

WAYNE TOWNSHIP

TUSCARAWAS COUNTY, OHIO

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2005

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

Board of Trustees
Wayne Township
9599 Walnut Creek Bottom Road
Dundee, Ohio 44624

We have reviewed the *Report of Independent Accountants* of Wayne Township, Tuscarawas County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Wayne Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 16, 2006

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**WAYNE TOWNSHIP
TUSCARAWAS COUNTY
AUDIT REPORT**
For the year ended December 31, 2005

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REPORT OF INDEPENDENT ACCOUNTANTS

Wayne Township
Tuscarawas County
9599 Walnut Creek Bottom Rd. N.W.
Dundee, Ohio 44624

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne Township, Tuscarawas County as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. 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 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than 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 respective cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Township, as of December 31, 2005 and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund, Gasoline Tax, Road and Bridge, and Fire District funds, thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 12, 2006 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.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Charles E. Harris & Associates, Inc.
September 12, 2006

Wayne Township, Tuscarawas County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

This discussion and analysis of the Wayne Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities decreased \$19,256, or 4 percent, a slight decrease from the prior year.

The Township's general receipts are primarily property and other local taxes. These receipts represent 76 percent of the total cash received for governmental activities during the year. Property and other local tax receipts for 2005 changed very little compared to 2004 as development within the Township has slowed.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Wayne Township, Tuscarawas County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the Township's basic services are reported as governmental activities, including maintenance of Township road and bridges, and cemetery maintenance. Real estate and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are all governmental.

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) are combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and Fire District Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. There is no reconciliation between the two reports as the Township reports on the cash basis.

Wayne Township, Tuscarawas County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Township as a Whole

Table 1 provides a summary of the Township's net assets (assets less liabilities) for 2005 on a cash basis:

Net Assets

	<u>Governmental Activities</u>
	<u>2005</u>
Assets	
Cash and Cash Equivalents*	\$ 469,422
Total Assets	<u>469,422</u>
Net Assets	
Restricted for:	
Other Purposes	277,055
Unrestricted	<u>192,367</u>
Total Net Assets	<u>\$ 469,422</u>

* Cash equivalents are investments which can be quickly converted to cash.

Since this is the first year the Township has reported on this method, there are no comparisons to 2004.

Wayne Township, Tuscarawas County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Table 2 reflects the changes in net assets in 2005:

(Table 2)
Changes in Net Assets

	Governmental Activities 2005
	2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$ 1,300
Operating Grants and Contributions	88,780
Total Program Receipts	90,080
General Receipts:	
Property Taxes	192,603
Other Taxes	3,503
Grants and Entitlements Not Restricted to Specific Programs	75,794
Interest	5,902
Miscellaneous	4,932
Total General Receipts	282,734
Total Receipts	372,814
Disbursements:	
General Government	91,123
Public Safety	32,662
Public Works	228,224
Health	7,275
Other	32,786
Total Disbursements	392,070
Increase (Decrease) in Net Assets	(19,256)
Net Assets, January 1, 2005	488,678
Net Assets, December 31, 2005	\$ 469,422

Program receipts represent 24 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as false alarm fees, building permits and inspection fees.

General receipts represent 76 percent of the Township's total receipts, and of this amount, over 75 percent are local taxes. Grants and entitlements make up the balance of the Township's general receipts. Other receipts are somewhat insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities.

Public Safety represents the costs of police and fire/emergency medical service protection; health is the health department and solid waste removal; and public works is the cost of maintaining the roads.

Wayne Township, Tuscarawas County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Governmental Activities

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursement for governmental activities is for public works, which accounts for 58 percent of all governmental disbursements. General government also represents a significant cost, about 23 percent. The next two columns of the Statement entitled Program Receipts identify (1) amounts paid by people who are directly charged for the service, and (2) grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service is paid by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005
General Government	\$ 91,123	\$ (91,123)
Public Safety	32,662	(32,662)
Public Works	228,224	(139,444)
Health	7,275	(5,975)
Other	32,786	(32,786)
Total Expenses	\$ 392,070	\$ (301,990)

The dependence upon property tax receipts is apparent as over 77 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$372,814 and disbursements of \$392,070. There were no significant changes from 2004. The Township continues to maintain large fund balances, but, several funds had decreases in fund balances during 2005. Most notably the General Fund and the Gasoline Tax fund had decreases of \$5,527 and \$10,350, respectively. The main reason for this is increases in prices for petroleum products.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances (money-ear-marked for disbursement). The most significant budgeted fund is the General Fund.

