



## Chapter 15

# Documentation Review, General Obligation Bonds, & Special Assessments

BUREAU OF LOCAL ROADS AND STREETS MANUAL

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**Chapter 15**  
**DOCUMENTATION REVIEW,**  
**GENERAL OBLIGATION BONDS, & SPECIAL ASSESSMENTS**

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## Chapter 15

# DOCUMENTATION REVIEW, GENERAL OBLIGATION BONDS, & SPECIAL ASSESSMENTS

### 15-1 DOCUMENTATION REVIEWS

The local public agency (LPA) should be familiar with the various Illinois Department of Transportation (IDOT) policies, procedures, and instructions that have been set forth in this *Manual*. The LPA is responsible for tracking Motor Fuel Tax (MFT) funds, such as receipts, credits, authorizations for expenditures, and the expenditures. The LPA is responsible for submitting the required documents for review and/or approval by IDOT also contained in this *Manual*. If you have questions, please contact the District Bureau of Local Roads and Streets (BLRS) office.

The District BLRS office is responsible to periodically review each LPA's MFT account, which is accomplished by a MFT Documentation Reviewer (reviewer) of the District BLRS office. Reviews are conducted primarily as cash receipt and disbursement reviews of the LPA's MFT fund. Reviews are also performed to discover any improper or unapproved uses or expenditures not in accordance with Illinois law. The reviewer will review based on state law, IDOT policy, and approved document submittals.

LPA's may also be contacted by IDOT's Bureau of Investigations and Compliance (BIC) to perform an audit. This audit is performed in accordance with generally accepted government auditing standards (GAGAS) and is done completely autonomous from the BLRS.

#### 15-1.01 Record of Receipts and Disbursements

The LPA should use a ledger as a master record to show monthly receipts of MFT funds and credits and authorizations of expenditures to individual section accounts as a best practice. The ledger should also be used as an individual accounting record for each of the authorized expenditure of MFT funds. BLRS has developed an MFT computer software package that may be used by the LPA for these purposes. This software package can be downloaded from the [IDOT website](#) under the "Databases" tab.

A complete record of the receipts and disbursements of MFT funds must be kept by the LPA in accordance with the requirements of the Illinois Local Records Acts ([50 ILCS 205](#)). When the LPA requests to destroy records with the Secretary of State (SOS), the LPA should notify the District BLRS. If there is a need by IDOT to place a hold on the destruction of certain records by the LPA, IDOT will need to file their request with the SOS prior to the destruction. IDOT should notify the LPA of this request. LPA officials should retain the following supporting information:

- all cancelled checks (or images – front & back sides), monthly bank statements,

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- electronic payments,
- records of investment of MFT funds,
- all necessary data to support payment for labor and equipment rental,
- vendor's invoices,
- payment estimates, and
- all other claims to support expenditures and receipts to/from this fund.

The LPA shall preserve all claims, warrants, records, and resolutions pertaining to the receipt and disbursement of MFT funds for review by IDOT. Records should be retained using the following procedures:

1. Unobligated Balance, Authorizations and Credits. IDOT publishes a monthly statement indicating the month's starting unobligated balance, allotment for the month as well as showing the authorizations and/or credits issued since the last statement, and the ending unobligated balance for the LPA. This statement can be found on the [IDOT website](#) under the "Distribution" tab. The unobligated balance is the funds that IDOT has not given the LPA permission to expend. The LPA is given an authorization by IDOT for the use of funds for the various projects. Once authorized these funds are now considered obligated. MFT funds that are authorized to an LPA for a specific purpose are not to be transferred and used for any other purpose. A credit is issued for surplus funds and for interest earned. Authorizations are subtracted from the unobligated balance and credits are added to the unobligated balance. An annual summary of all the LPA's transactions is available from the District BLRS office.
2. Deposits. All MFT funds received by the LPA from the State are recorded and must be deposited into a bank account. No warrants received from the State shall be endorsed and turned over to a contractor or anyone else.  
  
When the LPA has a "dedicated" MFT account, all funds deposited into this account become MFT funds. When other funds are erroneously deposited into the MFT fund; the reviewer will report this in the Documentation Review comments.  
  
If the LPA has a co-mingled account, other funds may be deposited into this account as long as accounting procedures provide for keeping a separate balance for the MFT funds and any interest earned on these funds. The LPA must note non-MFT deposits and withdrawals from this account.
3. Disbursements. MFT disbursements are evidenced by a series of claims and warrants. Each claim is sequentially numbered. The MFT section number should be included on each invoice and on each claim to which it is charged. Each claim should be signed by the party filing it.
4. Reimbursements to the MFT Account. When MFT funds are expended for construction or maintenance projects and then reimbursed by property owners, corporate funds, State funds, Federal funds, or any other source; the reimbursement shall be attributed to the MFT section account from which the payment was made. Any payments not eligible for MFT participation shall be reimbursed to the account from which they were paid.

