



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

**NEWS RELEASE**

FOR RELEASE

August 17, 2020

Contact: Marlys Gaston  
515/281-5834

Auditor of State Rob Sand today released an audit report on Saylor Township, located in Polk County, Iowa.

**FINANCIAL HIGHLIGHTS:**

The Township's receipts totaled \$1,361,480 for the year ended June 30, 2019. Disbursements for the year ended June 30, 2019 totaled \$1,395,965.

**AUDIT FINDINGS:**

Sand reported sixteen findings related to the receipt and disbursement of taxpayer funds and three findings pertaining to the Saylor Township Volunteer Fire Department, a blended component unit. They are found on pages 32 through 42 of this report. The findings address issues such as a lack of segregation of duties, the lack of reconciliations of ambulance billings, collections and delinquent accounts, the lack of bank reconciliations for all bank accounts, disbursements exceeding budgeted amounts and noncompliance with Chapter 26 of the Code of Iowa pertaining to competitively bidding public improvement projects.

The Trustees have a fiduciary responsibility to provide oversight of the Township's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/audit-reports>.

###

**SAYLOR TOWNSHIP**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2019**

**Saylor Township**



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June 24, 2020

Officials of Saylor Township  
Polk County, Iowa

Dear Trustees of Saylor Township:

I am pleased to submit to you the financial and compliance audit report for Saylor Township for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of Saylor Township throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand  
Auditor of State

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**Saylor Township  
Officials**

**(Before January 2019)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Terry Shafer	Chair	Jan 2019
Frank Cross	Trustee	Jan 2019
Rhonda Hosler	Trustee	Jan 2021
Kathy Prendergast	Trustee	Jan 2021
Dennis Wineland	Trustee	Jan 2021
Marcy Cross	Clerk	Jan 2019

**(After January 2019)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Terry Shafer	Chair	Jan 2023
Rhonda Hosler	Trustee	Jan 2021
Kathy Prendergast	Trustee	Jan 2021
Dennis Wineland	Trustee	Jan 2021
Mark Shelton	Trustee	Jan 2023
Marcy Cross	Clerk	Jan 2023
Robert Nading	Attorney	Indefinite



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Independent Auditor's Report

To the Trustees of Saylor Township:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Saylor Township, Polk County, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the Township's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinions.

### Basis for Modified Opinions

As permitted by the Code of Iowa, the accounting records of the Township have not been audited for all prior years. Accordingly, we are unable to satisfy ourselves as to the distributions by fund of the total fund balances as of July 1, 2018.

### Modified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2018, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and each major fund of Saylor Township as of June 30, 2019, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Saylor Township's basic financial statements. The other information, the Budgetary Comparison Information, the Schedule of the Township's Proportionate Share of the Net Pension Liability on pages 21 through 26, has not been subjected to the auditing procedures applies in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

#### *Supplementary Information*

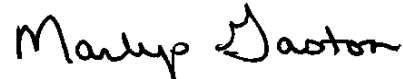
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Saylor Township's basic financial statements. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards, In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 24, 2020 on our consideration of Saylor Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Saylor Township's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA  
Deputy Auditor of State

June 24, 2020

## **Basic Financial Statements**

**Saylor Township**

Saylor Township

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2019

	Program Receipts			Net (Disbursements)
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Receipts and Changes in Cash Basis Net Position
				Governmental Activities
<b>Functions/Programs:</b>				
Governmental activities:				
Fire	\$ 495,979	8,283	23,905	(463,791)
Ambulance	581,434	142,665	3,464	(435,305)
Cemetery and Park	279,777	28,300	14,304	(237,173)
Hall	38,650	3,900	4,798	(29,952)
Litigation	125	-	-	(125)
Total	<u>\$ 1,395,965</u>	<u>183,148</u>	<u>46,471</u>	<u>(1,166,346)</u>
<b>General Receipts:</b>				
Property and other city tax levied for:				
General purposes				1,018,703
Commercial/industrial tax replacement				71,584
Sale of cemetery lots				30,626
Unrestricted interest on investments				10,949
Total general receipts and transfers				<u>1,131,862</u>
Change in cash basis net position				(34,484)
Cash basis net position beginning of year				<u>2,607,254</u>
Cash basis net position end of year				<u>\$ 2,572,770</u>
<b>Cash Basis Net Position</b>				
Restricted for:				
Fire				\$ 1,045,549
Ambulance				230,086
Cemetery and Park				1,144,385
Hall				54,503
Litigation				76,044
Saylor Township Volunteer Fire Department				22,203
<b>Total cash basis net position</b>				<u>\$ 2,572,770</u>

See notes to financial statements.