During 2005, actual receipts were greater than budgeted receipts. The Township received additional funding in intergovernmental revenue for local government revenue that was not anticipated at the time of preparing the original budget. The Township Trustees did not plan on appropriating it in 2005, so an amended certificate was not obtained.

Wayne Township, Tuscarawas County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Final disbursements were budgeted at \$284,874 while actual disbursements were \$101,607. The Township demonstrated fiscal responsibility and future liquidity by spending far less than budgeted as evidenced by the significant positive budget variance for appropriations.

Capital Assets and Debt Administration

Capital Assets

The Township does not currently report its capital assets and infrastructure. "Capital assets" include long-lived, costly items such as buildings, cars, trucks and equipment. The Township schedules the useful life of capital assets such as cars, trucks and equipment and saves for replacements over their useful lives. Buildings are on regular maintenance schedules. "Infrastructure" represents immovable, common capital assets such as roads, bridges, tennis courts, and streetlights. These assets are also covered by maintenance schedules designed to avoid decline or decay, and the subsequent need for early replacement.

Debt

As of December 31, 2005, the Township did not have any outstanding debt.

Current Issues

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local property taxes and closely monitor changes in laws that may adversely affect the Township. The Township is also monitoring local government revenue received from the state for any changes in laws and regulations that may have an adverse affect.

Based on unknown factors, the Township has chosen to maintain healthy fund balances by closely monitoring disbursements and revenues.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Susan M. Stein, Clerk-Treasurer, 9599 Walnut Creek Bottom Road, NW, Dundee, Ohio 44624.

Wayne Township, Tuscarawas County

Statement of Net Assets - Cash Basis

December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 469,422
<i>Total Assets</i>	<u>\$ 469,422</u>
Net Assets	
Restricted for:	
Other Purposes	\$ 277,055
Unrestricted	<u>192,367</u>
<i>Total Net Assets</i>	<u>\$ 469,422</u>

See accompanying notes to the basic financial statements

Wayne Township, Tuscarawas County

Statement of Activities - Cash Basis

For the Year Ended December 31, 2005

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$ 91,123	-	-	\$ (91,123)
Public Safety	32,662	-	-	(32,662)
Public Works	228,224	-	\$ 88,780	(139,444)
Health	7,275	\$ 1,300	-	(5,975)
Other	32,786	-	-	(32,786)
<i>Total Governmental Activities</i>	<u>\$ 392,070</u>	<u>\$ 1,300</u>	<u>\$ 88,780</u>	<u>(301,990)</u>
General Receipts				
Property Taxes				192,603
Grants and Entitlements not Restricted to Specific Programs				79,297
Interest				5,902
Miscellaneous				4,932
<i>Total General Receipts</i>				<u>282,734</u>
Change in Net Assets				(19,256)
<i>Net Assets Beginning of Year</i>				<u>488,678</u>
<i>Net Assets End of Year</i>				<u>\$ 469,422</u>

See accompanying notes to the basic financial statements

Wayne Township, Tuscarawas County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Gasoline Tax Fund	Road and Bridge Fund	Fire District Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 192,367	\$ 74,412	\$ 105,275	\$ 62,514	\$ 34,854	\$ 469,422
<i>Total Assets</i>	<u>\$ 192,367</u>	<u>\$ 74,412</u>	<u>\$ 105,275</u>	<u>\$ 62,514</u>	<u>\$ 34,854</u>	<u>\$ 469,422</u>
Fund Balances						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	\$ 192,367	\$ -	\$ -	\$ -	\$ -	\$ 192,367
Special Revenue Funds	-	74,412	105,275	62,514	34,854	277,055
<i>Total Fund Balances</i>	<u>\$ 192,367</u>	<u>\$ 74,412</u>	<u>\$ 105,275</u>	<u>\$ 62,514</u>	<u>\$ 34,854</u>	<u>\$ 469,422</u>

