

PARMER COUNTY, TEXAS

FINANCIAL
STATEMENTS

AND

INDEPENDENT AUDITOR'S
REPORT

YEAR ENDED

DECEMBER 31, 2007

PARMER COUNTY, TEXAS

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Kirkland, Kirkland & Company, P.C.

Jack A. Kirkland, CPA

Certified Public Accountants

Michele Kirkland, CPA

P.O. Box 920 Farwell, Texas 79325
Phone 806-481-3321 Fax 806-481-3669
E-Mail: kkcpa@amaonline.com

INDEPENDENT AUDITOR'S REPORT

To the Honorable Judge and
Members of the Commissioners Court of
Parmer County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Parmer County, Texas, as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Parmer County, Texas, as of December 31, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2008, on our consideration of Parmer County, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 26 through 36, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Parmer County, Texas's basic financial statements. The introductory section, combining fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Parmer County, Texas. The combining fund financial statements and schedules listed in the table of contents and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Kirkland, Kirkland & Company, P.C.
June 20, 2008

**PARMER COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of Parmer County, we offer readers of Parmer County's financial statements this narrative overview and analysis of the financial activities of the Parmer County for the calendar year ending December 31, 2007.

Financial Highlights

Government-Wide Financial Statements

- The assets of Parmer County exceeded its liabilities at the close of the most recent calendar year by \$8,204,322.24 (*net assets*). Of this amount, \$6,131,631.58 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors. \$1,546,956.28 of the County's equity is invested in capital assets, net of related debt.
- The County's total debt outstanding at December 31, 2007 is \$2,942,84619.
- The net assets (*equity*) of the County increased by \$1,161,956.07 during 2007.

Fund Financial Statements

- As of the close of the current year, Parmer County's governmental funds reported combined ending fund balances of \$6,036,932.59. This fund balance reflects an increase of \$428,821.53 for the current year. Approximately 91% of this total amount, \$5,511,198.21, is *available for spending* at the government's discretion.
- At the end of the current year, reserved fund balances were \$525,734.38.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Parmer County's basic financial statements. Parmer County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *statement of net assets* presents information on all of Parmer County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Parmer County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes).

The government-wide financial statements reflect functions of Parmer County that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of Parmer County include general government, judicial, legal, financial administration, law enforcement, building maintenance, public service, conservation, and road and bridge.

The government-wide financial statements can be found on pages 9-10 of this report.

**PARMER COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Parmer County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Parmer County can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the calendar year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus on governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Parmer County maintains two governmental fund types which are the general fund and special revenue funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the road and bridge fund, the debt service fund, and the Texas capital fund contract which are considered to be major funds. Data from the other non-major governmental funds are combined into the aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The governmental fund financial statements can be found on pages 11-14 of this report.

Parmer County adopts an annual appropriated budget for its general fund, road and bridge fund, and various other special revenue funds. A budgetary comparison statement has been provided for the general fund, the road and bridge fund, the debt service fund and the Texas capital fund to demonstrate compliance with these budgets on pages 26-36.

Fiduciary funds. Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for other governmental units. The County's fiduciary funds are all reported as Agency Funds. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's basic programs. The basic agency fund financial statement can be found on page 15 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-25 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements can be found on pages 37-38 of this report.

**PARMER COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Parmer County, assets exceeded liabilities by \$8,204,322.24 at the close of the most recent calendar year. Comparative information for net assets is shown below in summarized form.

\$1,546,956.28 of Parmer County's net assets (19 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is outstanding. Parmer County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Parmer County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Parmer County's Net Assets

	Governmental Activities	
	2007	2006
Current and other assets	\$ 7,384,156.41	\$ 6,785,261.68
Capital Assets	4,438,641.57	4,516,426.03
Total Assets	11,822,797.98	11,301,687.71
Long-term liabilities outstanding	2,736,267.19	2,867,685.29
Other liabilities	882,208.55	820,434.57
Total Liabilities	3,618,475.74	3,688,119.86
Invested in capital assets, net of related debt	1,546,956.28	1,505,653.74
Restricted	525,734.38	527,370.62
Unrestricted	6,131,631.58	5,580,543.49
Total net assets	\$ 8,204,322.24	\$ 7,613,567.85

**PARMER COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The government's net assets increased by \$1,161,956.07 during the current calendar year. Comparative information for changes in net assets is shown below.

