



**Auditor of State
Betty Montgomery**

**LEXINGTON TOWNSHIP
STARK COUNTY**

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**Auditor of State
Betty Montgomery**

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, Ohio, (the Township) as of and for the years ended December 31, 2004 and 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. 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(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township 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.

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, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2005, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 15, 2005

**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, 2004**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$12,987	\$774,621	\$5,975		\$793,583
Intergovernmental	87,745	193,731			281,476
Charges for Services		600			600
Licenses, Permits, and Fees	29,876				29,876
Fines, Forfeitures, and Penalties	9,473				9,473
Earnings on Investments	5,404	345			5,749
Other Revenue	1,345	26,755			28,100
	<u>146,830</u>	<u>996,052</u>	<u>5,975</u>		<u>1,148,857</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	152,419				152,419
Public Safety	11,259	398,036			409,295
Public Works		375,619			375,619
Health	7,106				7,106
Debt Service:					
Redemption of Principal			5,000		5,000
Interest and Fiscal Charges			1,300		1,300
Capital Outlay	25,365	147,321		\$16,960	189,646
	<u>196,149</u>	<u>920,976</u>	<u>6,300</u>	<u>16,960</u>	<u>1,140,385</u>
Total Cash Disbursements					
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(49,319)</u>	<u>75,076</u>	<u>(325)</u>	<u>(16,960)</u>	<u>8,472</u>
Other Financing Receipts and (Disbursements):					
Transfers-In				75,000	75,000
Transfers-Out		(75,000)			(75,000)
		<u>(75,000)</u>		<u>75,000</u>	
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(49,319)	76	(325)	58,040	8,472
Fund Cash Balances, January 1	142,561	310,978	6,300		459,839
Fund Cash Balances, December 31	<u>\$93,242</u>	<u>\$311,054</u>	<u>\$5,975</u>	<u>\$58,040</u>	<u>\$468,311</u>
Reserve for Encumbrances, December 31	<u>\$1,107</u>	<u>\$44,158</u>	<u>\$0</u>	<u>\$0</u>	<u>\$45,265</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, 2003**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$9,887	\$729,909	\$6,300		\$746,096
Intergovernmental	109,302	173,410			282,712
Charges for Services		600			600
Licenses, Permits, and Fees	26,695				26,695
Fines, Forfeitures, and Penalties	9,535				9,535
Earnings on Investments	4,784	282			5,066
Other Revenue	974	34,643			35,617
	<u>161,177</u>	<u>938,844</u>	<u>6,300</u>		<u>1,106,321</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	144,299				144,299
Public Safety	8,968	378,275			387,243
Public Works		426,363			426,363
Health	6,898				6,898
Debt Service:					
Redemption of Principal			5,000		5,000
Interest and Fiscal Charges			1,625		1,625
Capital Outlay	11,556	124,890		\$50,000	186,446
	<u>171,721</u>	<u>929,528</u>	<u>6,625</u>	<u>50,000</u>	<u>1,157,874</u>
Total Cash Disbursements					
Total Cash Receipts Over/(Under) Cash Disbursements	(10,544)	9,316	(325)	(50,000)	(51,553)
Fund Cash Balances, January 1	153,105	301,662	6,625	50,000	511,392
Fund Cash Balances, December 31	<u>\$142,561</u>	<u>\$310,978</u>	<u>\$6,300</u>	<u>\$0</u>	<u>\$459,839</u>
Reserve for Encumbrances, December 31	<u>\$10,102</u>	<u>\$81,952</u>	<u>\$0</u>	<u>\$0</u>	<u>\$92,054</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
FIDUCIARY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	Agency	
	2004	2003
Operating Cash Disbursements:		
Current:		
Other		\$120,440
Non-Operating Receipts/Disbursements		
Miscellaneous Receipts	\$10,980	25,440
Income/(Loss)	10,980	(95,000)
Fund Cash Balance, January 1	3,000	98,000
Fund Cash Balance, December 31	\$13,980	\$3,000
Reserve for Encumbrances, December 31	\$0	\$0

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

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**LEXINGTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2005**

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 direct the Township. The Township provides general governmental services, including maintenance and repair of roads and fire protection. The Township contracts with the Stark County Sheriff's Department to provide security of persons and property.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. 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. Cash and Investments

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

The Township invested in a repurchase agreement during the audit period and received interest from an interest bearing checking account. The repurchase agreement is valued at cost.

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, 2004 AND 2005
(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 trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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

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

3. Debt Service Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had a General Note Retirement Fund which is used to pay debt incurred to purchase land for the road department.

4. 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 a New Fire Truck Fund used to accumulate funds for a purchase of a new fire truck.

5. Fiduciary Funds (Agency Funds)

These funds account for funds for which the Township is acting in an agency capacity. The Township has a Fire Demolition Fund which was established to account for the receipt and disbursement of fire damage bonds.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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, 2004 AND 2003
(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 2004 and 2003 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 CASH

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

Demand deposits	\$482,291	\$462,839

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$124,499	\$146,830	\$22,331
Special Revenue	929,913	996,052	66,139
Debt Service	5,975	5,975	0
Capital Projects	75,000	75,000	0
Total	\$1,135,387	\$1,223,857	\$88,470

**LEXINGTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$266,902	\$197,256	\$69,646
Special Revenue	1,152,010	1,040,134	111,876
Debt Service	6,300	6,300	0
Capital Projects	75,000	16,960	58,040
Total	\$1,500,212	\$1,260,650	\$239,562

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$128,158	\$161,177	\$33,019
Special Revenue	936,437	938,844	2,407
Debt Service	6,300	6,300	0
Capital Projects	0	0	0
Total	\$1,070,895	\$1,106,321	\$35,426

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$280,561	\$181,823	\$98,738
Special Revenue	1,212,690	1,011,480	201,210
Debt Service	12,925	6,625	6,300
Capital Projects	50,000	50,000	0
Total	\$1,556,176	\$1,249,928	\$306,248

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

**LEXINGTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$15,000	6.50%

The general obligation notes were issued to finance the purchase of a additional land for Township road maintenance department.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	General Obligation Notes
2005	\$5,975
2006	5,650
2007	5,325
Total	\$16,950

6. RETIREMENT SYSTEM

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 the plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**LEXINGTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. Risk Management (Continued)

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

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 (the latest information available):

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	<u>(11,791,300)</u>	<u>(9,197,512)</u>
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>
<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	<u>(750,956)</u>	<u>(1,204,326)</u>
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>

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. JOINTLY GOVERNED ORGANIZATION

The Township participates in the Stark Council of Governments (the "Council"), which is a statutorily created political subdivision of the State. The Council is jointly governed among Stark County, municipalities and township which consists of 27 members. The Council's current functions include but are not limited to the funding and operation of the Stark County Metropolitan Narcotics Unit and the Canton Crime Lab.

**LEXINGTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

9. JOINTLY GOVERNED ORGANIZATION (Continued)

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 on 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, Canton, Ohio.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' 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, Ohio, (the Township) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated March 15, 2005, wherein we noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated March 15, 2005, we reported other matters involving internal control over financial reporting.

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*. In a separate letter to the Township's management dated March 15, 2005, we reported other matters related to noncompliance we deemed immaterial.

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Lexington Township
Stark County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 15, 2005

**LEXINGTON TOWNSHIP
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Ohio Rev. Code Section 135.14 - Investment Policy	Yes	The finding is no longer valid as the Township no longer invests in items requiring an investment policy.
2002-002	Ohio Rev. Code Section 5705.41(D)	No	Partially Corrected. See current audit period's management letter.



**Auditor of State
Betty Montgomery**

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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, 2005**