03
2015	79,988,696	-	79,988,696	1.33%	719.86
2016	93,154,287	-	93,154,287	1.43%	830.91
2017	82,032,916	-	82,032,916	1.16%	731.63
2018	71,522,261	-	71,522,261	0.97%	635.03

*See the schedule of Assessed Value and Actual Value of Taxable Property on page 166 for property value data.

Note: Details of the City's outstanding debt can be found in the notes to financial statements.

CITY OF ELGIN, ILLINOIS
RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year Ended	Governmental Activities				Business-Type Activities				Ratio to Equalized Assessed	Ratio to Total Personal Income	Per Capita*
	General Obligation Bonds	Capital Leases	Special Assessment Payable	Installment Notes Payable	General Obligation Bonds	Capital Appreciation Bonds	General Obligation Bonds	Primary Government			
2009	\$ 33,990,000	\$ -	\$ -	\$ 2,300,000	\$ 66,775,000	\$ 12,267,370	\$ 113,332,370	\$ 113,332,370	4.39%	5.94%	\$ 1,085
2010	32,990,000	-	-	2,300,000	63,965,000	10,803,744	109,858,744	109,858,744	4.45%	5.75%	1,015
2011	25,990,000	-	-	2,300,000	67,110,000	11,322,872	106,322,872	106,322,872	4.62%	5.65%	983
2012	24,991,000	-	-	-	73,169,404	7,176,742	108,337,215	108,337,215	4.94%	4.51%	969
2013	23,176,000	-	-	-	78,414,000	2,901,108	111,387,108	111,387,108	5.01%	4.70%	992
2014	23,125,207	-	-	-	70,831,748	-	93,956,955	93,956,955	5.01%	4.62%	853
2015	16,088,037	-	-	-	63,880,659	-	79,988,696	79,988,696	3.98%	3.06%	720
2016	27,861,806	-	-	-	65,292,481	-	93,154,287	93,154,287	4.29%	3.41%	831
2017	24,261,145	-	-	-	57,771,071	-	82,032,916	82,032,916	3.47%	2.92%	732
2018	20,969,244	-	-	-	50,553,017	-	71,522,261	71,522,261	2.90%	2.42%	635

*See the schedule of Demographic and Economic Information on page 179 for personal income and population data.
 Note: Details of the City's outstanding debt can be found in the notes to financial statements.

CITY OF ELGIN, ILLINOIS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

December 31, 2018

CITY OF ELGIN, ILLINOIS

LEGAL DEBT MARGIN

December 31, 2018

Government Unit	Gross Debt	Percentage Debt Applicable to the City	City's Share of Debt
City of Elgin	\$ 20,969,244	100.00%	\$ 20,969,244
Cook County	2,950,121,750	0.27%	8,042,170
Kane County	28,235,000	14.13%	3,988,720
Cook County Forest Preserve District	142,360,000	0.27%	388,080
Kane County Forest Preserve District	144,415,000	14.13%	20,401,309
Metropolitan Water Reclamation District	2,348,253,000	0.03%	746,610
Bartlett Park District	21,460,000	0.22%	47,924
Dundee Township Park District	16,035,000	17.20%	2,757,703
Gail Borden Public Library District	7,385,000	68.21%	5,037,408
Campton Township	26,940,000	0.02%	4,077
Unit School District #46	214,881,175	35.20%	75,635,896
Unit School District #300	247,257,030	9.76%	24,138,259
Unit School District # 301	45,808,189	50.24%	23,016,247
Unit School District # 303	38,045,000	0.004%	1,419
Elgin Community College District #509	168,661,226	16.42%	27,695,270
	6,399,857,370		191,901,092
TOTAL	\$ 6,420,826,614		\$ 212,870,336

Note: The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the City's assessed value that is within the City's boundaries and dividing it by the district's total taxable assessed value.

Data Source

Office of the County Clerk

The City is a home rule municipality.

Article VII, Section 6(k) of the 1970 Illinois Constitution governs computation of the legal debt margin.

"The General Assembly may limit by law the amount and require referendum approval of debt to be incurred by home rule municipalities, payable from ad valorem property tax receipts, only in excess of the following percentages of the assessed value of its taxable property... indebtedness which is outstanding on the effective date (July 1, 1971) of this constitution or which is thereafter approved by referendum... shall not be included in the foregoing percentage amounts."

To date, the General Assembly has set no limits for home rule municipalities.

CITY OF ELGIN, ILLINOIS

PLEDGED-REVENUE COVERAGE
WATER REVENUE BONDS

Last Ten Fiscal Years

Fiscal Year	Water Charges and Other	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2009	\$ 22,117,244	\$ 12,230,886	\$ 9,886,358	\$ 3,760,000	\$ 2,349,964	1.62
2010	22,614,171	12,608,104	10,006,067	3,510,000	2,099,542	1.78
2011	23,805,259	12,389,844	11,415,415	4,305,000	2,142,182	1.77
2012	24,687,368	12,701,202	11,986,166	4,655,000	2,241,001	1.74
2013	23,778,170	13,757,446	10,020,724	5,090,000	2,185,985	1.38
2014	23,725,777	13,436,739	10,289,038	5,190,000	1,917,888	1.45
2015	23,281,454	16,194,636	7,086,818	4,610,000	1,537,958	1.15
2016	23,871,782	17,141,404	6,730,378	6,155,000	1,715,307	0.86
2017	25,185,434	17,979,499	7,205,935	4,400,000	1,367,931	1.25
2018	26,758,750	17,261,543	9,497,207	4,150,000	1,211,560	1.77

Note: Details of the City's outstanding debt can be found in the notes to financial statements. Water charges and other includes investment earnings. Operating expenses do not include interest or depreciation.

CITY OF ELGIN, ILLINOIS

PLEDGED-REVENUE COVERAGE
SEWER REVENUE BONDS

Last Ten Fiscal Years

Fiscal Year	Sewer Charges and Other	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2009	\$ 4,917,230	\$ 1,791,271	\$ 3,125,959	\$ 1,665,000	\$ 1,397,672	1.02
2010	5,294,805	1,733,904	3,560,901	1,420,000	1,281,379	1.32
2011	5,436,873	1,803,799	3,633,074	1,910,000	1,329,456	1.12
2012	5,638,553	1,776,924	3,861,629	2,005,000	1,302,855	1.17
2013	5,551,398	1,834,303	3,717,095	3,110,000	798,593	0.95
2014	5,982,288	1,841,409	4,140,879	2,515,000	772,134	1.26
2015	5,478,844	2,506,034	2,972,810	2,510,000	855,741	0.88
2016	5,663,727	2,934,117	2,729,610	2,490,000	718,268	0.85
2017	5,640,402	2,675,536	2,964,866	2,610,000	631,382	0.91
2018	6,456,089	2,547,336	3,908,753	2,595,000	552,755	1.24

Note: Details of the City's outstanding debt can be found in the notes to financial statements. Sewer charges and other includes investment earnings. Operating expenses do not include interest or depreciation.