Saylor Township

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2019

	Special Revenue		
	Fire	Ambulance	Cemetery and Park
Receipts:			
Property tax	\$ 381,688	187,745	395,366
Use of money and property	9,338	3,650	8,799
Intergovernmental	26,808	13,252	27,785
Charges for service	4,683	142,625	58,000
Miscellaneous	3,736	3,455	10,080
Total receipts	426,253	350,727	500,030
Disbursements:			
Operating:			
Fire	481,547	-	-
Ambulance	-	581,434	-
Cemetery and parks	-	-	279,777
Hall	-	-	-
Litigation	-	-	-
Total disbursements	481,547	581,434	279,777
Excess (deficiency) of receipts over (under) disbursements	(55,294)	(230,707)	220,253
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(300)	-	-
Total other financing sources (uses)	(300)	-	-
Change in cash balances	(55,594)	(230,707)	220,253
Cash balances beginning of year	1,101,143	460,793	924,132
Cash balances end of year	\$ 1,045,549	230,086	1,144,385
<b>Cash Basis Fund Balances</b>			
Restricted	\$ 1,045,549	230,086	1,144,385

See notes to financial statements.

Nonmajor	Total
53,904	1,018,703
4,250	26,037
3,787	71,632
3,600	208,908
18,929	36,200
84,470	1,361,480
14,432	495,979
-	581,434
-	279,777
38,650	38,650
125	125
53,207	1,395,965
31,263	(34,485)
2,390	2,390
(2,090)	(2,390)
300	-
31,563	(34,485)
121,187	2,607,255
152,750	2,572,770
152,750	2,572,770

Saylor Township

Notes to Financial Statements

June 30, 2019

**(1) Summary of Significant Accounting Policies**

Saylor Township is a political subdivision of Polk County, Iowa. The Township is governed by five Trustees elected on a non-partisan basis. The Township provides emergency fire, ambulance, cemetery and park maintenance services.

A. Reporting Entity

For financial reporting purposes, Saylor Township has included all funds, organizations, agencies, boards, commissions and authorities. The Township has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Township are such that exclusion would cause the Township's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Township to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Township.

These financial statements present Saylor Township (the primary government) and its component unit. The component unit discussed below is included in the Township's reporting entity because of the significance of its operational or financial relationship with the Township.

Blended Component Unit

The Saylor Township Volunteer Fire Department was established as a non-profit corporation in accordance with Chapter 504A of the Code of Iowa in order to receive donations for the benefit of the Saylor Township Fire Department. The donations are to be used in support of the Department's efforts to preserve life and property in Saylor Township and provide fire safety education. The Saylor Volunteer Fire Department is an entity which is legally separate from the Township, but is so intertwined with the Township it is, in substance, part of the Township. The financial transactions have been reported as a Special Revenue Fund of the Township.

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from this statement.

The Cash Basis Statement of Activities and Net Position presents the Township's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The Township reports the following major governmental funds:

Special Revenue:

The Fire Fund is utilized to account for all resources used in providing fire protection service for the Township. The Trustees may purchase, own, rent or maintain fire protection service equipment and provide housing for the equipment

The Ambulance Fund is utilized to account for all resources used in providing emergency medical services for the Township. The Trustees may purchase, own, rent or maintain emergency medical service equipment and provide housing for the equipment.

The Cemetery and Parks Fund is utilized to account for all resources used for the operation and maintenance of Pinehill Cemetery and Margo Frankel Woods State Park.

C. Measurement Focus and Basis of Accounting

The Township maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Township are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.



Under the terms of grant agreements, the Township funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the Township's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2019, disbursements exceeded the amounts budgeted in the fire and emergency services area.

**(2) Cash and Pooled Investments**

The Township's deposits in banks at June 30, 2019 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The Township is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Township Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Township has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**(3) Pension Plan**

Plan Description – IPERS membership is mandatory for employees of the Township, except for those covered by another retirement system. Employees of the Township are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Township contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.81% of covered payroll and the Township contributed 10.21% of covered payroll, for a total rate of 17.02%.

