

CITY OF BATTLEFIELD, MISSOURI

BASIC FINANCIAL STATEMENTS
WITH SUPPLEMENTARY DATA
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED
JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Battlefield, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of City of Battlefield, Missouri, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

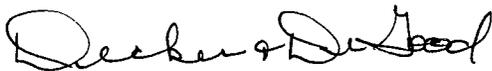
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Battlefield, Missouri, as of June 30, 2016, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 26 - 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management Discussion and Analysis letter that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



Decker & DeGood
Springfield, Missouri
October 20, 2016

CITY OF BATTLEFIELD, MISSOURI

STATEMENT OF NET POSITION

JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,289,430	\$ 1,045,177	\$ 2,334,607
Internal balances	(12,043)	12,043	-
Prepaid insurance	5,296	-	5,296
Accounts receivables			
Taxes	94,045	-	94,045
Utilities	-	95,424	95,424
Restricted assets: cash and cash equivalents			
Debt reserves	119,031	611,246	730,277
Future construction projects	-	159,432	159,432
Capital assets:			
Land	34,160	-	34,160
Construction in progress	-	23,035	23,035
Other capital assets, net of accumulated depreciation	2,597,167	2,760,887	5,358,054
Total Assets	4,127,086	4,707,244	8,834,330
LIABILITIES			
Accounts payable	3,207	18,265	21,472
Accrued salaries	11,897	2,547	14,444
Payroll taxes and other liabilities	1,258	7,037	8,295
TIF - Wilsons Creek payable	106,703	-	106,703
Debt payable within one year:			
Revenue Bonds	-	45,000	45,000
Capital Lease Obligations	60,000	-	60,000
Debt payable in more than one year:			
Revenue Bonds	-	665,000	665,000
Capital Lease Obligations	610,000	-	610,000
Customer deposits	350	68,275	68,625
Total Liabilities	793,415	806,124	1,599,539
NET POSITION			
Net investment in capital assets	1,961,327	2,073,922	4,035,249
Restricted for:			
Debt service	119,000	-	119,000
Construction costs	-	159,432	159,432
Streets	580,376	66,975	647,351
Stormwater	270,489	-	270,489
Unrestricted	402,479	1,600,791	2,003,270
Total Net Position	\$ 3,333,671	\$ 3,901,120	\$ 7,234,791

The accompanying notes are an integral part of these financial statements.

CITY OF BATTLEFIELD, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
General government	\$ 155,826	\$ -	\$ -	\$ -	\$ (149,399)	\$ (149,399)
Public safety						
Police	479,221	-	500	-	(478,721)	(478,721)
Courts	47,923	32,919	-	-	(15,004)	(15,004)
Streets	87,963	-	-	36,330	(51,633)	(51,633)
Park and recreation	202,707	13,700	-	-	(189,007)	(189,007)
Building inspections	41,303	15,863	-	-	(25,440)	(25,440)
Planning and zoning	3,624	-	-	-	(3,624)	(3,624)
Public information, EMA, & development	22,108	-	-	-	(22,108)	(22,108)
Interest on long-term lease	22,426	-	-	-	(22,426)	(22,426)
Total governmental activities	1,063,101	68,909	500	36,330	(957,362)	(957,362)
Business-type activities:						
Sewer	1,007,220	1,059,184	-	56,715	-	108,679
Refuse	127,820	132,889	-	-	-	5,069
Total business-type activities	1,135,040	1,192,073	-	56,715	-	113,748
Total Primary Government	\$ 2,198,141	\$ 1,260,982	\$ 500	\$ 93,045	(957,362)	(843,614)

General Revenues

Taxes:	
Property taxes for general purposes	165,236
Franchise taxes	131,561
Sales taxes	645,624
Missouri motor fuel taxes	221,268
Interest on investments	1,039
County roads and bridges	48,348
Miscellaneous	1,214
Transfers-Utility payment in lieu of taxes	25,000
Transfers	13,988
Sale of equipment	1,000
Insurance proceeds	4,539
Total general revenues, transfers, and sale of equipment	1,258,817
Change in net position	301,455
Net position, beginning	3,032,216
Net position, ending	\$ 3,333,671

The accompanying notes are an integral part of these financial statements.

