

# **Illinois International Port District**

Financial Statements

December 31, 2020 and 2019

# Illinois International Port District

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## **Independent Auditors' Report**

To the Board of Directors of  
Illinois International Port District

We have audited the accompanying special purpose financial statements of the Illinois International Port District, which comprise the statements of assets, liabilities, accumulated other comprehensive loss and fund balance - modified cash basis as of December 31, 2020 and 2019 and the related statements of revenue collected, expenses and changes in fund balance - modified cash basis, comprehensive income (loss) - modified cash basis and cash flows - modified cash basis for the years then ended and the related notes to the special purpose financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these special purpose financial statements in conformity with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting described in Note 1 is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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

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

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

### **Opinion**

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the financial position of Illinois International Port District as of December 31, 2020 and 2019 and the results of its operations and its cash flows for the years then ended on the basis of accounting described in Note 1.

**Basis of Accounting**

As described in Note 1 to the special purpose financial statements, the financial statements have been prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Baker Tilly US, LLP*

Chicago, Illinois  
September 23, 2021

# Illinois International Port District

Statements of Assets, Liabilities, Accumulated Other Comprehensive Loss  
and Fund Balance - Modified Cash Basis  
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,592,413	\$ 2,041,785
Prepaid expenses	<u>180,239</u>	<u>106,848</u>
Total current assets	<u>1,772,652</u>	<u>2,148,633</u>
<b>Property and Equipment, Net</b>		
Land and land improvements	33,474,718	33,474,718
Buildings and improvements	16,409,766	16,409,766
Equipment	4,151,553	4,104,601
Less accumulated depreciation	<u>(14,652,892)</u>	<u>(14,099,743)</u>
Net property and equipment	<u>39,383,145</u>	<u>39,889,342</u>
Total assets	<u><u>\$ 41,155,797</u></u>	<u><u>\$ 42,037,975</u></u>
<b>Liabilities, Accumulated Other Comprehensive Loss and Fund Balance</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 88,631	\$ 185,466
Accrued expenses	<u>11,218</u>	<u>49,881</u>
Total current liabilities	<u>99,849</u>	<u>235,347</u>
<b>Long-Term Liabilities</b>		
Accrued pension benefits	10,133,879	9,337,628
Lease deposits by tenants	99,764	99,764
Long-term debt, net	<u>8,297,823</u>	<u>9,587,625</u>
Total liabilities	<u>18,631,315</u>	<u>19,260,364</u>
<b>Accumulated Other Comprehensive Loss and Fund Balance</b>		
Accumulated other comprehensive loss	(3,340,443)	(2,554,445)
Fund balance	<u>25,864,925</u>	<u>25,332,056</u>
Total accumulated other comprehensive loss and fund balance	<u>22,524,482</u>	<u>22,777,611</u>
Total liabilities, accumulated other comprehensive loss and fund balance	<u><u>\$ 41,155,797</u></u>	<u><u>\$ 42,037,975</u></u>

See notes to special purpose financial statements

# Illinois International Port District

Statements of Revenue Collected, Expenses and Changes in Fund Balance - Modified Cash Basis  
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Revenues</b>		
Transit sheds and warehouses	\$ 2,097,587	\$ 1,901,899
Dockage and wharfage	684,949	696,001
Land leases	1,585,977	1,471,051
Licenses and fees	505,761	732,337
Other	210,006	192,984
	<u>5,084,280</u>	<u>4,994,272</u>
<b>Operating Expenses</b>		
Board members' compensation	237,500	230,000
Salaries and benefits	1,427,551	1,420,170
Insurance and security	870,755	712,938
Repairs, maintenance and facility improvements	180,977	282,323
Marketing, advertising and promotion	3,084	32,390
Office expenses	96,084	82,245
Utilities	167,321	246,976
Legal fees	147,019	337,764
Other professional fees	153,938	109,721
Depreciation	553,152	580,385
	<u>3,837,381</u>	<u>4,034,912</u>
Total expenses	<u>3,837,381</u>	<u>4,034,912</u>
Operating income	1,246,899	959,360
<b>Other Expense</b>		
Interest expense	(714,030)	(801,045)
Net income	532,869	158,315
<b>Fund Balance, Beginning</b>	<u>25,332,056</u>	<u>25,173,741</u>
<b>Fund Balance, Ending</b>	<u><u>\$ 25,864,925</u></u>	<u><u>\$ 25,332,056</u></u>

