



Dave Yost • Auditor of State



**LEXINGTON TOWNSHIP  
STARK COUNTY**

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# Dave Yost • Auditor of State

Lexington Township  
Stark County  
14555 Gaskill Drive NE  
Alliance, Ohio 44601

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

March 25, 2011

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Lexington Township  
Stark County  
14555 Gaskill Drive NE  
Alliance, Ohio 44601

To the Board of Trustees:

We have audited the accompanying financial statements of Lexington Township, Stark County, (the Township) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Lexington Township, Stark County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2011, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Dave Yost**  
Auditor of State

March 25, 2011



**LEXINGTON TOWNSHIP  
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 8,579	\$ 703,915	\$ -	\$ 712,494
Licenses, Permits, and Fees	56,250	-	-	56,250
Fines and Forfeitures	8,642	-	-	8,642
Intergovernmental	115,615	360,700	-	476,315
Special Assessments	5,182	-	-	5,182
Earnings on Investments	678	75	-	753
Miscellaneous	75,839	396	-	76,235
	<u>270,785</u>	<u>1,065,086</u>	<u>-</u>	<u>1,335,871</u>
<b>Total Cash Receipts</b>				
	<u>270,785</u>	<u>1,065,086</u>	<u>-</u>	<u>1,335,871</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	116,833	-	-	116,833
Public Safety	22,092	494,138	-	516,230
Public Works	-	525,024	-	525,024
Health	8,374	-	-	8,374
Human Services	-	18,227	-	18,227
Other	-	4,995	-	4,995
Capital Outlay	480	18,678	101,781	120,939
	<u>147,779</u>	<u>1,061,062</u>	<u>101,781</u>	<u>1,310,622</u>
<b>Total Cash Disbursements</b>				
	<u>147,779</u>	<u>1,061,062</u>	<u>101,781</u>	<u>1,310,622</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>123,006</u>	<u>4,024</u>	<u>(101,781)</u>	<u>25,249</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In	-	75,000	300,000	375,000
Transfers-Out	(75,000)	(300,000)	-	(375,000)
	<u>(75,000)</u>	<u>(225,000)</u>	<u>300,000</u>	<u>-</u>
<b>Total Other Financing Receipts / (Disbursements)</b>				
	<u>(75,000)</u>	<u>(225,000)</u>	<u>300,000</u>	<u>-</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>48,006</u>	<u>(220,976)</u>	<u>198,219</u>	<u>25,249</u>
<b>Fund Cash Balances, January 1</b>	<u>89,541</u>	<u>531,637</u>	<u>-</u>	<u>621,178</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 137,547</u>	<u>\$ 310,661</u>	<u>\$ 198,219</u>	<u>\$ 646,427</u>
<b>Reserve for Encumbrances, December 31</b>	<u>\$ 564</u>	<u>\$ 31,398</u>	<u>\$ -</u>	<u>\$ 31,962</u>

*The notes to the financial statements are an integral part of this statement.*

LEXINGTON TOWNSHIP  
STARK COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Agency</u>
<b>Operating Cash Disbursements:</b>	
Other	\$ 5,666
Fund Cash Balances, January 1	<u>5,666</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$ -</u></u>

*The notes to the financial statements are an integral part of this statement.*

**LEXINGTON TOWNSHIP  
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 10,138	\$ 664,646	\$ -	\$ 674,784
Charges for Services	-	600	-	600
Licenses, Permits, and Fees	43,363	-	-	43,363
Fines and Forfeitures	7,533	-	-	7,533
Intergovernmental	102,735	355,551	-	458,286
Special Assessments	5,864	-	-	5,864
Earnings on Investments	768	46	-	814
Miscellaneous	435	4,008	-	4,443
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	170,836	1,024,851	-	1,195,687
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>				
Current:				
General Government	129,270	-	-	129,270
Public Safety	6,022	452,890	-	458,912
Public Works	-	448,096	-	448,096
Health	8,372	-	-	8,372
Other	-	2,282	-	2,282
Capital Outlay	1,799	112,378	150,000	264,177
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	145,463	1,015,646	150,000	1,311,109
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	25,373	9,205	(150,000)	(115,422)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other Financing Receipts / (Disbursements):</b>				
Sale of Fixed Assets	-	9,333	-	9,333
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	25,373	18,538	(150,000)	(106,089)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	64,168	513,099	150,000	727,267
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$ 89,541</b>	<b>\$ 531,637</b>	<b>\$ -</b>	<b>\$ 621,178</b>
	<hr/>	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	\$ 4,368	\$ 52,165	\$ -	\$ 56,533
	<hr/>	<hr/>	<hr/>	<hr/>

*The notes to the financial statements are an integral part of this statement.*

LEXINGTON TOWNSHIP  
STARK COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Agency</u>
<b>Operating Cash Receipts:</b>	
Miscellaneous	\$ 13,627
<b>Operating Cash Disbursements:</b>	
Other	<u>18,627</u>
Net Receipts Under Disbursements	(5,000)
Fund Cash Balances, January 1	<u>10,666</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$ 5,666</u></u></b>

*The notes to the financial statements are an integral part of this statement.*

**LEXINGTON TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Lexington Township, Stark County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, fire protection and emergency medical services. The Township contracts with the Stark County Sheriff's Department to provide police services.

