



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE October 11, 2004

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on Saylor Township, located in Polk County, Iowa, for the year ended June 30, 2003.

The Township's receipts totaled \$626,436 for the year June 30, 2003, and included \$500,601 in property tax, \$33,650 from the sale of cemetery lots and \$25,700 for grave opening fees.

Disbursements totaled \$700,868 for the year ended June 30, 2003, and included \$124,073 for salaries, \$231,474 for equipment and \$65,484 for repair and maintenance.

The report contains recommendations to the Saylor Township Trustees. For example, internal control operating procedures should be reviewed to obtain the maximum internal control possible. Monthly bank reconciliations and financial reports should be prepared and reviewed by the Trustees. The Township Trustees have responded that corrective action will be implemented.

A copy of the audit report is available for review in the Office of Auditor of State and the Saylor Township Fire Station.

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SAYLOR TOWNSHIP
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2003

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Saylor Township

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Prior to January 1, 2003)		
Herbert Hicks	Trustee	January 2003
Larry Campbell	Trustee	January 2005
Kathy Prendergast	Trustee	January 2005
David Campbell	Clerk	January 2003
(After January 1, 2003)		
Kathy Prendergast	Trustee	January 2005
Larry Campbell	Trustee	January 2005
Frank Cross	Trustee	January 2007
Phyllis Jones	Clerk	January 2007

Saylor Township



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Independent Auditor's Report

To the Trustees of Saylor Township:

We have audited the accompanying statement of cash transactions of Saylor Township as of and for the year ended June 30, 2003. This financial statement is the responsibility of the Township's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the aforementioned statement of cash transactions presents fairly, in all material respects, the results of the cash transactions of Saylor Township as of and for the year ended June 30, 2003, on the basis of accounting described in note 1.

As discussed in Note 6, Saylor Township intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the Township's financial statements and related notes in the year of implementation. The revised requirements include an analytical overview of the Township's financial activities in the Management's Discussion and Analysis introduction to the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated June 29, 2004 on our consideration of Saylor Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 29, 2004

Saylor Township

Financial Statement

Saylor Township
 Combined Statement of Cash Transactions
 All Funds
 For the year ended June 30, 2003

	Fire	Ambulance	Cemetery/ Park	Hall
Receipts:				
Property tax	\$ 205,776	57,149	212,738	15,023
Hall rents and deposits	-	-	-	19,750
Interest on investments	6,849	-	847	-
Grave opening fees	-	-	25,700	-
Cemetery lots	-	-	33,650	-
Donations	-	-	-	-
Fundraisers	-	-	-	-
Miscellaneous	25,041	-	1,852	-
Total receipts	<u>237,666</u>	<u>57,149</u>	<u>274,787</u>	<u>34,773</u>
Disbursements:				
Salaries	10,082	2,517	111,474	-
Fire and ambulance calls	22,896	14,352	-	-
Employee benefits	9,102	2,840	14,356	-
Supplies	12,283	11,072	4,135	1,785
Contractual services	3,842	993	3,263	2,449
Attorney fees	5,248	4,145	15,690	-
Insurance	25,303	10,867	11,876	2,533
Utilities	13,108	2,956	7,816	-
Equipment	59,008	113,880	58,586	-
Repair and maintenance	25,495	6,118	27,646	6,225
Gas and oil	3,218	17	3,212	-
Training	5,246	2,869	-	-
Communications	21,008	807	1,913	545
Rent deposits returned	-	-	-	11,200
Miscellaneous	4,119	50	577	-
Total disbursements	<u>219,958</u>	<u>173,483</u>	<u>260,544</u>	<u>24,737</u>
Excess (deficiency) of receipts over (under) disbursements	17,708	(116,334)	14,243	10,036
Balance beginning of the year	<u>330,370</u>	<u>8,463</u>	<u>136,269</u>	<u>32,483</u>
Balance end of the year	<u>\$ 348,078</u>	<u>(107,871)</u>	<u>150,512</u>	<u>42,519</u>

See notes to financial statement.

