

VILLAGE OF MONTEZUMA

DAYTON REGION, MERCER COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004



Mary Taylor, CPA

Auditor of State

Village Council
Village of Montezuma
69 West Main Street
P.O. Box 178
Montezuma, Ohio 45866

We have reviewed the *Report of Independent Accountants* of the Village of Montezuma, Mercer County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2004 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.

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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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. The Village of Montezuma is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 30, 2007

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**VILLAGE OF MONTEZUMA
MERCER COUNTY**

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MANNING & ASSOCIATES CPAs, LLC
6105 North Dixie Drive
Dayton, Ohio 45414

REPORT OF INDEPENDENT ACCOUNTANTS

Mayor and Members of Council
Village of Montezuma
69 West Main Street
P.O. Box 178
Montezuma, Ohio 45866

We have audited the accompanying financial statements of the Village of Montezuma, Mercer County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its large (i.e. major) funds separately for 2005 and 2004. While the Village 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 Village has elected not to reformat its statements. Since the Village 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 in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004 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 Village of Montezuma, Mercer County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village 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 a report dated March 14, 2007, on our consideration of the Village's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Manning & Associates CPAs, LLC
Dayton, Ohio

March 14, 2007

**VILLAGE OF MONTEZUMA
MERCER COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	GOVERNMENTAL FUND TYPES			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property & Local Taxes	\$ 4,666	\$ 608	\$	\$ 5,274
Intergovernmental Receipts	13,740	11,020		24,760
Fines, licenses and Permits	190			190
Earnings on Investments	10	29		39
Miscellaneous	22			22
Total Cash Receipts	<u>18,628</u>	<u>11,657</u>	<u>0</u>	<u>30,285</u>
Cash Disbursements:				
Current:				
Security of Persons & Property	5,063			5,063
Public Health Services	468			468
Community Environment	193			193
Transportation	50	2,702		2,752
General Government	13,490			13,490
Total Cash Disbursements	<u>19,264</u>	<u>2,702</u>	<u>0</u>	<u>21,966</u>
Total Receipts Over/(Under) Disbursements	<u>(636)</u>	<u>8,955</u>	<u>0</u>	<u>8,319</u>
Other Financing Receipts:				
Sale of Bonds or Notes				0
Other Financing Sources	685			685
Total Other Financing Receipts	<u>685</u>	<u>0</u>	<u>0</u>	<u>685</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>49</u>	<u>8,955</u>	<u>0</u>	<u>9,004</u>
Fund Cash Balances, January 1, 2005	<u>4,068</u>	<u>14,927</u>	<u>143</u>	<u>19,138</u>
Fund Cash Balances, December 31, 2005	<u>\$ 4,117</u>	<u>\$ 23,882</u>	<u>\$ 143</u>	<u>\$ 28,142</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF MONTEZUMA
MERCER COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	GOVERNMENTAL FUND TYPES			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property & Local Taxes	\$ 4,847	\$ 625	\$	\$ 5,472
Intergovernmental Receipts	18,609	8,524		27,133
Fines, Licenses and Permits	219	0		219
Earnings on Investments	7	23		30
Miscellaneous	23	0		23
Total Cash Receipts	<u>23,705</u>	<u>9,172</u>	<u>0</u>	<u>32,877</u>
Cash Disbursements:				
Current:				
Security of Persons & Property	5,480			5,480
Public Health Services	529			529
Community Environment	300			300
Transportation		5,450		5,450
General Government	16,709			16,709
Total Cash Disbursements	<u>23,018</u>	<u>5,450</u>	<u>0</u>	<u>28,468</u>
Total Receipts Over/(Under) Disbursements	<u>687</u>	<u>3,722</u>	<u>0</u>	<u>4,409</u>
Other Financing Receipts:				
Sale of Bonds or Notes				0
Other Financing Sources	69	0		69
Total Other Financing Receipts	<u>69</u>	<u>0</u>	<u>0</u>	<u>69</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>756</u>	<u>3,722</u>	<u>0</u>	<u>4,478</u>
Fund Cash Balances, January 1, 2004	<u>3,312</u>	<u>11,205</u>	<u>143</u>	<u>14,660</u>
Fund Cash Balances, December 31, 2004	<u>\$ 4,068</u>	<u>\$ 14,927</u>	<u>\$ 143</u>	<u>\$ 19,138</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF MONTEZUMA
MERCER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Montezuma, Mercer County, (the Village) 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 Village is directed by a publicly elected six-member Council. The Village provides general governmental services, park operations (leisure time activities), and fire protection. The Village contracts with the Mercer County Sheriff's Department to provide security of persons and property. The Village contracts with Mercer County Emergency Ambulance for ambulance services

The Village's management believes these financial statements present all activities for which the Village 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 a payment is made 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.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use.

The Village classifies its funds into the following types:

1. General Fund

The General Fund is used to account for all activities of the Village not required to be included in another fund. It is used to account for all financial resources except those required by law or contract to be restricted.

