



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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April 13, 2023

TO: THE OFFICIALS OF THE CITY OF COVINGTON, FOUNTAIN COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the City of Covington (City), Fountain County, for the period of January 1, 2018 to December 31, 2022, to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

Management is responsible for preparing and maintaining its accounting records and related documents, as well as compliance with applicable state laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

The City's Annual Financial Reports filed by management can be found on the Gateway Website: [www.gateway.ifionline.org](http://www.gateway.ifionline.org).

The Comments contained herein describe the identified reportable instances of noncompliance found as a result of the procedures we performed. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

**Comments**

**MOTOR VEHICLE HIGHWAY (MVH) RESTRICTED FUND**

*Condition and Context*

The City did not create a Motor Vehicle Highway (MVH) Restricted fund for 2018, 2019, 2020, 2021, or 2022 as required; therefore, the City did not post 50 percent of the State MVH distribution to a MVH Restricted fund. The City should have posted the following amounts to the MVH Restricted fund: \$412,065 for 2018, \$235,150 for 2019, \$237,014 for 2020, \$258,747.50 for 2021, and \$267,604 for 2022.

*Criteria*

The purpose of this Directive is to authorize and require counties, cities, and towns that receive distributions from the State Motor Vehicle Highway Account to **create a new sub-fund within the MVH Fund** to properly manage and account for the usage restrictions that were included in House Enrolled Act 1002-2017 and House Enrolled Act 1920-2018.

The sub-fund . . . will be used to account for MVH monies which have been statutorily restricted for construction, reconstruction, and preservation purposes.

On the chart of accounts, the MVH Fund and MVH Restricted sub-fund shall be shown as follows:

...

Cities and Towns

Fund 201 MVH  
Fund 203MVH Restricted

**Together, MVH and MVH Restricted shall constitute the total MVH Fund.** MVH and MVH Restricted will be shown separately on the Annual Financial Report and Annual Operational Report.

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted. . . . (State Examiner Directive 2018-2)

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

The Schedule of Cash and Investment Balances - Regulatory Basis, is presented as other information. It has not been subjected to any auditing procedures, and, accordingly, we do not express an opinion or provide any assurance on it.

SCHEDULE OF CASH AND INVESTMENT  
BALANCES - REGULATORY BASIS  
For the Year Ended December 31, 2022

Fund	Cash and Investments 12-31-22
GENERAL FUND	\$ 383,293
MOTOR VEHICLE HIGHWAY	177,205
LOCAL ROAD & STREET	71,347
P & R NON-REVERTING	403
ECONOMIC DEVELOPMENT FUND	169,220
ANIMAL SHELTER	1,038
COMMUNITY IMPROVEMENT	50,323
CONTINUING EDUCATION	1,706
PARK & RECREATION	81,802
RAINY DAY FUND	13,260
OPIOID SETTLEMENT ABATEMENT - RESTRICTED	9,664
OPIOID SETTLEMENT UNRESTRICTED	4,142

SCHEDULE OF CASH AND INVESTMENT  
BALANCES - REGULATORY BASIS  
For the Year Ended December 31, 2022  
(Continued)

Fund	Cash and Investments 12-31-22
CCD FUND	46,788
CCI FUND	18,830
RIVERBOAT REVENUE SHARING	40,208
POLICE PENSION FUND	104,431
LIT PUBLIC SAFETY FUND	230,503
AMERICAN RESCUE PLAN GRANT FUND	466,818
POLICE NON-REVERTING	10,630
POOL CONCESSION	3,725
PAYROLL FUND	4,501
ELECTRIC OPERATING	765,477
ELECTRIC METER DEPOSIT	74,461
ELECTRIC DEPREC. CASH	91,977
WASTEWATER OPERATING	498,156
WASTEWATER METER DEPOSITS	27,407
WASTEWATER DEPREC. CASH	75,821
WATER OPERATING	847,790
WATER METER DEPOSITS	9,980
WATER DEPRECIATION CASH	33,884
	33,884
Total	\$ 4,314,790

Any Official Response to the Comments, incorporated within this report, was not verified for accuracy.

The contents of this report were communicated to Linda Knecht, Clerk-Treasurer; Bradley D. Crain, Mayor; and Larry Joe Sare, Common Council member, on April 12, 2023.

Respectfully,



Beth Kelley, CPA, CFE  
Deputy State Examiner