The Township's contributions to IPERS for the year ended June 30, 2019 totaled \$21,004.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the Township reported a liability of \$69,434 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Township's proportion of the net pension liability was based on the Township's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the Township's proportion was 0.001097%, which was a decrease of 0.000049% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Township's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$18,600, \$39,736 and \$26,654, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Township will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Township's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Township's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Township's proportionate share of the net pension liability	\$ 178,677	69,434	(22,114)

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**(4) Compensated Absences**

The Township employs one full-time staff who is eligible to accumulate a limited amount of earned but unused paid-time off hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Township until used or paid. The Township’s liability for earned paid-time off payable to the employee at June 30, 2019, primarily relating to the Cemetery Fund, is as follows:

Type of Benefit	Amount
Paid time off	\$ 1,068

This liability has been computed based on rates of pay in effect at June 30, 2019.

**(5) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

Transfer to	Transfer from	Amount
Special Revenue Fire	Special Revenue: Volunteer Fire	\$ 2,090
Special Revenue: Volunteer Fire	Special Revenue: Fire	300
Total		\$ 2,390

**(6) Related Party Transactions**

The Township had business transactions between the Township and employers of Township officials totaling \$496,733 during the year ended June 30, 2019.

**(7) Risk Management**

The Township is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Township assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Subsequent Event**

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets having experienced a significant decline. As a result, local, regional and national economies, including that of Saylor Township, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be presently estimate the potential impact to the Township’s operations and finances.

**Other Information**

**Saylor Township**

Saylor Township

Budgetary Comparison Schedule of  
Receipts, Disbursements and Changes in Balances -  
Budget and Actual – All Governmental Funds

Other Information

Year ended June 30, 2019

	Governmental Funds Actual	Less Funds not Required to be Budgeted	Total	Budgeted Amounts Final	Final to Total Variance
Receipts:					
Property taxes	\$ 1,018,703	-	1,018,703	1,018,680	23
Other receipts	342,777	18,081	324,696	171,301	153,395
Total receipts	1,361,480	18,081	1,343,399	1,189,981	153,418
Disbursements:					
Owned cemetery and park	279,777	-	279,777	800,000	520,223
Township hall repairs	38,650	-	38,650	52,000	13,350
Litigation	125	-	125	50,000	49,875
Fire and emergency services	1,077,413	14,432	1,062,981	1,000,000	(62,981)
Total disbursements	1,395,965	14,432	1,381,533	1,902,000	520,467
Excess(deficiency) of receipts over (under) disbursements	(34,485)	3,649	(38,134)	(712,019)	673,885
Other financing sources, net	-	(1,790)	1,790	-	1,790
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(34,485)	1,859	(36,344)	(712,019)	675,675
Balances beginning of year	2,607,255	20,344	2,586,911	1,067,000	1,519,911
Balances end of year	\$ 2,572,770	22,203	2,550,567	354,981	2,195,586

The Fire and Ambulance functions are combined to be comparable to the Fire and Emergency Service levy budget.

See accompanying independent auditor's report.



Saylor Township

Notes to Other Information – Budgetary Reporting

June 30, 2019

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing statutorily prescribed procedures.

Formal and legal budgetary control is based upon funds. All funds are required to be budgeted except the blended component unit. During the year, there were no budget amendments.

During the year ended June 30, 2019, disbursements exceeded the amounts budgeted in the fire and emergency services area.

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Saylor Township

Schedule of the Township's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
For the Last Two Years\*  
(In Thousands)

Other Information

	2019	2018
Township's proportion of the net pension liability	0.001097%	0.001146%
Township's proportionate share of the net pension liability	\$ 69	76
Township's covered payroll	\$ 182	183
Township's proportionate share of the net pension liability as a percentage of its covered payroll	37.91%	41.53%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

**Saylor Township**

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Saylor Township

Schedule of Township Contributions

Iowa Public Employees' Retirement System  
For the Last Three Years  
(In Thousands)

Other Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 21	17	17
Contributions in relation to the statutorily required contribution	<u>(21)</u>	<u>(17)</u>	<u>(17)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
Township's covered payroll	\$ 212	182	183
Contributions as a percentage of covered payroll	9.91%	9.34%	9.29%

Note: GASB Statement No. 68 requires 10 years of information be presented in this table. However, until a 10-year trend is complied, the Township will present information for those years for which information is available.

See accompanying independent auditor's report.

