


ORDINANCE 2019-09

WHEREAS, at the direction and orders for the State Board of Accounts of the State of Indiana, State Examiner Directive 2018-2 a new fund must be established for the monies in Fund 203 Recycling. The new fund will be Fund 270 Recycling.


NOW, THEREFORE, BE IT ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF GRIFFITH, LAKE COUNTY INDIANA establishes Fund 270 Recycling.


Passed and adopted b the Town Council of the Town of Griffith, Lake County, Indiana, this 19th day of MARCH, 2019.

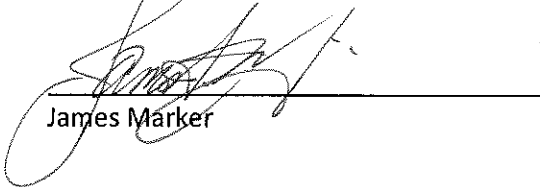
TOWN COUNCIL OF THE TOWN OF GRIFFITH

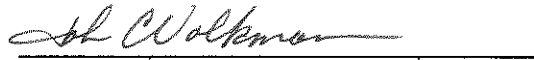

Rick Ryfa, Council President


Lawrence Ballah


Tony Hobson


Melissa Robbins


James Marker


Attest: John C. Volkmann
Clerk Treasurer
Town of Griffith



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STATE EXAMINER DIRECTIVE 2018-2

Date: December 20, 2018

Subject: Motor Vehicle Highway Account

Authority: IC 5-11-1-2, -9, -10, -21, -24; IC 8-17-4.1-2, -3, -4, -6

Application: This Directive applies to all local governmental units that receive distributions from the Motor Vehicle Highway Account

From: Paul D. Joyce, CPA, State Examiner

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 1290-2018.

The sub-fund will be referred to throughout this Directive as "MVH Restricted" and 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:

Counties

Fund 1176	MVH
Fund 1173	MVH Restricted

Cities and Towns

Fund 201	MVH
Fund 203	MVH 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.

The political subdivision, by ordinance or resolution, may elect to allocate more than fifty percent (50%) of the distributions to MVH Restricted. During the same fiscal year, the political subdivision may transfer, by ordinance or resolution, the amount allocated in excess of the 50% requirement from MVH Restricted to

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MVH. In no event can any transfers from MVH Restricted to MVH reduce the fiscal year distributions from the State Motor Vehicle Highway Account below the 50% requirement for MVH Restricted.

Any amounts allocated in excess of the required 50% of distributions which remain in MVH Restricted at the end of the fiscal year must remain in MVH Restricted until expended for construction, reconstruction, or preservation.

Qualified expenditures will then be entered accordingly to MVH and MVH Restricted:

MVH: Permissible uses of the State Motor Vehicle Highway (MVH) Account distributions are outlined in Indiana Code 8-14-1-4 for counties and in Indiana Code 8-14-1-5 for cities and towns.

MVH Restricted: Effective July 1, 2018, Indiana Code 8-14-1-4(b) and Indiana Code 8-14-1-5(c) requires at least 50% of the MVH distributions to be used for construction, reconstruction and preservation of the unit's highways. (Maintenance expenditures no longer count toward the 50% requirement.)

Accounting for distributions from the State Motor Vehicle Highway Account in MVH and MVH Restricted will promote the transparency and accountability of public funds. This will also assist counties and municipalities with more than 15,000 residents in completing and filing the Annual Operational Report required under Indiana Code 8-17-4.1.

This Directive may be amended from time to time and may be rescinded at any time in writing by the State Examiner or a Deputy State Examiner.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

Indiana State Board of Accounts
MVH and MVH Restricted sub-fund Information
December, 2018

The following are definitions and examples as provided in the 2018 Annual Highway Operational Report for items related to MVH and specifically the MVH Restricted sub-fund. These were developed to bring professionally based standardized application to the statutory definitions provided under IC 8-14-1-1(4) through IC 8-14-1-1(7) and were compiled by a committee chaired by the Local Technical Assistance Program at Purdue University (LTAP). It is these definitions that the Indiana State Board of Accounts will consider when determining compliance with the MVH Restricted sub-fund. Items identified under the heading of Construction, Reconstruction, and Preservation would be considered in compliance with expenditures allocated to the MVH Restricted sub-fund. Expenditure items identified under either the heading of Maintenance and Repair or General Administration and Unallocated would not be considered in compliance if allocated to the MVH Restricted sub-fund expenditures.