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5. Materials, Equipment, Labor Claims. Claims for materials or equipment in connection with day labor construction (see [Section 12-1](#)) or maintenance (see [Section 14-2](#)) should be documented. If the claim involves material purchased that is incorporated directly into a MFT project, a copy of the vendor's invoice shall be attached to the claim. For payments to contractors for contract construction or maintenance, a copy of the engineer's payment estimate shall be attached to each claim. When an LPA uses MFT funds to reimburse a corporate account for labor and/or equipment expenses, it shall maintain adequate records to substantiate the charges. For labor, the LPA shall base the accounting system on daily time records and identify the type of work involved on the daily time records along with the wage rates and hours. For equipment rental, the LPA shall show items of equipment; the hourly rates and numbers of hours used for each piece of equipment and identify the labor rates and hours, and MFT section number or location used.

The total costs accumulated from these daily records shall be transferred to payment bills and ultimately to the Final Report of Improvement Constructed under the Illinois Highway Code (Final Report – Form [BLR 13510](#)) or the Estimate of Maintenance Costs/Maintenance Expenditure Statement (MES) (Form [BLR 14222](#)). The LPA shall ensure that daily time records are available for IDOT's documentation review for verification of charges. The practice of assigning a percentage of the public works or highway department payroll as an MFT expense is not an acceptable method of documentation without having other documentation to support the percentage. If there is an intergovernmental agreement on how payment for work performed by one LPA is to be reimbursed by another LPA; the agreement needs to be made available. For payment of MFT eligible personnel in connection with day labor construction or maintenance, a properly documented payroll supported by daily time records will constitute a claim. Payment shall be made by a separate warrant for each individual shown on the payroll, except where a payroll clearing account is in use. When the compensation is on an LPA hourly, daily, or monthly basis, the LPA may pay the employee from the fund from which the employee is regularly paid. The LPA fund may be reimbursed from the MFT fund for the time spent on the MFT job. The LPA must keep complete records of the dates and times LPA employees are engaged on MFT work. Reimbursements in this manner from MFT funds should be made promptly and periodically. See [Section 4-3](#) for MFT eligibility for salaries and expenses.

6. Payments to Other LPAs. Payments from MFT funds to another LPA fund for reimbursement are made in the same manner as any other payment. A claim should show the date, project or section and the same documentation as listed above in Item 5 if payment is for labor and/or equipment. A warrant is then drawn against the MFT fund in favor of the fund that is being reimbursed. If desired, all employees working on that project/section during the period covered by the claim may be shown on one claim and reimbursement made by one warrant.

#### 15-1.02 No Disbursement – Memorandum Documentation Review

A regular receipt and disbursement documentation review is not necessary for any calendar year in which a LPA receives MFT funds but makes no disbursements. In this case, the

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reviewer will prepare the appropriate portion of the documentation review package addressed to the District Local Roads Engineer (DLRE) stating no disbursements were made by the LPA during the period indicated, therefore; no regular MFT documentation review is necessary.

The reviewer will include in the package:

- the allotments and other funds, including interest received by the LPA;
- the previous documentation review balance;
- the total MFT funds invested or on deposit at the bank at the end of the calendar year; and
- supporting documentation of the MFT fund bank balances agreeing with the Memorandum Documentation Review.

The period covered by this type of review shall always be included in the regular receipt and disbursement documentation review of the first year following the LPA's disbursement of MFT funds.

### **15-1.03 Request for Records**

When scheduling a documentation review, the reviewer will contact the LPA and may request the following records be made available:

- MFT fund ledger and/or account book;
- claim register, if any;
- cancelled checks or images (front and back of checks) and monthly bank statements;
- paid invoices, bills, vouchers, etc.;
- electronic payments;
- payroll and equipment usage records;
- section files including resolutions, contract and material awards, final reports, and maintenance expenditure statements;
- minutes of board or council meetings, where necessary;
- any other information relative to the time frame being reviewed (e.g., Certificates of Deposits, passbooks, money market statements);
- documentation to support expenditures of MFT funds; and
- documentation to support receipts to the MFT funds other than monthly allotments.

### **15-1.04 Detail of Disbursements**

For small LPA's, the reviewer may find it convenient to review all disbursements. For large LPAs, the reviewer may use a sampling technique.

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**15-1.05 Review of Warrants**

The reviewer will determine if claims issued against the MFT fund have been approved by the LPA prior to issuance of the warrant. Cancelled warrants will also be examined for proper warrant date, number, payee, and amount and then compared to the monthly bank statements and the LPA's MFT fund ledger. Paid invoices, LPA bills, vouchers, and any other necessary documentation may also be examined. The extensions and amounts are compared with the amount disbursed.

The LPA officials will be asked to explain any disbursements questioned by the reviewer or any discrepancies found. The documentation review report will address these findings with appropriate comments, explaining the particular facts found and what action, if any, needs to be taken.

**15-1.06 Formal Contracts Required to be Bid**

When reviewing contract projects, the reviewer will check each payment against the Engineer's Payment Estimate (Form [BLR 13230](#)). The reviewer will verify the Engineer's Payment Estimate (Form [BLR 13230](#)), marked as "Final" has been approved by IDOT prior to final payment to the contractor unless the LPA is under agreements of understanding for the project.