Saylor Township

Notes to Other Information – Pension Liability

Year ended June 30, 2019

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

## **Supplementary Information**

**Saylor Township**

## Saylor Township

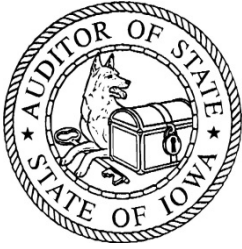
Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2019

	Special Revenue			Total
	Hall	Litigation	Saylor Township Volunteer Fire Department	
Receipts:				
Property tax	\$ 49,899	4,005	-	53,904
Use of money and property	4,250	-	-	4,250
Intergovernmental	3,506	281	-	3,787
Charges for service	-	-	3,600	3,600
Miscellaneous	4,448	-	14,481	18,929
Total receipts	62,103	4,286	18,081	84,470
Disbursements:				
Operating:				
Fire	-	-	14,432	14,432
Hall	38,650	-	-	38,650
Litigation	-	125	-	125
Total disbursements	38,650	125	14,432	53,207
Excess of receipts over disbursements	23,453	4,161	3,649	31,263
Other financing sources (uses):				
Transfers in	2,090	-	300	2,390
Transfers out	-	-	(2,090)	(2,090)
Total other financing sources (uses)	2,090	-	(1,790)	300
Change in cash balances	25,543	4,161	1,859	31,563
Cash balances beginning of year	28,960	71,883	20,344	121,187
Cash balances end of year	\$ 54,503	76,044	22,203	152,750
<b>Cash Basis Fund Balances</b>				
Restricted	\$ 54,503	76,044	22,203	152,750

See accompanying independent auditor's report.





**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and Members of the Township Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Saylor Township, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated June 24, 2020. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Saylor Township's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Saylor Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Saylor Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Saylor Township's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as items (A) through (D) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (E) through (H) to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Saylor Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Township's operations for the year ended June 30, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Township. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### Saylor Township's Responses to the Findings

Saylor Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Saylor Township's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Saylor Township during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
Marlys K. Gaston, CPA  
Deputy Auditor of State

June 24, 2020

Saylor Township  
Schedule of Findings  
Year ended June 30, 2019

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Township’s financial statements.

Condition – Generally, one individual in the Township has control over the following areas for which no compensating controls exist:

- (1) Accounting system – performance of all accounting functions and having custody of assets.
- (2) Cash – initiating cash receipt and disbursement transactions, handling and recording cash and reconciling bank accounts.
- (3) Investments – detailed record keeping, custody of investments and reconciling earnings.
- (4) Receipts – opening mail, collecting, depositing, recording, and reconciling.
- (5) Disbursements – purchasing, disbursement preparation, recording, check writing, and reconciling.
- (6) Payroll – entering rates into the system, preparing, reconciling, recording, and distributing.
- (7) Cemetery plots – selling plots, collecting receipts, and recordkeeping.

Cause – The Township has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Township’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The Township should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. The selling and recording of cemetery plots by the Cemetery Sexton should be separated from the collection of receipts by other Township personnel.

Saylor Township

Schedule of Findings

Year ended June 30, 2019

Response – The Township Trustees will review control activities to obtain the maximum internal control possible under the circumstances utilizing our Clerk and elected Trustees. Monthly statements covering cash, receipts, disbursements, and journal entries will be reviewed by the Trustees at monthly meetings. All mail will be stamped upon opening and two Trustees will continue to review and sign payroll. Additionally, the Township Trustees will adopt a policy stating that the Sexton/Manager perform quarterly reconciliations of sales to deposits to determine all funds are properly collected and deposited. Also, to be included is a review determining that the correct rate is charged for services. The reconciliation will be independently reviewed and documented with reviewer’s signature or initials and the date.

Conclusion – Response accepted.

(B) Segregation of Duties – Saylor Township Volunteer Fire Department

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Township’s financial statements.

Condition – For the Saylor Township Volunteer Fire Department, the depositing, posting of cash receipts to the cash receipts journal, disbursement preparation and check signing are all performed by the same person. Additionally, bank reconciliations are not independently reviewed.

Cause – The Volunteer Fire Department has a limited number of Board members and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Volunteer Fire Department’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The Volunteer Fire Department should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – Due to a limited number of Board members, segregation of duties is not always possible. All disbursements must be approved by the Saylor Township Volunteer Fire Department membership before payments can be made. All disbursements are put into the monthly treasurer’s report, read and approved by the membership at every monthly meeting. The Board of the Membership will be implementing a review process for all receipts, deposits, disbursements and bank reconciliations to check for accuracy as much as possible due to the limited number of board members and this being a volunteer department.