See notes to special purpose financial statements

## Illinois International Port District

Statements of Comprehensive Income (Loss) - Modified Cash Basis  
Years Ended December 31, 2020 and 2019

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	<u>2020</u>	<u>2019</u>
Net income	\$ 532,869	\$ 158,315
Other comprehensive income (loss):		
Minimum pension liability adjustment	<u>(785,998)</u>	<u>367,229</u>
Comprehensive income (loss)	<u>\$ (253,129)</u>	<u>\$ 525,544</u>

*See notes to special purpose financial statements*

## Illinois International Port District

Statements of Cash Flows - Modified Cash Basis  
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities</b>		
Net income	\$ 532,869	\$ 158,315
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation	553,152	580,385
Amortization of deferred financing costs	57,380	10,500
Changes in pension assets and liabilities	913,172	881,377
Changes in assets and liabilities:		
Prepaid expenses	(73,391)	(239)
Accounts payable	(96,835)	16,139
Accrued expenses	(38,663)	2,105
Port District contributions to pension plan	<u>(902,919)</u>	<u>(779,676)</u>
Net cash flows from operating activities	<u>944,765</u>	<u>868,906</u>
<b>Cash Flows From Investing Activities</b>		
Acquisition of property and equipment	<u>(46,955)</u>	<u>-</u>
Net cash flows from investing activities	<u>(46,955)</u>	<u>-</u>
<b>Cash Flows From Financing Activities</b>		
Principal payments on capital lease obligations	-	(15,008)
Repayments of note payable	-	(27,665)
Payments on long-term debt	(9,995,000)	-
Proceeds from issuance of long-term debt	9,139,591	-
Debt issuance costs of long-term debt	<u>(491,773)</u>	<u>-</u>
Net cash flows from financing activities	<u>(1,347,182)</u>	<u>(42,673)</u>
Net change in cash and cash equivalents	(449,372)	826,233
<b>Cash and Cash Equivalents, Beginning</b>	<u>2,041,785</u>	<u>1,215,552</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 1,592,413</u>	<u>\$ 2,041,785</u>
<b>Supplemental Cash Flow Disclosures</b>		
Cash paid for interest	<u>\$ 667,333</u>	<u>\$ 794,294</u>
<b>Noncash Investing and Financing Activities</b>		
Deferred debt issuance costs for subsequent bond issuance	<u>\$ -</u>	<u>\$ 67,552</u>

See notes to special purpose financial statements

# Illinois International Port District

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Notes to Special Purpose Financial Statements  
December 31, 2020 and 2019

## 1. Summary of Significant Accounting Policies

### Nature of Operations

The Illinois International Port District (the Port District) is a municipal corporation created by act of the Legislature of the State of Illinois, approved June 6, 1951. The Port District, which has no stockholders, is administered by a nine-member Board of Directors. The Board members are appointed, five by the mayor of the City of Chicago and four by the governor of the State of Illinois. The Port District finances its operating costs and debt service principally from proceeds generated by its own operations. The Port District operates as a lessor of facilities primarily for maritime operations, which include storage facilities, dockage and wharfage.

### Basis of Accounting

The Port District uses an enterprise fund to record transactions and report its financial position and results of operations. The modified cash basis of accounting is used for both budget and actual reporting purposes and consists of recognizing revenue when received (i.e., cash basis), rather than when earned and recognizing expenses as incurred (i.e., accrual basis, including the accrual of pension costs). As described below, the basis of accounting also includes capitalizing assets and depreciating these assets over their useful lives or expensing them as the assets are consumed. The financial statement presentation and disclosures generally follow the principles of the Financial Accounting Standards Board (FASB), which is not in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which would be the principles of the Governmental Accounting Standards Board (GASB) for the Port District. The pension liability is also reported in accordance with the FASB, which differs from what would be recorded under U.S. GAAP. Due to the limited use of these financial statements and the nature of the Port District's operations noted above, certain disclosure requirements and the use of the direct cash flow method set forth by the GASB are not included in these special purpose financial statements because the additional information is not considered useful to the users of the special purpose financial statements.

### Use of Estimates

The preparation of special purpose financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect the reported amounts in the special purpose financial statements and accompanying notes. Actual results could differ from those estimates.

