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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

January 28, 2019

Board of Trustees
Jay County Regional Sewer District
202 South Main Street
Dunkirk, IN 47336

This report is supplemental to the audit report of the Jay County Regional Sewer District (District), for the period from January 1, 2014 to December 31, 2017. It has been provided as a separate report so that the reader may easily identify any Examination Findings that pertain to the District. It should be read in conjunction with the financial statement audit report of the District, which provides an opinion on the District's financial statements. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of the District and perform procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Findings and Results contained herein describe the identified reportable instances of noncompliance found as a result of these procedures.

We have reviewed the Supplemental Audit Report for Jay County Regional Sewer District prepared by Crowe LLP, Independent Public Accountants, for the period January 1, 2014 to December 31, 2017. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the State Board of Accounts.

We call your attention to the findings in the report. Page 3 contains two Examination Findings and Results. Management's response may be found on page 5.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

**COMPLIANCE EXAMINATION OF
JAY COUNTY REGIONAL SEWER DISTRICT**

Jay County, Indiana
January 1, 2014 to December 31, 2017

JAY COUNTY REGIONAL SEWER DISTRICT

Jay County, Indiana
January 1, 2014 to December 31, 2017

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JAY COUNTY REGIONAL SEWER DISTRICT
SCHEDULE OF OFFICIALS
January 1, 2014 to December 31, 2017

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Ralph Frazee	01-01-14 to 12-31-17
President of the Board	Faron Parr Barry Hudson	01-01-14 to 12-31-16 01-01-17 to 12-31-17

INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and
Management of Jay County Regional Sewer District

We have examined Jay County Regional Sewer District's ("Unit") compliance with the Indiana State Board of Accounts' *Accounting and Uniform Compliance Guidelines Manual For Special Districts* during the period January 1, 2014 to December 31, 2017. Management of the Unit is responsible for the Unit's compliance with the specified requirements. Our responsibility is to express an opinion on the Unit's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Unit complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Unit complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our qualified opinion.

Our examination does not provide a legal determination on the Unit's compliance with specified requirements.

Our examination disclosed material noncompliance with the *Accounting and Uniform Compliance Guidelines Manual For Special Districts* applicable to the Unit during the period January 1, 2014 to December 31, 2017, as described in items 2018-001 and 2018-002 on the following Schedule of Examination Findings and Results.

In our opinion, except for the material noncompliance described in the preceding paragraph, the Unit complied, in all material respects, with the aforementioned requirements during the period January 1, 2014 to December 31, 2017.

The Unit's responses to the findings identified in our examination are described in the accompanying Schedule of Examination Findings and Results. The Unit's responses were not subjected to the procedures applied in the examination of compliance and, accordingly, we express no opinion on them.


Crowe LLP

Indianapolis, Indiana
December 19, 2018

JAY COUNTY REGIONAL SEWER DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2014 to December 31, 2017

FINDING 2018-001: MATERIALITY THRESHOLD

Criteria: SBOA State Examiner Directive 2015-6 requires political subdivisions to develop a materiality threshold policy approved through ordinance or resolution and policies and procedures to administer and report.

Condition: During testing, we noted that the Unit had not adopted a materiality threshold for the period under audit.

FINDING 2018-002: MINIMUM LEVEL OF INTERNAL CONTROLS

Criteria: The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, Uniform Internal Control Standards for Indiana Political Subdivisions. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual: "Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes. An integral part of the control activity component is segregation of duties. . . .There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Condition: The Unit has no formal documentation of the implementation of a minimum level of internal controls standards.

JAY COUNTY REGIONAL SEWER DISTRICT
EXIT CONFERENCE
January 1, 2014 to December 31, 2017

The contents of this report were discussed on December 19, 2018, with Rose Morgan, External Accountant, and Ralph Frazee, Treasurer. The officials acknowledged the findings. The Official Response has been made a part of this report and may be found immediately following the findings on the previous page.

Jay County Regional Sewer Board
P.O. Box 52
Dunkirk, Indiana 47336

Crowe LLP
3815 River Crossing Pkwy Suite 300
Indianapolis, IN 46420

Ladies and Gentlemen:

After the audit of the Jay County Regional Sewer District Financial Account and in response to your findings, we the Regional Sewer Board intend to at least design, implement and maintain an internal control policy that complies with the State Board of Account's requirements. We plan to discuss and formulate a plan at our first meeting of 2019 that will bring the Sewer District into compliance with state law. The policy will follow the sample from the state website and will be titled: Internal Control Standards and Financial Policies for Jay County Regional Sewer District.



Ralph Frazee, Treasurer