Conclusion – Response acknowledged. The Volunteer Fire Department should continue to review control procedures to obtain the maximum internal control possible.

Saylor Township

Schedule of Findings

Year ended June 30, 2019

(C) Reconciliation of Ambulance Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling ambulance billings, collections and delinquent accounts and comparing ambulance collections to deposits to ensure proper recording of ambulance receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition – Ambulance billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared. Also, ambulance collections were not reconciled to deposits.

Cause – Policies have not been established and procedures have not been implemented to reconcile ambulance billings, collections and delinquent account balances and to reconcile ambulance collections to deposits.

Effect – This condition could result in unrecorded or misstated ambulance receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation – Delinquent account listings should be prepared and maintained for each billing period. Procedures should be established to reconcile ambulance billings, collections and delinquent accounts for each billing period and to reconcile collections to deposits. The Township Trustees or a Trustee-designated independent person should review the reconciliations and monitor delinquents. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of review.

Response – The Township Trustees will adopt a policy that the Trustees and a designated EMT officer will review the reconciliations and monitor delinquents regarding our ambulance billings. A scheduled report will be reviewed, approved, and signed in our monthly trustee meetings.

Conclusion – Response accepted.

(D) Monthly Financial Reports

Criteria – An effective internal control system provides for internal controls related to accurate and complete financial reporting, including monitoring actual to budgeted disbursements.

Condition – The Clerk’s monthly financial reports to the Township Trustee’s included cash balances and monthly receipts and disbursements by fund but did not include a summary of beginning and ending balances by fund. Also, it did not include a comparison of actual to budgeted disbursements by fund. Additionally, the monthly financial reports did not have any indication of review by an independent person.

Cause – Township policies and procedures have not been established to require detailed financial reports be provided to the Township Trustees with accurate and complete information, including a comparison of actual to budgeted disbursements.

Saylor Township

Schedule of Findings

Year ended June 30, 2019

Effect – The Township Trustees are not provided with accurate and complete information, including a comparison of actual to budgeted disbursements, which is needed to make informed decisions.

Recommendation – To provide better financial information, the monthly financial reports should include the beginning balance, receipts, disbursements and ending balance for each fund. Also, the monthly reports should include actual year-to-date disbursements by fund compared with budgeted disbursements by fund. Additionally, an independent person should review the monthly reports and document their review by signing or initialing and dating the monthly report.

Response – The Clerk will prepare monthly reports that will include the beginning balance, receipts, disbursements and ending balance for each fund. Also, the Clerk will include actual year to date disbursements by fund compared with budgeted disbursements by fund in each monthly report.

Conclusion – Response accepted.

(E) Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling bank and book balances. Independent review of bank reconciliations can help ensure the accuracy of recorded amounts

Condition – Monthly bank reconciliations were not completed for all bank accounts and the total bank balances were not reconciled to the general ledger balance monthly. We attempted to reconcile the bank and investment accounts to the general ledger balance at June 30, 2019. Based on our reconciliation the bank balance was greater than the book balance by \$25,575. The variance appears to be, in part, due to unrecorded interest on certificates of deposit. In addition, the bank reconciliations completed were not reviewed by an independent person.

Cause – Procedures have not been designed and implemented to ensure bank reconciliations are performed for all bank accounts and to ensure total bank balances are reconciled to the general ledger monthly. Also, procedures are not in place to ensure the review of monthly bank reconciliations is performed by an independent person.

Effect – The lack of bank reconciliations and an independent review of the bank reconciliations can result in unrecorded transactions, undetected errors and the opportunity for misappropriation.

Recommendation – Bank reconciliations should be performed for all bank accounts and total bank balances should be reconciled to the general ledger monthly. In addition, an independent person should review the bank reconciliations and document their review by signing or initialing and dating the monthly reconciliations.

Saylor Township

Schedule of Findings

Year ended June 30, 2019

Response – The Township Trustees will adopt a policy having the Clerk reconcile all bank accounts and total bank balances to the general ledger monthly. A designated trustee or the Chair will review the bank reconciliation and document their review by signing and dating the monthly reconciliation.

Conclusion – Response accepted.

