

VILLAGE OF STIRLING

Financial Statements

December 31, 2009

Auditors' Report	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Operations	3
Consolidated Statement of Change in Net Financial Assets (Debt)	4
Consolidated Statement of Cash Flows	5
Schedule of Tangible Capital Assets	6
Schedule of Property Taxes Levied	7
Schedule of Government Transfers	8
Schedule of Consolidated Expenditures by Object	9
Notes to Financial Statements	10-16



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AUDITORS' REPORT

To The Mayor and Council
of the Village of Stirling

We have audited the consolidated statement of financial position of the Village of Stirling as at December 31, 2009 and the consolidated statement of operations, consolidated statement of change in net financial assets (debt) and consolidated statement of cash flows for the year then ended. These financial statements are the responsibility of the Village'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 management, 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 Village of Stirling as at December 31, 2009 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.

Lethbridge, Alberta
May 17, 2010

Chartered Accountants

VILLAGE OF STIRLING
Consolidated Statement of Financial Position
As at December 31, 2009

	2009	2008
	\$	Restated \$
FINANCIAL ASSETS		
Cash	215,184	575,814
Receivables		
Taxes and grants in place of taxes (Note 2)	141,114	96,820
Trade and other	247,996	427,673
Land held for resale	8,000	8,000
	<u>612,294</u>	<u>1,108,307</u>
LIABILITIES		
Accounts payable and accrued liabilities	449,669	130,021
Deferred revenue (Note 3)	-	290,491
Long-term debt (Note 4)	544,904	565,402
	<u>994,573</u>	<u>985,914</u>
NET FINANCIAL ASSETS (DEBT)	<u>(382,279)</u>	<u>122,393</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	10,104,220	9,400,567
Inventory for consumption	28,173	71,668
Prepaid expenses and deposits	6,369	-
	<u>10,138,762</u>	<u>9,472,235</u>
ACCUMULATED SURPLUS (Note 8)	<u>9,756,483</u>	<u>9,594,628</u>
CONTINGENCIES (Note 11)		

VILLAGE OF STIRLING
Consolidated Statement of Operations
For the year ended December 31, 2009

	Budget (Unaudited) \$	2009 \$	2008 Restated \$
REVENUES			
Net municipal property taxes (Schedule 2)	505,632	504,871	501,524
User fees and sales of goods	471,037	459,117	509,175
Government transfers (Schedule 3)	229,860	232,114	179,694
Investment income	1,600	872	7,460
Penalties and costs of taxes	18,000	18,835	7,038
Franchise and concession contracts	10,700	16,367	20,525
Total Revenue	<u>1,236,829</u>	<u>1,232,176</u>	<u>1,225,416</u>
EXPENSES			
Legislative	39,000	43,650	36,365
Administration	295,485	315,436	273,753
Police, fire, ambulance and bylaw enforcement	67,270	48,194	58,195
Roads, streets, walks, lighting	483,483	428,358	264,214
Water, wastewater and waste management	246,954	269,925	179,373
Land use planning, zoning and development	28,150	23,806	49,324
Parks and recreation	238,411	222,886	171,164
Amortization	-	424,271	393,968
Other	10,400	9,970	9,922
Total Expenses	<u>1,409,153</u>	<u>1,786,496</u>	<u>1,436,278</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	(172,324)	(554,320)	(210,862)
OTHER			
Government transfers for capital (Schedule 3)	716,175	716,175	525,504
EXCESS OF REVENUE OVER EXPENSES	<u>543,851</u>	<u>161,855</u>	<u>314,642</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>9,594,628</u>	<u>9,594,628</u>	<u>9,279,986</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>10,138,479</u>	<u>9,756,483</u>	<u>9,594,628</u>

VILLAGE OF STIRLING

Consolidated Statement of Change in Net Financial Assets (Debt) For the year ended December 31, 2009

	Budget (Unaudited) \$	2009 \$	2008 Restated \$
EXCESS OF REVENUES OVER EXPENSES	<u>543,851</u>	<u>161,855</u>	<u>314,642</u>
Acquisition of tangible capital assets	(529,730)	(1,128,424)	(961,873)
Proceeds on disposal of tangible capital assets	-	500	-
Amortization of tangible capital assets	<u>-</u>	<u>424,271</u>	<u>393,968</u>
	<u>(529,730)</u>	<u>(703,653)</u>	<u>(567,905)</u>
Acquisition (use) of prepaid assets	-	(6,369)	-
(Use) acquisition of supplies inventory	<u>-</u>	<u>43,495</u>	<u>(58,289)</u>
	<u>-</u>	<u>37,126</u>	<u>(58,289)</u>
(INCREASE) DECREASE IN NET DEBT	14,121	(504,672)	(311,552)
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	<u>122,393</u>	<u>122,393</u>	<u>433,945</u>
NET FINANCIAL ASSETS (DEBT), END OF YEAR	<u><u>136,514</u></u>	<u><u>(382,279)</u></u>	<u><u>122,393</u></u>

