



**Motor Vehicle Highway Funds** | 2020 AUDITORS FALL  
VIRTUAL CONFERENCE

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## IC 8-14-1-4 County Allocations; permissible uses of Funds; requirement

Sec. 4. (a) The funds allocated to the respective counties of the state from the motor vehicle highway account shall annually be budgeted as provided by law, and, when distributed shall be used for construction, reconstruction, preservation, and maintenance of the highways of the respective counties, including highways which traverse the streets of incorporated towns, the cost of the repair and maintenance of which prior to the tenth day of September, 1932, was paid from the county gravel road repair fund excepting where the department is charged by law with the maintenance or construction of any such highway so traversing such streets. Subject to subsection (b), any surplus existing in the funds at the end of the year shall thereafter continue as a part of the highway funds of the said counties and shall be rebudgeted and used as already provided in this chapter. The purchase, rental and repair of highway equipment, painting of bridges and acquisition of grounds for erection and construction of storage buildings, acquisition of rights of way and the purchase of fuel oil, and supplies necessary to the performance of construction, reconstruction, preservation, and maintenance of highways, shall be paid out of the highway account of the various counties.

(b) For funds distributed to a county from the motor vehicle highway account, the county shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the county's highways.



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## MVH DIRECTIVE

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On December 20, 2018, the State Examiner issued Directive 2018-2 regarding the accounting for distributions from the State Motor Vehicle Highway account and the statutory restriction that at least 50% be used on construction, reconstruction, or preservation of the local unit's highway and streets.



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## MVH RESOURCES

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### Links to resources:

- Directive 2018-2  
<https://www.in.gov/sboa/files/Directive%202018-2%20%2012%2018%20.pdf>
- Construction, Reconstruction, & Preservation Definitions and Examples  
<https://www.in.gov/sboa/files/MVH%20CRP%20definitions%20ver%20V.pdf>
- Q&A - Directive 2018-2  
<https://www.in.gov/sboa/files/QandA%20for%20Directive%202018-2%20%2012%2018.pdf>



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## 2020 COMMON QUESTIONS

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- Appropriations
- Correcting Entries
- Overdrawn Funds
- Transfer Cash within MVH
- Transfer from EDIT to MVH
- Expenses that are construction, reconstruction, & preservation
- Reporting on the AFR



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## PREPARING FOR BUDGET

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- What will be needed for construction, reconstruction, and preservation in the upcoming year?
- What will be needed for other costs that cannot be paid from restricted?



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## APPROPRIATIONS

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- An appropriation is the permission to spend
- There must be an appropriation in place for each disbursement
- MVH is budgeted as one fund
- Budget should be allocated between MVH #1176 and MVH-R #1173.



## APPROPRIATIONS

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- Allocating appropriations examples:
  - MVH restricted done as a department of MVH budget
  - Allocation can be done after budget is approved



## APPROPRIATIONS

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- Things to Remember:
  - #1176 MVH is unrestricted
  - Transferring appropriations between #1176 and #1173 can be done without approval as long the budgeted category amounts remain the same. Meaning supplies can be transferred to supplies. Any changing between categories would need approval
  - The 50% MVH distribution receipted into the restricted **cannot** be transferred out.



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## CORRECTING ENTRIES (Between 1176 and 1173)

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- Should only occur from 1176 to 1173
- Determine the amount
- Maintain all documentation
- Moving the expense
  - Reinstates fund balance
  - Reinstates the appropriation
    - The appropriation may need to move with the expense



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## OVERDRAWN FUNDS

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- No fund or Sub-fund should ever have a negative balance
- During the year as long as the combined balance of MVH (1176) and MVHR (1173) are positive - no audit exception will be taken
- Both MVH (1176) and MVHR (1173) should be positive at year end



## OVERDRAWN FUNDS

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- What is needed to spend money?
  - Cash balance
  - Appropriation
- Communication with Highway Dept
- An overdrawn fund uses money from other funds.



## TRANSFER CASH WITHIN MVH

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- MVH Restricted #1173
  - Ordinance needed to transfer more than 50% required
  - Ordinance needed to transfer excess of 50% required back to #1176
  - Must be done within the same fiscal year or they must remain in MVH restricted until expended on construction, reconstruction, and preservation.



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## TRANSFERS FROM EDIT

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- Funds should not be transferred between funds unless there is specific statutory authority to do so.
- Under statute IC 6-3.6-10-2 there is no authority to make transfers out of Local Income Tax - Economic Development



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## TRANSFERS FROM EDIT *Continued...*

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- ❑ MVH costs may be paid from EDIT (1112):
  - Local Income Tax - Economic Development can be used for any lawful purpose per IC 6-3.6-10-2
  - Must be a part of the Capital Improvement plan per IC 6-3.6-6-9.5



## EXPENSES FOR CONSTRUCTION, RECONSTRUCTION, & PRESERVATION

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- ❑ Construction, Reconstruction, & Preservation Definitions and Examples:
  - <https://www.in.gov/sboa/files/MVH%20CRP%20definitions%20ver%20V.pdf>
- ❑ Documentation that supports both cost and determination
- ❑ Allocation between the 1176 and 1173 needs to have a reasonable basis





## REPORTING ON THE AFR

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- Motor Vehicle Highway Fund 1176 and Motor Vehicle Highway Restricted Fund 1173 should be shown separately on the AFR.
  
- Promotes transparency and accountability of public funds



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## REPORTING ON THE AFR

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- Gateway:
  - Add a Standard Fund
    1. Enter Local Name used
    2. Enter Local Fund Number
    3. Not part of a Federal Grant
    4. Click Show All Funds and select
    5. Click Here to Add Fund



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## Add a Fund for Governmental Activities

### To Add a Standard Fund

Follow the steps below. In step 4, enter key words one at a time that name or describe the fund. The system will attempt to relate these keywords to the standard fund list.

1. Enter the local name used for this fund.

2. Enter the local number used for this fund. If your unit does not number funds, create a number that will be unique to this fund.

3.  Check here if this fund is associated with a federal grant.

4. Search SBOA fund list: ([Show All Funds](#))

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- LOIT Homestead Credit
- LOIT Prop Tax Oper Levies Replace
- LOIT PTRC
- LOIT Residential PTRC
- LOIT Special Distribution
- LOIT Stabilization
- Major Bridge
- Major Moves Construction
- Medical Care for Inmates
- Military Fines
- Motor Vehicle Registration Penalties
- MVH Restricted**
- Omitted Property Audits

### To Add a Custom Fund - [Build a Custom Fund](#)

If no standard funds match your fund description, you will need to define a custom fund. Use the link above to begin the process. You will be asked a series of questions about your fund.

[Return to Financial Data by Fund](#)

**MVH Restricted has been selected.**

5. [Click here to add this fund](#)



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