The Township participates in one jointly governed organization and one public entity risk pool. Notes 6 and 7 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:  
*Stark Council of Governments (the "Council")*

Public Entity Risk Pool:  
*Ohio Township Association Risk Management Authority (OTARMA)*

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**LEXINGTON TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Fire District Fund - This fund receives funds from a tax levy that was approved by Township residents for fire protection and emergency services.

Police District Fund - This fund receives funds from a tax levy that was approved by Township residents for police protection.

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project funds

Fire Capital Projects Fund – This fund has a cash balance to be used for the acquisition of Fire Department vehicles and related apparatuses and equipment.

**4. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for the receipt and disbursement of insurance proceeds for structures damaged by fire.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**LEXINGTON TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

**E. Budgetary Process (Continued)**

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. Equity in Pooled Deposits**

The Township maintains a deposit pool which all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	<u>2010</u>	<u>2009</u>
Demand deposits	<u>\$ 646,427</u>	<u>\$ 626,844</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**LEXINGTON TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 211,212	\$ 270,785	\$ 59,573
Special Revenue	1,137,774	1,140,086	2,312
Capital Projects	102,000	300,000	198,000
Fiduciary	-	-	-
Total	\$ 1,450,986	\$ 1,710,871	\$ 259,885

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 300,468	\$ 223,343	\$ 77,125
Special Revenue	1,656,865	1,392,460	264,405
Capital Projects	102,000	101,781	219
Fiduciary	5,666	5,666	-
Total	\$ 2,064,999	\$ 1,723,250	\$ 341,749

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 137,878	\$ 170,836	\$ 32,958
Special Revenue	1,028,600	1,034,184	5,584
Capital Projects	-	-	-
Fiduciary	13,627	13,627	-
Total	\$ 1,180,105	\$ 1,218,647	\$ 38,542

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 201,932	\$ 149,831	\$ 52,101
Special Revenue	1,590,395	1,067,811	522,584
Capital Projects	150,000	150,000	-
Fiduciary	24,293	18,627	5,666
Total	\$ 1,966,620	\$ 1,386,269	\$ 580,351



**LEXINGTON TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**5. Retirement Systems**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

**6. Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**LEXINGTON TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. Risk Management (Continued)**

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2009, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$38,982,088	\$40,737,740
Liabilities	<u>(12,880,766)</u>	<u>(12,981,818)</u>
Net Assets	<u>\$26,101,322</u>	<u>\$27,755,922</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$12.0 and \$12.1 million of estimated incurred claims payable. The assets above also include approximately \$11.5 and \$10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Township's share of these unpaid claims collectible in future years is approximately \$30,000

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2010</u>	<u>2009</u>
\$ 27,748	\$ 23,004

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**LEXINGTON TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**7. Jointly Governed Organizations**

The Township participates in the Stark Council of Governments (the "Council"), which is a statutorily created political subdivision of the State for the purpose of providing a permanent forum for discussion and study of concerns of the county, cities, villages, and townships for development of policies and programs for implementation by one or more of the local governing bodies. The Council is jointly governed among Stark County, municipalities, and townships which consist of 38 members.

The Township appoints a representative and has a membership share based on the percentage of contractual financial contributions to the total funding. Each participant is entitled to vote its percentage share. The Board exercises total authority over the operation of the Council including budgeting, appropriating, contracting, and designating management. Continued existence of the Council is not dependent on the Township's continued participation. The Council does not provide specific financial benefits or impose specific financial burdens to the Township. The Township did not make any contributions during the year and does not have an equity interest in the Council. Financial statements of the Council can be obtained from the Stark Council of Governments, 5320 Bridgecreek Avenue, NW, Canton, Ohio, 44718.

**8. Contingent Liabilities**

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**9 Transfers**

During 2010 the Fire Levy Special Revenue Fund transferred \$300,000 to the Capital Project Fund pursuant Ohio Revised Code Section 5705.13 (c) to establish a Capital Project Reserve Fund to purchase a fire truck.

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# Dave Yost • Auditor of State

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Lexington Township  
Stark County  
14555 Gaskill Drive NE  
Alliance, Ohio 44601

To the Board of Trustees:

We have audited the financial statements of Lexington Township, Stark County, (the Township) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated March 25, 2011 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

March 25, 2011



# Dave Yost • Auditor of State

**LEXINGTON TOWNSHIP**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 5, 2011**