
CANAAN TOWNSHIP
MADISON COUNTY

REGULAR AUDIT

YEARS ENDED DECEMBER 31, 2006 & 2005

Whited Seigneur Sams & Rahe, LLP
CERTIFIED PUBLIC ACCOUNTANTS



213 South Paint Street • Chillicothe, Ohio 45601-3828
(740) 702-2600 – Voice • (740) 702-2610 – Fax • wssr@horizonview.net



Mary Taylor, CPA

Auditor of State

Board of Trustees
Canaan Township
8055 U.S. Route 42 South
Plain City, Ohio 43064

We have reviewed the *Independent Auditors' Report* of Canaan Township, Madison County, prepared by Whited, Seigneur, Sams & Rahe CPAs, LLP, for the audit period January 1, 2005 through December 31, 2006. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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. Canaan Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 13, 2007

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

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**CANAAN TOWNSHIP
MADISON COUNTY, OHIO**

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005	4
Notes to the Financial Statements	5
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11

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Whited Seigneur Sams & Rahe, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Jerry B. Whited, CPA
Donald R. Seigneur, CPA
John R. Sams, CPA



Barry L. Rahe, CPA
Kathleen M. Alderman, CPA
Nathan C. Baldwin, CPA

213 South Paint Street • Chillicothe, Ohio 45601-3828
(740) 702-2600 – Voice • (740) 702-2610 – Fax • wssr@horizonview.net

June 27, 2007

Board of Trustees, Canaan Township
Madison County
8055 U.S. Route 42 South
Plain City, OH 43064

Independent Auditors' Report

We have audited the accompanying financial statements of Canaan Township, Madison County, Ohio (the Township) as of and for the years ended December 31, 2006 and 2005. 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 described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of the State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Instead of the combined funds the accompanying financial statements present for 2006 and 2005, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly for the years ended December 31, 2006 and 2005, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2007, 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* and should be considered in assessing the results of our audit.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP



**CANAAN TOWNSHIP
MADISON COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES- ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

CASH RECEIPTS	<u>General</u>	<u>Special Revenue</u>	<u>Memorandum Only</u>
			<u>Total</u>
Local Taxes	\$ 64,950	\$ -	\$ 64,950
Intergovernmental Receipts	50,356	96,357	146,713
Licenses, Permits, & Fees	2,605	275	2,880
Earnings on Investments	8,280	4,984	13,264
Other Revenue	<u>569</u>	<u>700</u>	<u>1,269</u>
TOTAL CASH RECEIPTS	126,760	102,316	229,076
CASH DISBURSEMENTS			
General Government	81,999	0	81,999
Public Works	2,835	111,100	113,935
Health	16,485	0	16,485
Capital Outlay	<u>4,460</u>	<u>30,548</u>	<u>35,008</u>
TOTAL CASH DISBURSEMENTS	<u>105,779</u>	<u>141,648</u>	<u>247,427</u>
TOTAL CASH RECEIPTS OVER/ (UNDER) CASH DISBURSEMENTS	20,981	(39,332)	(18,351)
Fund Cash Balances, January 1, 2006	<u>164,667</u>	<u>136,140</u>	<u>300,807</u>
Fund Cash Balances, December 31, 2006	<u>\$ 185,648</u>	<u>\$ 96,808</u>	<u>\$ 282,456</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**CANAAN TOWNSHIP
MADISON COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES- ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Special Revenue</u>	<u>Memorandum Only</u>
			<u>Total</u>
CASH RECEIPTS			
Local Taxes	\$ 54,888	\$ -	\$ 54,888
Intergovernmental Receipts	32,090	96,487	128,577
Licenses, Permits, & Fees	1,625	800	2,425
Earnings on Investments	3,557	2,719	6,276
Other Revenue	617	0	617
TOTAL CASH RECEIPTS	<u>92,777</u>	<u>100,006</u>	<u>192,783</u>
CASH DISBURSEMENTS			
General Government	62,117	47	62,164
Public Works	3,177	65,190	68,367
Health	3,293	1,516	4,809
Capital Outlay	24,375	22,434	46,809
TOTAL CASH DISBURSEMENTS	<u>92,962</u>	<u>89,187</u>	<u>182,149</u>
TOTAL CASH RECEIPTS OVER/ (UNDER) CASH DISBURSEMENTS	(185)	10,819	10,634
Fund Cash Balances, January 1, 2005	<u>164,852</u>	<u>125,321</u>	<u>290,173</u>
Fund Cash Balances, December 31, 2005	<u>\$ 164,667</u>	<u>\$ 136,140</u>	<u>\$ 300,807</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**CANAAN TOWNSHIP
MADISON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- **Description of the Entity**

Canaan Township, Madison 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 general governmental services, road and bridge maintenance and cemetery operations.