**15-1.07 Day Labor**

Items of labor, material, equipment usage, and miscellaneous, whether they apply to a construction account or a maintenance account, must be examined and checked as follows:

1. Labor. MFT fund for labor expenses may be paid in the following manner:
  - a. Direct Payment. When the LPA pays the employee directly from the MFT fund, the LPA must keep adequate records of employment on the MFT funded project by the employee (e.g., hours, dates). Payment is made by an MFT warrant payable directly to the employee. See [Chapter 9](#) for guidance on payment of labor with MFT funds.
  - b. Local Funds. When the LPA pays the employee from the LPA fund from which the employee is regularly paid, the LPA fund may be reimbursed by an MFT warrant payable directly to the LPA fund. The LPA must keep adequate records on which the employee is engaged in MFT work (e.g., hours, dates, locations, sections). For maintenance, location and sections are not required. Payment from the MFT fund to another LPA fund for reimbursement of the above is made periodically, preferably each month, and must be made the same as any other MFT payment. It is not necessary to have individual claims for each employee for a section. All employees working on a particular section during the period covered by the claim may be covered by one warrant.
2. Materials. Payment for materials purchased directly with MFT funds should be substantiated by the vendor's invoice, which should be checked for proper unit prices, extensions, and totals. Materials taken from LPA stock cannot be charged at more than cost. Accurate records must be kept of the quantities and dates used.

3. Equipment Usage. When a LPA desires to claim MFT funds for the use of its own equipment for MFT work, the hourly rate claimed for each piece of equipment it desires to use cannot exceed the rate provided by IDOT's Schedule of Average Annual Equipment Ownership Expense (under the "LPA Resources" tab) including the index factor or Equipment Watch. Adequate records must be kept by the LPA (e.g., hours, dates, equipment, section numbers). The equipment must be listed on the Equipment Rental Schedule (Form BLR 12110) and approved by IDOT.

#### **15-1.08 Miscellaneous Receipts and Disbursements**

Occasionally, the reviewer will encounter situations that vary from the routine documentation review. In these cases, the reviewer will set up the necessary accounts to record the receipts and disbursements of the particular account. The reviewer will also make the necessary remarks in the documentation review comments to address the situation. Some of these situations are discussed in the following subsections.

When these types of funds are reimbursed to the MFT fund, they are identified in the documentation review report under the documentation review comments as "other receipts." The section number, source, purpose, and amount must be shown.

##### **15-1.08(a) Authorizing Disbursements and Crediting Reimbursement for a Specific Section in the MFT System**

The following will apply:

1. Active or Open Sections. The authorization or reimbursement is credited to the section account as identified in the documentation review.
2. Closed Sections (In the MFT System). If the section is closed, it is reopened to include the disbursement or receipt, as indicated by the documentation review, including comments (e.g., source, purpose). Final paperwork is corrected. Once this action is completed, the section must be closed again.
3. Closed Sections (Purged from the MFT System). If the section is closed and purged from the database, the disbursement or receipt of funds is entered as category "other" and in the memo area the original section designation is entered. The source and purpose shall be identified. The purging of data is no longer allowed.

##### **15-1.08(b) Authorizing Disbursements and Crediting Reimbursement Not Identified by a Section**

Any other reimbursement that cannot be assigned to an existing section must be entered as category type "other" and identified with an explanation in the memo field. The source and purpose of the reimbursement or disbursement plus the documentation review report number shall be identified.

**15-1.08(c) Crediting Earned Interest**

The Attorney General of the State of Illinois has set forth a ruling which, in general, states that interest must follow the fund. Any earned interest on the investment of the LPA's MFT funds must be accounted for in the documentation review. Upon receipt, these funds must be deposited in the LPA's bank account and credited to the "Unobligated Account."

The accounting of monies earned on the MFT fund investment is reviewed during the course of the documentation review made on the LPA.

Any earned interest (and only earned interest) on LPA's fund must be accounted for in the documentation review under a section titled "Interest" with a line designated for each year of interest. Each annual total of earned interest will be credited as category "interest" in the MFT system and in the memo field the documentation review report number shall be identified along with year in which the interest was earned.

**15-1.08(d) Crediting Surplus Off-Street Parking Revenue Funds**

When a municipality has used MFT funds to construct a revenue-producing off-street parking facility, its parking revenue account must be made available to IDOT for documentation review purposes. A section number to track this revenue must be assigned as follows:

1. Separate Accounts. When a LPA chooses to maintain accounts for each parking facility constructed, the construction section must be closed and the final MFT participation is determined. To account for revenues, new MFT sections must be established as in the following example:

Revenue reimbursements for a parking lot built as section 02-00076-00-PK is accounted for by using section 02-R0076-00-PK. The original MFT participation in the project is entered in the database as "the amount appropriated." The receipts are credited to the Unobligated Account annually, and the total credited accumulation is maintained in the far-right column on Form [BLR 15106s](#) of the documentation review. Once the amount appropriated has been achieved, the section is closed.

2. Single Account. When the LPA has several revenue-producing parking facilities but maintains one parking revenue account, the original construction sections are closed and the total MFT participation in all projects is determined.

The new section number is established as (year of 1<sup>st</sup> reimbursement)-R0000-00-PK. The total participation in all sections must be entered into the database as the amount appropriated. If additional parking projects are built, the MFT participation for those lots is added to the appropriation amount. Annual credits for parking receipts are treated as separate accounts.

