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AUDITORS' REPORT

To the Mayor and Council
Town of Rimbey

We have audited the consolidated statement of financial position of the Town of Rimbey as at December 31, 2008 and the consolidated statement of financial activities with change in fund balances, statement of reserves, equity in capital assets and accumulated operating surplus, statement of municipal revenues, expenditures and change in operating fund, and the consolidated statement of changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance 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 administration, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Town of Rimbey as at December 31, 2008 and the results of its financial activities and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Vegreville, Alberta
January 29, 2009

Wilde & Company
Chartered Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2008

	2008	2007
	\$	\$
ASSETS		
Cash (note 2)	2,311,762	565,281
Receivables (note 3)	782,754	1,482,307
Investments	2,329	2,329
Prepaid expenses and deposits	49,792	47,229
	3,146,637	2,097,146
Capital assets (note 4)	27,985,891	22,656,555
	31,132,528	24,753,701
LIABILITIES		
Accounts payable and deposits	660,616	330,477
Deferred revenue (note 5)	799,159	386,613
Long term debt (note 6)	2,320,905	664,692
Trust funds (note 10)	67,814	78,684
	3,848,494	1,460,466
MUNICIPAL EQUITY		
Capital fund	-	-
Operating reserves (note 8)	143,896	162,399
Capital reserves (note 8)	954,496	776,210
Accumulated operating surplus	520,656	362,763
	1,619,048	1,301,372
Equity in capital assets (page 4)	25,664,986	21,991,863
	31,132,528	24,753,701

Contingency (note 12)

See accompanying notes

Approved by:

Mayor

Chief Administrative Officer

TOWN OF RIMBEY

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES WITH CHANGE IN FUND BALANCES

For the year ended December 31, 2008

	Capital \$	Reserves \$	Operating \$	2008 \$	Budget \$	2007 \$
Revenues					(unaudited)	
Net municipal taxes - page 6	-	-	1,640,474	1,640,474	1,693,610	1,455,246
Sales of goods and services	-	-	1,392,059	1,392,059	1,289,785	1,296,297
Government transfers	2,980,545	-	437,101	3,417,646	2,319,500	2,085,401
Investment income	28,924	-	75,884	104,808	65,000	83,125
Penalties and costs of taxes	-	-	17,996	17,996	20,000	19,705
Other revenue own sources	54,049	-	682,464	736,513	806,644	897,189
Franchise contracts	-	-	156,986	156,986	130,000	138,923
	3,063,518	-	4,402,964	7,466,482	6,324,539	5,975,886
Expenditures						
Administrative and council	-	-	715,707	715,707	758,601	748,667
Protective services	125,572	-	617,078	742,650	598,738	574,096
Public works	1,312,947	-	351,921	1,664,868	1,759,337	1,228,717
Water, sewer and waste	3,859,038	-	695,110	4,554,148	1,146,868	1,631,481
Public health and welfare	-	-	188,887	188,887	196,150	191,752
Planning and development	-	-	194,283	194,283	925,601	528,769
Recreation and parks	31,778	-	353,448	385,226	414,549	417,970
Culture and other	-	-	359,252	359,252	394,494	366,915
	5,329,335	-	3,475,686	8,805,021	6,194,338	5,688,367
Excess of revenues over expenditures	(2,265,817)	-	927,278	(1,338,539)	130,201	287,519
Net interfund transfers						
From (to) capital	597,102	-	(597,102)	-	(5,672)	-
From (to) reserves	(178,285)	159,781	18,504	-	(89,106)	-
Debt repayment	-	-	(190,787)	(190,787)	(192,496)	(191,818)
Debtenture proceeds	1,847,000	-	-	-	-	-
Appropriation from prior year surplus	-	-	-	-	397,472	-
	2,265,817	159,781	(769,385)	(190,787)	110,198	(191,818)
Change in fund balances	-	159,781	157,893	(1,529,326)	240,399	95,701
Balance, beginning of year	-	938,608	362,763	1,301,371	-	1,205,670
Balance, end of year	-	1,098,389	520,656	(227,955)	-	1,301,371

See accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended December 31, 2008

	2008 \$	2007 \$
Excess of revenues over expenditures - page 2	(1,338,539)	287,519
Net change in non-cash operating working capital and other balances:		
(Increase) decrease in receivables	699,553	(937,494)
(Increase) decrease in investments	-	410,240
(Increase) decrease in prepaid expenses and deposits	(2,563)	(2,163)
Increase (decrease) in accounts payable and amounts due	330,140	(13,993)
Increase (decrease) in deferred revenue	401,676	(265,012)
Net cash provided by operating activities	90,267	(520,903)
FINANCING ACTIVITIES		
Proceeds on long term debt	1,847,000	-
Long term debt repayments	(190,787)	(191,818)
Net increase (decrease) in cash during year	1,746,480	(712,721)
Cash position at beginning of year	565,282	1,278,003
Cash position at end of year	2,311,762	565,282