CITY OF ELGIN, ILLINOIS

DEMOGRAPHIC AND ECONOMIC INFORMATION

Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2009	106,330	\$ 2,929,005,677	\$ 27,546	13.00%
2010*	108,188	2,929,005,677	27,073	12.40%
2011	108,188	2,929,005,677	27,073	12.00%
2012	108,188	2,987,553,198	27,614	10.50%
2013	109,927	2,594,387,127	23,601	10.40%
2014	110,145	2,593,143,735	23,543	8.40%
2015	111,117	2,614,805,244	23,532	6.90%
2016	112,111	2,731,023,960	24,360	6.50%
2017	112,123	2,811,596,348	25,076	5.50%
2018	112,628	2,959,525,956	26,277	5.40%

*Data from 2010 census, all other years estimated unless noted otherwise.

Data Sources Illinois Department of Employment Security
United States Census Bureau

CITY OF ELGIN, ILLINOIS

MAJOR AREA EMPLOYERS

Current Year and Nine Years Ago

2018				2009			
Employer	Rank	Employment	% of Total City Population	Employer	Rank	Employment	% of Total City Population
Northwest Community Healthcare	1	4,000	3.55%	Sears Holding Corp	1	4,800	4.57%
Sears Holding Corp	2	3,800	3.37%	Northwest Community Healthcare	2	4,000	3.81%
Allied Building Products Corp.	3	3,000	2.66%	AT&T Inc.	3	3,000	2.86%
Zurich North America	4	2,500	2.22%	Zurich North American Commercial	4	2,690	2.56%
St. Alexius Medical Center	5	2,045	1.82%	Motorola Inc.	5	2,145	2.04%
Nation Pizza Products L.P.	6	2,000	1.78%	St. Alexius Medical Center	6	2,045	1.95%
Northrop Grumman Corp.	7	1,900	1.69%	Level 3 Communications, Inc.	7	2,000	1.91%
Motorola Solutions, Inc.	8	1,600	1.42%	North Grumman Corp	8	2,000	1.91%
HSBC Finance Corp.	9	1,500	1.33%	Experian Information Solutions, Inc.	9	1,500	1.43%
Clearbrook	10	1,000	0.89%	Paddock Publications, Inc.	10	850	0.81%
Arthur J Gallagher & Co.	11	825	0.73%	ADP Dealer Services	11	700	0.67%
OptumRx, Inc.	12	800	0.71%	Nation Pizza Products, LP	12	700	0.67%
Psychcity	13	800	0.71%	Verizon Wireless	13	670	0.64%
Gallagher-Bassett Services, Inc.	14	675	0.60%	Career Education Corp.	14	650	0.62%
Verizon Wireless, Inc.	15	670	0.59%	The Nielsen Company	15	650	0.62%
CDK Global	16	600	0.53%	ComCast Corp	16	600	0.57%
Experian Information Solutions, Inc.	14	600	0.53%				
Total population		112,628		Total population		104,939	

Data Sources

2018 Illinois Manufacturers Directory, 2018 Illinois Services Directory and a selected telephone survey

CITY OF ELGIN, ILLINOIS
OPERATING INDICATORS

Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
PUBLIC SAFETY										
Police	6,310	5,533	5,066	5,015	4,904	4,929	4,307	3,984	3,715	3,207
Physical arrests	44,173	11,853	15,033	13,225	11,374	11,222	11,138	13,085	14,841	13,864
Traffic violations	30,114	19,271	20,292	18,914	21,372	21,405	17,981	22,535	20,791	18,915
Fire	10,987	10,856	11,080	10,726	10,906	11,541	11,396	11,634	11,973	12,424
Emergency responses	141	178	160	229	154	161	161	192	179	158
Fines extinguished	149	182	145	192	343	339	293	186	241	193
Unlawful alcohol consumed										
PUBLIC WORKS										
Street resurfacing (miles)	2.6	22.7	11.7	9.7	7.2	10.9	9.9	16.4	22.4	7.9
Households served	27,198	29,853	30,296	29,916	30,802	31,070	31,537	31,677	30,979	31,074
SANITATION										
Water	315	343	160	783	250	355	368	324	195	140
Water main breaks	89	105	113	136	103	195	141	58	94	107
Average daily consumption	13,000,000	13,442,000	12,586,000	12,500,000	12,884,000	13,779,000	13,087,000	12,415,000	13,292,000	13,345,000
Peak daily consumption	18,170,000	17,105,000	22,116,000	22,370,000	19,005,000	20,340,000	18,969,000	17,712,000	22,664,000	19,554,000
Data Source:										
Various City departments										

CITY OF ELGIN, ILLINOIS
FULL-TIME EQUIVALENT EMPLOYEES

Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GENERAL GOVERNMENT										
City Manager's Office	18.38	17.50	19.00	18.50	22.00	21.75	22.75	19.00	21.00	20.50
Legal	5.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
311	0.00	0.00	0.00	0.00	0.00	16.00	16.00	16.00	10.00	10.00
Finance	28.00	26.50	25.50	24.50	19.25	19.25	20.75	20.75	20.75	30.00
Human Resources	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Public Works	5.00	4.00	2.00	2.00	3.00	3.00	3.00	3.00	3.00	2.00
Police	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
COMMUNITY DEVELOPMENT										
Police	253.00	250.25	256.50	246.50	249.25	252.50	257.00	253.00	253.50	253.50
Fire	136.00	132.00	136.50	137.00	135.75	136.50	136.00	136.50	136.50	136.50
Code Enforcement	30.50	28.00	28.00	25.00	26.00	24.00	26.00	26.00	26.00	24.00
HIGHWAYS AND STREETS										
Administration	3.38	4.00	4.00	2.50	2.50	2.50	3.00	4.25	1.50	1.00
Engineering	6.00	7.00	8.00	8.00	7.00	5.00	7.00	7.00	5.00	8.00
Traffic	7.00	7.00	7.00	6.00	5.00	5.00	5.00	6.00	6.00	7.00
Maintenance	39.50	48.25	53.50	49.25	50.50	48.50	53.50	53.50	51.25	52.75
Utilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CULTURE AND RECREATION										
Administration	4.00	4.00	4.00	3.00	3.25	3.50	3.50	3.50	3.50	3.50
Recreation Programs	64.00	63.50	62.00	59.50	60.25	70.00	71.00	71.00	71.90	70.75
Cultural Arts	10.00	12.25	10.25	8.50	8.50	11.25	11.25	10.75	11.25	11.25
Parks Maintenance	35.50	32.25	30.50	26.50	30.25	28.00	27.75	27.50	31.25	31.25
ENTERPRISE FUNDS										
Water	52.50	52.00	52.00	52.00	51.50	53.25	53.25	55.25	57.00	61.00
Sewer	13.50	12.00	11.50	11.25	11.25	11.00	11.00	11.00	11.00	11.00
Golf	9.50	11.25	10.50	15.75	11.75	12.00	15.00	13.00	14.00	14.00
TOTAL	725.26	722.75	731.75	706.25	712.75	733.50	749.75	753.00	753.00	759.50
Data Source:										
City Payroll Records										