Parmer County's Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 957,196.32	\$ 984,158.75
Operating Grants and Contributions	1,001,935.74	420,490.64
General Revenues		
Property and Other Taxes	3,084,237.19	2,848,183.05
Fines and Forfeitures	609,780.29	589,867.99
Interest Income	242,863.78	208,578.17
Miscellaneous Income	97,780.94	63,179.62
Total Revenues	<u>5,993,794.26</u>	<u>5,114,458.22</u>
Expenses		
General Government	1,004,671.75	998,225.74
Judicial	387,911.99	361,414.96
Financial Administration	191,351.32	202,932.03
Law Enforcement	1,237,746.21	1,227,251.47
Building Maintenance	45,323.15	40,961.44
Public Service	7,918.20	11,746.30
Conservation	54,757.70	69,942.36
Road and Bridge	1,902,157.87	1,249,125.25
Total expenditures	<u>4,831,838.19</u>	<u>4,161,599.55</u>
Increase in net assets	1,161,956.07	952,858.67
Net assets - Beginning	<u>7,042,366.17</u>	<u>6,660,709.18</u>
Net Assets - Ending	<u>\$ 8,204,322.24</u>	<u>\$ 7,613,567.85</u>

**PARMER COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS

As noted earlier, Parmer County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Parmer County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Parmer County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the calendar year.

As of the end of the current calendar year, Parmer County's governmental funds reported combined ending fund balances of \$6,036,932.59. Approximately 91 percent of this total amount (\$5,511,198.21) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* for special revenue purposes to indicate that it is not available for new spending because it has already been committed.

The general fund is the chief operating fund of the County. The unreserved fund balance represents 151% of the total general fund expenditures or approximately 18 months of operating equity.

Fund Budgetary Highlights

The original and final budgets for the General fund reflected a deficit of \$59,199.30 which decreased the fund balance. Budget amendments to expenditures were made during the year within the general fund departments. The actual expenditures were \$320,774.69 less than the final budgeted amounts, and actual revenues were \$51,195.34 more than the final budgeted amounts. This resulted in a favorable budget variance of \$371,970.03.

In the Road and Bridge fund, the original and final budgets reflected a deficit of \$22,659.45 which decreased the fund balance. The actual expenditures were \$161,083.15 less than the final budgeted amounts and actual revenues were \$19,671.33 more than the final budgeted amounts. This resulted in a favorable budget variance of \$180,754.48.

In the Debt Service fund, the original and amended budgets reflected a deficit of \$20,062.97 which decreased the fund balance. The actual expenditures were the same as the final budgeted amounts. The actual revenues were \$20,062.97 less than the final budgeted amounts. This resulted in an unfavorable budget variance of \$20,062.97.

In the Texas Capital fund, the original and amended budgets reflected breakeven which had no effect on the fund balance. The actual expenditures were \$17,000.00 less than the final budgeted amounts. The actual revenues were \$17,000.00 less than the final budgeted amounts. This resulted in a zero budget variance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. Parmer County's investment in capital assets for its governmental activities as of December 31, 2007, amounts to \$4,438,641.57 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment. The County's infrastructure assets have not been capitalized at December 31, 2007. Comparative information for capital assets (net of accumulated depreciation) is shown below.

**PARMER COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Parmer County's Capital Assets
(net of accumulated depreciation)**

	Governmental Activities	
	2007	2006
Land	\$ 43,472.00	\$ 43,472.00
Buildings and Improvements	3,336,886.00	3,441,673.83
Furniture and Equipment	1,058,284.00	1,031,280.20
Total	\$ 4,438,642.00	\$ 4,516,426.03

Additional information on Parmer County's capital assets can be found in Note 2 on page 21 of this report.

Debt Administration

- **Certificates of Obligation.** At the end of the current fiscal year, the County had outstanding certificates of obligation of \$2,825,000.00.
- **Notes Payable.** The County's note payables at December 31, 2007 were \$66,685.29.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The property tax rate was set at .4814 for maintenance and operations and at .0444 for debt service, for a total tax rate of .5258.
- The unemployment rate for Parmer County is 3.3 percent for calendar year 2007. This compares favorably to the state's average unemployment rate of 4.3 percent and the national average rate of 4.6 percent.
- The agriculture economy in the region is stable.
- No new major projects are planned for the County in the coming year.

All of these factors were considered in preparing Parmer County's budget for the 2007 calendar year.

Requests for Information

This financial report is designed to provide a general overview of Parmer County's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Treasurer, Parmer County Courthouse, P.O. Box 454, Farwell, Texas 79325.

PARMER COUNTY, TEXAS
Statement of Net Assets
December 31, 2007

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 4,494,172.62
Receivables (net of allowance for uncollectibles)	
Property taxes	2,142,193.99
Fines and forfeitures	747,789.80
Capital assets (net of accumulated depreciation)	
Land	43,472.00
Buildings and improvements	3,935,687.37
Improvements other than buildings	220,065.40
Machinery and equipment	2,343,893.87
Computers & Software	-
Vehicles	-
Accumulated depreciation	<u>(2,104,477.07)</u>
Total assets	<u>11,822,797.98</u>
LIABILITIES	
Accounts payable	167,056.91
Accrued interest payable	51,160.90
Due to others	508,572.64
Due to other governments	-
Noncurrent liabilities:	
Due within one year	155,418.10
Due in more than one year	<u>2,736,267.19</u>
Total liabilities	<u>3,618,475.74</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,546,956.28
Restricted for debt service	327,361.27
Restricted General	76,492.05
Restricted - Other Nonmajor Governmental Funds	121,881.06
Unrestricted	<u>6,131,631.58</u>
Total net assets	<u>\$ 8,204,322.24</u>

The notes to the financial statements are an integral part of this statement.