Saylor Township		Total
Litigation	Volunteer Fire Department	(Memorandum Only)
9,915	-	500,601
-	-	19,750
-	8	7,704
-	-	25,700
-	-	33,650
-	1,350	1,350
-	9,433	9,433
-	1,355	28,248
9,915	12,146	626,436
-	-	124,073
-	-	37,248
-	-	26,298
-	1,281	30,556
-	5,557	16,104
14,817	-	39,900
-	-	50,579
-	-	23,880
-	-	231,474
-	-	65,484
-	-	6,447
-	-	8,115
-	-	24,273
-	-	11,200
-	491	5,237
14,817	7,329	700,868
(4,902)	4,817	(74,432)
9,887	5,055	522,527
4,985	9,872	448,095

Saylor Township

Notes to Financial Statement

June 30, 2003

(1) Summary of Significant Accounting Policies

Saylor Township is a political subdivision of Polk County, Iowa. The Township is governed by three 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 Volunteer 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 Township 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. It is reported in a separate column in the Combined Statement of Cash Transactions.

B. Fund Accounting

The accounts of Saylor Township are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and balances. The various funds are classified as follows in the financial statements:

Fire – 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.

Ambulance – 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.

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

Hall – The Hall Fund is utilized to account for all resources used for the maintenance and support of the Township Hall.

Litigation – The Litigation Fund is utilized to account for tax levied for litigation.

C. Basis of Accounting

Saylor 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 the financial position and results of operations of the Township in accordance with U.S. generally accepted accounting principles.

D. Total (Memorandum Only)

The total column on the statement of cash transactions is captioned “Memorandum Only” to indicate it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Deposits

The Township’s deposits at June 30, 2003 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 insure 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 Trustees; 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 had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

(3) 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.

(4) Pension and Retirement Benefits

The Township contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.7% of their annual covered salary and the Township is required to contribute 5.75% of annual covered payroll except for fire personnel, in which case the percentages are 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The Township's contribution to IPERS for the years ended June 30, 2003, 2002 and 2001 were \$13,157, \$11,800 and \$8,899, respectively, equal to the required contributions for each year.

(5) Deficit Balance

The Ambulance Fund had a deficit balance of \$107,871 at June 30, 2003. The deficit will be eliminated through future billings for ambulance services.

(6) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the year ending June 30, 2004. The effects are expected to significantly impact the presentation of governmental financial statements in the year of implementation. Also, the revised minimum reporting requirements include Management's Discussion and Analysis to introduce the financial statements and to provide an analytical overview of the Township's financial activities.



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Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Trustees of Saylor Township:

We have audited the financial statement of Saylor Township, as of and for the year ended June 30, 2003, and have issued our report thereon dated June 29, 2004. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Saylor Township's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Township's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement 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. Prior year statutory conditions have been resolved except for items (1), (4) and (6).

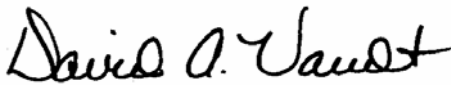
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Saylor Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Saylor Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying Schedule of Findings.

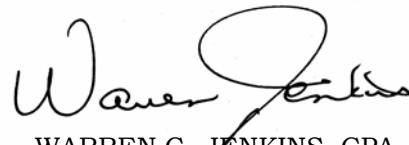
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness. Prior year reportable conditions have been resolved except for items (A), (B), (C), (D), (E), (F), (G), (H), (J), (K) and (M).

This report, a public record by law, is intended solely for the information and use of the officials and citizens of Saylor Township and other parties to whom Saylor Township may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 29, 2004

Saylor Township
Schedule of Findings
Year ended June 30, 2003

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Township’s financial statement. Generally, one individual has control over the collecting, depositing, posting, receipts, disbursements, bank reconciliations, payroll and investments for which no compensating controls exist.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Officials and other current personnel should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – The Trustees are taking a more active role in the financial area and we will continue to do what we can with limited personnel.