(F) Credit Cards

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity's governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes included establishing policies addressing proper asset use and proper supporting documentation.

Condition – The Township has credit cards for use by various employees while on Township business. The Township has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. Also, several late fees and interest charges were noted on the credit card statements. Additionally, supporting documentation was not always available to support credit card charges.

Cause – Adoption of a formal policy to regulate the use of credit cards has not been prioritized by the Board of Trustees. Lack of supporting documentation for credit card charges is the result of a lack of policies and procedures requiring proper support for these charges. In addition, procedures have not been established to ensure timely payment of credit card bills to avoid interest charges and late fees.

Effect – Lack of written policies and procedures to regulate the use of credit cards could result in unauthorized and unsupported transactions and the opportunity for misappropriation. Lack of policies and procedures requiring timely payment can result in interest and late fees.

Recommendation – The Township should adopt a formal written policy regulating the use of Township credit cards. The policy, at a minimum, should address who controls the credit cards, who is authorized to use the credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges. The Township should also establish procedures to ensure timely payment of credit card bills to avoid interest charges and late fees.

Response – The Township Trustees will adopt a formal written policy regulating the use of all Township credit cards. The policy will state who controls the credit cards, who is authorized to use them and for what purposes. Additionally, policies will be developed to ensure timely payment of credit card invoices, so no late fees and interest charges are incurred. Receipts for all approved purchases on the credit card statement must be attached to the credit card statement and attached to the purchase order for payment.

Conclusion – Response accepted.

Saylor Township

Schedule of Findings

Year ended June 30, 2019

(G) Debit Cards – Saylor Township Volunteer Fire Department

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity's governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes included establishing policies addressing proper asset use and proper supporting documentation.

Condition – The Saylor Township Volunteer Fire Department has a debit card for use by various volunteers. Unlike credit cards, debit cards offer limited ability to set guidelines for access and limited, if any, repercussions for fraudulent transactions. In addition, there is no process for prior approval of purchases made with a debit card.

Cause – Officials have been unaware of the repercussions of allowing the use of debit cards.

Effect – Allowing the use of debit cards could result in unauthorized transactions and the opportunity for misappropriations.

Recommendation – The Trustees should work with the Volunteer Fire Department to prohibit the use of debit cards.

Response – As recommended by the State Auditor, the Trustees will vote by motion to eliminate the use of debit cards by the Saylor Township Fire Department to eliminate any possibility of unauthorized transactions and the opportunity for misappropriations.

Conclusion – Response accepted.

(H) Computer Systems

Criteria – Properly designed policies and procedures pertaining to control activities over the Township's computer systems and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable and help ensure effective and efficient operations and compliance with applicable laws and regulations.

Condition – The Township does not have a written disaster recovery plan for its computer system. In addition, the Township does not have a written policy for requiring passwords and password protection.

Cause – Management has not written a disaster recovery plan or computer-based controls pertaining to passwords.

Effect – Lack of a formal disaster recovery plan could result in the Township's inability to function in the event of a disaster or continue Township business without interruption. Lack of requiring passwords and protections for those passwords increases the opportunity for inappropriate access to the system, including a vulnerability to hackers.

Recommendation – The Township should develop a written disaster recovery plan and policies on requiring and protecting passwords.



Saylor Township

Schedule of Findings

Year ended June 30, 2019

Response – The Township Trustees will develop and pass by motion a written disaster recovery plan and policies regarding password protection. The Clerk’s computer has been protected by password as was recommended by our insurance company. The cemetery computer has not been protected by password. As recommended by the State Auditor, the cemetery computer needs to also be protected so that no one is able to log in and have the ability to change data that is recorded. I recommend that if a Trustee feels that data on a computer needs to be changed or corrected that the Trustee present this concern in a Trustee meeting and that change, or correction be put to a motion and vote. If passed all Trustees, Clerk, or the employee responsible for computer be present when the change or correction is made.

Conclusion – Response accepted. In addition, all passwords should be periodically (i.e., every 90 days) changed.

(I) Written Policies and Supporting Documentation for Cemetery Plots

Criteria – Properly designed policies and procedures pertaining to control activities over the purchase and transfer of cemetery plots provide reasonable assurance cemetery plots and sales are properly recorded.

Condition – The Township does not have a written policies and procedures concerning the purchase and transfer of cemetery plots, including ensuring adequate documentation is retained to support each deed.