CITY OF BATTLEFIELD, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Street Fund	Park Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 433,545	\$ 564,067	\$ 291,818	\$ 1,289,430
Due from other funds	24,661	-	22,629	47,290
Accounts receivable-taxes	49,310	20,785	23,950	94,045
Prepaid insurance	5,296	-	-	5,296
Restricted assets: cash and cash equivalents				
Debt reserve	119,031	-	-	119,031
TOTAL ASSETS	\$ 631,843	\$ 584,852	\$ 338,397	\$ 1,555,092

LIABILITIES AND FUND BALANCES

LIABILITIES				
Accounts payable	\$ 2,200	\$ -	\$ 1,007	\$ 3,207
Accrued salaries	9,325	1,018	1,554	11,897
Payroll taxes and other liabilities	938	184	136	1,258
Due to other funds	23,785	3,274	32,274	59,333
TIF - Wilsons Creek payable	106,703	-	-	106,703
Customer deposits	-	-	350	350
Total Liabilities	142,951	4,476	35,321	182,748

FUND BALANCES

Fund Balances -				
Nonspendable	5,296	-	-	5,296
Restricted for:				
Debt service	119,031	-	-	119,031
Streets	-	580,376	-	580,376
Stormwater	-	-	270,489	270,489
Assigned	-	-	32,587	32,587
Unassigned	364,565	-	-	364,565
Total Fund Balances	488,892	580,376	303,076	1,372,344

TOTAL LIABILITIES AND FUND BALANCES

\$ 631,843	\$ 584,852	\$ 338,397	\$ 1,555,092
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Total Fund Balances-Total Government Funds

\$ 1,372,344

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.
Long term bonds payable are not due and payable in the current period and therefore are not reported in the funds.

2,631,327
(670,000)

Net position of governmental activities

\$ 3,333,671

The accompanying notes are an integral part of these financial statements.

CITY OF BATTLEFIELD, MISSOURI
 STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

REVENUES	General Fund	Street Fund	Park Fund	Total Governmental Funds
Taxes:				
Property taxes	\$ 165,236	\$ -	\$ -	\$ 165,236
Franchise taxes	131,561	-	-	131,561
Sales taxes	278,193	110,959	256,472	645,624
Intergovernmental:				
Missouri motor fuel taxes	88,507	132,761	-	221,268
County roads and bridges	-	48,348	-	48,348
Licenses & permits	22,290	-	-	22,290
Fines & forfeitures	32,919	-	-	32,919
Park activities	-	-	13,700	13,700
Interest	730	-	309	1,039
Grants	500	36,330	-	36,830
Miscellaneous	1,171	-	43	1,214
Total Revenues	<u>721,107</u>	<u>328,398</u>	<u>270,524</u>	<u>1,320,029</u>
EXPENDITURES				
Current:				
General government	123,539	-	-	123,539
Public safety:				
Police	437,373	-	-	437,373
Courts	47,641	-	-	47,641
Streets	-	51,934	-	51,934
Parks	-	-	178,751	178,751
Building inspections	40,159	-	-	40,159
Planning and zoning	3,624	-	-	3,624
Public information	5,953	-	-	5,953
Economic development	3,284	-	-	3,284
Emergency management	12,163	-	-	12,163
Capital outlay:				
Police	33,900	-	-	33,900
Streets	-	154,731	-	154,731
Parks	-	-	33,847	33,847
Debt service:				
Principal	18,359	-	46,641	65,000
Interest and fees	13,988	-	8,438	22,426
Total Expenditures	<u>739,983</u>	<u>206,665</u>	<u>267,677</u>	<u>1,214,325</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(18,876)</u>	<u>121,733</u>	<u>2,847</u>	<u>105,704</u>
OTHER FINANCING SOURCES (USES)				
Transfers (to) from other funds	(5,000)	-	5,000	-
Insurance rebate	4,539	-	-	4,539
Sale of equipment	1,000	-	-	1,000
Transfer in - share of city hall debt payment	13,988	-	-	13,988
Transfer in - utility payments in lieu of taxes	25,000	-	-	25,000
Total other financing sources	<u>39,527</u>	<u>-</u>	<u>5,000</u>	<u>44,527</u>
CHANGE IN FUND BALANCES	20,651	121,733	7,847	150,231
FUND BALANCES - BEGINNING	<u>468,241</u>	<u>458,643</u>	<u>295,229</u>	<u>1,222,113</u>
FUND BALANCES - ENDING	<u>\$ 488,892</u>	<u>\$ 580,376</u>	<u>\$ 303,076</u>	<u>\$ 1,372,344</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BATTLEFIELD, MISSOURI
 RECONCILIATION OF STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES
 TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Net change in fund balances-total governmental funds \$ 150,231
 Amounts reported for *governmental activities* in the statement
 of activities are different because:

Governmental funds report capital outlays as expenditures.
 However, in the statement of activities the cost of those assets
 is allocated over their estimated useful lives and reported as
 depreciation expense.

Capital outlay	222,478
Depreciation	(136,254)

Bond proceeds provide current financial resources to governmental
 funds, but issuing debt increases long-term liabilities in the same
 statement of net position. Repayment of bond principal is an
 expenditure in the governmental funds, but the repayment reduces
 long-term liabilities in the statement of net position.

Principal paid	65,000
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Change in net position of governmental activities	\$ 301,455
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The accompanying notes are an integral part of these financial statements.

CITY OF BATTLEFIELD, MISSOURI

STATEMENT OF NET POSITION
PROPRIETARY FUND (SEWER FUND)

JUNE 30, 2016

ASSETS	
Cash and cash equivalents	\$ 1,045,177
Accounts receivable-utilities	95,424
Due from other funds	23,024
Restricted assets: cash and cash equivalents	
Debt service	611,246
Future construction projects	159,432
Construction in progress	23,035
Property, plant and equipment (Net of accumulated depreciation)	<u>2,760,887</u>
TOTAL ASSETS	<u><u>\$ 4,718,225</u></u>
LIABILITIES	
Accounts payable	\$ 18,265
Accrued salaries	2,547
Payroll liabilities	7,037
Due to other funds	10,981
Long-term debt due in one year	45,000
Noncurrent liabilities:	
Revenue bonds payable	665,000
Customer deposits	<u>68,275</u>
Total Liabilities	<u>817,105</u>
NET POSITION	
Net investment in capital assets	2,073,922
Restricted for:	
Construction	159,432
Debt reserve	66,975
Unrestricted	<u>1,600,791</u>
Total Net Position	<u>3,901,120</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 4,718,225</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF BATTLEFIELD, MISSOURI

STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUND (SEWER FUND)
FOR THE YEAR ENDED JUNE 30, 2016

OPERATING REVENUES:

Charges for services:	
Sewer	\$ 1,058,434
Refuse	132,889
Miscellaneous	750
Total Revenues	1,192,073

OPERATING EXPENSES:

Advertisements	341
Bank charges	82
Contract labor	73,433
Depreciation	103,501
Dues and licenses	5,409
Employee benefits	28,754
Insurance	14,038
Miscellaneous	2,368
Office supplies and postage	18,812
Payroll taxes	8,034
Professional fees	5,970
Refuse fees	127,820
Repairs & maintenance	136,748
Salaries	110,355
Sewer treatment charges	444,664
Supplies	4,965
Telephone	2,475
Travel and training	724
Utilities	30,114
Vehicle expense	549
Total Operating Expenses	1,119,156

OPERATING INCOME	72,917
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NON-OPERATING REVENUES (EXPENSES):

Interest income	5,988
Interest expense	(15,884)
Total Non-operating Revenues (Expenses) before transfers	(9,896)

CAPITAL FEES AND TRANSFERS

Impact fees	18,500
Connection fees	35,000
Lift station fees	3,215
Transfers (out) - share of city hall debt payment	(13,988)
Transfer (out) - utility payment in lieu of taxes	(25,000)
	(1,251)

CHANGE IN NET POSITION	80,748
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TOTAL NET POSITION - BEGINNING	3,820,372
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TOTAL NET POSITION - ENDING	\$ 3,901,120
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The accompanying notes are an integral part of these financial statements.