Conclusion – Response accepted.

- (B) Bank Reconciliations – The Township’s monthly financial reports were not reconciled to bank statements.

Recommendation – The monthly financial reports should be reconciled to the bank statements monthly and all reconciling items should be documented. The Township Trustees should review the reconciliations and document their review by initialing and dating the monthly reconciliations.

Response – The Clerk will prepare timely bank reconciliations and the Township Trustees will review and sign the bank reconciliations.

Conclusion – Response accepted.

- (C) Financial Reporting – The monthly financial reports did not include the beginning balance, receipts, disbursements and ending balance for each of the individual Township funds.

Also, the Township Trustees do not review the reports for payroll taxes and IPERS contributions prepared by the Township Clerk.

Recommendation – Monthly financial reports should be prepared to document the financial activity each individual fund of the Township.

Also, Township Trustees should review and approve the reports prepared by the Clerk.

Saylor Township
Schedule of Findings
Year ended June 30, 2003

Response – Monthly financial reports including revenue, accounts payable, and balance sheet will be prepared to document the financial activity of each of the Township’s funds.

Conclusion – Response acknowledged. Also, the Township Trustees should review and approve the reports prepared by the Clerk.

(D) Written Policies – The Township does not have written policies and procedures in place to address the following:

- Certain invoices are split for payment between various funds. The Trustees should identify which bills will be allocated and the allocation basis to be used.
- The usage of Township vehicles, equipment and cellular phones by Township Trustees and personnel.
- The sale of cemetery lots at a discounted price to elected officials and employees of the Township.

In addition, the Township does not have a written accounting manual.

Recommendation – The Township should establish written policies and procedures to address and clarify these issues.

Response – The Township Trustees will approve which bills to be paid and the allocation basis to be used. A report listing all the allocation basis to be used on bills will be attached to this resolution, becoming a part of resolution.

All Township vehicles, equipment and cellular phones will be used for Township business only.

Elected officials of the Township will receive cemetery plots at the Pine Hill Cemetery at a discounted price determined by the Trustees.

Conclusion – Response acknowledged. Also, the Township should establish written policies and procedures to address and clarify these issues. In addition, the Township should establish a written accounting manual.

(E) Electronic Data Processing Systems – During our review of internal control, the existing control activities in the Township’s computer based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the Township’s computer based systems were noted:

The Township does not have written policies for:

- usage of the Internet.

Saylor Township
Schedule of Findings
Year ended June 30, 2003

- personal use of computer equipment and software.
- ensuring only software licensed to the Township is installed on computers.

Also, the Township does not have a written disaster recovery plan and does not require back up tapes to be stored off site daily.

Recommendation – The Township should develop written policies addressing the above items in order to improve the Township’s control over computer based systems. Also, a written disaster recovery plan should be developed and back-up tapes should be stored off site daily in a fireproof vault or safe.

Response – The Township will establish written policies and procedures. The use of the Internet, computer equipment and software will be used for Township business only or with Township Trustee approval.

The Township will only use and install software licensed to the Township.

System changes regarding computer software will be only made by majority vote of the Township Trustees.

Regarding disaster recovery plan: Township Trustees will be notified of any disaster and all backup tapes will be stored off site by the Clerk.

Conclusion – Response acknowledged. Also, the Township Trustees should establish a written disaster recovery plan.

- (F) Manual and Void Checks – A Trustee was writing temporary checks which were not pre-numbered. In addition, manual checks were also written using the Township’s pre-numbered checks. None of the manual checks written were entered into the Township’s financial accounting system. However, the manual checks were later included for financial reporting purposes.

The Township does not account for the numerical sequence of checks issued.

The Township is not properly accounting for void checks.

Recommendation – All disbursements for the Township should be made with pre-printed, pre-numbered checks. Also, the Township should enter all checks into the financial records and monitor and account for the numerical sequence of the checks. In addition, void checks should be cancelled and retained.