VILLAGE OF STIRLING
Consolidated Statement of Cash Flows
For the year ended December 31, 2009

	2009	2008
	\$	Restated \$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	161,855	314,642
Non-cash items included in excess (deficiency) of revenues over expenses:		
Amortization of tangible capital assets	424,271	393,968
Non-cash charges to operations (net changes)		
Decrease (increase) in taxes and grants in lieu receivable	(44,294)	9,849
Decrease (increase) in trade and other receivables	179,677	(108,425)
Decrease (increase) in land held for resale	-	7,092
Decrease (increase) in inventory for consumption	43,495	(58,289)
Decrease (increase) in prepaid expenses	(6,369)	-
Increase in accounts payable and accrued liabilities	319,648	84,751
Increase (decrease) in deferred revenue	(290,491)	290,491
	<u>787,792</u>	<u>934,079</u>
CAPITAL		
Acquisition of tangible capital assets	(1,128,424)	(961,873)
Proceeds on disposal of tangible capital assets	<u>500</u>	<u>-</u>
	<u>(1,127,924)</u>	<u>(961,873)</u>
FINANCING		
Long-term debt issued	-	250,000
Long-term debt repaid	(20,498)	(12,057)
	<u>(20,498)</u>	<u>237,943</u>
CHANGE IN CASH DURING THE YEAR	(360,630)	210,149
CASH, BEGINNING OF YEAR	<u>575,814</u>	<u>365,665</u>
CASH, END OF YEAR	<u>215,184</u>	<u>575,814</u>

VILLAGE OF STIRLING
 Schedule of Tangible Capital Assets
 For the year ended December 31, 2009

SCHEDULE 1

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2009	Restated 2008
	\$	\$	\$	\$	\$	\$	\$	\$
COST:								
BALANCE, BEGINNING OF YEAR	16,780	-	2,644,224	8,597,202	524,287	16,000	11,798,493	10,836,620
Acquisition of tangible capital assets	-	52,838	653,213	369,285	4,204	48,884	1,128,424	961,873
Disposal of tangible capital assets	-	-	-	-	-	(5,000)	(5,000)	-
Write down of tangible capital assets	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	<u>16,780</u>	<u>52,838</u>	<u>3,297,437</u>	<u>8,966,487</u>	<u>528,491</u>	<u>59,884</u>	<u>12,921,917</u>	<u>11,798,493</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	-	1,014,886	1,168,617	203,823	10,600	2,397,926	2,003,958
Annual amortization	-	-	78,270	304,461	35,051	6,489	424,271	393,968
Accumulated amortization on disposals	-	-	-	-	-	(4,500)	(4,500)	-
BALANCE, END OF YEAR	<u>-</u>	<u>-</u>	<u>1,093,156</u>	<u>1,473,078</u>	<u>238,874</u>	<u>12,589</u>	<u>2,817,697</u>	<u>2,397,926</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>16,780</u>	<u>52,838</u>	<u>2,204,281</u>	<u>7,493,409</u>	<u>289,617</u>	<u>47,295</u>	<u>10,104,220</u>	<u>9,400,567</u>

VILLAGE OF STIRLING
Schedule of Property Taxes Levied
For the Year Ended December 31, 2009

SCHEDULE 2

	Budget (Unaudited) \$	2009 \$	2008 Restated \$
TAXATION			
Real property taxes	647,200	646,439	629,975
Linear property taxes	<u>12,980</u>	<u>12,980</u>	<u>15,777</u>
	<u>660,180</u>	<u>659,419</u>	<u>645,752</u>
REQUISITIONS			
Alberta School Foundation Fund	131,249	131,249	123,138
Separate school	3,333	3,333	5,599
Seniors foundation	<u>19,966</u>	<u>19,966</u>	<u>15,491</u>
	<u>154,548</u>	<u>154,548</u>	<u>144,228</u>
NET MUNICIPAL PROPERTY TAXES	<u>505,632</u>	<u>504,871</u>	<u>501,524</u>

VILLAGE OF STIRLING
Schedule of Government Transfers
For the Year Ended December 31, 2009

