



**Auditor of State
Betty Montgomery**

NORWICH TOWNSHIP
FRANKLIN COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANT'S REPORT

Norwich Township
Franklin County
4164 Avery Road
Hilliard, OH 43026

To the Board of Trustees:

We have audited the accompanying financial statements of Norwich Township, Franklin County, Ohio (the Township) as of and for the years ended December 31, 2002 and December 31, 2001. 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 obtain reasonable assurance about 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. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 the Township as of December 31, 2002 and December 31, 2001, 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 April 15, 2003 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 grants. 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.

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

April 15, 2003

**NORWICH TOWNSHIP
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$978,509	\$6,761,416	\$0	\$7,739,925
Intergovernmental	243,782	816,955	0	\$1,060,737
Charges for Services	0	467,929	0	\$467,929
Licenses, Permits, and Fees	0	51,180	0	\$51,180
Fines, Forfeitures, and Penalties	7,979	0	0	\$7,979
Earnings on Investments	543,335	2,086	10	\$545,431
Other Revenue	65,023	78,885	0	\$143,908
	<u>1,838,628</u>	<u>8,178,451</u>	<u>10</u>	<u>10,017,089</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	814,564	0	0	814,564
Public Safety	24,717	5,686,834	0	5,711,551
Public Works	14,382	41,938	0	56,320
Health	169,472	68,119	0	237,591
Capital Outlay	13,857	1,276,258	0	1,290,115
	<u>1,036,992</u>	<u>7,073,149</u>	<u>0</u>	<u>8,110,141</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>801,636</u>	<u>1,105,302</u>	<u>10</u>	<u>1,906,948</u>
Other Financing Receipts and (Disbursements):				
Other Sources	84,976	3,688	0	88,664
Other Uses	(47,002)	(485,498)	0	(532,500)
	<u>37,974</u>	<u>(481,810)</u>	<u>0</u>	<u>(443,836)</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>839,610</u>	<u>623,492</u>	<u>10</u>	<u>1,463,112</u>
Fund Cash Balances, January 1	<u>8,440,793</u>	<u>11,883,290</u>	<u>1,978</u>	<u>20,326,061</u>
Fund Cash Balances, December 31	<u>\$9,280,403</u>	<u>\$12,506,782</u>	<u>\$1,988</u>	<u>\$21,789,173</u>
Reserve for Encumbrances, December 31	<u>\$198,204</u>	<u>\$3,996,305</u>	<u>\$0</u>	<u>\$4,194,509</u>

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

**NORWICH TOWNSHIP
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$969,450	\$6,861,175	\$0	\$7,830,625
Intergovernmental	249,922	753,093	0	1,003,015
Charges for Services	0	128,282	0	128,282
Licenses, Permits, and Fees	950	56,600	0	57,550
Fines, Forfeitures, and Penalties	9,378	0	0	9,378
Earnings on Investments	980,306	6,772	20	987,098
Other Revenue	110,742	67,669	0	178,411
	<u>2,320,748</u>	<u>7,873,591</u>	<u>20</u>	<u>10,194,359</u>
Total Cash Receipts				
	<u>2,320,748</u>	<u>7,873,591</u>	<u>20</u>	<u>10,194,359</u>
Cash Disbursements:				
Current:				
General Government	1,075,585	0	0	1,075,585
Public Safety	87,624	5,090,059	0	5,177,683
Public Works	21,803	53,012	0	74,815
Health	228,062	40,766	0	268,828
Capital Outlay	7,295	532,845	0	540,140
	<u>1,420,369</u>	<u>5,716,682</u>	<u>0</u>	<u>7,137,051</u>
Total Cash Disbursements				
	<u>1,420,369</u>	<u>5,716,682</u>	<u>0</u>	<u>7,137,051</u>
Total Receipts Over/(Under) Disbursements	<u>900,379</u>	<u>2,156,909</u>	<u>20</u>	<u>3,057,308</u>
Other Financing Receipts and (Disbursements):				
Other Sources	7,472	0	0	7,472
Other Uses	(166,393)	0	0	(166,393)
	<u>(158,921)</u>	<u>0</u>	<u>0</u>	<u>(158,921)</u>
Total Other Financing Receipts/(Disbursements)				
	<u>(158,921)</u>	<u>0</u>	<u>0</u>	<u>(158,921)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>741,458</u>	<u>2,156,909</u>	<u>20</u>	<u>2,898,387</u>
Fund Cash Balances, January 1	<u>7,699,335</u>	<u>9,726,381</u>	<u>1,958</u>	<u>17,427,674</u>
Fund Cash Balances, December 31	<u><u>\$8,440,793</u></u>	<u><u>\$11,883,290</u></u>	<u><u>\$1,978</u></u>	<u><u>\$20,326,061</u></u>
Reserve for Encumbrances, December 31	<u><u>\$442,699</u></u>	<u><u>\$866,899</u></u>	<u><u>\$0</u></u>	<u><u>\$1,309,598</u></u>

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

**NORWICH TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Norwich Township, Franklin County, Ohio (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Franklin 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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

U.S. Treasury Notes and the repurchase agreement are 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to 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 Fund:

Fire District Fund - This fund receives fire levy funds for providing security of persons and property to township residents.