2018 Comprehensive Annual Financial Report



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CITY OF ELGIN, ILLINOIS CAPITAL ASSET STATISTICS Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
PUBLIC SAFETY										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Area patrols	14	14	15	15	15	15	15	15	15	15
Patrol units	48	81	81	64	64	61	61	61	61	64
Fire										
Fire stations	7	7	7	7	7	7	7	7	7	7
Fire engines	9	10	9	9	9	9	9	9	9	9
PUBLIC WORKS										
City streets (miles)	328	330	381	382	382	390	390	390	392	392
Streetslamps	6,747	10,058	10,085	6,747	6,747	8,268	8,268	8,419	8,419	8,419
Traffic signals	56	56	57	52	52	56	56	57	57	57
CULTURE AND RECREATION										
Number of parks	68	69	72	72	72	74	75	74	75	75
Acres of park land	1,679	1,680	1,693	1,693	1,699	1,702	1,643	1,646	1,646	1,712
WATER										
Water mains (miles)	535	454	454	532	535	538	540	543	546	433
Fire hydrants	5,337	5,568	5,591	5,364	5,569	5,961	6,152	6,192	6,275	6,356
Storage capacity (gallons)	15,500,000	15,500,000	17,500,000	17,500,000	17,500,000	17,500,000	17,500,000	17,500,000	17,500,000	17,500,000

Data Source:

Various city departments

APPENDIX B
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

1. The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to any Tender/Remarketing Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to any Tender/Remarketing Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to any Tender/Remarketing Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF CHAPMAN AND CUTLER LLP]

[TO BE DATED CLOSING DATE]

We hereby certify that we have examined certified copy of the proceedings (the “*Proceedings*”) of the City Council of the City of Elgin, Kane and Cook Counties, Illinois (the “*City*”), passed preliminary to the issue by the City of its fully registered General Obligation Corporate Purpose Bonds, Series 2020B (the “*Bonds*”), to the amount of \$_____, dated the date hereof, due serially on December 15 of the years and in the amounts and bearing interest as follows:

2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032
2033
2034

the Bonds due on or after December 15, 20__, being subject to redemption prior to maturity at the option of the City as a whole or in part in any order of their maturity as determined by the City (less than all of the Bonds of a single maturity to be selected by the Bond Registrar), on December 15, 20__, or on any date thereafter, at the redemption price of par plus accrued interest to the redemption date, as provided in the Proceedings, and we are of the opinion that the Proceedings show lawful authority for said issue under the laws of the State of Illinois now in force.

We further certify that we have examined the form of bond prescribed for said issue and find the same in due form of law, and in our opinion said issue, to the amount named, is valid and legally binding upon the City and is payable from any funds of the City legally available for such purpose, and all taxable property in the City is subject to the levy of taxes to pay the same without limitation as to rate or amount, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium,

reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

It is our opinion that, subject to the City's compliance with certain covenants, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals under the Internal Revenue Code of 1986, as amended. Failure to comply with certain of such City covenants could cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of any information furnished to any person in connection with any offer or sale of the Bonds.

In rendering this opinion, we have relied upon certifications of the City with respect to certain material facts within the City's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

APPENDIX D

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

**FORM OF CONTINUING DISCLOSURE UNDERTAKING
FOR THE PURPOSE OF PROVIDING
CONTINUING DISCLOSURE INFORMATION
UNDER SECTION (b)(5) OF RULE 15c2-12**

This Continuing Disclosure Undertaking (this “*Agreement*”) is executed and delivered by the City of Elgin, Kane and Cook Counties, Illinois (the “*Issuer*”), in connection with the issuance of \$_____ General Obligation Corporate Purpose Bonds, Series 2020B (the “*Bonds*”). The Bonds are being issued pursuant to an ordinance adopted by the City Council of the Issuer on the 16th day of March, 2020 (the “*Ordinance*”).

In consideration of the issuance of the Bonds by the Issuer and the purchase of such Bonds by the beneficial owners thereof, the Issuer covenants and agrees as follows:

1. **PURPOSE OF THIS AGREEMENT.** This Agreement is executed and delivered by the Issuer as of the date set forth below, for the benefit of the beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). The Issuer represents that it will be the only obligated person with respect to the Bonds at the time the Bonds are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after issuance of the Bonds.

2. **DEFINITIONS.** The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

Annual Financial Information means information of the type contained under the following headings and subheadings of, and in the following appendices and exhibits to, the Official Statement:

1. The table under the heading “Retailers’ Occupation, Service Occupation and Use Tax”;
2. All of the tables under the heading “PROPERTY ASSESSMENT AND TAX INFORMATION”;
3. All of the tables under the heading “DEBT INFORMATION”; and
4. All of the tables under the heading “FINANCIAL INFORMATION” (excluding Budget and Estimated Financial Information).

Annual Financial Information Disclosure means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

Audited Financial Statements means the audited financial statements of the Issuer prepared pursuant to the standards and as described in *Exhibit I*.

Commission means the Securities and Exchange Commission.

Dissemination Agent means any agent designated as such in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation, and such agent's successors and assigns.

EMMA means the MSRB through its Electronic Municipal Market Access system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

Exchange Act means the Securities Exchange Act of 1934, as amended.

Financial Obligation of the Issuer means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

MSRB means the Municipal Securities Rulemaking Board.

Official Statement means the Final Official Statement, dated _____, 2020, and relating to the Bonds.

Participating Underwriter means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

Reportable Event means the occurrence of any of the Events with respect to the Bonds set forth in *Exhibit II*.

Reportable Events Disclosure means dissemination of a notice of a Reportable Event as set forth in Section 5.

Rule means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

State means the State of Illinois.

Undertaking means the obligations of the Issuer pursuant to Sections 4 and 5.

3. CUSIP NUMBERS. The CUSIP Numbers of the Bonds are set forth in *Exhibit III*. The Issuer will include the CUSIP Numbers in all disclosure materials described in Sections 4 and 5 of this Agreement.

