

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF HUNTERTOWN

ALLEN COUNTY, INDIANA

January 1, 2011 to December 31, 2014



FILED

04/14/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	David W. Rudolph (Deceased) Cathy Mittendorf	01-01-11 to 12-31-14 01-01-15 to 12-31-18
President of the Town Council	Jim Fortman Sue Gongwer Patricia Freck	01-01-11 to 12-31-12 01-01-13 to 12-31-13 01-01-14 to 12-31-15
President of the Utility Service Board (Established January 1, 2013)	Vincent Heiny Andrew Conner	01-01-13 to 12-31-13 01-01-14 to 12-31-15
Superintendent of Utilities	Wilson Gongwer (Vacant) Don Papai	01-01-11 to 02-03-14 02-04-14 to 03-15-14 03-16-14 to 12-31-15
Utility Office Manager	Rosemary Scheele	01-01-11 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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TO: THE OFFICIALS OF THE TOWN OF HUNTERTOWN, ALLEN COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Huntertown (Town), for the period from January 1, 2011 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statements Examination Report of the Town, which provides our opinion on the Town's financial statements. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

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

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

December 14, 2015

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TOWN COUNCIL
TOWN OF HUNTERTOWN

TOWN COUNCIL
TOWN OF HUNTERTOWN
EXAMINATION RESULTS AND COMMENTS

PURCHASE OF LAND

On January 10, 2014, the Utility Service Board (USB), approved USB Resolution 14-002 authorizing the exercise of the option agreement to acquire property on Hathaway Road. The funds were disbursed from the Town's checking account by wire transfer on April 2, 2014. Closing on the land was on April 3, 2014. A claim was not prepared or approved for payment until June 2, 2014. The funds were disbursed from the County Economic Development Income Tax Fund. The Town Council did not create an ordinance or resolution authorizing the exercise of the option agreement to acquire property on Hathaway Road.

Indiana Code 36-1-10.5-5 states in part: "(1) The fiscal body of the political subdivision shall pass an ordinance or resolution to the effect that it is interested in making a purchase of specified land or a structure."

PROFESSIONAL SERVICES - FUND SOURCES AND USES

During our examination of claims, it was noted that the Water Utility at times would pay an entire invoice for legal services even though the invoice was for both the Water Utility and the Wastewater Utility. The Utilities should have paid their share of the legal fees based on the allocation made by the attorney's invoices.

The monthly retainer fee for the Town Attorney on four of the disbursements was paid entirely by the Water Utility for a total of \$2,650.

The Water Utility paid one-half of an invoice for Wastewater Utility professional services. The invoice was for \$6,300 and the Water Utility paid \$3,150.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)



TOWN OF HUNTERTOWN

15617 Lima Road ☆ P.O. Box 95 ☆ Huntertown, IN 46748
Phone: (260) 637-5058 ☆ Fax: (260) 637-5891

March 10, 2016

Sent via e-mail only – bakey@sboafe.in.gov

State Board of Accounts
302 W. Washington St., Room E418
Indianapolis, IN 46204

ATTN: Paul Joyce, CPA
State Examiner

Re: Town of Huntertown, Allen County, Indiana Audit –
January 1, 2011 to December 31, 2014

Dear Mr. Joyce:

This is a response to the Draft Examination Results and Comments regarding the Town Council, and contained in the Supplemental Compliance Report of the Town of Huntertown, Allen County, Indiana for the period January 1, 2011 to December 31, 2014:

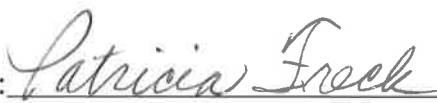
PURCHASE OF LAND: In 2011, the Town Council adopted Resolution No. 11-009, a copy of which is attached, through which the Council expressed an interest in purchasing real estate in connection with the proposed construction of a wastewater treatment plant. The resolution expressly authorized the Council President to enter into an option agreement on behalf of the Town for that real estate. The resolution was adopted in accordance with IC 36-1-10.5-5. The option agreement contained contingencies, one of which was approval by the Indiana Department of Environmental Management (IDEM) of the construction. The option agreement permitted extensions, and this provision was exercised on a number of occasions pending approval from IDEM.

By 2013, the Town's utilities were under the control of the Huntertown Utility Service Board (USB) that was established following a referendum. The President of the USB, by virtue of a resolution adopted by the USB, executed a further extension of the option agreement to purchase the land with an expiration date of April 1, 2014, and prior to the expiration, the USB adopted resolution No. 14-002, a copy of which is attached, which authorized the purchase of the land and directed the Clerk-Treasurer to take the funds for the purchase from the Sewer Operating Account. The USB is authorized by IC 8-1.5-3-4(a) to purchase real property for the utility, and additional Council approval is not required under that statute.

PROFESSIONAL SERVICES-FUND SOURCES AND USES.

The comment states that "it was noted that the Water Utility at times would pay the entire invoice even though the invoice was for both the Water Utility and the Wastewater Utility," and suggests that "the Utilities should have paid their share of the legal fees based on the allocation made by the attorney's invoices." By way of clarification, it should be noted that expenditures of utility funds were approved by the Council for the first two years of the audit period, and by the USB for the last two years. However, without greater specificity regarding when the expenditures were made, it is not possible ascertain if this was a Council or USB issue. In any event, the comment is noted, and this will be corrected going forward.