Response – The Township will use only preprinted, pre-numbered checks and all checks will be accounted for and entered into the financial records. Also, a voided check file will be established separate from all other checks.

Conclusion – Response accepted.

Saylor Township
Schedule of Findings
Year ended June 30, 2003

- (G) Receipts – The individual opening the mail prepares an initial listing of collections. However, the listing is not compared to the bank deposits by an independent person.

Pre-numbered receipts are not issued for all collections.

Certain collections were not deposited timely and were not recorded in the accounting records timely. Certain collections were credited to an incorrect account number or were not recorded in the accounting records.

Certain receipts recorded in the accounting records were not supported by bank deposits or other documentation. These instances have been resolved for financial reporting purposes.

Recommendation – The initial listing of receipts should be reconciled to daily deposits by an independent person.

Pre-numbered receipts should be issued for all collections.

All collections should be deposited in the bank and credited to the proper funds in an accurate and timely manner.

Accounting records should be reconciled monthly to bank activity to ensure only valid receipts are recorded on the computer system.

Response – The listing of all collections will be compared to the bank deposits by an independent person. Pre-numbered receipts will be issued for all collections. Collections will be deposited timely and will be recorded in the accounting records timely.

Collections will be credited to the correct account number. All receipts will be recorded in the accounting records supported by bank deposits or other documentation.

Conclusion – Response accepted.

- (H) Disbursements – Certain disbursements were not properly classified in the financial records and were not properly approved for payment by two Township Trustees. Also, supporting documentation could not be located for certain disbursements. In addition, certain invoices were not paid timely.

Recommendation – Disbursements should be properly classified and approved for payment by two Township Trustees. Also, supporting documentation should be retained for all transactions and disbursements should be processed in a timely manner.

Response – All disbursements will be properly classified and approved for payment by two Township Trustees. Documentation will be retained for all transactions and disbursements will be processed in a timely manner.

Conclusion – Response accepted.

Saylor Township

Schedule of Findings

Year ended June 30, 2003

- (I) Payroll Reports – Certain payroll tax and IPERS reports were filed after deadlines, which resulted in the assessment of late fees and penalties. Also, copies of all reports were not retained. In addition, an incorrect withholding rate for IPERS was used for two employees.

Certain payroll processing errors resulted in erroneous reporting of federal taxes and IPERS contributions.

Recommendation – Payroll tax and IPERS reports should be processed in a timely and accurate manner in order to avoid the payment of late fees and penalties. Copies of all payroll reports should be retained.

Payroll should be processed and updated correctly to ensure the accurate reporting of federal taxes and IPERS contributions. Revised reports should be submitted for all necessary corrections of payroll processing errors.

Response – Payroll tax and IPERS reports will be processed timely in order to avoid the payment of late fees and penalties. Copies of all payroll reports will be retained.

Conclusion – Response acknowledged. Also, revised reports should be submitted for all necessary corrections of payroll processing errors.

- (J) Vacation Payout – The Township uses employment contracts for cemetery employees. These contracts state vacation is forfeited if not used by the employee's anniversary date. One cemetery worker was paid for eighty hours of unused vacation time not used by the employee's anniversary date.

Recommendation – The Township should comply with requirements in the employment contracts.

Response – The Township will comply with requirements in the employment contracts.

Conclusion – Response accepted.

- (K) Payroll – The Township Trustees did not approve salaries or pay rates for seasonal employees and did not review and approve payroll transactions.

The sexton does not prepare a timesheet for all pay periods and the sexton's timesheets are not approved by a supervisor.

Payroll checks written per the check register did not reconcile to payroll amounts recorded in the financial records for several months. Although the payroll register was correct, the correct amounts were not posted to the financial statements. This matter has been resolved for financial reporting purposes.