**NORWICH TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Fiduciary Funds (Trust Funds)

These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following significant fiduciary funds:

Merris Weiler Trust Fund - The initial endowment (corpus) of this fund is not expendable, the Township must use the interest earnings per the terms of the trust agreement.

Cemetery Bequest Fund - The initial endowment (corpus) of this fund is not expendable, the Township must use the interest earnings per the terms of the trust agreement.

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 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.

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 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

**NORWICH TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$121,840	(\$96,131)
Total deposits	121,840	(96,131)
U.S. Treasury Notes	10,108,777	9,909,448
Repurchase agreement	11,558,556	10,512,744
Total investments	21,667,333	20,422,192
Total deposits and investments	\$21,789,173	\$20,326,061

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

Investments: Purchased securities are limited to U.S. Treasury Notes, which are held in book-entry form by the Federal Reserve, in the name of the Township. The financial institution serves as a custodian for the Township for these securities.

State statutes permit the Township to invest in interim deposits in repurchase agreements, that is, an agreement in which the Township transfers cash to a financial institution; the financial institution transfers securities to the Township and promises to repay the cash plus interest in exchange for the same securities. The said securities are uninsured and unregistered and are held in book entry form by a third party, the Federal Reserve, in the name of the financial institution.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,664,908	\$1,923,604	\$258,696
Special Revenue	8,537,835	8,182,139	(355,696)
Fiduciary	46	10	(36)
Total	\$10,202,789	\$10,105,753	(\$97,036)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$7,093,029	\$1,282,198	\$5,810,831
Special Revenue	19,460,229	11,554,952	7,905,277
Fiduciary	2,024	0	2,024
Total	\$26,555,282	\$12,837,150	\$13,718,132

**NORWICH TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,622,894	\$2,328,220	\$705,326
Special Revenue	8,345,251	7,873,591	(471,660)
Fiduciary	45	20	(25)
Total	\$9,968,190	\$10,201,831	\$233,641

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$8,140,145	\$2,029,461	\$6,110,684
Special Revenue	9,399,649	6,583,581	2,816,068
Fiduciary	0	0	0
Total	\$17,539,794	\$8,613,042	\$8,926,752

4. PROPERTY TAX

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

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 certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, members of OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 24% of their wages to OP&F. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2002.

**NORWICH TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. RISK MANAGEMENT

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. 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 occurrence. Claims exceeding \$250,000 are reinsured with APEEP 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, which the General Reinsurance Corporation will reinsure.

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.

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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 government.

Financial Position

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

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>
<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Norwich Township
Franklin County
4164 Avery Road
Hilliard, OH 43026

To the Board of Trustees:

We have audited the accompanying financial statements of Norwich Township, Franklin County, Ohio (the Township) as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated April 15, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance 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 noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated April 15, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted 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 the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-001 and 2002-002.

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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 statements 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, we believe none of the reportable conditions described above is a material weakness. We noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the management of the Township in a separate letter date April 15, 2003.

This report is intended solely for the information and use of management and the Board of Trustees, 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

April 15, 2003

**NORWICH TOWNSHIP
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2002-001

The Township's estimated receipts were significantly below actual receipts in the following funds:

FY 2001:

Fund	Revenue Received During the Fiscal Year	Estimated Receipts Per the Final Amended Certificate	Variance
Gasoline Tax Fund	\$ 36,956	\$ 61,628	\$ (24,672)
Police Fund	52,349	59,357	(7,008)
Fire Fund	7,642,703	8,202,257	(559,554)
Cemetery Bequest Fund	4	35	(31)

FY 2002:

Fund	Revenue Received During the Fiscal Year	Estimated Receipts Per the Final Amended Certificate	Variance
Gasoline Tax Fund	\$ 964	\$ 68,627	\$ (67,663)
Police Fund	50,760	59,317	(8,557)
Fire Fund	7,955,732	8,344,992	(389,260)
Merris Weiler Trust	2	10	(8)
Cemetery Bequest Fund	8	36	(28)

We recommend the Township request an amended certificate of estimated resources when it becomes evident that sources of revenue will be insufficient to meet the estimated resources projections for the year. When significant variances are expected, requesting reduced amended certificates and amending appropriations within the limits of certified resources, will help ensure the Township complies with certain Ohio budgetary requirements and help prevent deficit spending.

FINDING NUMBER 2002-002

The Clerk and Trustees did not monitor the investing activity of either the investment advisor (United American Capital Corporation) or the holding company (Firststar/U.S. Bank) who serve as service providers to Township. These service providers managed the Township's investments and provided ancillary services for the Township's investment portfolio of over ten million dollars.

The Clerk and Trustees should review and compare the Monthly Investment Report provided by United American Capital Corporation and trustee bank statements to ensure that only eligible investments have been entered into and that all earnings have been properly recognized.

Failure to monitor these reports may result in unallowable investments, unrecorded investment earnings, unreconciled bank to book balances, and possible theft without the timely detection of management.

**NORWICH TOWNSHIP
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

**FINDING NUMBER 2002-002
(Continued)**

We recommend the Clerk and Trustees monitor investment activity from the investment advisor and the holding company on a monthly basis.



**Auditor of State
Betty Montgomery**

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NORWICH TOWNSHIP

FRANKLIN 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
JUNE 24, 2003**