Construction, Reconstruction, and Preservation (CRP)

CRP activities are defined as expenses for work performed by internal forces or outside contractors that result in a new or improved roadway - paved or unpaved, including capacity enhancements. Activities result in the structural improvement of a roadway improving its ability to support vehicle traffic. Costs include personnel, material, and equipment expenses.

Preservation:

Defined as actions or strategies applied to existing infrastructure that prevent, delay or reduce further deterioration and maintain or improve the functional condition of the system without increasing structural capacity and extend the service life of the infrastructure. Preservation activities are intended to correct infrastructure problems before the structural integrity is impacted.

Preservation is a broad category of treatments that include activities such as thin overlays or micro surfacing. Nonstructural preservation treatments are usually less than 2 inches in depth and are designed to address age-related problems (such as block cracking) or distress caused by exposure to the elements (such as transverse cracking). Crack sealing and patching of pavement and deck patching for bridges would be included in this category. Costs include materials, personnel, contracted services and equipment rental/operation expenses.

Within preservation, costs can be defined more specifically to their associated categories:

Pavement: Costs associated with activities that retain or extend the current roadway condition. Includes treatments to curbs, gutters, and paved shoulders and alleys. Pavement preservation is a broad category of treatments that include nonstructural treatments that are usually less than 2 inches in depth and are designed to address age-related problems (such as block cracking) or distress caused by exposure to the elements (such as transverse cracking). Some examples of such treatments are thin overlays, wedge and leveling, mill and overlays, chip seals, fog seals, scrub seals, slurry seals, microsurfacing, and crack sealing. Activities such as grinding, grading unpaved sections, line striping, raised payment markers, and similar activities are also considered pavement preservation.

Bridges: Costs associated with activities that preserve a bridge and its approaches. Activities include: deck patching, sealing, painting, repairing and maintaining bearing assemblies and joints, clearing brush and debris accumulations at piers, deck overlays, scour repair, substructure repair, repairing approach slabs and guardrails, and repairing bridge railings. Work on culverts,

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pipes, and other small drainage structures underneath roads and streets are included in this category.

Right of Way: Costs associated with activities that occur in the area between pavement (including paved shoulders) and right-of-way boundaries. This would include, but not be limited to, preservation, replacement and repair of standard MUTCD signs, traffic signals, barriers, guardrails, sidewalks and ramps, unpaved shoulders (e.g. berming), vegetation control for infrastructure preservation purposes only, and inspection of roadside assets for the purpose of asset management planning. It would also include work performed on drainage assets such as ditches, pipes, catch basins, underdrains and their outlets, etc.

Maintenance and Repair (these are not considered CRP)

Disbursements associated with the routine maintenance and repair of paved and unpaved roads, streets, bridges and highways. Maintenance & Repair disbursements retain the asset above a certain condition level established by a unit and encompasses work that is performed in reaction to an event, season, or activities that are done for short-term operational need that do not have preservation value. Costs include materials, personnel, and equipment rental/operation expenses.

Within maintenance, costs can be defined more specifically to their associated categories. Of special interest is **snow plowing** and related costs (salt, sand, etc.) are "winter operations" and are considered a maintenance activity:

Winter Operations: Costs associated prior to, during, and following winter events, such as planning, material purchases, and management, equipment preparation and usage, and human resources. Also includes the use of external resources and services contracted in winter operations.

Pavement: Pavement maintenance includes activities such as graffiti removal, cleaning, pothole filling and patching, event cleanup, repairs due to vehicular accidents or storm damage to roadways.

Bridges: Bridge maintenance includes activities such as graffiti removal, deck cleaning, repairs due to vehicular accidents, or storm damage to bridges.