See accompanying notes to the basic financial statements

Wayne Township, Tuscarawas County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Gasoline Tax Fund	Road and Bridge Fund	Fire District Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$ 31,597	\$ -	\$ 105,169	\$ 55,837	\$ -	\$ 192,603
Licenses, Permits and Fees	-	-	-	-	500	500
Intergovernmental	59,593	77,232	12,734	6,971	11,547	168,077
Interest	4,626	954	-	-	323	5,903
Miscellaneous	264	-	1,221	3,446	800	5,731
<i>Total Receipts</i>	<u>96,080</u>	<u>78,186</u>	<u>119,124</u>	<u>66,254</u>	<u>13,170</u>	<u>372,814</u>
Disbursements						
Current:						
General Government	91,123	-	-	-	-	91,123
Public Safety	-	-	-	32,662	-	32,662
Public Works	3,312	88,536	115,517	-	20,859	228,224
Health	7,172	-	-	-	103	7,275
Capital Outlay	-	-	-	32,786	-	32,786
<i>Total Disbursements</i>	<u>101,607</u>	<u>88,536</u>	<u>115,517</u>	<u>65,448</u>	<u>20,962</u>	<u>392,070</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(5,527)	(10,350)	3,607	806	(7,792)	(19,256)
<i>Fund Balances Beginning of Year</i>	<u>197,894</u>	<u>84,762</u>	<u>101,668</u>	<u>61,709</u>	<u>42,645</u>	<u>488,678</u>
<i>Fund Balances End of Year</i>	<u>\$ 192,367</u>	<u>\$ 74,412</u>	<u>\$ 105,275</u>	<u>\$ 62,515</u>	<u>\$ 34,853</u>	<u>\$ 469,422</u>

See accompanying notes to the basic financial statements

Wayne Township, Tuscarawas County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 30,950	\$ 30,950	\$ 31,597	\$ 647
Intergovernmental	51,064	51,064	59,593	8,529
Interest	4,666	4,666	4,626	(40)
Other	300	300	264	(36)
<i>Total receipts</i>	86,980	86,980	96,080	9,100
Disbursements				
Current:				
General Government	167,784	167,784	91,123	76,661
Public Works	3,400	3,400	3,312	88
Health	38,690	38,690	7,172	31,518
Capital Outlay	75,000	75,000	-	75,000
<i>Total Disbursements</i>	284,874	284,874	101,607	183,267
<i>Excess of Receipts Over (Under) Disbursements</i>	(197,894)	(197,894)	(5,527)	192,367
<i>Fund Balance Beginning of Year</i>	197,894	197,894	197,894	-
<i>Fund Balance End of Year</i>	\$ -	\$ -	\$ 192,367	\$ 192,367

See accompanying notes to the basic financial statements

Wayne Township, Tuscarawas County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$ 51,580	\$ 51,580	\$ 77,232	25,652
Interest	320	320	954	634
<i>Total receipts</i>	<u>51,900</u>	<u>51,900</u>	<u>78,186</u>	<u>26,286</u>
Disbursements				
Current:				
Public Works	121,662	121,662	88,536	33,126
Capital Outlay	15,000	15,000	-	15,000
<i>Total Disbursements</i>	<u>136,662</u>	<u>136,662</u>	<u>88,536</u>	<u>48,126</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(84,762)	(84,762)	(10,350)	74,412
<i>Fund Balance Beginning of Year</i>	<u>84,762</u>	<u>84,762</u>	<u>84,762</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,412</u>	<u>\$ 74,412</u>

See accompanying notes to the basic financial statements

Wayne Township, Tuscarawas County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 100,000	\$ 100,000	\$ 105,169	\$ 5,169
Intergovernmental	6,500	6,500	12,734	6,234
Other	-	-	1,221	1,221
<i>Total receipts</i>	<u>106,500</u>	<u>106,500</u>	<u>119,124</u>	<u>12,624</u>
Disbursements				
Current:				
Public Works	193,168	193,168	115,517	77,651
Capital Outlay	15,000	15,000	-	15,000
<i>Total Disbursements</i>	<u>208,168</u>	<u>208,168</u>	<u>115,517</u>	<u>92,651</u>
<i>Net Change in Fund Balance</i>	(101,668)	(101,668)	3,607	105,275
<i>Fund Balance Beginning of Year</i>	<u>101,668</u>	<u>101,668</u>	<u>101,668</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,275</u>	<u>\$ 105,275</u>