PARMER COUNTY, TEXAS
Statement of Activities
For the Year Ended December 31, 2007

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Primary Government</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:				
Governmental activities:				
General Government	\$ 1,004,671.75	\$ 107,513.14	\$ 5,000.00	\$ (892,158.61)
Judicial and Legal	387,911.99	328,555.03	41,110.81	(18,246.15)
Financial Administration	191,351.32	30,106.47	-	(161,244.85)
Law Enforcement	1,237,746.21	7,870.31	171,771.00	(1,058,104.90)
Building Maintenance	45,323.15	-	-	(45,323.15)
Public Service	7,918.20	-	-	(7,918.20)
Conservation	54,757.70	-	-	(54,757.70)
Road and Bridge	<u>1,902,157.87</u>	<u>483,151.37</u>	<u>784,053.93</u>	<u>(634,952.57)</u>
			-	
Total primary government	<u>4,831,838.19</u>	<u>957,196.32</u>	<u>1,001,935.74</u>	<u>(2,872,706.13)</u>
General revenues:				
				3,084,237.19
				609,780.29
				242,863.78
				<u>97,780.94</u>
				<u>4,034,662.20</u>
				1,161,956.07
				<u>7,042,366.17</u>
				<u>\$ 8,204,322.24</u>

The notes to the financial statements are an integral part of this statement.

PARMER COUNTY, TEXAS
Balance Sheet
Governmental Funds
December 31, 2007

	<u>General</u>	<u>Road and Bridge</u>	<u>County Wide Debt Service</u>	<u>Texas Capital Fund Contract</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash investments	\$ 2,402,691.29	\$ 1,182,255.00	\$ 177,282.73	\$ -	\$ 731,943.60	\$ 4,494,172.62
Receivables (net of allowances for uncollectibles)						
Property taxes	1,507,109.31	456,404.34	178,680.34	-	-	2,142,193.99
Fines and forfeitures	747,789.80	-	-	-	-	747,789.80
Due from other funds	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-
Total assets	<u>\$ 4,657,590.40</u>	<u>\$ 1,638,659.34</u>	<u>\$ 355,963.07</u>	<u>\$ -</u>	<u>\$ 731,943.60</u>	<u>\$ 7,384,156.41</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 36,307.30	24,175.98	-	-	\$ 106,573.63	\$ 167,056.91
Due to other funds	-	-	-	-	-	-
Other accrued liabilities	-	-	-	-	-	-
Due to others	508,572.64	-	-	-	-	508,572.64
Due to other governments	-	-	-	-	-	-
Deferred revenue	565,209.85	77,782.62	28,601.80	-	-	671,594.27
Total liabilities	<u>1,110,089.79</u>	<u>101,958.60</u>	<u>28,601.80</u>	<u>-</u>	<u>106,573.63</u>	<u>1,347,223.82</u>
Fund balances:						
Unreserved	3,471,008.56	1,536,700.74	-	-	503,488.91	5,511,198.21
Reserved	76,492.05	-	-	-	121,881.06	198,373.11
Reserve for Debt Service	-	-	327,361.27	-	-	327,361.27
Total fund balances	<u>3,547,500.61</u>	<u>1,536,700.74</u>	<u>327,361.27</u>	<u>-</u>	<u>625,369.97</u>	<u>6,036,932.59</u>
Total liabilities and fund balances	<u>\$ 4,657,590.40</u>	<u>\$ 1,638,659.34</u>	<u>\$ 355,963.07</u>	<u>\$ -</u>	<u>\$ 731,943.60</u>	<u>\$ 7,384,156.41</u>

The notes to the financial statements are an integral part of this statement.

PARMER COUNTY, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
December 31, 2007

Total Fund Balances - Governmental Funds \$ 6,036,932.59

Amounts reported for governmental activities in the statement of net assets (A-1)
are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. At the beginning of the year, the cost of these assets was \$6,475,169.64 and the accumulated depreciation was \$1,958,743.61. The net effect of the beginning balance for capital assets (net of depreciation) in the governmental activities is an increase to net assets. 4,516,426.03

Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of including capital outlays of \$295,360.01 is to increase net assets. 295,360.01

Depreciation expense is not reflected in the governmental funds, but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of the current year depreciation expense of \$373,144.47 is to decrease net assets. (373,144.47)

Long-term liabilities are not due and payable in the current period and therefore are not reported on the governmental funds. The net effect is a decrease in net assets. (2,942,846.19)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. Deferred revenue of \$671,594.27 is recognized in the government-wide financial statements. This results in an increase in net assets. 671,594.27

Net Assets of Governmental Activities \$ 8,204,322.24

The notes to the financial statements are an integral part of this statement.