4. ANNUAL FINANCIAL INFORMATION DISCLOSURE. Subject to Section 8 of this Agreement, the Issuer hereby covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (in the form and by the dates set forth in *Exhibit I*) to EMMA in such manner and format and accompanied by identifying information as is prescribed

by the MSRB or the Commission at the time of delivery of such information and by such time so that such entities receive the information by the dates specified. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents required to be filed with EMMA, including financial statements and other externally prepared reports.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Issuer will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment or waiver is made to this Agreement, the Annual Financial Information for the year in which such amendment or waiver is made (or in any notice or supplement provided to EMMA) shall contain a narrative description of the reasons for such amendment or waiver and its impact on the type of information being provided.

5. REPORTABLE EVENTS DISCLOSURE. Subject to Section 8 of this Agreement, the Issuer hereby covenants that it will disseminate in a timely manner (not in excess of ten business days after the occurrence of the Reportable Event) Reportable Events Disclosure to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents required to be filed with EMMA, including financial statements and other externally prepared reports. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the Bondholders pursuant to the Ordinance.

6. CONSEQUENCES OF FAILURE OF THE ISSUER TO PROVIDE INFORMATION. The Issuer shall give notice in a timely manner to EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Issuer to comply with any provision of this Agreement, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed a default under the Ordinance, and the sole remedy under this Agreement in the event of any failure of the Issuer to comply with this Agreement shall be an action to compel performance.

7. AMENDMENTS; WAIVER. Notwithstanding any other provision of this Agreement, the Issuer by ordinance authorizing such amendment or waiver, may amend this Agreement, and any provision of this Agreement may be waived, if:

- (a) (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, including without

limitation, pursuant to a “no-action” letter issued by the Commission, a change in law, or a change in the identity, nature, or status of the Issuer, or type of business conducted; or

(ii) This Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined by parties unaffiliated with the Issuer (such as Bond Counsel).

In the event that the Commission or the MSRB or other regulatory authority shall approve or require Annual Financial Information Disclosure or Reportable Events Disclosure to be made to a central post office, governmental agency or similar entity other than EMMA or in lieu of EMMA, the Issuer shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending this Agreement.

8. **TERMINATION OF UNDERTAKING.** The Undertaking of the Issuer shall be terminated hereunder if the Issuer shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Ordinance. The Issuer shall give notice to EMMA in a timely manner if this Section is applicable.

9. **FUTURE CHANGES TO THE RULE.** As set forth in Section 1 of this Agreement, the Issuer has executed and delivered this Agreement solely and only to assist the Participating Underwriters in complying with the requirements of the Rule. Therefore, notwithstanding anything in this Agreement to the contrary, in the event the Commission, the MSRB or other regulatory authority shall approve or require changes to the requirements of the Rule, the Issuer shall be permitted, but shall not be required, to unilaterally modify the covenants in this Agreement, without complying with the requirements of Section 7 of this Agreement, in order to comply with, or conform to, such changes. In the event of any such modification of this Agreement, the Issuer shall file a copy of this Agreement, as revised, on EMMA in a timely manner.

10. **DISSEMINATION AGENT.** The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

11. **ADDITIONAL INFORMATION.** Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Reportable Event, in addition to that which is required by this Agreement. If the Issuer chooses to include any information from any document or notice of occurrence of a Reportable Event in addition to that which is specifically required by this Agreement, the Issuer shall have no obligation under this

Agreement to update such information or include it in any future disclosure or notice of occurrence of a Reportable Event.

121. **BENEFICIARIES.** This Agreement has been executed in order to assist the Participating Underwriters in complying with the Rule; however, this Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

13. **RECORDKEEPING.** The Issuer shall maintain records of all Annual Financial Information Disclosure and Reportable Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

14. **ASSIGNMENT.** The Issuer shall not transfer its obligations under the Ordinance unless the transferee agrees to assume all obligations of the Issuer under this Agreement or to execute an Undertaking under the Rule.

15. **GOVERNING LAW.** This Agreement shall be governed by the laws of the State.

CITY OF ELGIN, KANE AND COOK COUNTIES,
ILLINOIS

By: _____

Its: Director of Finance

Date: _____, 2020

EXHIBIT I
ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED
FINANCIAL STATEMENTS

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to EMMA or filed with the Commission. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available on EMMA; the Final Official Statement need not be available from the Commission. The Issuer shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be submitted to EMMA by 210 days after the last day of the Issuer's fiscal year (currently December 31), beginning with the fiscal year ending December 31, 2019. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included. In such event, Audited Financial Statement will be submitted to EMMA within 30 days after availability to the Issuer.

Audited Financial Statements will be prepared in accordance with the accounting principles described in the Official Statement.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, the Issuer will disseminate a notice of such change as required by Section 4.

EXHIBIT II
EVENTS WITH RESPECT TO THE BONDS
FOR WHICH REPORTABLE EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to the rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the Issuer*
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material
15. (a) Incurrence of a Financial Obligation, if material, or (b) an agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect security holders, if material
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties

* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

**EXHIBIT III
CUSIP NUMBERS**

YEAR OF MATURITY	CUSIP NUMBERS (286299)
2021	
2022	
2023	
2024	
2025	
2026	
2027	
2028	
2029	
2030	
2031	
2032	
2033	
2034	

OFFICIAL BID FORM
(Open Speer Auction)

City of Elgin
150 Dexter Court
Elgin, Illinois 60120

April 22, 2020
Speer Financial, Inc.

Members of the City Council:

For the \$3,240,000* General Obligation Corporate Purpose Bonds, Series 2020B (the "Bonds"), of the City of Elgin, Kane and Cook Counties, Illinois (the "City"), as described in the annexed Official Notice of Sale, which is expressly made a part of this bid, we will pay you \$_____ (no less than \$3,215,000) to the date of delivery for Bonds, expected to be on or about May 6, 2020, bearing interest as follows (each rate a multiple of 1/8 or 1/100 of 1%). **The premium or discount, if any, is subject to adjustment allowing the same \$_____ gross spread per \$1,000 bond as bid herein.**

MATURITIES* - DECEMBER 15

\$460,000	2021	\$480,000	2023	\$410,000	2026
465,000	2022	495,000	2024	420,000	2027
		510,000	2025		

Any consecutive maturities may be aggregated into term bonds at the option of the bidder, in which case the mandatory redemption provisions shall be on the same schedule as above.

The Bonds are to be executed and delivered to us in accordance with the terms of this bid accompanied by the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois. The City will pay for the legal opinion. The underwriter agrees to **apply for CUSIP numbers within 24 hours** and pay the fee charged by the CUSIP Service Bureau and will accept the Bonds with the CUSIP numbers as entered on the Bonds.

If the competitive sale requirements are not met, we elect to use the (circle one): 10% test / hold-the-offering-price rule to determine the issue price of the Bonds.

