

Rebuild Illinois Bond Funds to Local Public Agencies
Prepared by IGFOA's Technical Accounting Review Committee (TARC)
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Purpose

The purpose of this white paper is to provide the necessary guidance in connection with the Illinois Department of Transportation's (IDOT) Rebuild Illinois Bond Funds (Funds). With the first allotments being awarded and disbursed during May 2020, Local Public Agencies (LPA) will need to understand how to properly account for the Funds.

Introduction

IDOT has been authorized to implement a \$1.5 billion grant program using proceeds from general obligation (transportation, series A) bonds authorized in the REBUILD Illinois capital program to provide LPAs with the funds for capital projects. Funding will be allotted among LPAs based on the regular Motor Fuel Tax (MFT) formula, which is a per capita distribution. IDOT intends to award and disburse funds twice each year over a period of three years; the exact dates will vary depending on the timing of the bond sales.

IDOT Guidance

IDOT is authorized to use these Funds to make grants "for planning, engineering, acquisition, construction, reconstruction, development, improvement, extension, and all construction-related expenses of the public infrastructure and other transportation improvement projects." Thus, the grants may be used by LPAs only for those purposes. To qualify to be funded with REBUILD Illinois grant proceeds, a project will need to be a bondable capital improvement. In general, transportation improvement projects with an average useful life of greater than or equal to 13 years will be considered bondable capital improvements.

Examples of bondable projects may include, but are not limited to:

- Project development
- Design
- Land acquisition
- Demolition when done in preparation for additional bondable construction
- Construction engineering
- Reconstruction of roadway
- Designed overlay extension
- New construction of the following items:
 - Roads
 - Bridges
 - Ramps
 - Overpasses and underpasses
 - Bridge replacement and/or major bridge rehabilitation
- Permanent ADA sidewalk/ramp improvements and seeding/sodding are eligible expenditures if part of a larger bondable project.

Examples of non-bondable expenditures may include, but are not limited to:

- Administrative expenses
- Paying off existing bond debt
- Long Range Development plans
- Feasibility studies
- Archeological research and exploration
- Preservation activities
- Repairs to existing roads and bridges such as:
 - Sandblasting
 - Painting
 - Sealing or resurfacing
 - Seeding or sodding for erosion control
 - Normally anticipated repairs such as patching concrete, filling or sealing cracks and painting.

For design standards, LPAs should refer to the minimum requirements established in the Bureau of Local Roads Manual. Federal projects using bondable matching funds shall meet the minimum Federal requirements established in the Bureau of Local Roads Manual.

An LPA that receives a grant award of less than \$45,000 out of the \$250,000,000 disbursement may use the Funds for typically non-bondable, but MFT eligible, expenditures for repairs to existing roadways and bridges such as sandblasting, painting, sealing or resurfacing, seeding or sodding for erosion control, normally anticipated repairs such as patching concrete, filling or sealing cracks and painting, but are strongly encouraged to use these grant awards for transportation capital improvements. Design or Maintenance Standards shall meet the minimum requirements established in the Bureau of Local Roads Manual.

All REBUILD Illinois grants shall be associated with an identified project(s) within one year of receipt. LPAs may accumulate funds, if necessary, during the program period, but all grant funds shall be expended by July 1, 2025, which coincides with the expected end date of the REBUILD Illinois Capital Program.

Authoritative Guidance

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, Paragraphs 19-25, the Rebuild Illinois Bond Funds are a government-mandated nonexchange transaction, which is the result of the State of Illinois providing resources to LPAs and requiring the resources to be used for a specific purpose.

Accounting Treatment

1. IDOT requires that the Funds be deposited into the LPAs MFT bank account.
2. In order to comply with the grant requirements, and to ensure that the Funds are not commingled with regular MFT funding, it is suggested that LPAs do one of the following for projects supported by the Funds:
 - a. Record the Funds in the existing MFT fund but departmentalize or track these funds separately on both the balance sheet and income statement for compliance

- b. Create a separate MFT sub-fund to record the Funds in, which would be consolidated with the MFT fund for reporting purposes, or
 - c. Create a new separate fund, reported as either a capital projects fund or a special revenue fund in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.
3. Funding should be recognized as follows:
 - a. Governmental Fund level: Recognized on the cash basis or when vouchered by the state (generally the same month), as this is a purpose-restricted grant, in which revenue is recognized when all eligibility requirements are met which generally will be the period the funds are received by the LPA.
 - b. Government-Wide level: Recognized as program revenue within the Highways and Streets or other appropriate function as follows:
 - i. Operating Grants and Contributions for those LPAs receiving less than \$45,000 in total funding
 - ii. Capital Grants and Contributions for those LPAs receiving greater than \$45,000 in total funding
4. Any unspent funds should be reported as restricted within fund balance and net position.

Grant Requirements

There is no single audit impact, as the source of this funding is through the proceeds of general obligation (transportation, series A) bonds, and is not federal money.

The Funds will count towards the Illinois Grant Accountability and Transparency Act's (GATA) thresholds as follows:

- \$300,000 threshold for a required in-relation to opinion
- \$500,000 threshold for a required *Generally Accepted Government Auditing Standards* opinion

Expenditures of the Funds received will be included on the GATA Consolidated Year-End Financial Report and reported under the Program Title "REBUILD ILLINOIS Local Bond Program", CSFA No. 494-00-2356, within the State column.