Cause – Management has not written policy and procedures concerning the purchase of cemetery plots.

Effect – Lack of a formal policy and procedures concerning the purchase and transfer of cemetery plots could result in the improper cemetery deeds issued and lost revenues.

Recommendation – The Township should adopt a policy outlining the procedures of the purchase and transfer of cemetery plots and ensure that adequate supporting documentation is retained for each deed to determine its validity.

Response – The Township Trustees will adopt a written policy outlining the procedures of the purchase and transfer of cemetery plots and will ensure adequate supporting documentation is retained for each deed to determine its validity.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Saylor Township  
 Schedule of Findings  
 Year ended June 30, 2019

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2019 exceeded the amounts budgeted in the fire and emergency services area.

Recommendation – The budget should have been amended in accordance with Chapter 359.50 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – In the future if disbursements are going to exceed the budget, the budget will be amended in accordance with Chapter 359.50 of the Code of Iowa.

Conclusion – Response accepted.

- (2) Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain disbursements were noted which we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Jerry Capehart	Flu shots and TB tests for fire department staff, families and trustees	\$ 125
First Bankcard	Milk, donuts and orange juice	38
Sam's Club	Coffee and creamer	123
Staples	Hot cocoa mix	12

According to the opinion, it is possible for certain disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Township Trustees should determine and document the public purpose served by these types of disbursements prior to authorizing any further payments. If this practice is continued, the Township should establish written policies and procedures, including the requirement for proper public purpose documentation.

Response – The Township Trustees will adopt a policy and document the public purpose served by disbursements of payment. The policy will require prior approval of the departments’ requests for payment for disbursements ensuring that they meet the requirement of public purpose as defined in the Attorney General’s Opinion dated April 15, 1979. As recommended by the State Auditor, we must discontinue supplying free flu shots and TB tests for staff families and trustees, as these do not qualify. Flu shots and TB tests for Fire Department Personnel do qualify as a protection for their particular job.

Conclusion – Response accepted.

Saylor Township

Schedule of Findings

Year ended June 30, 2019

- (3) Travel Expense – No disbursements of Township money for travel expenses of spouses of Township officials or employees were noted.
- (4) Business Transactions – Business transactions between the Township and Township officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Terry Shafer, Township Trustee, employee of Absolute Infrastructure, dba Gator Excavating	Training pad project, other miscellaneous repairs	\$ 496,733

Recommendation – These transactions may represent a conflict of interest. The Township should consult legal counsel to determine the disposition of this matter.

Response – The Township will consult legal counsel to determine the disposition of this matter concerning the training pad project and other miscellaneous repairs since these transactions may represent a conflict of interest with a Township Trustee.

Conclusion – Response accepted.

- (5) Bond Coverage – Surety bond coverage of Township officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Trustee Minutes – No transactions were found that we believe should have been approved in the Board of Trustee minutes but were not.

Board of Trustee meetings are not preceded with proper notice as required by Chapter 359.17 of the Code of Iowa, and agendas do not provide sufficient detail of what is to be discussed at each meeting.

Board of Trustee minutes do not include information sufficient to indicate the vote of each member present as required by Chapter 21.3 of the Code of Iowa.

The Board of Trustees went into closed session on April 18, 2019. However, the minutes record did not document the reason for holding the closed session by reference to a specific exemption under Chapter 21.5 of the Code of Iowa, as required by Chapter 21.5(2) of the Code of Iowa, commonly known as the open-meetings law.

Recommendation – The Township should provide notice of each meeting at least twenty-four hours preceding the commencement of the meeting. The notice should state the time, date, and place of the meeting and the proposed agenda as required by Chapter 359.17 of the Code of Iowa. The agenda should provide sufficient details of items to be discussed. Additionally, minutes should include information sufficient to indicate the vote of each member present as required by Chapter 21.3 of the Code of Iowa and when going into closed session, the minutes should document the specific exemption under Chapter 21.5 of the Code of Iowa and final action should be taken in open session.

Saylor Township

Schedule of Findings

Year ended June 30, 2019

Response – The Township Trustees will continue to provide notice of each meeting at least 24 hours proceeding commencement of the meeting. The notice will state the time, date, and place of the meeting with the proposed itemized agenda as required by Chapter 359.17 of the Code of Iowa. The minutes will include information to indicate the vote of each member present as required by Chapter 21.3 of the Code of Iowa. As recommended by the State Auditor, if a vote is unanimous it will state unanimous, if the vote is not, a roll call vote must be taken. The Board of Trustees will follow Chapter 21.5 of the Code of Iowa when going into closed session. The minutes will document the specific exemption under Chapter 21.5 of the Code of Iowa and final action must be taken in open session.