See accompanying notes

**STATEMENT OF RESERVES, EQUITY IN CAPITAL
ASSETS AND ACCUMULATED OPERATING SURPLUS**

For the year ended December 31, 2008

	2008 \$	2007 \$
OPERATING RESERVES		
At beginning of year	162,399	153,272
From current operations	28,497	35,000
Transfers to current operations	(47,000)	(25,873)
At end of year	143,896	162,399
CAPITAL RESERVES		
At beginning and end of year	776,210	579,931
Transfers from capital fund	328,658	324,431
Transfers to current operations	(150,372)	(128,152)
At end of year	954,496	776,210
ACCUMULATED OPERATING SURPLUS		
At beginning of year	362,763	259,808
Change in operating fund - page 5	157,893	102,955
At end of year	520,656	362,763
EQUITY IN CAPITAL ASSETS		
At beginning of year	21,991,863	19,759,188
Grants, interest, other	3,063,519	1,450,947
Principal payments on debt	190,787	191,818
Disposal of capital assets	-	(14,752)
Net transferred (to) from reserves	(178,285)	(196,278)
Net transferred from operating fund	597,102	588,281
Net transferred to capital fund	-	212,659
At end of year	25,664,986	21,991,863
Capital assets (note 4)	27,985,891	22,656,555
Long term debt (note 6)	(2,320,905)	(664,692)
	25,664,986	21,991,863

See accompanying notes

**STATEMENT OF MUNICIPAL REVENUES, EXPENDITURES
AND CHANGE IN OPERATING FUND**

For the year ended December 31, 2008

	2008			2007	
	Revenues \$	Expenditures \$	Net revenue (expenditure) \$	Unaudited Budget \$	Net revenue (expenditure) \$
General Municipal Revenues to fund Municipal Operations					
Net municipal property taxes	1,640,473		1,640,473	1,693,610	1,455,246
Interest and dividends	55,389		55,389	50,000	51,412
Penalties and costs of taxes	17,996		17,996	18,000	19,705
Other revenues	124,604		124,604	385,603	134,684
Franchise	156,986		156,986	145,000	138,923
	1,995,448		1,995,448	2,292,213	1,799,970
Municipal Operations					
Administrative and council	170,763	716,002	(545,239)	(631,147)	(633,686)
Protective services	583,906	648,486	(64,580)	(132,056)	18,504
Public works	7,498	352,672	(345,174)	(429,075)	(211,061)
Water and wastewater	688,418	392,248	296,170	313,855	211,010
Waste management	286,335	354,339	(68,004)	(89,385)	(16,957)
Public health and welfare	176,790	188,887	(12,097)	(17,638)	(8,301)
Planning and development	158,212	194,283	(36,071)	(160,410)	91,319
Recreation and parks	326,709	366,029	(39,320)	(92,464)	(111,403)
Culture and other	119,566	373,421	(253,855)	(327,564)	(247,214)
Excess (deficiency) of revenues over expenditures	4,513,645	3,586,367	927,278	726,329	892,181
Transfer from accumulated surplus			-		-
Repayment of capital fund long term debt			(190,787)	(206,749)	(191,818)
Transfers to capital fund			(597,102)	(499,880)	(588,281)
Net transferred from (to) reserves			18,504	(19,700)	(9,127)
Change in operating fund			157,893	-	102,955

See accompanying notes

PROPERTY TAXES

For the year ended December 31, 2008

	2008 \$	2007 \$
LEVIES		
Residential land and improvements	1,591,743	1,434,033
Grants in place	66,254	66,181
Non-residential land, improvements, machinery and equipment	629,166	602,015
Local improvements	43,588	58,700
Total taxes and grants in place	2,330,751	2,160,929
REQUISITIONS		
Alberta School Foundation Fund	638,893	638,954
Rimoka Seniors Foundation	7,796	8,029
Total requisitions	646,689	646,983
Balance of levies for municipal purposes	1,684,062	1,513,946
Less: local improvements	43,588	58,700
Net taxes for general municipal purposes	1,640,474	1,455,246

MUNICIPAL EXPENDITURES BY OBJECT

	2008 \$	2007 \$
Salaries and benefits	1,562,398	1,419,640
Contracted services	904,502	1,132,515
Materials, goods, supplies	536,337	547,736
Purchases from other governments	78,472	78,712
Grants to individuals and organizations	244,822	347,042
Debenture and other interest	83,495	42,106
Other transactions, discounts, adjustments	65,660	65,007
Total expenditures - page 2	3,475,686	3,632,758
<i>Net of intra-departmental recoveries</i>		
<i>See accompanying notes</i>		

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Rimbey are prepared by management in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA"). Significant aspects of the accounting policies adopted by the Town of Rimbey are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the municipality and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

b) Basis of Accounting

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the municipality has met any eligibility criteria, and reasonable estimates of the amounts can be made.

Expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due, with the exception of pension expenditure as disclosed in Note 1e).

c) Fund Accounting

Management funds consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account. Proceeds from land sales are recorded as operating fund revenues.

d) Interest on Long Term Debt

Interest on long term debt is accrued to year end. The amount payable as at December 31, 2008 is included with trade accounts payable.

e) Pension Expenditure

The Town of Rimbey participates in a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan.

f) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

g) Inventories

Inventories of materials and supplies for consumption are valued at the lower of cost or net realizable value with cost determined by the average cost method.

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks, and street lighting are recorded as capital assets under their respective function.

h) Capital Assets

Capital assets are reported as expenditures in the period they are acquired. Capital assets are reported at cost except for donated assets, which are reported at estimated fair value.

Government contributions for the acquisition of capital assets are reported as capital revenue and do not reduce the related asset costs.

Capital assets for government purposes are not depreciated.

During 2008, the Town of Rimbey will work towards compliance with the new recommendations for accounting for tangible capital assets.

As of December 31, 2008 the Town of Rimbey has prepared a complete listing and calculated values for land, improvements, buildings, engineered structures, machinery and equipment and vehicles. Opening cost and accumulated amortization amounts have been calculated and are ready to implement January 1, 2009. The Town has not yet formally adopted policies in regards to the implementation and definitions of its tangible capital assets, life span and amortization rates. The draft policies will be adopted early in 2009.

i) Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

j) Allowances for Operating and Capital Assets

Allowances for asset valuations are netted against the related asset and are segregated between operating and capital purposes. Increases in allowances are recorded as expenditures, while decreases in allowances are recorded as revenues in the respective operating and capital fund.

k) Equity in Capital Assets

Equity in capital assets represents the Town of Rimbey's net investment in its capital assets, after deducting the portion financed by third parties through debenture, bond and mortgage debts, long term capital borrowings, capitalized leases and other capital liabilities which will be repaid by the municipality.

l) Adjustments to Accumulated Surplus

Council may authorize appropriations from accumulated surplus to fund current year operating expenditures. Such appropriations are recorded as an adjustment in the Consolidated Statement of Financial Activities with Change in Fund Balances.

m) Requisition Over-Levy and Under-Levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

n) Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the Town is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

o) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

p) Operating Fund

Operating fund represents the amounts available to offset future operational revenue requirements (or the shortfall which will be financed from future operational revenues).

q) Capital Fund

Capital fund represents the amounts available to finance (or the shortfall in financing available for) capital projects.

r) Reserve Fund

Reserve fund represents the amounts set aside to finance future operating and capital expenditures. Reserves are established at the discretion of Council. Transfers to and/or from the reserve fund are reflected as an adjustment to the respective fund.

2. CASH

	2008 \$	2007 \$
Cash and bank	2,311,762	565,281

Council has designated funds of \$954,496 (2007 - \$776,210) included in the above amounts for equipment replacement, the balance funded from grants receivable forthcoming.

3. RECEIVABLES

Receivables consist of the following:

	2008 \$	2007 \$
Taxes	63,891	41,491
Trade receivables	180,836	181,015
Utilities receivable	83,436	64,334
Due from government	178,113	243,798
Grants receivable	276,478	951,669
	782,754	1,482,307

4. CAPITAL ASSETS

	2008			2007
	Municipal \$	Additions \$	Total \$	Total \$
Carrying costs of assets acquired				
Engineered structures	13,248,502	4,826,538	18,075,040	13,248,502
Machinery and equipment	1,873,228	345,638	2,218,866	1,873,228
Buildings	6,276,514	5,477	6,281,991	6,276,514
Vehicles	834,352	57,106	891,458	834,352
Land	423,959	94,577	518,536	423,959
	22,656,555	5,329,336	27,985,891	22,656,555

5. DEFERRED REVENUE

	2008 \$	2007 \$
Deferred grants and fees	750,767	324,051
Prepaid local improvement charges	48,392	62,562
	799,159	386,613

Deferred grants and fees include:

	Opening \$	Amounts Received \$	Amounts Spent \$	Closing \$
Alberta Municipal Infrastructure Program	207,285	400,894	349,303	258,876
Street Improvement Program	108,535	-	108,535	-
Municipal Sustainability Initiative	-	341,404	220,267	121,137
Municipal Sponsorship Grant	-	271,771	-	271,771
Special grant	-	429,860	337,632	92,228
Other	8,231	6,755	8,231	6,755
Total deferred grants and fees	324,051	1,450,684	1,023,968	750,767

The use of these are restricted to eligible projects as approved under the funding agreements. Unexpended funds are supported by cash in the bank.