CITY OF BATTLEFIELD, MISSOURI

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND (SEWER FUND)
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 1,174,074
Payments to suppliers	(890,317)
Payments to employees	<u>(145,056)</u>
Net Cash Provided by Operating Activities	<u>138,701</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers (out) - share of city hall debt payment	(13,988)
Transfer (out) - utility payment in lieu of taxes	(25,000)
(Increase) in due from other funds	(29,546)
Increase in due to other funds	<u>1,223</u>
Net Cash (Used for) Noncapital Financing Activities	<u>(67,311)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Lift station and impact fees	56,715
Capital purchases	(34,275)
Principal Repayments	(45,000)
Interest paid	<u>(15,884)</u>
Net Cash (Used for) Capital and Related Financing Activities	<u>(38,444)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned	<u>5,988</u>
Net Cash Provided by Investing Activities	<u>5,988</u>
NET CASH INCREASE FOR THE YEAR	38,934
CASH AT BEGINNING OF YEAR	<u>1,776,921</u>
CASH AT END OF YEAR	<u>\$ 1,815,855</u>
SUMMARY OF CASH	
Cash and cash equivalents	\$ 1,045,177
Restricted cash and cash equivalents	<u>770,678</u>
Total Cash and cash equivalents	<u>\$ 1,815,855</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating Income	\$ 80,748
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation	103,501
(Increase) in accounts receivable	(9,374)
(Decrease) in accounts payable	(29,636)
Increase in accrued salaries and payroll taxes	2,087
(Decrease) in customer deposits	<u>(8,625)</u>
Net Cash Provided by Operating Activities	<u>\$ 138,701</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BATTLEFIELD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

The financial statements of the City of Battlefield, Missouri (the “City”) have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) applicable to state and local governments. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the City are described below.

The financial statements of the City present the financial activities of the City and any component units. The City is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit’s Board or because the component unit will provide a financial benefit or impose a financial burden on the City. The City does not have any component units.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

CITY OF BATTLEFIELD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for reimbursement-based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current fixed period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major funds:

General Fund – The General Fund is the government’s primary operating fund. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The City has two special revenue funds including:

Park Fund – This fund is used exclusively for the revenues (Park Sales Tax) and expenses from the operations, maintenance and improvements of City parks. This fund includes the sales taxes and activity fees for the parks.

Street Fund – This fund is used exclusively for the revenues (Missouri Motor Fuel Taxes and Transportation Sales Tax) and expenses from the operations, maintenance and improvements of streets.

CITY OF BATTLEFIELD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

The City reports the following major proprietary fund:

Sewer Fund – This fund is used to account for activities of the sewerage disposal and treatment system, which are also financed primarily by user charges.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the sewer enterprise fund are charges for the sales and services. The enterprise fund also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

ASSETS, LIABILITIES, AND NET POSITION/EQUITY

Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Statement of Cash Flows

For the purpose of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. State statutes authorize the City to invest in obligations of the U.S. Treasury, federal agencies, commercial paper, corporate bonds, and repurchase agreements. Investments are stated at fair value.

CITY OF BATTLEFIELD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Doubtful Accounts

Except adjustments to accounts, the City collects most if not all of utility billings and has not set aside any amount for an allowance for doubtful accounts. Accounts receivable in the General Fund and Street Fund represents the following July receipts and no allowance is provided.

Due To/From Other Funds

Current portions of long-term interfund loans receivable (reported in “due from” asset accounts) are considered “available spendable resources” and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statements as “internal balances”.

Restricted Assets

Certain funds generated by the sewer system are classified as restricted assets on the balance sheet because their use is limited by the sewer system revenue bond ordinances. The bond account is used only for the payment of principal and interest on the revenue bonds. The depreciation and replacement account is to be expended only for repairs or replacements to the sewer system. The bond reserve account is to be used only to pay bonds at maturity or interest as it accrues when and to the extent other funds are not available for this purpose.