**15-2 TOWNSHIP BRIDGE PROGRAM DOCUMENTATION REVIEWS**

The Township Bridge Program (TBP) account of each county is reviewed periodically by the MFT documentation reviewer of the District BLRS office. This documentation review usually takes place at the same time as the MFT documentation review.

**15-2.01 Record of Receipts and Disbursements**

The county shall preserve all claims, warrants, records, and resolutions pertaining to the receipt and disbursement of Township Bridge Program funds for review by IDOT. Warrants shall be deposited in a separate account to facilitate an efficient accounting during the documentation review.

The county must use a ledger to show receipts of TBP funds and expenditures from individual section accounts. BLRS has developed a TBP computer software package that can be downloaded from the [IDOT website](#) under the "Databases" tab.

A complete record of receipts and disbursements of TBP funds must be kept by the LPA similar to what is required for MFT funds; see Section 15-1.01. Procedures similar to those for MFT should be used. Additionally, the TBP funds received by the county from the State are recorded and deposited into a bank account, which will identify TBP funds and interest earned on these funds separately from other funds. Disbursements are made from the account when pay estimates are received from the contractor, or invoices from consultants are received for preliminary or construction engineering. Funds not needed for a project for which they were obligated must remain in the account until applied to a future project.

**15-2.02 Request for Records**

When scheduling a documentation review, the reviewer will contact the LPA and request records similar to those listed in Section 15-1.03 be made available.

**15-2.03 Documentation Review**

The reviewer will review all receipts and disbursements to and from the TBP account similar to the review of MFT funds discussed in Section 15-1. The reviewer will ensure that any funds paid to a county by the State for a TBP project but not needed to complete the project remain in the TBP account to be used on future projects and that interest earned on the TBP account is credited to the account. To balance completed projects, the reviewer will record any credits to or debits from the unobligated balance in the documentation review report. The reviewer will also check to ensure that only the allowable percentage of TBP funds is expended, with the remaining balance coming from the LPA's local funds and/or from MFT funds.

### 15-3 GENERAL OBLIGATION BOND AND DOCUMENTATION REVIEW

An LPA's may use MFT funds to reimburse bonds (e.g., General Obligation Bonds (GOB), MFT Fund Bonds) to finance highway improvements, but must follow the requirements of Section 15-3.01. Whenever MFT funds are used for the retirement of bonds by the LPA, it is necessary for IDOT to review the LPA books. The purpose is to determine the existence and amount of indebtedness that is eligible for MFT participation.

#### 15-3.01 General Obligation Bond Procedures

##### 15-3.01(a) MFT Reimbursement for Bond Issues Procedures

[Section 4-4](#) discusses an LPA's use of bonds (e.g., General Obligation Bonds (GOB), MFT Fund Bonds) to finance highway improvements. The following discusses procedures for initiating and processing a bond issue project, which is approximately the same for each type of bond when MFT funds will be used to pay all or part of the bond issue.

1. Resolution of Intent (Municipality and County). When an LPA proposes to finance a project with the proceeds of a bond issue and later requests MFT funds to retire the indebtedness, the LPA must submit a resolution stating its intent to IDOT. Assign a section number to the resolution for the project (see [Section 2-4](#)) and adequately describe the location, the proposed widths of the roadway, and type of the proposed improvement. For a GOB issue, the Resolution of Intent (Form [BLR 09112](#)) requires IDOT approval prior to submitting the proposition to the voters, if voters' approval is required.

When the entire cost of the project is paid with proceeds of the bond issue, there is no need to appropriate any MFT funds at the time the Resolution of Intent (Form [BLR 09112](#)) is passed. However, if the LPA wants to pay any eligible portion of the total project cost directly with MFT funds, a resolution (Form [BLR 09110](#)) to appropriate the necessary MFT funds must be submitted to IDOT for approval.

2. Direct Payment of Project Costs. Do not include any project costs that are paid directly with MFT or other funds in the bond issue. When the cost of engineering is not part of the bond issue and is paid with MFT funds, make payments from the MFT account directly to the persons performing the engineering work. Do not deposit MFT funds in, or disburse from, the bond issue account. MFT funds cannot be used to pay engineering costs on GOB issue projects until the bond issue has been passed by referendum.
3. Procedures for Road District Bond Issues. In general, the county engineer, acting in cooperation with or for the highway commissioner, will submit the general plan of improvement to IDOT for approval prior to the submission of the proposition to the voters, if voters' approval is required.

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4. Bond Ordinance — GOB Projects Only. Subsequent to the passage of the referendum, the LPA (e.g., county board or corporate authorities) must file an ordinance with the county clerk certifying the results of the vote and the issuance of the bonds ([605 ILCS 5/5-605](#), [5/6-513](#), and [65 ILCS 5/8-4-4](#)). The LPA should submit two certified originals of the bond ordinance to IDOT.

For road districts, a register of all issues of these bonds is filed with the county clerk by the road district clerk. Submit two originals to IDOT ([605 ILCS 5/6-510](#)).