Conclusion – Response accepted.

- (7) Deposits and Investments – The Township has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has not been adopted by the Township Trustees as required by Chapter 12C.2 of the Code of Iowa.

Recommendation- The Township should adopt a written investment policy that complies with Chapter 12B.10B of the Code of Iowa. The Township Trustees, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as require by Chapter 12C.2 of the Code of Iowa.

Response - The Township Trustees will adopt a written investment policy that complies with Chapter 12B.10B of the Code of Iowa. Also, the Township Trustees will adopt a depository resolution which establishes the maximum deposit amounts for each bank as required by Chapter 12C.2 of the Code of Iowa.

Conclusion – Response accepted.

- (8) Capital Projects – In accordance with Chapter 26.3 of the Code of Iowa, public improvements in excess of the competitive bid threshold established in section 314.1B (\$135,000 prior to January 1, 2019 and \$139,000 after January 1, 2019) are required to be advertised for sealed bids not less than 13 nor more than 45 days before the date of filing bids. In addition, governmental entities are required to publish notice of the public hearing not less than 4 nor more than 20 days before the date of the hearing in accordance with Sections 26.12 and 362.3 of the Code of Iowa and award contracts to the lowest competitive bidder.

There is no evidence the Township advertised and/or received sealed bids for the fire station training pad project with costs totaling \$493,604. Additionally, a public hearing was not held to open bids and award the contract to the lowest complete bidder.

Recommendation – The Township should consult legal counsel to determine the disposition of this matter. In the future, the Township should comply with Chapter 26.3 of the Code of Iowa prior to entering into improvement contracts.

Saylor Township

Schedule of Findings

Year ended June 30, 2019

Response – In the future the Township Trustees will comply in all future capital improvement projects with Chapter 26.3 of the Code of Iowa and receive sealed bids on all projects exceeding the threshold established in the Code of Iowa. A public hearing will be held in accordance with Chapter 26.12 and contracts will be awarded to the lowest competitive bidder.

Conclusion – Response accepted.

- (9) Annual Statement of Receipts and Expenditures – The Annual Statement of Receipts and Expenditures of the Township was properly filed with the County Auditor prior to September 1<sup>st</sup>; however, the beginning balances of the Ambulance, Cemetery and Parks and Fire Funds did not agree with the Township’s general ledger.

Recommendation – The Township should ensure the cash balances reported in the Annual Statement of Receipts and Expenditures agree with Township records.

Response – The Township will ensure the cash balances reported on the report agrees with the Township records.

Conclusion – Response accepted.

- (10) Menards Rebates – The Township Trustees and/or Township Clerk do not review Menards receipts for eligible rebates and properly retain any rebate receipts earned to submit for redemption. In addition, the Cemetery does not have policies and procedures regarding the use and documentation of eligible rebates.

Recommendation – The Cemetery should review all Menards receipts for eligible rebates to be submitted for redemption and properly retain all purchase receipts. The Cemetery should implement policies and procedures to ensure rebates are utilized for cemetery purposes.

Response – The Township Trustees will adopt a policy regarding Menards rebates. The Township Clerk will receive and review all eligible rebates from the Saylor Fire Department and the Pine Hill Cemetery and submit for redemption.

Conclusion – Response accepted.

- (11) Employees Rental of Township Property – Per Township policy, fire department and township employees pay a reduced price for renting the Township Hall and they pay no fee for rental of park shelters. In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. This policy appears to be contrary to public use of Township property.

Recommendation – The Township should consult legal counsel to determine the disposition of this matter. The Township Trustees should determine and document how the public is served by allowing free or reduced use of Township property by employees.

Response – The Township will consult legal counsel to determine the disposition of the matter concerning the fire department and township employees paying a reduced price for renting the hall and no fee for rental of park shelters since these policies appear to be contrary to public use of Township property in lieu of paying normal public rental rates.

Conclusion – Response accepted.

Saylor Township

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy  
Katherine L. Rupp, CPA, Manager  
Sarah J. Swisher, Senior Auditor II  
Ronica H. Drury, Staff Auditor