Right of Way Operations: Costs associated with routine activities that occur in the area between pavement (including paved shoulders) and right-of-way boundaries. This would include, but not be limited to, maintenance and repair of signs damaged from accidents, grass cutting, tree trimming, litter control (including dead animal removal), and inspection of resident complaints.

General Administration and Unallocated (these are not considered CRP)

Costs of an administrative nature and not allocated to any specific road or bridge project. These expenses, referred to as overhead, includes supervisory and support staff personal services, supplies and equipment, general office expenses (rent, printing, utilities, insurance, etc.), facility expenses (repairs, maintenance, insurance), and vehicle expenses. Other type of general expenses would include utilities for traffic signals and street lights, capital outlays (acquisition of land, buildings, and improvements other than buildings, including the acquisition of equipment) and annual pavement and bridge inspections. In the subcategory "Other Services and Charges", disbursements would include incidental expenses not associated with roads or bridges but performed by agency forces, such as mowing grass in a county or city park, or snow and ice removal at a government facility.



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MEMORANDUM

TO: City and Town Clerk-Treasurers, City Controllers, County Auditors,
County Commissioners, Highway Department Supervisors

FROM: Debbie Gibson, CPA, CFE
Director of Audit Services

RE: Frequently Asked Questions Regarding State Examiner Directive 2018-2

DATE: December 20, 2018

The following are frequently asked questions regarding State Examiner Directive 2018-2. The directive provides for a MVH sub-fund to facilitate the accounting of MVH distributions that are restricted to the construction, reconstruction and preservation of highways as required under IC 8-14-1-4 and IC 8-14-1-5.

1. Can we establish a beginning balance for MVH Restricted?

The political subdivision may, by ordinance or resolution, establish a January 1, 2019 beginning balance for MVH Restricted. The amount may be any portion up to and including 100% of the MVH ending balance at December 31, 2018. A book entry reflecting the MVH Restricted January 1, 2019 beginning balance and a corresponding reduction of the January 1, 2019 beginning balance for MVH should be posted. The January 1, 2019 beginning balances for MVH and MVH Restricted should equal the December 31, 2018 ending balance for MVH.

The amount established for the MVH Restricted may not be transferred back to MVH at a later time. Instead, it must be expended for construction, reconstruction, or preservation through the MVH Restricted.

2. Does all of the MVH money received each year have to be spent in that same year?

No. Statute does not provide that MVH money received must be expended in the same year of receipt, and there is no statutory penalty if the MVH money is not spent in the year received.

Balances remaining in MVH or in MVH Restricted at year end do not revert to another fund or to the State but remain in MVH and MVH Restricted respectively.

3. If we do not meet the 50% requirement, what are the implications?

SBoA will not be issuing public report comments regarding the 50% requirement for activity occurring in 2018. However, the establishment of MVH Restricted for 2019 allows for clear accountability that at least 50% of MVH distributions from the State have been restricted for construction, reconstruction and preservation use. Noncompliance of either creation of the sub-fund or receipting of at least 50% of MVH distributions will result in a public report comment.

4. Are there any fund usage preference requirements to be aware of in administering MVH funds?

Indiana Code 8-18-8-5 requires **counties** to first exhaust MVH funds to maintain county highways before using other revenue sources for those purposes. It is our audit position that money in MVH should first be exhausted on purposes specified in Indiana Code 8-14-1-4(a), as applicable, before other revenue sources may be used.

However, it is unclear how Indiana Code 8-18-8-5 applies to MVH Restricted since Indiana Code 8-18-8-5 explicitly references "maintenance." Clarification is being requested from the legislature as to their specific intent in the context of MVH and MVH Restricted.

5. Do we need an ordinance to create the MVH Restricted sub-fund?

No. An ordinance is not required because a "fund" is not being created. Even though it will be shown separately on your ledgers, the Directive requires the creation of a sub-fund of the already existing MVH fund. The creation of the sub-fund is part of the accounting system prescribed by the State Board of Accounts.

If you have any questions regarding this memorandum or State Examiner Directive 2018-2 please call 317-232-2512 or contact:

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