### Major Tenants

Two tenants of the Port District accounted for approximately 56 and 10 percent of revenues for the year ended December 31, 2020. One tenant of the Port District accounted for approximately 54 percent of revenues for the year ended December 31, 2019.

### Income Taxes

The Port District is a municipal corporation created by act of the Legislature of the State of Illinois and is not subject to tax under present income tax laws.

### Cash and Cash Equivalents

The Port District considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Financial instruments that potentially subject the Port District to concentrations of credit risk consist principally of cash deposits maintained at banks, which at times, may exceed federally insured limits. Depository accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Port District has not, nor do they expect to experience any losses on these deposits.

# Illinois International Port District

Notes to Special Purpose Financial Statements  
December 31, 2020 and 2019

Cash and cash equivalents includes \$0 and \$954,882 as of December 31, 2020 and 2019, respectively, which is held in a sinking bond fund and thus is restricted as to its use.

## Property and Equipment

Property and equipment are stated at cost and are depreciated when such assets are placed into service. Infrastructure expenditures are capitalized into land and land improvements, with subsequent repairs or maintenance of the infrastructure expensed as incurred.

Land and land improvements are not depreciated. Buildings and improvements and equipment are being depreciated using the straight-line method over the following estimated useful lives:

	<u>Year</u>
Buildings and improvements	30
Equipment	5

## Impairment of Long-Lived Assets

Management reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

## Deferred Financing Costs and Discounts

The Port District presents deferred financing costs and discounts as a direct reduction of its long-term debt liability upon issuance of the debt. The Port District has \$707,177 and \$32,375 of deferred financing costs and discounts included in long-term debt, net on the statements of assets, liabilities, accumulated other comprehensive loss and fund balance (modified cash basis) as of December 31, 2020 and 2019, respectively. Deferred financing costs and discounts are amortized on a straight-line basis to interest expense over the term of the agreement described in Note 2, which approximates the interest method. In 2019, The Port District had \$67,552 of deferred financing costs included in prepaid expenses when incurred prior to the issuance of the debt described in Note 2. Estimated amortization of deferred financing costs and discounts for the years ending after December 31, 2020 are as follows:

	<u>Interest Expense</u>
Years ending December 31:	
2021	\$ 49,640
2022	49,640
2023	49,640
2024	49,640
2025	49,640
Thereafter	<u>458,977</u>
Total	<u>\$ 707,177</u>

## Advertising

Advertising costs are expensed as incurred.

# Illinois International Port District

Notes to Special Purpose Financial Statements  
December 31, 2020 and 2019

## 2. Long-Term Debt

On January 30, 2003, the Port District entered into a \$15,000,000 variable rate revenue refunding bond, series 2003 (the 2003 Variable Bond Agreement). The 2003 Variable Bond Agreement was by and among the Port District, as borrower; U.S. Bank, as trustee and letter-of-credit provider; and Fifth Third Securities, as underwriter and remarketer. Under the loan agreement, the Port District made interest only payments each year. In October 2018, the 2003 Variable Bond Agreement was amended to incorporate an effective interest rate per annum of 5 percent as of January 1, 2019, 6 percent as of April 1, 2019, 7 percent as of July 1, 2019 and 8 percent as of October 1, 2019. The BMA was 1.74 percent as of December 31, 2019. Effective October 2018, the Port District was not required to comply with financial covenants as of December 31, 2019.

On March 31, 2020, the Port District entered into a \$9,380,000 taxable revenue refunding bond, series 2020 (the 2020 Bond Agreement), for which a portion of the proceeds were used to repay the 2003 Variable Bond Agreement in full. The 2020 Bond Agreement is by and among the Port District, as borrower; Amalgamated Bank of Chicago, as trustee; and the Depository Trust Company, as underwriter and remarketer. Under the loan agreement, the Port District makes interest and principal payments each year. The interest rate on the 2020 Bond Agreement is 5 percent per annum. The 2020 Bond Agreement matures on January 1, 2035. The Port District was not required to comply with financial covenants as of December 31, 2020.

Certain assets and revenues to be derived from the Port District's operations have been pledged as security for the 2020 Variable Bond Agreement. The balance is \$9,005,000 included in long-term debt, net on the statements of assets, liabilities, accumulated other comprehensive loss and fund balance (modified cash basis) as of December 31, 2020.