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 Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF MONTEZUMA
MERCER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Project Funds

These funds are used to accumulate resources for the payment of construction, improvements, and purchase of equipment for the Village. The Village had the following significant capital project funds:

Park Project Fund – This fund receives monies from the state and donations. This revenue is being used to construct a new boat docking area and seawall.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control and appropriations may not exceed estimated resources. The Village Council 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 balance as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are cancelled, and reappropriated in the subsequent year.

A summary of 2005 and 2004 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village 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:

	<u>2005</u>	<u>2004</u>
Demand Deposits	<u>\$ 28,142</u>	<u>\$19,138</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

**VILLAGE OF MONTEZUMA
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 and 2004**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 as follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 20,319	\$ 19,313	\$ (1,006)
Special Revenue	8,136	11,657	3,521
Capital Projects	0	0	0
Total	<u>\$ 28,455</u>	<u>\$ 30,970</u>	<u>\$ 2,515</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 24,389	\$ 19,264	\$ 5,125
Special Revenue	4,450	2,702	1,748
Capital Projects	143	0	143
Total	<u>\$ 28,982</u>	<u>\$ 21,966</u>	<u>\$ 7,016</u>

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 26,104	\$ 23,774	\$ (2,330)
Special Revenue	8,466	9,172	706
Capital Projects	0	0	0
Total	<u>\$ 34,570</u>	<u>\$ 32,946</u>	<u>\$ (1,624)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 29,164	\$ 23,018	\$ 6,146
Special Revenue	18,710	5,450	13,260
Capital Projects	326	0	326
Total	<u>\$ 48,200</u>	<u>\$ 28,468</u>	<u>\$ 19,732</u>

**VILLAGE OF MONTEZUMA
MERCER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Village Council. 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.

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

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 Village.

5. RETIREMENT SYSTEMS

Full-Time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, 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 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2005 and 2004. The Village has paid all contributions required through December 31, 2005.

6. RISK MANAGEMENT

The Village is insured through the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with over 460 governmental entity members providing formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides, Property, Liability, Wrongful Acts, Law Enforcement, Automobile, Bond, Crime, Inland Marine, Fire Vehicle RC, EDP, Governmental Medical Liability, Employee Benefits Liability, and Automobile Liability, and other coverage's. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the member's deductible.

The Plan issues its own policies and reinsures the Plans with A-VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% of \$100,000 of property losses. Individual members are only responsible for their self-retention (deductible) amounts, which may vary from member to member.

Settlement amounts did not exceed insurance for the past three fiscal years.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

**VILLAGE OF MONTEZUMA
MERCER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

6. RISK MANAGEMENT (Continued)

<u>Type</u>	<u>Coverage</u>
General Liability	\$3,000,000
Buildings & Personal Property	352,450
Automobile	1,000,000

The Pool's audited financial statements conform to generally accepted accounting principles, and reported the following assets liabilities and retained earnings at December 31, 2005 and 2004 (latest available):

	<u>2005</u>	<u>2004</u>
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

The Village also provides health insurance and dental to full-time employees through a private carrier.

Separate bonds with higher covered limits cover specific employees of the Village, who collect money, and Reliable Plumbing, who collects utilities bills.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

7. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material

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MANNING & ASSOCIATES, CPAs, LLC
6105 North Dixie Drive
Dayton, Ohio 45414

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Mayor and Members of Council
Village of Montezuma
69 West Main Street
PO Box 178
Montezuma, Ohio 45866

We have audited the financial statements of the Village of Montezuma, Mercer County (the Village), as of and for the years ended December 31, 2005, and 2004, and have issued our report thereon dated March 14, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our 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 generally accepted accounting principles 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.

We noted certain matters that we reported to the Township's management in a separate letter dated March 14, 2007.

Compliance and Other Matters

As part of reasonably assuring 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 directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

In a separate letter to the Township's management dated March 14, 2007, we reported other matters related to noncompliance we deemed immaterial.

This report is intended for the information and use of the audit committee, management and Council, and is not intended to be and should not be used by anyone other than these specified parties.

Manning & Associates CPAs, LLC
Dayton, Ohio

March 14, 2007

**VILLAGE OF MONTEZUMA
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2005 AND 2004**

FINDING NUMBER	FINDING SUMMARY	FULLY CORRECTED?	NOT CORRECTED, PARTIALLY CORRECTED; SIGNIFICANTLY DIFFERENT CORRECTIVE ACTION TAKEN; OR FINDING NO LONGER VALID; <i>EXPLAIN:</i>
2003-001	Ohio Rev Code Section 5705.39 Appropriations exceed estimated resources	Partially	Village expended monies in park fund in exceed of resources. Issue as management letter citation
2003-002	Ohio Rev Code Section 5705.41(D) Prior certification of funds	Yes	
2003-003	Ohio Rev Code Section 5705.41(B) Expenditures exceed appropriations	Partially	Issue as management letter citation



Mary Taylor, CPA
Auditor of State

VILLAGE OF MONTEZUMA

MERCER 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 9, 2007**