SCHEDULE 3

	Budget (Unaudited) \$	2009 \$	2008 Restated \$
TRANSFERS FOR OPERATIONS			
Federal Government	2,586	2,586	-
Provincial Government	150,402	150,402	144,396
Other Local Governments	<u>76,872</u>	<u>79,126</u>	<u>35,298</u>
	<u>229,860</u>	<u>232,114</u>	<u>179,694</u>
TRANSFERS FOR CAPITAL			
Provincial Government	<u>716,175</u>	<u>716,175</u>	<u>525,504</u>
	<u>946,035</u>	<u>948,289</u>	<u>705,198</u>

VILLAGE OF STIRLING
Schedule of Consolidated Expenditures by Object
For the Year Ended December 31, 2009

SCHEDULE 4

	Budget (Unaudited) \$	2009 \$	2008 Restated \$
EXPENDITURES			
Salaries, wages and benefits	509,600	539,040	386,092
Contracted and general services	449,161	388,351	334,224
Materials, goods, and utilities	388,361	377,887	268,177
Transfers to local boards and agencies	29,000	26,504	21,466
Bank charges and short-term interest	7,000	5,017	7,049
Interest on long-term debt	26,031	25,426	18,211
Amortization	-	424,271	393,968
Other	-	-	7,092
TOTAL EXPENDITURES	<u>1,409,153</u>	<u>1,786,496</u>	<u>1,436,279</u>

VILLAGE OF STIRLING

Notes to Financial Statements

For the Year Ended December 31, 2009

1. Significant Accounting Policies

The consolidated financial statements of the Village of Stirling are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Village of Stirling 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. The entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the village and are, therefore, accountable to the village 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 -

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measureable. Expenses are recognized as they are incurred and measureable based upon receipt of goods or services and/or the legal obligation to pay.

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, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

c) 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 reported period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

d) Inventories for Resale -

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 levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under their respective function.

VILLAGE OF STIRLING
Notes to Financial Statements
For the Year Ended December 31, 2009

1. Significant Accounting Policies (continued)

e) 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 collectible 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 borrowing, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

f) Government Transfers -

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

g) Non-Financial Assets -

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Asset (Debt) for the year.

1) Tangible Capital Assets -

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	<u>YEARS</u>
Land Improvements	15-20
Buildings	25-50
Engineered Structures	
Water System	35-70
Wastewater System	35-70
Other Engineered Structures	15-40
Machinery and Equipment	5-20
Vehicles	5-20

A full year of amortization is charged in the year of acquisition and no amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

VILLAGE OF STIRLING
Notes to Financial Statements
For the Year Ended December 31, 2009

1. Significant Accounting Policies (continued)

2) Inventories -

Inventories held for consumption are recorded at the lower of cost or replacement cost.

2. Taxes and Grants in Place of Taxes Receivables

	2009 \$	2008 \$
Current taxes and grants in place of taxes	99,048	85,976
Arrears taxes	<u>42,066</u>	<u>10,844</u>
	<u>141,114</u>	<u>96,820</u>

3. Deferred Revenue

	2009 \$	2008 \$
		(Restated)
Alberta Lotteries Grant	<u>-</u>	<u>290,491</u>

4. Long-term Debt

	2009 \$	2008 \$
Self-supported debentures	<u>544,904</u>	<u>565,402</u>

The current portion of long-term debt amounts to \$21,444 (2008 - \$20,498).

Principle and interest repayments are as follows:

	Principal \$	Interest \$	Total \$
2010	21,444	24,611	46,055
2011	22,434	23,622	46,056
2012	23,469	22,387	45,856
2013	24,552	21,504	46,056
2014	25,684	20,371	46,055
Thereafter	<u>427,321</u>	<u>136,804</u>	<u>564,125</u>
	<u>544,904</u>	<u>249,299</u>	<u>794,203</u>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 4.551 % to 4.569%, before provincial subsidy and matures in periods 2025 to 2028. 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 at large.

VILLAGE OF STIRLING
Notes to Financial Statements
For the Year Ended December 31, 2009

5. 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 be disclosed as follows:

	2009	2008
	\$	\$
Total debt limit	1,848,264	1,838,124
Total debt	<u>544,904</u>	<u>565,402</u>
Total unused debt limit	<u>1,303,360</u>	<u>1,272,722</u>
Service on debt limit	308,044	306,354
Service on debt	<u>46,055</u>	<u>26,883</u>
Amount of unused service on debt	<u>261,989</u>	<u>279,471</u>

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.