5. Allowable Miscellaneous Expenses. Legitimate miscellaneous expenses incurred in connection with an approved road or street bond issue improvement (e.g., attorney fees (see [Section 4-3](#)), engineering costs) may be included as part of the improvement cost, and MFT funds may be used to retire the bonds. Voting costs in connection with issuance of bonds are not considered legitimate MFT expenses.

6. Obligation Retirement Resolution. To retire the obligation with MFT funds, submit to IDOT an Obligation Retirement Resolution (Form [BLR 15411](#)) appropriating the funds required each time an obligation becomes due. If a road district wants to retire the obligation with MFT funds, the county must submit a County Request for Road District Motor Fuel Tax Funds to be Used to Retire Indebtedness (Form [BLR 09130](#)) to IDOT indicating the outstanding amount needed for payment.

For GOB issue projects, the county clerk must sign Certification of Cancellation of Tax Levy (Form [BLR 15314](#)), if required. It certifies that the tax levy, which would have produced funds to pay the indebtedness, has been cancelled and not extended. This must accompany the Obligation Retirement Resolution (Form [BLR 15411](#)).

If the bond issue improvement includes work not eligible for MFT participation, the amount of MFT funds to retire the bonds and interest must reflect the percentage of the project that is eligible for MFT participation.

### 15-3.01(b) Records

Subsequent to passage of the referendum, two certified copies of the bond ordinance must be submitted to IDOT.

For road districts, two copies of a register of all issues of these bonds must be submitted to IDOT pursuant to the Illinois Highway Code, [605 ILCS 5/6-510](#).

As soon as the bonds have been sold, the proceeds must be deposited by the LPA's treasurer in a bond account(s) as directed by the bond ordinance, not the MFT account. Two forms should be completed by the clerk and submitted to the appropriate District BLRS office. These forms are:

1. Description, Ordinance, and Bond Issue:
  - Use Form [BLR 15310](#) if the bond issue is a general improvement bond issue.
  - Use Form [BLR 15312](#) if the bond issue is a refunding or refinancing bond issue.
2. Schedule of Tax Levies and Retirement Schedule:

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- Use Form [BLR 15311](#) for a general improvement bond issue.
- Use Form [BLR 15313](#) if it is a refunding or refinancing bond issue.

### **15-3.02 Documentation Review of General Obligation Bonds**

#### **15-3.02(a) Accounts**

When it is anticipated that a bond issue will be repaid with MFT funds, whether in whole or in part, IDOT is required to conduct a documentation review of the bond issue accounts.

When the LPA receives the proceeds from the bond (Form [BLR 15310](#)) and retirement schedule (Form [BLR 15311](#)), both forms need to be submitted to the District BLRS. The District BLRS will schedule an initial documentation review at this time. The final documentation review is conducted upon completion and final acceptance of the project(s).

When IDOT has approved the Engineer's Payment Estimate (Form [BLR 13230](#)) marked as "Final" and all other bills for the project have been paid, the LPA will submit the Final Report – Notice of Completion and Acceptance (Form [BLR 13510](#)). The Final Report will contain a detailed summary of all costs associated with the project and an indication of whether these costs were paid from the bond fund or from another source. If there are several projects under the same bond issues, a Final Report will need to be completed for each project. After receiving the Final Report (Form [BLR 13510](#)), IDOT will perform the final documentation review. Any project costs that are not eligible for MFT participation will be determined during the final documentation review, and the MFT-eligible portion of the repayment schedule will be revised accordingly.

If the bond issue to be repaid with MFT funds is a refunding or refinancing bond issue, the initial documentation review and the final documentation review are the same.

#### **15-3.02(b) LPA Records**

The reviewer will request the various LPA records relative to the bond issue. A copy of the bond ordinance should be included with the documentation review report.

During preparing the documentation review report, the reviewer may need to examine the following LPA records:

- minutes of the LPA's meetings;
- special election data;
- LPA legal and construction files;
- LPA documents kept by the treasurer (e.g., bills, invoices, bank statements, electronic payments);
- bond ordinance;
- MFT fund; and

- other LPA funds.

### **15-3.02(c) Costs Over and Above the Amount of the Bond Issue**

Typically, this type of documentation review arises when the LPA finds that the proceeds received from the sale of the bonds and earned interest are insufficient to cover all costs on the project being improved. The LPA requests the use of MFT funds to cover the costs over and above the amount of the bond issue. A documentation review is requested to determine the actual MFT funds necessary to complete final payment of all costs on the project.

This is essentially a final documentation review. The reviewer accounts for all monies received from the sale of the bonds, earned interest, and any MFT funds that may have already been authorized to the LPA. The reviewer takes into consideration all outstanding bills necessary to complete final payment of all costs on the section applicable to MFT funds.

### **15-3.02(d) Miscellaneous Information Regarding Bonds**

A copy of the LPA resolution should be given to the reviewer. This resolution may contain the pertinent data relative to the issuance of the bonds and certain options for bond retirement the LPA may exercise. Whenever this occurs, the reviewer must cover the options in the documentation review comments and prepare any appropriate schedules as needed.