Certain General Fund monies are classified as restricted assets on the Statement of Net Position because their use is limited by covenants of the capital lease agreement. The reserve account is to be used solely for the purpose of making lease payments on the applicable due dates when and to the extent other funds are not available for this purpose. The lease payment account is used only for the payment of the principal and interest on the lease obligation.

Capital Assets and Depreciation

Capital assets, which include property, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The City elected as provided for type 3 entities to begin recording additions to infrastructure in 2004 and forward. Donated capital assets are recorded at estimated fair value at the date of donation.

CITY OF BATTLEFIELD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation-continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation is being computed on the straight-line method, using asset lives as follows:

Buildings	40 years
Utility plant	40 years
Infrastructure	20-40 years
Equipment	5-15 years
Vehicles	5-10 years

Vacation, sick leave, and other compensated absences

City employees have no benefits as to accumulated pay on the above items.

Capitalized Interest

Interest costs are capitalized when incurred by proprietary funds where proceeds were used to finance construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. For the year ended June 30, 2016, the City did not capitalize any interest.

Long-term Debt

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt is reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, and losses on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF BATTLEFIELD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on constraints imposed on the use of these resources.

Nonspendable - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed - Amounts that can be used only for specific purposes determined by a formal action by City Council resolution. This includes the budget reserve account.

Assigned - Amounts that are designated by the Mayor for a specific purpose but are not spendable until a budget ordinance is passed by City Council.

Unassigned - All amounts not included in the other fund balance classifications. The General Fund shall be the only fund to report positive unassigned fund balance. All other governmental funds may report negative unassigned fund balance.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources, committed, assigned, and unassigned-in order as needed.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

CITY OF BATTLEFIELD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental fund types. Since appropriations lapse at year-end, the subsequent fiscal year's budget specifically provides for reappropriation of outstanding encumbrances to honor the prior commitments. Encumbrances do not constitute current year expenditures or liabilities.

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1, and are due and payable at that time. All unpaid taxes levied October 1 become delinquent January 1, of the following year. Levy for 2015 was \$.3394 with a valuation base of \$ 66,682,899.

Revenue Sales Taxes

The City has four sales tax authorizations going into the General Fund. A one half cent general sales tax recorded in the General Fund (\$ 130,724) and can be used for any proper municipal purpose. A one half cent police sales tax recorded in the General Fund (\$ 130,720) to be used for law enforcement and a Law Enforcement Sales tax which comes from Greene County (\$ 16,749). A one half cent transportation sales tax recorded in the Street Fund (\$ 110,959) to be used for street repairs and improvements The Park Fund receives sales tax from Greene County for park use (\$ 256,472).

Payment in Lieu of Taxes

The Sewer Funds makes an annual payment in lieu of taxes to the General Fund, which is based on a percentage of sales of utilities. That payment is reflected as an expense on the statement of revenues, expenses and changes in net position.

Use of Estimates

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

CITY OF BATTLEFIELD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restriction of Net Position

The City records restrictions to indicate that a portion of the net position is legally segregated for a specific future use. The following details the description and amount of all restrictions used by the City as of June 30, 2016:

Proprietary Fund Types-Business Type Activities

	Total
Restricted for debt service	\$ 66,975
Restricted for construction project	159,432
	\$ 226,407

Governmental Fund Types-Governmental Activities:

Debt reserves	\$ 119,000
Restricted by enabling legislation for:	
Streets	\$ 580,376
Stormwater	270,489
	\$ 850,865

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The City is required by Missouri State Law RSMo 105.485 to prepare a budget each year based on estimates of revenues and expected expenditures which include at a minimum a budget message, budget summary, schedule with prior year comparison of estimated revenue and expenditures, schedule of bonded debt obligations and budget approval letter. The accompanying statement of revenues, expenditures and changes in fund balance – budget and actual includes the budgeted expenditures for the year, along with management’s estimate of revenues for the year for both the original budget and the final budget which is reflective of any amendments throughout the fiscal year. The legal level of budgetary control is at the total fund level.