Town of Huntertown, Indiana

By: 
Patricia Freck
Council President

cc: Paul Lottes, Esq. (plottes@sboa.in.gov)
William Akey, Audit Coordinator (bakey@sboafe.in.gov)

PURCHASE OF LAND

HUNTERTOWN RESOLUTION NO. 11- 009

RESOLUTION APPROVING EXECUTION
OF REAL ESTATE OPTION AGREEMENT

WHEREAS, the Town of Huntertown has a preliminary request pending with the Indiana Department of Environmental Management ("IDEM") for permission to disconnect from the Fort Wayne sewage treatment facility to enable the construction of a wastewater treatment plant ("WWTP") by Huntertown; and,

WHEREAS, the application with IDEM initially proposed construction of the WWTP on real estate owned by the Town of Huntertown on Woods Road; and,

WHEREAS, the Town wishes to withdraw the Woods Road site from further consideration in favor of real estate located on Hathaway Road in Huntertown, Indiana, (hereinafter the "Real Estate"); and

WHEREAS, the Town of Huntertown has had the Real Estate appraised by two (2) real estate appraisers; and,

WHEREAS, William A. Snauffer has executed a real estate Option Agreement, a copy of which is attached hereto, offering to sell to Huntertown the Real Estate at a purchase price equal to the average of the two (2) appraisals.

NOW THEREFORE, BE IT RESOLVED that:

1. The Town of Huntertown withdraws the Woods Road site from further consideration for construction of the WWTP; and,
2. The Town of Huntertown enter into the Option Agreement; and,
3. The President of the Huntertown Council be authorized and directed to execute said Option Agreement for and on behalf of the Town of Huntertown.

RESOLUTION ADOPTED by the Town Council of the Town of Huntertown, Indiana, this 5th day of August, 2011.

TOWN OF HUNTERTOWN

By: Jim Fortman
Jim Fortman, President

By: Michael Aker
Michael Aker, Council Member

By: Patricia Freck
Patricia Freck, Council Member

By: ABSENT
Sue Gongwer, Council Member

By: Gary Grant
Gary Grant, Council Member

ATTEST:

David W. Rudolph
David W. Rudolph, Clerk-Treasurer

HUNTERTOWN UTILITY SERVICE BOARD RESOLUTION NO. 14-012

RESOLUTION AUTHORIZING THE EXERCISE OF THE OPTION AGREEMENT TO ACQUIRE
PROPERTY ON HATHAWAY ROAD

WHEREAS, the Huntertown Utility Service Board ("USB") was established by a referendum of voters, and as such, is the successor in interest as to matters involving the utilities operated by the Town of Huntertown, Indiana, ("Town") including a Real Estate Option Agreement ("Option Agreement") dated August 5, 2011, which the Town entered into with William A. Snauffer, ("Seller") for the purchase of approximately 25.9 acres abutting Hathaway Road in Huntertown, Indiana, in connection with the construction and operation of a wastewater treatment plant; and,

WHEREAS, the USB and Seller agreed to an extension until April 1, 2014, for the exercise of the Option Agreement and purchase of the above-referenced real estate pursuant to the terms of the Option Agreement; and,

WHEREAS, the Town adopted Resolution No. 13-012 declaring its official intent, pursuant to applicable Treasury Regulation, to enter into a loan agreement and/or to issue certain bonds for the purpose of procuring funds to be loaned to the Town to pay the cost of acquiring land, designing and constructing improvements to its wastewater collection system, including a Flow Equalization Basin for pretreatment of wastewater, and the incidental expenses necessary to be incurred in connection therewith and on account of the issuance of the loan and/or bonds therefor, (the "Project"), and identified funds from which the initial expenses were to be paid; and,

WHEREAS, it is necessary to exercise the Option Agreement and acquire the real estate upon which will be constructed improvements to the Town wastewater collection system, including a Flow Equalization Basin for pretreatment of wastewater for the Huntertown Sewer Utility; and,

WHEREAS, the USB desires to approve and confirm the exercise of the Option Agreement, to direct the Clerk-Treasurer to initially pay the costs and expenses incurred to exercise the Option Agreement from the Town's Sewer Operating Fund, and to authorize the President of the USB to execute all necessary documents to exercise the Option Agreement.

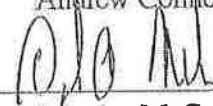
NOW, THEREFORE, BE IT RESOLVED that:

1. The Huntertown Utility Service Board hereby approves and confirms the exercise of the Option Agreement according to its terms; and,
2. Authorizes and directs the Clerk-Treasurer to initially pay the cost and expenses incurred to exercise the Option Agreement from the Town's Sewer Operating Fund; and
3. The President of the Huntertown Utility Service Board is hereby authorized and directed to execute on behalf of the Town any all documents necessary to exercise the Option Agreement and complete the acquisition of the real estate therein described.

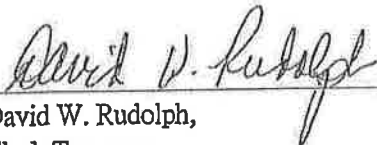
RESOLUTION ADOPTED this 10th day of January, 2014.

HUNTERTOWN UTILITY SERVICE BOARD

By: 
Andrew Conner, President

By: 
Douglas McComb, Member

Attest:


David W. Rudolph,
Clerk-Treasurer

TOWN COUNCIL
TOWN OF HUNTERTOWN
EXIT CONFERENCE

The contents of this report were discussed on December 14, 2015, with Patricia Freck, President of the Town Council; Brandon Seifert, Council member; and David Garman, Council member.

The contents of this report were discussed on December 22, 2015, with Patricia Freck, President of the Town Council; Michael Stamets, Council member; David K. Hawk, Town Attorney.