Total interest expense incurred in relation to the 2020 and 2003 Variable Bond Agreements was \$714,030 and \$801,045 for the years ended December 31, 2020 and 2019, respectively.

As of December 31, 2020, the minimum sinking fund payments over the next five years and thereafter were as follows:

Years ending December 31:	
2021	\$ -
2022	460,000
2023	485,000
2024	505,000
2025	530,000
Thereafter	<u>7,025,000</u>
Total	<u>\$ 9,005,000</u>

During 2018, the Port obtained a \$47,425 note payable to acquire certain equipment. The note payable to a finance corporation was payable in monthly installments of \$3,952, including interest of 4.75 percent per annum, through August 2019 and was collateralized by the equipment. Principal payments of \$27,665 were made during the year ended December 31, 2019.

## Illinois International Port District

Notes to Special Purpose Financial Statements  
December 31, 2020 and 2019

### 3. Minimum Future Rental Income

As of December 31, 2020, the approximate minimum future rental income from noncancelable operating leases by year were as follows:

Years ending December 31:	
2021	\$ 2,575,000
2022	2,379,000
2023	1,827,000
2024	1,827,000
2025	1,827,000
Thereafter	<u>5,323,000</u>
Total	<u>\$ 15,758,000</u>

During the years ended December 31, 2020 and 2019, noncancelable operating leases generated revenue of approximately \$2,263,700.

The approximate cost and accumulated depreciation of leased land and facilities as of December 31, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Land and land improvements	\$ 33,474,718	\$ 33,474,718
Buildings and improvements	<u>16,409,766</u>	<u>16,409,766</u>
Total cost leased land and facilities	49,884,484	49,884,484
Less accumulated depreciation	<u>(10,886,386)</u>	<u>(10,382,745)</u>
Net leased land and facilities	<u>\$ 38,998,098</u>	<u>\$ 39,501,739</u>

### 4. Pension Plan

The Port District has a noncontributory pension plan covering all eligible employees. Because the Port District pension plan qualifies as a governmental plan, it is exempt from the funding provisions of the Employee Retirement Income Security Act, as amended. The majority of the plan's assets consist of debt and equity investments.

The benefit formula is 4 percent of final average earnings multiplied by years of participation up to 20 years. Normal retirement is age 60 with five years of service.

The investment objective of the plan is to ensure, over the long-term life of the plan, an adequate level of assets to fund the benefits to the participants at the time they are payable. In meeting this objective, the Port District seeks to achieve a high level of total investment return consistent with a prudent level of portfolio risk. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Port District classifies its equity and fixed income securities as Level 1 based upon quoted prices in active markets.

## Illinois International Port District

Notes to Special Purpose Financial Statements  
December 31, 2020 and 2019

The fair value of the Port District's plan assets as of December 31, 2020 and 2019, by asset category is as follows:

	<b>December 31, 2020</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and money market fund	\$ 391,710	\$ 391,710	\$ -	\$ -
Equity securities	2,572,893	2,572,893	-	-
Fixed income securities	1,453,432	1,453,432	-	-
Total investments	<u>\$ 4,418,035</u>	<u>\$ 4,418,035</u>	<u>\$ -</u>	<u>\$ -</u>

  

	<b>December 31, 2019</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and money market fund	\$ 351,657	\$ 351,657	\$ -	\$ -
Equity securities	2,244,302	2,244,302	-	-
Fixed income securities	1,362,992	1,362,992	-	-
Total investments	<u>\$ 3,958,951</u>	<u>\$ 3,958,951</u>	<u>\$ -</u>	<u>\$ -</u>

The Port District's plan asset mix as of December 31, 2020 and 2019 and target allocation are as follows:

	<b>2020</b>	<b>2019</b>	<b>Target %</b>
Fixed income securities and bonds	33%	34%	50%
Cash and cash equivalents	9	9	10
Equity securities	58	57	40
Total investments	<u>100%</u>	<u>100%</u>	<u>100%</u>

The Port District's expected return on plan assets was calculated considering the targeted allocation percentages of the Port District's asset mix in conjunction with the historical rate of return on the investment categories in the asset mix. Weighted average assumptions as of December 31:

	<b>2020</b>	<b>2019</b>
Discount rate	5.50%	5.50%
Expected return on plan assets	7.00	7.00
Rate of compensation increase	2.00	2.00

Balances as of December 31, 2020 and 2019, are as follows:

	<b>2020</b>	<b>2019</b>
Accrued pension liability	\$ 10,133,879	\$ 9,337,628
Accumulated other comprehensive loss	\$ 3,340,443	\$ 2,554,445

Included in accumulated other comprehensive loss as of December 31, 2020 and 2019, are amounts that have not yet been recognized in net periodic pension cost related to unrecognized actuarial losses of \$3,340,443 and \$2,554,445, respectively. The unrecognized actuarial losses are being amortized over 12.20 years. The Port District expects to amortize \$274,000 of actuarial net losses during the year ended December 31, 2021.