CITY OF BATTLEFIELD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY-Continued

Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (modified accrual basis) for all governmental funds.

Excess of expenditures over appropriations

For the year ended June 30, 2016, all expenditures were within the appropriations.

Compliance with Bond Reserves

The City was in compliance with required bonded debt reserves for the year.

Legal Debt Margin

The City's assessed value supports a general obligation bond limit of \$ 13,336,580. The City did not have any general obligation bonds outstanding as of June 30, 2016.

DETAILED NOTES ON ALL FUNDS

NOTE B – DEPOSITS AND INVESTMENTS

The City maintains a cash and investment account for each fund. Each fund account is displayed as either "cash, investments, board designated investments, or bank overdrafts". In addition, investments are separately held by several of the City's funds. Deposits and investments are stated at cost, which approximates market.

Deposits. All deposits with financial institution must be collateralized in an amount at least equal to uninsured deposits. As of June 30, 2016, the City was fully secured, with securities held by the pledging financial institution's agent in the City's name.

Investments. Statutes authorize the City to invest in certificates of deposit, repurchase agreements, passbooks, banker's acceptances, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. In addition, the City can invest in direct debt securities of the United States Government unless such an investment is expressly prohibited by law.

CITY OF BATTLEFIELD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE D – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2016 was as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 34,160	\$ -	\$ -	\$ 34,160
Capital assets being depreciated:				
Buildings	1,626,444	23,618	-	1,650,062
Infrastructure	953,455	164,959	-	1,118,414
Equipment	602,709	29,339		632,048
Vehicles	323,213	30,481	48,283	305,411
Total capital assets being depreciated	<u>3,505,821</u>	<u>248,397</u>	<u>48,283</u>	<u>3,705,935</u>
Less: Accumulated depreciation for:				-
Buildings	361,871	38,135	-	400,006
Infrastructure	114,144	34,626	-	148,770
Equipment	343,177	26,845	-	370,022
Vehicles	201,605	36,648	48,283	189,970
Total accumulated depreciation	<u>1,020,797</u>	<u>136,254</u>	<u>48,283</u>	<u>1,108,768</u>
Total capital assets being depreciated, net	<u>2,485,024</u>	<u>112,143</u>	<u>-</u>	<u>2,597,167</u>
Governmental activities capital assets, net	<u>\$2,519,184</u>	<u>\$112,143</u>	<u>\$ -</u>	<u>\$2,631,327</u>

Depreciation expense was charged to functions of the government as follows:

Governmental Activities:

General government	\$ 32,287
Police	41,848
Court	282
Streets	36,029
Park	23,956
Building inspection	1,144
Emergency management	708
	<u>708</u>
	<u>\$ 136,254</u>

CITY OF BATTLEFIELD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE D – CAPITAL ASSETS AND DEPRECIATION (Continued)

Business-Type Activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 23,035	\$ -	\$ 23,035
Capital assets being depreciated:				
Plant	4,204,678	-	-	4,204,678
Building	58,220	-	-	58,220
Equipment	123,795	11,240	-	135,035
Vehicle	41,637	-	-	41,637
Total capital assets being depreciated	4,428,330	<u>\$ 11,240</u>	<u>\$ -</u>	4,439,570
Less: Accumulated depreciation:	(1,575,182)	<u>\$ (103,501)</u>	<u>\$ -</u>	(1,678,683)
Total capital assets being depreciated, net	<u>2,853,148</u>			<u>2,760,887</u>
Business-type activities capital assets, net	<u>\$ 2,853,148</u>			<u>\$ 2,783,922</u>

NOTE E – LONG-TERM DEBT

Business-type activities

The following is a summary of debt transactions of the City for the year ended June 30, 2016 as it relates to the business type activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Revenue Bonds	<u>\$ 755,000</u>	<u>\$ -</u>	<u>\$ 45,000</u>	<u>\$ 710,000</u>	<u>\$ 45,000</u>
	<u>\$ 755,000</u>	<u>\$ -</u>	<u>\$ 45,000</u>	<u>\$ 710,000</u>	<u>\$ 45,000</u>
Debt payable within one year:					
Revenue Bonds				\$ 45,000	
Debt payable in more than one year:					
Revenue Bonds				<u>665,000</u>	
				<u>\$ 710,000</u>	