As evidence of our good faith, if we are the winning bidder, we will wire transfer the amount of **TWO PERCENT OF PAR** (the "Deposit") **WITHIN TWO HOURS** after the bid opening time to the City's good faith bank and under the terms provided in the Official Notice of Sale for the Bonds. Alternatively, we have wire transferred or enclosed herewith a check payable to the order of the Treasurer of the City in the amount of the Deposit under the terms provided in the Official Notice of Sale for the Bonds. In submitting this bid, we represent that (i) this bid constitutes a firm offer to purchase the Bonds, on the terms set forth in this bid form and the Official Notice of Sale, and is not subject to any conditions, except as permitted by the Official Notice of Sale, and (ii) we have an established industry reputation for underwriting new issuances of municipal bonds.

Form of Deposit (Check One)

Prior to Bid Opening:
Certified/Cashier's Check
Wire Transfer

Within TWO hours of Bidding:
Wire Transfer

Amount: \$64,800

Account Manager Information

Name _____
Address _____
By _____
City _____ State/Zip _____
Direct Phone (_____) _____
FAX Number (_____) _____
E-Mail Address _____

Bidders Option Insurance

We have purchased insurance from:
<u>Name of Insurer</u> (Please fill in)

Premium: _____
Maturities: (Check One)
<input type="checkbox"/> _____ Years
<input type="checkbox"/> All

The foregoing bid was accepted and the Bonds sold by ordinance of the City on April 22, 2020, and receipt is hereby acknowledged of the Deposit which is being held in accordance with the terms of the annexed Official Notice of Sale.

CITY OF ELGIN, KANE AND COOK COUNTIES, ILLINOIS

*Subject to change.

Mayor

----- **NOT PART OF THE BID** -----
(Calculation of true interest cost)

	Bid	Post Sale Revision
Gross Interest	\$	
Less Premium/Plus Discount	\$	
True Interest Cost	\$	
True Interest Rate	%	%
TOTAL BOND YEARS	14,731.00	
AVERAGE LIFE	4.547 Years	Years

OFFICIAL NOTICE OF SALE

\$3,240,000*

CITY OF ELGIN

Kane and Cook Counties, Illinois General Obligation Corporate Purpose Bonds, Series 2020B

(Open Speer Auction)

The City of Elgin, Kane and Cook Counties, Illinois (the "City"), will receive electronic bids on the SpeerAuction ("*SpeerAuction*") website address "www.SpeerAuction.com" for its \$3,240,000* General Obligation Corporate Purpose Bonds, Series 2020B (the "Bonds"), on an all or none basis between 10:00 A.M. and 10:15 A.M., C.D.T., Wednesday, April 22, 2020. To bid, bidders must have: (1) completed the registration form on the SpeerAuction website, and (2) requested and received admission to the City's sale (as described below). Award will be made or all bids rejected at a meeting of the City on that date. The City reserves the right to change the date or time for receipt of bids. Any such change shall be made not less than twenty-four (24) hours prior to the revised date and time for receipt of the bids for the Bonds and shall be communicated by publishing the changes in the Amendments Page of the SpeerAuction webpage and through *Thomson Municipal News*.

The Bonds are valid and legally binding upon the City and are payable from any funds of the City legally available for such purpose, and all taxable property in the City is subject to the levy of taxes to pay the same without limitation as to rate or amount.

Bidding Details

Bidders should be aware of the following bidding details associated with the sale of the Bonds.

- (1) All bids must be submitted on the SpeerAuction website at www.SpeerAuction.com. **No telephone, telefax or personal delivery bids will be accepted.** The use of SpeerAuction shall be at the bidder's risk and expense and the City shall have no liability with respect thereto, including (without limitation) liability with respect to incomplete, late arriving and non-arriving bid. Any questions regarding bidding on the SpeerAuction website should be directed to Grant Street Group at (412) 391-5555 x 370.
- (2) Bidders may change and submit bids as many times as they like during the bidding time period; provided, however, each and any bid submitted subsequent to a bidder's initial bid must result in a lower true interest cost ("TIC") with respect to a bid, when compared to the immediately preceding bid of such bidder. In the event that the revised bid does not produce a lower TIC with respect to a bid the prior bid will remain valid.
- (3) If any bid in the auction becomes a leading bid two (2) minutes prior to the end of the auction, then the auction will be automatically extended by two (2) minutes from the time such bid was received by SpeerAuction. The auction end time will continue to be extended, indefinitely, until a single leading bid remains the leading bid for at least two minutes.
- (4) The last valid bid submitted by a bidder before the end of the bidding time period will be compared to all other final bids submitted by others to determine the winning bidder or bidders.
- (5) During the bidding, no bidder will see any other bidder's bid, but bidders will be able to see the ranking of their bid relative to other bids (i.e., "Leader", "Cover", "3rd" etc.)
- (6) On the Auction Page, bidders will be able to see whether a bid has been submitted.

Establishment of Issue Price

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at Closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the Public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as **Exhibit A** to this Official Notice of Sale, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Chapman and Cutler LLP, Chicago, Illinois ("Bond Counsel"). All actions to be taken by the City under this Official Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor, Speer Financial, Inc., Chicago, Illinois ("Speer") and any notice or report to be provided to the City may be provided to Speer.

**Subject to change.*

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) The City shall disseminate this Official Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the lowest TIC, as set forth in this Official Notice of Sale.

Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in this bid.

(c) If all of the competitive sale requirements are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the Underwriter. In such event, any bid submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the Underwriter on its bid form to determine the issue price for the Bonds. On its bid form, each Underwriter must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule") in each case applied on a maturity-by-maturity basis. If the winning bidder selects to hold-the-offering-price rule, the winning bidder shall promptly advise the City, at or before the time of award of the Bonds, which maturities (and if different interest rates apply within a maturity, which separate CUSIP number within that maturity) of the Bonds have not satisfied the 10% test and will be subject to the hold-the-offering-price rule. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the hold-the-offering-price rule or the 10% test, as selected on the bid form, in order to establish the issue price of the Bonds. In addition, if the 10% test has not been satisfied with respect to any maturity of the Bonds prior to closing, then the winning bidder shall provide the City with a representation as to the price or prices as the date of closing at which the winning bidder reasonably expects to sell the remaining Bonds of such maturity.

(d) If all of the competitive sale requirements are not satisfied and the Underwriter selects the hold-the-offering price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the City promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public. Within one hour of the award, the winning bidder will inform the City of the initial offering price for each maturity of the Bonds.

(e) If the competitive sale requirements are not satisfied and the winning bidder selects the 10% test, then until the 10% test has been satisfied as to each maturity of the Bonds, the winning bidder agrees to promptly report to the City the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to the Bonds of that maturity, provided that, the winning bidder's reporting obligation after the closing date may be at reasonable periodic intervals or otherwise upon request of the City or Bond Counsel. In addition, if the 10% test has not been satisfied with respect to any maturity of the Bonds prior to closing, then the winning bidder shall provide the City with a representation as to the price or prices as of the date of closing at which the winning bidder reasonably expects to sell the remaining Bonds of such maturity.