6. Tangible Capital Assets

Net Book Value	2009	2008
	\$	\$
		(Restated)
Land	69,618	16,780
Buildings	2,204,281	1,629,337
Distribution systems		
Water	705,303	717,777
Wastewater	829,135	843,220
Roads and other engineering structures	5,958,970	5,867,588
Machinery, equipment and furnishings	289,617	320,465
Vehicles	<u>47,296</u>	<u>5,400</u>
	<u>10,104,220</u>	<u>9,400,567</u>

At year-end, assets under construction totaled \$297,185 (2008 - \$435,409), of which no amortization has been recorded.

VILLAGE OF STIRLING
Notes to Financial Statements
For the Year Ended December 31, 2009

7. Equity in Tangible Capital Assets

	2009 \$	2008 \$ (Restated)
Capital assets (Schedule 1)	12,921,917	11,798,493
Accumulated amortization (Schedule 1)	(2,817,697)	(2,397,926)
Long-term debt (Note 4)	(544,904)	(565,402)
	<u>9,559,316</u>	<u>8,835,165</u>

8. Accumulated Surplus

	2009 \$	2008 \$ (Restated)
Unrestricted surplus (deficit)	167,226	736,324
Restricted surplus:		
Capital reserves		
Development	29,941	23,139
Equity in tangible capital assets	<u>9,559,316</u>	<u>8,835,165</u>
	<u>9,756,483</u>	<u>9,594,628</u>

9. Salary and Benefits Disclosure

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

	Salary (1) \$	Benefits & Allowances (2) \$	2009 Total \$	2008 Total \$
Mayor	8,930	-	8,930	4,740
Councilor - Jason Edwards	4,625	-	4,625	4,020
- Mike Maynes	4,175	-	4,175	4,660
- Mike Selk	4,375	-	4,375	3,360
- Al Wiersema	3,783	-	3,783	4,115
Designated officer - CAO	40,744	-	40,744	33,980

- (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, accident disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, car and travel allowances, conferences, and memberships.

VILLAGE OF STIRLING
Notes to Financial Statements
For the Year Ended December 31, 2009

10. Local Authorities Pension Plan

Employees of the village participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 133,000 people and 389 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The village is required to make current service contributions of 5.525% of pensionable earnings up to the year's maximum pensionable earnings under the Canadian Pension Plan and 7.4% on pensionable earnings above this amount. Employees of the village are required to make current service contributions of 4.525% of pensionable salary up to the year's maximum pensionable salary and 6.4% on pensionable salary above this amount.

The total current service contributions by the village to the LAPP in 2009 were \$20,904 (2008 - \$13,601). Total current year service contributions by the employees of the village to the LAPP were \$18,504 (2008 - \$11,855)

At December 31, 2008, the LAPP disclosed an actuarial deficiency of \$1,288.9 million.

11. Contingencies

The village is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the village 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.

12. Financial Instruments

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

The village 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 village provides services may experience financial difficulty and be unable to fulfil 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.

VILLAGE OF STIRLING
Notes to Financial Statements
For the Year Ended December 31, 2009

13. Prior Period Error Correction

The prior year's figures have been restated to reflect deferred revenue in the amount of \$290,491 which was previously recorded as revenue in the year received. The effect of this correction is a decrease in net income for the year ended December 31, 2008 of \$290,491 and an increase in deferred revenue of \$290,491.

13. Prior Period Adjustments

The village has restated its financial statements to comply with the provisions of Section 3150 of the Public Sector Accounting Board Handbook, which requires governments to record and amortize their tangible capital assets on their financial statements. In addition, revenue from contributed assets and government grants and transfers relating to capital acquisitions has been included in income. These adjustments are as follows:

	2008
	\$
Adjustments to opening accumulated surplus:	
As previously reported	7,356,923
Adjustment to net book value of tangible capital assets	<u>1,923,063</u>
As restated	<u>9,279,986</u>
	2008
	\$
Adjustments to excess of revenues over expenses:	
As previously reported	37,228
Tangible capital assets recorded but previously expensed	961,873
Annual amortization expense	(393,968)
Deferred revenue adjustment (Note 13)	<u>(290,491)</u>
As restated	<u>314,642</u>
	2008
	\$
Adjustments to tangible capital assets:	
As previously reported	6,872,371
Adjustment to historical cost of tangible capital assets	4,926,122
Accumulated amortization recorded	<u>(2,397,926)</u>
As restated	<u>9,400,567</u>

Certain comparative figures have been restated to conform to the current year's presentation.

14. Approval of Financial Statements

Council and Management have approved these financial statements.