CITY OF BATTLEFIELD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE E – LONG-TERM DEBT (Continued)

The Proprietary Funds long-term debt as of June 30, 2016 follows:

\$ 850,000, 2006 SRF Loan, Sewer System Revenue Bonds, for the purpose of extending and improving existing system, due in monthly payments at interest rate from 4.00% to 5.25% and matures 2027	<u>\$ 710,000</u>
Total Business-type debt revenue bonds	<u><u>\$ 710,000</u></u>

The annual requirement to amortize bonded debt as of June 30, 2016 follows:

Year Ending June 30	Principal	Sewer Fund Interest	Totals
2017	\$ 50,000	\$ 33,950	\$ 83,950
2018	55,000	31,450	86,450
2019	55,000	28,562	83,562
2020	60,000	26,226	86,226
2021	60,000	23,076	83,076
2022-2026	350,000	69,302	419,302
2027	80,000	3,600	83,600
	<u>\$ 710,000</u>	<u>\$ 216,166</u>	<u>\$ 926,166</u>

CITY OF BATTLEFIELD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE F – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage for property damage and various Missouri Official's bonds. Management believes coverage is sufficient to preclude any significant uninsured losses to the City.

NOTE G – GRANTS

Intergovernmental awards received by the City are subject to audit and adjustment by the grantor agencies. If grant revenues are received for expenditures, which are subsequently disallowed, the City may be required to repay the revenues to the funding agencies. No disallowed costs have resulted from this audit and management believes that further examination will not result in any disallowed costs.

NOTE H – INTERNAL BALANCES

Internal balances represents amounts of expenditures paid from the General Fund and reimbursed back by the Sewer Fund the following month.

NOTE I – DEFERRED COMPENSATION PLAN

The City has a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan is administered by independent plan administrative service agreements. The plan is available to all City employees. Employees defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship. Contribution to the 457 Plan for year ended June 30, 2016 was \$ 10,881.

NOTE J – TRANSFERS BETWEEN FUNDS

The \$ 13,988 from the Sewer Fund to the General Fund was Sewer Fund's share of debt payment on City Hall. The \$ 5,000 from the General Fund to the Park Fund was operational purposes.

NOTE K – PAYMENT IN LIEU OF TAXES

The Sewer Fund pays the General Fund a percentage of revenue collected as a payment in lieu of taxes \$ 25,000.

CITY OF BATTLEFIELD, MISSOURI
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - (MODIFIED ACCRUAL BASIS)
 MAJOR GOVERNMENTAL FUNDS (UNAUDITED)
 FOR THE YEAR ENDED JUNE 30, 2016

REVENUES	General Fund			
	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Taxes:				
Property taxes	\$ 185,000	\$ 185,000	\$ 165,236	\$ (19,764)
Franchise taxes	137,500	137,500	131,561	(5,939)
Sales taxes	263,844	263,844	278,193	14,349
Intergovernmental:				
Missouri motor fuel taxes	87,316	87,316	88,507	1,191
Licenses & permits	21,000	21,000	22,290	1,290
Fines & forfeitures	34,380	34,380	32,919	(1,461)
Interest	630	630	730	100
Grants	-	-	500	500
Miscellaneous	4,500	4,500	1,171	(3,329)
Total Revenues	<u>734,170</u>	<u>734,170</u>	<u>721,107</u>	<u>(13,063)</u>
EXPENDITURES				
Current:				
General government	125,000	125,000	123,539	1,461
Public safety:				
Police	449,534	515,037	437,373	77,664
Courts	47,000	47,000	47,641	(641)
Building inspections	40,000	40,000	40,159	(159)
Planning and zoning	3,700	3,700	3,624	76
Public information	6,000	6,000	5,953	47
Economic development	3,400	3,400	3,284	116
Emergency management	12,000	12,000	12,163	(163)
Capital outlay	47,650	47,650	33,900	13,750
Debt service:				
Principal	12,530	12,530	18,359	(5,829)
Interest	7,710	7,710	13,988	(6,278)
Total Expenditures	<u>754,524</u>	<u>820,027</u>	<u>739,983</u>	<u>80,044</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(20,354)</u>	<u>(85,857)</u>	<u>(18,876)</u>	<u>66,981</u>
OTHER FINANCING SOURCES (USES)				
Transfers (to) other funds	(5,000)	(5,000)	(5,000)	-
Insurance rebate	-	-	4,539	4,539
Sale of equipment	-	-	1,000	1,000
Transfer in - share of city hall debt payment	13,988	13,988	13,988	-
Transfer in - utility payments in lieu of taxes	25,000	25,000	25,000	-
Total other financing sources	<u>33,988</u>	<u>33,988</u>	<u>39,527</u>	<u>5,539</u>
NET CHANGE IN FUND BALANCE	<u>\$ 13,634</u>	<u>\$ (51,869)</u>	20,651	<u>\$ 72,520</u>
FUND BALANCES - BEGINNING			<u>468,241</u>	
FUND BALANCES - ENDING			<u>\$ 488,892</u>	