(f) The City acknowledges that in making the representation set forth above, the winning bidder will rely on:

- (i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires,
- (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and
- (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

- (g) By submitting a bid, each bidder confirms that:
- (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:
 - (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold to the public or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.
 - (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, which shall be until the 10% test has been satisfied as to the Bonds of that maturity or until the close of business on the fifth (5th) business day following the date of award,
 - (C) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a winning bidder who is a related party to an underwriter participating in the initial sale of the Bonds to the public, and
 - (D) to acknowledge that, unless otherwise advised by the underwriter, the winning bidder shall assume that each order submitted by the underwriter is a sale to the public.
 - (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:
 - (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the closing date has occurred, until either all Bonds of that maturity allocated to it have been sold or until it is notified by the winning bidder or such underwriter that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the closing date may be at reasonable periodic intervals or otherwise upon request of the winning bidder or such underwriter, and
 - (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the winning bidder or the underwriter and as set forth in the related pricing wires, which shall be at least until the 10% test has been satisfied as to the Bonds of that maturity or until the close of business on the fifth (5th) business day following the date of the award.

(h) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this Official Notice of Sale:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public, including, specifically, the purchaser, and (B) any person that agrees pursuant to a written contract directly or indirectly with person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

Rules of SpeerAuction

Bidders must comply with the Rules of SpeerAuction in addition to the requirements of this Official Notice of Sale. To the extent there is a conflict between the Rules of SpeerAuction and this Official Notice of Sale, this Official Notice of Sale shall control.

Rules

- (1) A bidder (“Bidder”) submitting a winning bid (“Winning Bid”) is irrevocably obligated to purchase the Bonds at the rates and prices of the winning bid, if acceptable to the City, as set forth in the related Official Notice of Sale. Winning Bids are not officially awarded to Winning Bidders until formally accepted by the City.
- (2) Neither the City, Speer, nor Grant Street Group (the “Auction Administrator”) is responsible for technical difficulties that result in loss of Bidder’s internet connection with SpeerAuction, slowness in transmission of bids, or other technical problems.
- (3) If for any reason a Bidder is disconnected from the Auction Page during the auction after having submitted a Winning Bid, such bid is valid and binding upon such Bidder, unless the City exercises its right to reject bids, as set forth herein.
- (4) Bids which generate error messages are not accepted until the error is corrected and bid is received prior to the deadline.
- (5) Bidders accept and agree to abide by all terms and conditions specified in the Official Notice of Sale (including amendments, if any) related to the auction.
- (6) Neither the City, Speer, nor the Auction Administrator is responsible to any bidder for any defect or inaccuracy in the Official Notice of Sale, amendments, or Preliminary Official Statement as they appear on SpeerAuction.
- (7) Only Bidders who request and receive admission to an auction may submit bids. SpeerAuction and the Auction Administrator reserve the right to deny access to SpeerAuction website to any Bidder, whether registered or not, at any time and for any reason whatsoever, in their sole and absolute discretion.
- (8) Neither the City, Speer, nor the Auction Administrator is responsible for protecting the confidentiality of a Bidder’s SpeerAuction password.
- (9) If two bids submitted in the same auction by the same or two or more different Bidders result in same True Interest Cost, the first confirmed bid received by SpeerAuction prevails. Any change to a submitted bid constitutes a new bid, regardless of whether there is a corresponding change in True Interest Cost.
- (10) Bidders must compare their final bids to those shown on the Observation Page immediately after the bidding time period ends, and if they disagree with the final results shown on the Observation Page they must report them to SpeerAuction within 15 minutes after the bidding time period ends. Regardless of the final results reported by SpeerAuction, Bonds are definitively awarded to the winning bidder only upon official award by the City. If, for any reason, the City fails to: (i) award Bonds to the winner reported by SpeerAuction, or (ii) deliver Bonds to winning bidder at settlement, neither the City, Speer, nor the Auction Administrator will be liable for damages.

The City reserves the right to reject all proposals, to reject any bid proposal not conforming to this Official Notice of Sale, and to waive any irregularity or informality with respect to any proposal. Additionally, the City reserves the right to modify or amend this Official Notice of Sale; however, any such modification or amendment shall not be made less than twenty-four (24) hours prior to the date and time for receipt of bids on the Bonds and any such modification or amendment will be announced on the Amendments Page of the SpeerAuction webpage and through *Thomson Municipal News*.

The Bonds will be in fully registered form in the denominations of \$5,000 and integral multiples thereof in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”), New York, New York, to which principal and interest payments on the Bonds will be paid. Individual purchases will be in book-entry only form. Interest on each Bond shall be paid by check or draft of the Bond Registrar to the person in whose name such bond is registered at the close of business on the first day of the month in which an interest payment date occurs. The principal of the Bonds shall be payable in lawful money of the United States of America at the principal corporate trust office of the Bond Registrar in Chicago, Illinois. Semiannual interest is due June 15 and December 15 of each year commencing December 15, 2020, and is payable by U.S. Bank National Association, Chicago, Illinois (the “Bond Registrar”). The Bonds are dated as of the date of delivery (expected to be on or about May 6, 2020).

If the winning bidder is not a direct participant of DTC and does not have clearing privileges with DTC, the Bonds will be issued as Registered Bonds in the name of the purchaser. At the request of such winning bidder, the City will assist in the timely conversion of the Registered Bonds into book-entry bonds with DTC as described herein.

MATURITIES* – DECEMBER 15

\$460,000	2021	\$480,000	2023	\$410,000	2026
465,000	2022	495,000	2024	420,000	2027
		510,000	2025		

Any consecutive maturities may be aggregated into term bonds at the option of the bidder, in which case the mandatory redemption provisions shall be on the same schedule as above.

The Bonds **are not** subject to optional redemption prior to maturity.

All interest rates must be in multiples of one-eighth or one one-hundredth of one percent (1/8 or 1/100 of 1%), and not more than one rate for a single maturity shall be specified. The rates bid shall be in non-descending order. The differential between the highest rate bid and the lowest rate bid shall not exceed three percent (3%). All bids must be for all of the Bonds, must be for not less than \$3,215,000.

Award of the Bonds: The Bonds will be awarded on the basis of true interest cost, determined in the following manner. **True interest cost shall be computed by determining the annual interest rate (compounded semi-annually) necessary to discount the debt service payments on the Bonds from the payment dates thereof to the dated date and to the bid price.** For the purpose of calculating true interest cost, the Bonds shall be deemed to become due in the principal amounts and at the times set forth in the table of maturities set forth above. In the event two or more qualifying bids produce the identical lowest true interest cost, the winning bid shall be the bid that was submitted first in time on the SpeerAuction webpage.