See accompanying notes to the basic financial statements

Wayne Township, Tuscarawas County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire District Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 52,100	\$ 52,100	\$ 55,837	\$ 3,737
Intergovernmental	5,600	5,600	6,971	1,371
Other	-	-	3,446	3,446
<i>Total receipts</i>	<u>57,700</u>	<u>57,700</u>	<u>66,254</u>	<u>8,554</u>
Disbursements				
Current:				
Public Safety	68,409	73,409	32,662	40,747
Capital Outlay	51,000	46,000	32,787	13,213
<i>Total Disbursements</i>	<u>119,409</u>	<u>119,409</u>	<u>65,449</u>	<u>53,960</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(61,709)	(61,709)	805	62,514
<i>Fund Balance Beginning of Year</i>	<u>61,709</u>	<u>61,709</u>	<u>61,709</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,514</u>	<u>\$ 62,514</u>

See accompanying notes to the basic financial statements

Wayne Township, Tuscarawas County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 1 – Reporting Entity

The Township of Wayne, Tuscarawas County, Ohio (the Township), is a body politic and corporate 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 also has an elected Township Clerk.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township collects 2.7 mill levy for the Wayne Township Volunteer Fire Department to provide fire protection to the residents of the Township. Police protection is provided by the Tuscarawas county sheriff's department

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Township does not apply FASB statements issued after November 30, 1989, to its governmental activities. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Township has no business-type activities.

Wayne Township, Tuscarawas County
Notes to the Financial Statements
For the Year Ended December 31, 2005

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are all governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and Fire District Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The Gasoline Tax Fund receives gasoline taxes for maintaining and repairing Township roads. The Road and Bridge Fund receives property tax money for constructing, maintaining and repairing Township roads and bridges. The Fire District Fund receives special levy tax money for providing fire services to Township residents.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

Wayne Township, Tuscarawas County
Notes to the Financial Statements
For the Year Ended December 31, 2005

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriation resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the function level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as 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 negative receipts (contra revenue), respectively.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund, Gasoline Tax Fund, and Other Governmental Funds during 2005 were \$4,626, \$954, and \$323, respectively.

Wayne Township, Tuscarawas County
Notes to the Financial Statements
For the Year Ended December 31, 2005

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Township has no restricted assets.

G. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. The Township had no debt in 2005.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Basis of Accounting

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and Fire District Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The Township had no outstanding year-end encumbrances.

Note 5 – Deposits and Investments

State statutes classify monies held by the Township into three categories.

Active deposits are public deposits necessary to meet current demands on the Township treasury. Such monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Township has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

Wayne Township, Tuscarawas County
Notes to the Financial Statements
For the Year Ended December 31, 2005

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2005, \$50,000 of the Township's bank balance of \$150,000 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Township's investment policy addresses interest rate risk by requiring that the Township's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Wayne Township, Tuscarawas County
Notes to the Financial Statements
For the Year Ended December 31, 2005

The Township has overnight repurchase agreements of \$324,199 that have no investment rating.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2005, was \$5.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential and Agricultural	\$ 22,939,320
Commercial, Industrial and Mineral	1,772,140
Public Utility	10,560
Tangible Personal	
General	3,420,118
Public Utility	1,559,710
Total Assessed Value	<u><u>\$ 29,701,848</u></u>

Note 7 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. By maintaining comprehensive insurance coverage with private carriers, the Township has addressed these various types of risk.

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

Note 8 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. Wayne Township participates only in the traditional plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, members were required to contribute 8.5 percent of their annual covered salaries and the Township's contribution rate for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional plan for the years ended December 31, 2005, 2004, and 2003 were \$2,508, \$2,092, and \$1,996 respectively. The full amount has been contributed for 2005, 2004 and 2003.

Note 9 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with the traditional plan. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional plan is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Wayne Township, Tuscarawas County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$741. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 10 – Contingent Liabilities/ Subsequent Events

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. Grantors 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.

Management believes there are no pending claims or lawsuits.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Wayne Township
Tuscarawas County
9599 Walnut Creek Bottom Rd. N.W.
Dundee, Ohio 44624

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Wayne Township, Tuscarawas County (the Township) as and for the year ended December 31, 2005, and have issued our report thereon dated September 12, 2006, wherein we noted the Township uses a comprehensive basis of accounting other than generally accepted accounting principles and revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. 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 Controls 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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, grant agreements and other matters, 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*.

This report is intended 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.

Charles E. Harris & Associates, Inc.
September 12, 2006

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, as of December 31, 2004, reported no material citations or recommendations.



**Auditor of State
Betty Montgomery**

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**WAYNE TOWNSHIP
TUSCARAWAS 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
NOVEMBER 30, 2006**