Whenever there is a partial abatement (cancellation) of taxes, the Cancellation of the Tax Levy Certificate (Form [BLR 15314](#)), which is certified by the county clerk, should show the actual amount of taxes that have been abated or cancelled. The amount shown as being extended and the amount shown as being cancelled should equal the tax levy for that particular year.

When a LPA sells a portion of the authorized bond issue and then finds it necessary to sell any or all of the remaining unissued bonds, the reviewer prepares a supplementary bond documentation review. For this supplementary sale of bonds, the reviewer prepares a regular bond documentation review following the general procedure already outlined. The reviewer accounts for only the proceeds from the sale of the supplementary sale of bonds. This is necessary because the issuance dates usually differ from that of the original partial offering, which affects the amount of accrued interest received by the LPA. The reviewer must obtain a copy of the supplementary ordinance for inclusion in the documentation review report.

The LPA will need to complete Form [BLR 15411](#) (Obligation Retirement Resolution) for repayments of bond and interest from the MFT account. The authorization and payments will show in the regular MFT documentation review.



## **15-4 SPECIAL ASSESSMENT AND DOCUMENTATION REVIEW**

A municipality may use MFT funds to retire the indebtedness to finance a special assessment project and must follow the requirements of Section 15-4.01. When the municipality desires to retire the public benefit portion of a Special Assessment (SA) Project, IDOT must conduct a documentation review to determine that the work was eligible for the use of MFT funds and that the amount of MFT funds used did not exceed the public benefit portion.

### **15-4.01 Special Assessment Procedures**

#### **15-4.01(a) Resolution of Intent**

When a municipality proposes to finance a project by special assessment and later requests MFT funds to retire the indebtedness, the corporate authorities are responsible for submitting a resolution (Form [BLR 09113](#)) to IDOT stating their intent. Assign a section number to the resolution for the project (see [Section 2-4](#)) and adequately describe the location and type of proposed improvement.

#### **15-4.01(b) Direct Payment of Project Costs**

Any portion of a project (e.g., right-of-way, engineering expenses) may be paid directly with MFT or other funds. If the municipality chooses to pay a portion of the project directly, exclude all costs related to that portion from the assessment. All project costs that will be paid directly should not be included in the final project cost that is submitted to the circuit court for the determination of the assessment. When MFT funds will be used for direct payment of eligible project costs, the Resolution of Intent may include the necessary appropriation of MFT funds.

The use of MFT funds to pay engineering costs directly on special assessment projects that have not been confirmed by the court is not allowed unless prior approval of resolutions of intent have been secured.

Payments from the MFT account must be made directly to the entities performing the engineering work. MFT funds shall not be deposited in and disburse from the local improvement account or bond issue account.

#### **15-4.01(c) Obligation Retirement Resolution**

If a municipality wants to retire the public benefit assessments with MFT funds, it should submit an Obligation Retirement Resolution (Form [BLR 15411](#)) to IDOT, appropriating the funds required each time an obligation comes due. The municipality may request MFT authorization to retire all, or any remaining installments, of the public benefit assessments at one time.

Pertinent information showing the total private and public benefit assessments and project costs should accompany the first Obligation Retirement Resolution. The project costs should be the latest costs available for all right-of-way, engineering, construction, legal fees, and court costs associated with the project. Estimated costs may be used if the final costs for a phase are not known when preparing the resolution. For the Board of Local Improvements to collect the assessments, both public and private, they are required to file a certificate of issuance of first voucher in the circuit clerk's office in which the assessment was confirmed. File this certificate within 30 days after issuance of the first voucher for construction and show the amount and date of the first voucher.

It is necessary to furnish all the preceding information to IDOT for documentation review purposes. Special Assessment (Description, Court, Legal, and Financial Data) (Form [BLR 15410](#)) and Public Benefit Retirement Schedule (Form [BLR 15312](#)) are available for this purpose and will be furnished upon request. After the construction contract has been awarded and approved, the Obligation Retirement Resolution will be approved by IDOT along with authorization to expend MFT funds.

Form [BLR 15312](#) is not required when the total public benefit will be returned in one lump sum.

#### **15-4.01(d) Miscellaneous Information**

The following provides additional information regarding special assessments.

1. Public Benefit Assessment Payments. An LPA may use MFT funds to pay the first installment or all ten installments of public benefit assessments, without interest, provided that all other court data is in order and the Court has confirmed the assessment roll.
2. Interest. The following apply to interest on special assessments:
  - a. Start Date. Interest begins to accrue 60 days from the issuance date of the first voucher for work, except where the taking and damaging of property is involved. In this case, interest begins to accrue 60 days from the date that the Warrant for Collection is delivered to the LPA by the Circuit Court. The taking and damaging of property occurs when condemnation proceedings for right-of-way are involved in the special assessment. Interest is always computed 60 days from the date the first voucher is issued and not from the date the first voucher is recorded in court.
  - b. Assessment. Interest is computed on the total amount of all public benefit assessments (10 installments). It is always computed 60 days from the issuance date of the first voucher or the date of the Warrant for Collection to January 2<sup>nd</sup> of the following year.
  - c. First Payment. If the first voucher has been issued and the LPA is requesting the use of MFT funds for payment of interest, the first voucher must be recorded in court before IDOT will authorize payment of interest with MFT funds.