Recommendation – The Township Trustees should approve salaries or pay rates for all employees and should review and approve payroll. All employees should prepare a timesheet and timesheets should be approved by a supervisor. The Clerk should

Saylor Township
Schedule of Findings
Year ended June 30, 2003

reconcile monthly payroll activity per the financial records to payroll checks written and resolve any variances.

Response – The Trustees will approve salaries or pay rates for all employees and should review and approve payroll. The Clerk will reconcile monthly payroll activity per the financial records to payroll checks written and resolve any variances.

Conclusion – Response acknowledged. Also, all employees should prepare timesheets and the timesheets should be approved by a supervisor.

- (L) Compensation for Fire and Rescue Calls – The Township pays fire and rescue personnel a set rate for each call to which they respond. These calls are summarized by month and paid on the first of the next month. Amounts paid for calls per the monthly summaries do not reconcile to amounts paid per the accounting records.

Recommendation – The Clerk should reconcile the number of calls paid per the monthly summaries to the amounts recorded in the accounting records.

Response – The number of calls paid per the monthly summaries to the amounts recorded in the accounting records will be reconciled.

Conclusion – Response accepted.

- (M) Saylor Township Volunteer Fire Department – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Department's financial statement. Generally, one individual has control over the collecting, depositing, posting, disbursing and bank reconciliations for which no compensating controls exist.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Officials and other current personnel should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – Financial transactions and reconciliations will be performed by the audit committee. They will initial/sign and date the documents.

Conclusion – Response accepted.

Saylor Township
Schedule of Findings
Year ended June 30, 2003

Findings Related to Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has not been approved by the Township Trustees.

Recommendation – The Township should approve a resolution naming official depositories and include it in the minutes.

Response – The Township will approve a resolution naming official depositories and include it in the minutes.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

- (3) Travel Expense – No disbursements of Township money for travel expenses of spouses of Township officials or employees were noted.

- (4) Township Minutes – Except as follows, no transactions were found that we believe should have been approved in the Township minutes but were not.

Trustees did not sign the minutes from the Township meetings. Also, minutes for closed sessions did not reference the specific purpose for the closed session as required by Chapter 21.5 of the Code of Iowa.

Recommendation – The Trustees should sign the minutes to authenticate the action of the Trustees. Also, the minutes should also reflect the specific purpose for the closed session as required by Chapter 21.5 of the Code of Iowa.

Response – The Trustees will sign the minutes to authenticate the action of the Trustees. Since January, 2003, all minutes have been discussed, approved and documented in open trustee meetings. Minutes will reflect the specific purpose for the closed session as required by Chapter 21.5 of the Code of Iowa.

Conclusion – Response accepted.

- (5) Deposits and Investments – Except as noted in item (1) above, no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa were noted.

- (6) Annual Financial Report – The Statement of Receipts and Expenditures was not filed with the Polk County Auditor by September 30th as required by Chapter 359.23 of the Code of Iowa. Also, the report contained errors.

Recommendation – The Township should submit an amended Statement of Receipts and Expenditures to the County Auditor. In the future, the report should be filed in an accurate and timely manner.

Saylor Township
Schedule of Findings
Year ended June 30, 2003

Response – The Township will submit an accurate, amended Statement of Receipts and Expenditures to the County Auditor.

Conclusion – Response acknowledged. Also, in the future the report should be filed timely.

- (7) Financial Condition – The Township had a deficit balance at June 30, 2003 of \$107,871 in the Ambulance Fund.

Recommendation – The Township should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – The deficit will be eliminated through future billings for ambulance services.

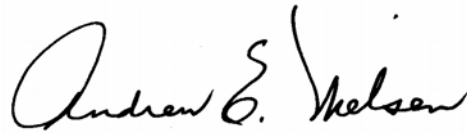
Conclusion – Response accepted.

Saylor Township

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Lesley R. Geary, CPA, Senior Auditor
Mary Crystal A. Berg, CPA, Staff Auditor
Ryan J. Johnson, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State