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

- **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.

- **Cash and Investments**

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records.

- **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:

- **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.
- **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 Funds:

- Gasoline Tax Fund - This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.

**CANAAN TOWNSHIP
MADISON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Budgetary Process**

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

- **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. Appropriations lapse at year-end.
- **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.
- **Encumbrances** - The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are cancelled and re-appropriated in the subsequent year.

A summary of 2006 and 2005, budgetary activity appears in Note 3.

- **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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2006</u>	<u>2005</u>
Demand Deposits	\$ 282,456	\$ 300,807

- **Deposits**

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

**CANAAN TOWNSHIP
MADISON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005, were as follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted	Actual	Variance
General	\$ 103,000	\$ 126,760	\$ 23,760
Special Revenue	76,100	102,316	26,216
Total	<u>\$ 179,100</u>	<u>\$ 229,076</u>	<u>\$ 49,976</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 260,500	\$ 105,779	\$ 154,721
Special Revenue	187,925	141,648	46,277
Total	<u>\$ 448,425</u>	<u>\$ 247,427</u>	<u>\$ 200,998</u>

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted	Actual	Variance
General	\$ 81,150	\$ 92,777	\$ 11,627
Special Revenue	71,510	100,006	28,496
Total	<u>\$ 152,660</u>	<u>\$ 192,783</u>	<u>\$ 40,123</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 246,000	\$ 92,962	\$ 153,038
Special Revenue	192,500	89,187	103,313
Total	<u>\$ 438,500</u>	<u>\$ 182,149</u>	<u>\$ 256,351</u>

**CANAAN TOWNSHIP
MADISON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 payments, 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.

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

5. RETIREMENT SYSTEMS

The Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement 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. OPERS members contributed 9.0% and 8.5% of their gross salaries for 2006 and 2005, respectively. The Township contributed an amount equal to 13.7% and 13.55% of participants' gross salaries for 2006 and 2005, respectively. The Township has paid all contributions required through December 31, 2006.

6. RISK MANAGEMENT

- **Risk Pool Membership**

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 insurance 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 Insurance**

OTARMA retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

**CANAAN TOWNSHIP
MADISON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

6. RISK MANAGEMENT (Continued)

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 or \$3,000,000 as noted above.

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 Insurance**

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$250,000 up to \$600,000,000 per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. The Travelers Indemnity Company also provides aggregate stop loss coverage based upon the combined members' total insurance value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600,000,000 per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

- **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, 2006 and 2005 (the latest information available):

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 32,031,312	\$30,485,638
Liabilities	<u>(11,443,952)</u>	<u>(12,344,576)</u>
Retained Earnings	<u>\$ 20,587,360</u>	<u>\$18,141,062</u>
 <u>Property Coverage</u>		
Assets	\$ 10,010,963	\$ 9,177,796
Liabilities	<u>(676,709)</u>	<u>(1,406,031)</u>
Retained Earnings	<u>\$ 9,334,254</u>	<u>\$ 7,771,765</u>

**CANAAN TOWNSHIP
MADISON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

6. RISK MANAGEMENT (Continued)

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$12,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Township's contributions to OTARMA for 2006 and 2005 were \$5,669 and \$5,915, respectively.

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

Whited Seigneur Sams & Rahe, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Jerry B. Whited, CPA
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June 27, 2007

Board of Trustees, Canaan Township
Madison County
8055 U.S. Route 42 South
Plain City, OH 43064

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*

We have audited the accompanying financial statements of Canaan Township, Madison County, Ohio (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 27, 2007, wherein we noted the Township followed accounting practices the Auditor of State prescribes or permitted rather than accounting principles generally accepted in the United States of America. 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 of the financial statements, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

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, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Township in a separate letter dated June 27, 2007.

This report is intended solely for the information and use of management and Township Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

Whited Seigneur Sams & Rahe



Mary Taylor, CPA
Auditor of State

CANAAN TOWNSHIP

MADISON 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
AUGUST 23, 2007**