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- d. Corrections. When the interest dates and/or amounts are incorrectly shown on the LPA's Obligation Retirement Resolution, the interest should be correctly computed 60 days from the date of issuance of the first voucher or the date of the Warrant for Collection to January 2<sup>nd</sup> of the following year. Appropriate comments must be made when dates or amounts are incorrectly shown by the LPA.
3. Principal. The first installment of principal is due on January 2<sup>nd</sup> of the year following the issuance of the first voucher except when the acquisition or damaging of property is involved. In this case, the first installment immediately becomes due and payable upon delivery of the Warrant for Collection to the LPA.
4. Installments. The following will apply:
  - a. Request for Less than the Resolution. If the LPA requests less interest and/or principal on their Obligation Retirement Resolution than what is actually due, the LPA will only receive authorization for the lesser amount requested.
  - b. Request for More than the Resolution. If the LPA requests more interest and/or principal on their Obligation Retirement Resolution than is actually due, the LPA will only receive authorization for the actual amount due as shown by the schedule on Form [BLR 15411](#).
  - c. Payments. Special Assessment Bonds can only be issued against collections on any or all of installments two through ten. Special Assessment Bonds cannot be issued against collections of the first installment. The first installment is paid to the contractor by warrant only.
  - d. Other Funds. If the LPA pays a special assessment installment by borrowing from another LPA fund, with the intention of reimbursing the borrowed funds with certified MFT funds, a Notice of Interest must be passed by the LPA board and recorded in the minutes. Prior to payment of the special assessment installment with borrowed funds, the LPA must record their intent to repay the borrowed funds with MFT funds when authorization is received. Otherwise, there is no obligation due, and the LPA must not use any MFT funds for payment of this particular installment.
  - e. Interest. The second to tenth installments of principal bear interest from January 2<sup>nd</sup> to January 1<sup>st</sup>, inclusive, of the following year except where the acquisition or damaging of property is involved. In this case, it is recommended that the documentation reviewer review the statute for the applicable provision ([65 ILCS 5/9-2-48](#)).

### 15-4.01(e) Records

LPAs are required to furnish the District BLRS with the following:

1. Statement of Financing of Local Improvement Project. The LPA will complete Form [BLR 09140](#) and submit to the District BLRS.

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2. Municipal Resolution of Intent for Special Assessment. The LPA shall pass a resolution of their intent (Form [BLR 09113](#)) and submit to the District BLRS.
3. Preliminary Court Information. The LPA must submit Form [BLR 15410](#) (i.e., description, court, legal and financial data). Additionally, the following is required:
  - the court approval of the special assessment, both public and private;
  - the LPA's estimate used to determine the assessment; and
  - the date of the first voucher, if issued.
4. Schedule of Installments. The LPA must indicate the due dates, installment numbers, principal due, interest due, and the total amount of each installment on Form [BLR 15311](#).
5. Obligation Retirement Resolution. The LPA shall use Form [BLR 15411](#) as a formal request to use MFT funds for a particular debt. A description of the debt must be shown in sufficient detail to identify the public benefit assessment and the individual payment due.
6. Special Assessments (Public Benefit Retirement Schedule). The LPA shall submit Form [BLR 15411](#) when they retire the special assessment, unless it is paid in one lump sum.

#### **15-4.02 Documentation Review of Special Assessments**

##### **15-4.02(a) Procedure**

When final papers are submitted by the LPA, the District BLRS initiates a final documentation review. The reviewer should request that the various LPA records, relative to the special assessment, be made available for examination. The reviewer reviews Form [BLR 09113](#) and Form [BLR 15410](#) which are submitted by the LPA, by examining the Circuit Clerk's files. The reviewer should secure all court, legal, and financial data relative to the special assessment.

The reviewer reviews the following information on the assessment roll confirmed by the court:

- the total public and the total private assessments,
- the number of installments,
- amount of each installment,
- the breakdown between public and private assessments in each installment, and
- the assessment roll portion that covers the costs paid in the form of special assessments against private property owners and the LPA as public benefits.

After securing all the necessary information from the Circuit Clerk's files, the reviewer will review the District BLRS files and compare the information secured from the Circuit Clerk's file against the information originally submitted by the LPA. Any differences will be noted. The reviewer will also request an explanation from the LPA regarding any differences. This is necessary because, prior to the documentation review, any MFT funds already authorized for payment of obligations as part of this special assessment have been based on information furnished by the

LPA. If the assessments exceed the final cost, IDOT will prorate the excess public benefit assessment over the remaining installments or deduct it from the final installments, whichever the LPA requests. If all installments are paid, a refund to the MFT account for the excess amount is required.

The final documentation review should contain schedules listing all vouchers and/or bonds issued for payment of construction, engineering, legal, and court costs. These costs are considered the total actual costs of the improvement. These costs do not include any amount shown in the Statement of Financial Cost as “amount estimated to pay accruing interest on bonds and/or vouchers.”

The total of the above items is the “total actual cost” as shown in the Statement of Final Cost. This total should agree with the “total assessment” as shown on the assessment roll as confirmed by the court. Any differences should be noted by the appropriate comments.