The Bonds will be awarded to the Bidder complying with the terms of this Official Notice of Sale whose bid produces the lowest true interest cost rate to the City as determined by Speer, which determination shall be conclusive and binding on all Bidders; *provided*, that the City reserves the right to reject all bids or any non-conforming bid and reserves the right to waive any informality in any bid. Bidders should verify the accuracy of their final bids and compare them to the winning bids reported on the SpeerAuction Observation Page immediately after the bidding.

The premium or discount, if any, is subject to pro rata adjustment if the maturity amounts of the Bonds are changed, allowing the same dollar amount of profit per \$1,000 bond as submitted on the Official Bid Form. The dollar amount of profit must be written on the Official Bid Form for any adjustment to be allowed, and is subject to verification.

The true interest cost of each bid will be computed by SpeerAuction and reported on the Observation Page of the SpeerAuction webpage immediately following the date and time for receipt of bids. These true interest costs are subject to verification by Speer, will be posted for information purposes only and will not signify an actual award of any bid or an official declaration of the winning bid. The City or Speer will notify the Bidder to whom the Bonds will be awarded, if and when such award is made.

The winning bidder will be required to make the standard filings and maintain the appropriate records routinely required pursuant to MSRB Rules G-8, G-11 and G-32. The winning bidder will be required to pay the standard MSRB charge for Bonds purchased. In addition, the winning bidder who is a member of the Securities Industry and Financial Markets Association ("SIFMA") will be required to pay SIFMA's standard charge per bond.

The winning bidder is required to wire transfer from a solvent bank or trust company to the City's good faith bank the amount of **TWO PERCENT OF PAR** (the "Deposit") **WITHIN TWO HOURS** after the bid opening time as evidence of the good faith of the Bidder. Alternatively, a Bidder may submit its Deposit upon or prior to the submission of its bid in the form of a certified or cashier's check on, or a wire transfer from, a solvent bank or trust company for **TWO PERCENT OF PAR** payable to the Treasurer of the City. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received within such two hour time period provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the City may award the Bonds to the Bidder submitting the next best bid provided such Bidder agrees to such award.

The Deposit of the successful Bidder will be retained by the City pending delivery of the Bonds and all others will be promptly returned. Should the successful Bidder fail to take up and pay for the Bonds when tendered in accordance with this Official Notice of Sale and said bid, said Deposit shall be retained as full and liquidated damages to the City caused by failure of the Bidder to carry out the offer of purchase. Such Deposit will otherwise be applied on the purchase price upon delivery of the Bonds. No interest on the Deposit will accrue to the purchaser.

If a wire transfer is used for the Deposit, it must be sent according to the following wire instructions:

Amalgamated Bank of Chicago
Corporate Trust
30 N. LaSalle Street, 38th Floor
Chicago, IL 60602
ABA # 071003405
Credit To: 3281 Speer Bidding Escrow
RE: City of Elgin, Kane and Cook Counties, Illinois bid for
\$3,240,000* General Obligation Corporate Purpose Bonds, Series 2020B

Contemporaneously with such wire transfer, the Bidder shall send an email to biddingscrow@aboc.com with the following information: (1) indication that a wire transfer has been made, (2) the amount of the wire transfer, (3) the issue to which it applies, and (4) the return wire instructions if such Bidder is not awarded the Bonds. The City and any Bidder who chooses to wire the Deposit hereby agree irrevocably that Speer shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: (i) if the bid is not accepted, Speer shall, at its expense, promptly return the Deposit amount to the unsuccessful bidder; (ii) if the bid is accepted, the Deposit shall be forwarded to the City; (iii) Speer shall bear all costs of maintaining the escrow account and returning the funds to the Bidder; (iv) Speer shall not be an insurer of the Deposit amount and shall have no liability except if it willfully fails to perform, or recklessly disregards, its duties specified herein; and (v) income earned on the Deposit, if any, shall be retained by Speer.

If a Financial Surety Bond is used for the Deposit, it must be from an insurance company licensed to issue such a bond in the State of Illinois and such bond must be submitted to Speer prior to the opening of the bids. The Financial Surety Bond must identify each Bidder whose deposit is guaranteed by such Financial Surety Bond. If the Bonds are awarded to a Bidder using a Financial Surety Bond, then that purchaser is required to submit its Deposit to the City in the form of a certified or cashier's check or wire transfer as instructed by Speer, or the City not later than 3:00 P.M. on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the City to satisfy the Deposit requirement.

The City covenants and agrees to enter into a written agreement or contract, constituting an undertaking (the "Undertaking") to provide ongoing disclosure about the City for the benefit of the beneficial owners of the Bonds on or before the date of delivery of the Bonds as required under Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The Undertaking shall be as described in the Official Statement, with such changes as may be agreed in writing by the Underwriter.

The Underwriter's obligation to purchase the Bonds shall be conditioned upon the City delivering the Undertaking on or before the date of delivery of the Bonds.

By submitting a bid, any Bidder makes the representation that it understands Bond Counsel represents the City in the Bond transaction and, if such Bidder has retained Bond Counsel in an unrelated matter, such Bidder represents that the signatory to the bid is duly authorized to, and does consent to and waive for and on behalf of such Bidder any conflict of interest of Bond Counsel arising from any adverse position to the City in this matter; such consent and waiver shall supersede any formalities otherwise required in any separate understandings, guidelines or contractual arrangements between the Bidder and Bond Counsel.

Bonds will be delivered to the successful purchaser against full payment in immediately available funds as soon as they can be prepared and executed, which is expected to be May 6, 2020. Should delivery be delayed beyond sixty (60) days from the date of sale for any reason beyond the control of the City except failure of performance by the purchaser, the City may cancel the award or the purchaser may withdraw the Deposit and thereafter the purchaser's interest in and liability for the Bonds will cease.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts, and interest rates of the Bonds, and any other information required by law or deemed appropriate by the City, shall constitute a "Final Official Statement" of the City with respect to the Bonds, as that term is defined in the Rule. Any such addendum or addenda shall, on and after the date thereof, be fully incorporated herein and made a part hereof by reference. Alternatively, such final terms of the Bonds and other information may be included in a separate document entitled "Final Official Statement" rather than through supplementing the Official Statement by an addendum or addenda. By awarding the Bonds to any underwriter or underwriting syndicate, the City agrees that, no more than seven (7) business days after the date of such award, it shall provide, without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded, up to 100 copies of the Final Official Statement to permit each "Participating Underwriter" (as that term is defined in the Rule) to comply with the provisions of such Rule. The City shall treat the senior managing underwriter of the syndicate to which the Bonds are awarded as its designated agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter executing and delivering an Official Bid Form with respect to the Bonds agrees thereby that if its bid is accepted by the City it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

By submission of its bid, the senior managing underwriter of the successful Bidder agrees to supply all necessary pricing information and any Participating Underwriter identification necessary to complete the Official Statement within 24 hours after award of the Bonds. Additional copies of the Final Official Statement may be obtained by Participating Underwriters at cost.