## Illinois International Port District

Notes to Special Purpose Financial Statements  
December 31, 2020 and 2019

The reconciliation of the beginning and ending balances of the projected benefit obligation, the fair value of the Port District's plan assets for the years ended December 31 and the accumulated benefit obligation as of December 31, are as follows:

	<u>2020</u>	<u>2019</u>
Projected benefit obligation:		
Beginning of year	\$ (13,296,579)	\$ (12,974,915)
Service cost	(383,881)	(293,289)
Interest cost	(708,153)	(692,210)
Actuarial loss	38,117	(114,717)
Benefits paid	842,135	778,552
Assumption change	(1,043,552)	-
End of year	<u>(14,551,913)</u>	<u>(13,296,579)</u>
Fair value of plan assets:		
Beginning of year	3,958,951	3,371,759
Actual return on assets	398,299	586,068
Port District contributions	902,919	779,676
Benefits paid	(842,135)	(778,552)
End of year	<u>4,418,034</u>	<u>3,958,951</u>
Funded status	<u>\$ (10,133,879)</u>	<u>\$ (9,337,628)</u>
Accumulated benefit obligations	<u>\$ 14,383,972</u>	<u>\$ 13,036,604</u>

During the year ended December 31, 2020, a change in the assumptions used by the third-party specialist resulted in an increase of \$1,043,552 to the projected benefit obligation. The assumption change was a result of an update from the 1971 group annuity mortality table to the 1983 group annuity mortality table, the most recent mortality table available according to the the Society of Actuaries.

The underfunded status of the plan of \$10,133,879 and \$9,337,628 as of December 31, 2020 and 2019, respectively, is recognized in the accompanying statements of assets, liabilities, accumulated other comprehensive loss and fund balance (modified cash basis) as long-term accrued pension benefits. No plan assets are expected to be returned to the Port District during the year ended December 31, 2021.

Significant activity affecting the benefit obligation for the years ended December 31, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Benefit cost	\$ 913,172	\$ 881,337
Benefits paid	(842,135)	(778,552)
Contributions made by the Port District	902,919	779,676

# Illinois International Port District

Notes to Special Purpose Financial Statements  
December 31, 2020 and 2019

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The Port District estimates it will contribute \$850,000 to the plan during the year ended December 31, 2021. The Port District estimates that future benefit payments will be paid out over the next ten years as follows:

Years ending December 31:	
2021	\$ 952,464
2022	946,995
2023	946,679
2024	1,076,126
2025	1,069,164
Thereafter	<u>5,236,336</u>
Total	<u>\$ 10,227,764</u>

## 5. Revenue Bonds

In 2001, the Port District issued \$8,500,000 of Series 2001 Port Revenue Bonds. This issuance provided financial assistance to a private-sector entity for the acquisition and construction of a bulk storage facility on land leased by the Port District. These bonds are secured by a right granted to the lender to sublease the bulk storage facility during the term of the land lease in the event of default.

Neither the Port District, the State of Illinois, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying special purpose financial statements.

As of December 31, 2020 and 2019, the principal balance of the Series 2001 Port Revenue Bonds was \$8,500,000.

## 6. Capital Leases

The Port District acquired vehicles under a capital lease obligation during November 2016. As of December 31, 2020 and 2019, \$65,486 of assets acquired via the capital lease are included in equipment on the statements of assets, liabilities, accumulated other comprehensive loss and fund balance (modified cash basis). The Port District had \$65,486 and \$52,389 of accumulated depreciation related to these assets as of December 31, 2020 and 2019, respectively. There are no future minimum lease obligations as of December 31, 2020.

## 7. Subsequent Events

Management has evaluated subsequent events occurring through September 23, 2021, the date that the special purpose financial statements were ready to be issued for events requiring recording or disclosure in the special purpose financial statements.