After securing all relative information and after the finances have been balanced, the documentation review comments are prepared.

#### **15-4.02(b) Costs Over and Above the Amount of the Special Assessment**

Typically, this type of documentation review arises when the LPA underestimates the actual cost of the improvement and finds that collections on the special assessment are insufficient to pay the vouchers and/or bonds issued. The LPA requests authorization for MFT funds to cover the costs over and above the amount of the special assessment. A documentation review is requested to determine the actual amount of MFT funds needed by the LPA.

This is essentially a final documentation review. The documentation review accounts for the total actual cost as compared to the total assessment to provide the actual amount of MFT funds needed by the LPA to pay any costs over and above the amount of the special assessment.

## 15-5 POST DOCUMENTATION REVIEW PROCEDURES

### 15-5.01 Documentation Review Approval by the District

Upon the completion of the MFT documentation review of the LPA, the draft copy along with pertinent findings, comments, and/or recommendations are given to the DLRE for review, resolution, and approval. Upon receipt, the DLRE reviews the documentation review and the comments with respect to the following:

- documentation review completeness and consistency with established MFT format,
- agreement with the MES (Form [BLR 14222](#)) and/or the Final Report (Form [BLR 13510](#)), as appropriate,
- need for a LPA credit(s) and/or authorization(s),
- conformance with IDOT policy and State Statutes,
- validity of citations and noted irregularities, and
- the satisfactory disposition of all findings.

### 15-5.02 Potential Criminal Action

If the documentation review findings have the potential for criminal action, Central BLRS must be notified immediately. The matter is referred to BIC, if appropriate.

### 15-5.03 Disposition of Findings

Findings refer to the discovery of irregularities and/or issues during the documentation review. If there are findings to be resolved that require the cooperation of the LPA, the District BLRS must contact the appropriate LPA official and relate the documentation review findings to be resolved. The District BLRS must document the discussion with written correspondence to the appropriate LPA official and reiterate the actions required to resolve the finding(s) with a copy being sent to the CBLRS. The District BLRS should then approve the documentation review and release it for further processing. Written documentation to the appropriate LPA official may not be required if the necessary measures were taken immediately and do not require council or board action by the LPA.

The following presents the calendar day schedule for unresolved findings, at every stage the CBLRS will need to be informed:

1. 45 Days. Once written documentation is sent and 45 calendar days pass and neither corrective action nor a positive response has been received from the LPA, the District BLRS must contact the LPA by phone and follow up with written documentation restating the previous findings and IDOT's position. At this time, the District BLRS should request a meeting with the appropriate LPA official to offer assistance in overcoming any disagreement or misunderstanding surrounding the findings.

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2. 75 Days. If the request for a meeting is rebuffed and 30 more calendar days pass without LPA action or response, the District BLRS must notify the LPA in writing that, effective immediately, approval of all MFT work will be withheld until all pending findings have been resolved in a manner satisfactory to IDOT.
3. 105 Days. If IDOT still does not receive written notification of LPA action and response within 30 more calendar days, the District BLRS must again notify the LPA in writing. The letter will state that unless all pending findings are immediately resolved in a manner satisfactory to IDOT, the Regional Engineer will recommend to the CBLRS and to the Director of Program Development further payment of MFT funds be withheld in accordance with [605 ILCS 5/5 - 702](#), [5/6 - 702](#), or [5/7-204](#), as appropriate.
4. 135 Days. If 30 more calendar days pass totaling 135 days without LPA action or written response, and all negotiation attempts by IDOT have been rebuffed, the CBLRS must notify the appropriate LPA official by registered mail. No further payment of MFT funds will be made as noted above until all findings are resolved. The CBLRS must coordinate this action with the Office of the Comptroller. The LPA must be notified each month that MFT payments will be resumed only when all MFT expenditures have been accounted for in a manner satisfactory to IDOT.

The District BLRS shall maintain a comprehensive listing of unresolved LPA documentation review findings which will allow close adherence to the above procedure.

**15-5.04 Distribution**

If no findings have been identified in the documentation review, the District BLRS approves the documentation review and releases it. The District BLRS retains IDOT's original of all documentation reviews. A copy of the documentation review is sent to the LPA.

**15-6 ACRONYMS**

This is a summary of the acronyms used within this chapter.

BIC	Bureau of Investigation and Compliance
BLRS	Bureau of Local Roads and Streets
CBLRS	Central Bureau of Local Roads and Streets
DLRE	District Local Roads Engineer
Final Report	Final Report of Improvement Constructed Under the Illinois Highway Code (Form <a href="#">BLR 13510</a> )
GAGAS	Generally Accepted Government Auditing Standards
GOB	General Obligation Bonds
IDOT	Illinois Department of Transportation
ILCS	<a href="#">Illinois Compiled Statutes</a>
LPA	Local Public Agency
MES	Maintenance Expenditure Statement
MFT	Motor Fuel Tax
Reviewer	MFT Documentation Reviewer
SA	Special Assessments
SOS	Secretary of State
TBP	Township Bridge Program



**15-7 REFERENCES**

1. [Illinois Compiled Statutes](#)