The City will, at its expense, deliver the Bonds to the purchaser in New York, New York, through the facilities of DTC and will pay for the bond attorney's opinion. At the time of closing, the City will also furnish to the purchaser the following documents, each dated as of the date of delivery of the Bonds: (1) the unqualified opinion of Chapman and Cutler LLP, Chicago, Illinois, stating that the Bonds are lawful and enforceable obligations of the City in accordance with their terms; (2) the opinion of Bond Counsel that the interest on the Bonds is exempt from federal income taxes as and to the extent set forth in the Official Statement for the Bonds; and (3) a no litigation certificate by the City.

The Bonds **are not** "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

The City has authorized the printing and distribution of an Official Statement containing pertinent information relative to the City and the Bonds. Copies of such Official Statement or additional information may be obtained from Ms. Debra Nawrocki, Chief Financial Officer, City of Elgin, 150 Dexter Court, Elgin, Illinois 60120 or an electronic copy of this Official Statement is available from the www.speerfinancial.com web site under "Debt Auction Center/Competitive Sales Calendar" from the Municipal Advisors to the City, Speer Financial, Inc., One North LaSalle Street, Suite 4100, Chicago, Illinois 60602, telephone (312) 346-3700.

/s/ **DEBRA NAWROCKI**
Chief Financial Officer/Budget Director
CITY OF ELGIN
Kane and Cook Counties, Illinois

/s/ **RICHARD G. KOZAL**
City Manager
CITY OF ELGIN
Kane and Cook Counties, Illinois

Exhibit A
Example Issue Price Certificate

CERTIFICATE OF PURCHASER

The undersigned, on behalf of _____ (the “*Purchaser*”), hereby certifies as set forth below with respect to the sale and issuance of the General Obligation Corporate Purpose Bonds, Series 2020B (the “*Bonds*”), of the City of Elgin, Kane and Cook Counties, Illinois (the “*City*”).

I. General

On the Sale Date the Purchaser purchased the Bonds from the City by submitting electronically an “Official Bid Form” responsive to an “Official Notice of Sale” and having its bid accepted by the City. The Purchaser has not modified the terms of the purchase since the Sale Date.

II. Price

[Competitive Sale Rules (3 bids received)]

[1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering price of each Maturity of the Bonds to the Public by the Purchaser is the price listed in *Schedule A* (the “*Expected Offering Prices*”). The Expected Offering Price is the price for such Maturity of the Bonds used by the Purchaser in formulating its bid to purchase the Bonds. Attached as *Schedule B* is a true and correct copy of the bid provided by the Purchaser to purchase the Bonds.

(b) The Purchaser was not given an exclusive opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Purchaser constituted a firm offer to purchase the Bonds.]

[10% Test – All Bonds Sold]

[1. As of the date of this certificate, the first price at which at least 10% of each Maturity of the Bonds was sold to the Public is the respective price listed in *Schedule C*.]

[All maturities use Hold the Offer Price]

[1. The Purchaser offered each Maturity of the Bonds to the Public for purchase at the initial offering price listed in *Schedule A* (the “Initial Offering Price”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as *Schedule B*.

2. As set forth in the Official Notice of Bond Sale and bid award, the Purchaser has agreed in writing that, (i) it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price during the Holding Period for such Maturity (the “*Hold-The-Offering-Price Rule*”), and (ii) any selling group agreement would contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement would contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the Hold-The-Offering-Price Rule.

3. No Underwriter (as defined below) has offered or sold any Bonds of any Maturity at a price that is higher than the respective Initial Offering Price during the Holding Period.]

[Some Maturities Use Hold the Offer Price

1. As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in *Schedule A*.

2. A. The Purchaser offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in *Schedule A* (the “*Initial Offering Prices*”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as *Schedule B*.

B. As set forth in the Notice of Sale and bid award, the Purchaser has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “*Hold-the-Offering-Price Rule*”), and (ii) any selling group agreement would contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement would contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the Hold-the-Offering-Price Rule.

C. No Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity during the Holding Period.]

III. Definitions

[1. *General Rule Maturities* means those Maturities of the Bonds not listed in *Schedule A* hereto as the “Hold-the-Offering-Price Maturities.”]

[2. *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in *Schedule A* hereto as the “Hold-the-Offering-Price Maturities.”]

[3. *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day

after the Sale Date (_____, 2019), or (ii) the date on which the Purchaser has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.]

4. *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

5. *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter.

6. A person is a “*Related Party*” to an Underwriter if the Underwriter and the person are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

7. *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____, 2019.

8. *Underwriter* means (i) any person that agrees pursuant to a written contract with the City (or with the Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, including, specifically, the Purchaser, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

IV. Use of Representations and Certifications.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the City with respect to certain of the representations set forth in its documents and with respect to compliance with the federal income tax rules affecting the Bonds, and by Chapman and Cutler LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice it may give to the City from time to time relating to the Bonds.

All terms not defined herein shall have the same meanings as in the Tax Exemption Certificate and Agreement with respect to the Bonds, to which this Certificate is attached.

Dated: _____, 2020

Very truly yours,

By _____

Its _____

SCHEDULE A

GENERAL RULE, ALL MATURITIES SOLD

<u>YEAR</u> <u>(DEC 15)</u>	<u>PRINCIPAL</u> <u>AMOUNT (\$)</u>	<u>INTEREST</u> <u>RATE (%)</u>	<u>FIRST SALE</u> <u>PRICE</u> <u>OF AT</u> <u>LEAST 10%</u> <u>(% OF PAR)</u>	<u>OFFER</u> <u>PRICE</u> <u>(% OF PAR)</u>
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
Total	=====			

COMPETITIVE SALE

<u>YEAR</u> <u>(DEC</u> <u>15)</u>	PRINCIPAL AMOUNT <u>(\$)</u>	INTEREST RATE <u>(%)</u>	EXPECTED FIRST OFFER PRICE <u>(% OF PAR)</u>
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
Total	=====		

HOLD THE OFFER PRICE

HOLD-THE- OFFERING- PRICE	<u>YEAR</u>	PRINCIPAL	INTEREST	FIRST SALE PRICE OF AT LEAST 10%	OFFER PRICE
MATURITY IF MARKED	<u>(DEC 15)</u>	<u>AMOUNT (\$)</u>	<u>RATE (%)</u>	<u>(% OF PAR)</u>	<u>(% OF PAR)</u>
	2021				
	2022				
	2023				
	2024				
	2025				
	2026				
	2027				
	2028				
	2029				
	2030				
	2031				
	2032				
	2033				
	2034				
Total		=====			

SCHEDULE B

[Pricing, Wire or Equivalent Communication][Bid]