See Accompanying Independent Accountant's Report.

CITY OF BATTLEFIELD, MISSOURI
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - (MODIFIED ACCRUAL BASIS)
MAJOR GOVERNMENTAL FUNDS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2016

REVENUES	Park Fund			Variance With Final Budget
	Budgeted Amounts		Actual	
	Original	Final		
Sales taxes	\$ 224,110	\$ 240,110	\$ 256,472	\$ 16,362
Interest	330	330	309	(21)
Activity fees	12,960	12,960	13,700	740
Miscellaneous	-	-	43	43
Total Revenues	<u>237,400</u>	<u>253,400</u>	<u>270,524</u>	<u>17,124</u>
EXPENDITURES				
Current:				
Park	172,873	183,873	178,751	5,122
Capital outlay	35,000	35,000	33,847	1,153
Debt service:				
Principal	52,240	52,240	46,641	5,599
Interest	8,500	8,500	8,438	62
Total Expenditures	<u>268,613</u>	<u>279,613</u>	<u>267,677</u>	<u>11,936</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(31,213)</u>	<u>(26,213)</u>	<u>2,847</u>	<u>29,060</u>
OTHER FINANCING SOURCES (USES)				
Transfers from General Funds	5,000	5,000	5,000	-
Total Other Financing Sources	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (26,213)</u>	<u>\$ (21,213)</u>	<u>7,847</u>	<u>\$ 29,060</u>
FUND BALANCES - BEGINNING			<u>295,229</u>	
FUND BALANCES - ENDING			<u>\$ 303,076</u>	

See Accompanying Independent Accountant's Report.

CITY OF BATTLEFIELD, MISSOURI
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - (MODIFIED ACCRUAL BASIS)
 MAJOR GOVERNMENTAL FUNDS (UNAUDITED)
 FOR THE YEAR ENDED JUNE 30, 2016

REVENUES	Street Fund			Variance With Final Budget
	Budgeted Amounts		Actual	
	Original	Final		
Motor Fuel Taxes	\$ 129,690	\$ 129,690	\$ 132,761	\$ 3,071
Sales Tax	100,230	100,230	110,959	10,729
Road and Bridge Tax	33,000	33,000	48,348	15,348
Licenses	70	70	-	(70)
Grants	40,000	40,000	36,330	(3,670)
Miscellaneous	130	130	-	(130)
Total Revenues	<u>303,120</u>	<u>303,120</u>	<u>328,398</u>	<u>25,278</u>
EXPENDITURES				
Current:				
Streets	110,880	110,880	51,934	58,946
Capital outlay	192,240	192,240	154,731	37,509
Total Expenditures	<u>303,120</u>	<u>303,120</u>	<u>206,665</u>	<u>96,455</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	121,733	<u>\$ 121,733</u>
FUND BALANCES - BEGINNING			<u>458,643</u>	
FUND BALANCES - ENDING			<u>\$ 580,376</u>	

See Accompanying Independent Accountant's Report.