6. LONG TERM DEBT

	2008 \$	2007 \$
Tax and special levy supported debentures	1,751,221	348,457
Self supported debentures	63,481	112,413
ATB Alberta Treasury Branch loan	350,000	-
BMO Bank of Montreal loan	156,203	203,822
	2,320,905	664,692

The current portion of long term debt is \$288,950 (2007 - \$147,267).

Principal repayment requirements on long term debt are as follows:

	Principal \$	Interest \$
2009	288,950	101,123
2010	277,257	89,152
2011	255,999	76,752
2012	201,056	64,829
2013	198,387	55,280
Thereafter	1,099,256	218,536
	2,320,905	605,672

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 3.308% to 9.875% per annum, before Provincial subsidy, and matures in periods 2009 through 2018. For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9% and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the Town of Rimbey at large. The BMO Bank of Montreal loan bears interest at 4.89% and matures in 2011. The ATB Alberta Treasury Branch loan bears interest at 3.50% and matures in 2013.

7. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town of Rimbey be disclosed as follows:

	2008 \$	2007 \$
Total debt limit	6,728,905	6,908,942
Total debt	2,320,904	664,692
Amount of debt limit unused	4,408,001	6,244,250
Debt servicing limit	1,121,484	1,151,490
Debt servicing	390,073	191,028
Amount of debt servicing limit unused	731,411	960,462

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

8. RESERVE FUND

Reserves for operating and capital activities changed as follows:

	Opening \$	Transfers to \$	Transfers from \$	Closing \$
Operating				
Water and sewer	47,000		47,000	0
RCMP	11,584			11,584
Special projects	100,232	21,100		121,332
Library	3,583	7,397		10,980
Total Operating	162,399	28,497	47,000	143,896
Capital				
Restricted Municipal	45,681			45,681
Fire	25,672	10,000		35,672
Roads	267,969		138,534	129,435
Ambulance	237,060	93,000		330,060
Water and sewer	85,087	166,158		251,245
Recycle		25,000		25,000
RV park	95,000	34,000		129,000
Recreation	4,241			4,241
Museum	14,000		11,838	2,162
Cemetery	1,500	500		2,000
Total Capital	776,210	328,658	150,372	954,496
	938,609	357,155	197,372	1,098,392

9. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

			2008	2007
	Salary	Benefits & Allowances	Total	Total
	\$	\$	\$	\$
Mayor				
Dale Barr	48,697	5,452	54,149	43,759
Councillors				
Wayne Clark	14,868	3,125	17,993	15,869
Kathy Davies	11,580	4,119	15,699	3,690
Dave Huff	14,811	4,332	19,143	19,019
David Karroll	14,341	4,274	18,615	15,215
Rhonda Stewart Tarney			-	13,021
Municipal Treasurer	63,424	12,495	75,919	67,755
Chief Administrative Officer	86,968	16,423	103,391	94,318

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.
3. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

10. TRUST FUNDS

A summary of trust funds administered by the Town of Rimbey is as follows:

	2008	2007
	\$	\$
Ambulance donations	4,316	19,976
Cemetery perpetual care	31,980	32,860
Community Centre donations	6,376	6,376
Fire department funds	21,077	17,982
Library donations	3,965	1,390
Other	100	100
	67,814	78,684

11. TAX RECOVERY PROPERTIES

Tax recovery properties represent properties acquired by the Town for property tax arrears and penalties. The amount reflected represents the lower of the outstanding taxes and penalties, and the appraised value of the property.

12. CONTINGENCY

The Town of Rimbey is a member of the Jubilee Insurance Program. Under the terms of the membership, the Town of Rimbey could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

13. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, receivables, bank overdraft, accounts payable, accrued liabilities and long term debt. It is management's opinion that the Town is not exposed to significant interest or currency risks arising from these financial instruments.

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

14. COMMITMENT

The Town of Rimbey is committed to the expansion of the lagoon. The 2008 budgeted costs are \$3.8 million with grants available estimated at \$2.35 million. The Town is also completing the hospital storm sewer in 2008 with budgeted costs of \$220,000 remaining. This project will be funded by grant revenues. The Town is committed to completing the Ethanol Plant Feasibility Study to be funded by grant revenues.

15. BUDGET FIGURES

Budget figures are included for information purposes only and are not audited.

16. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.