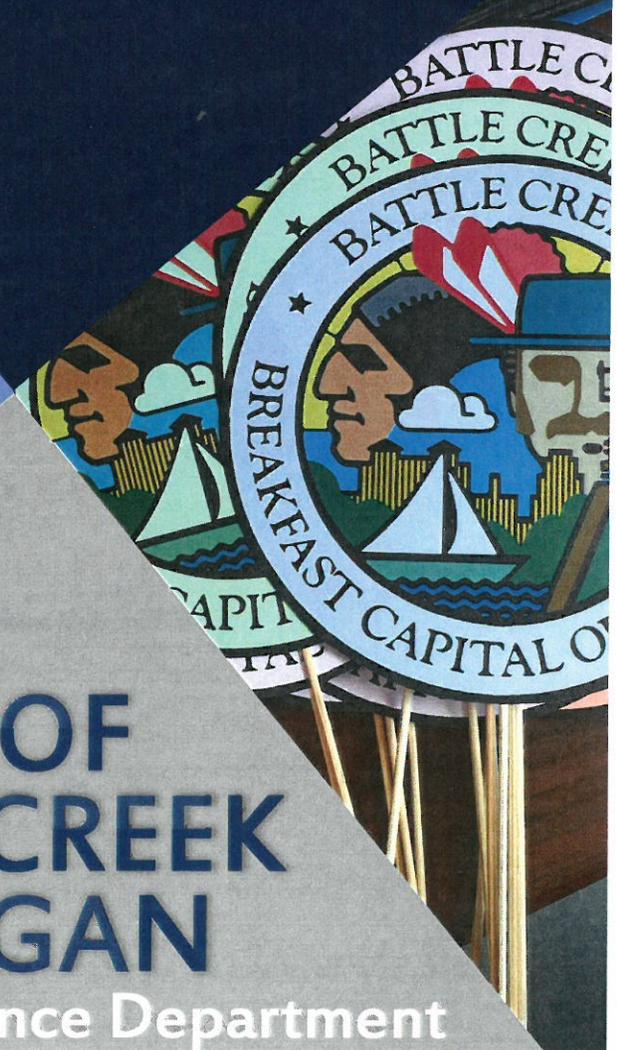
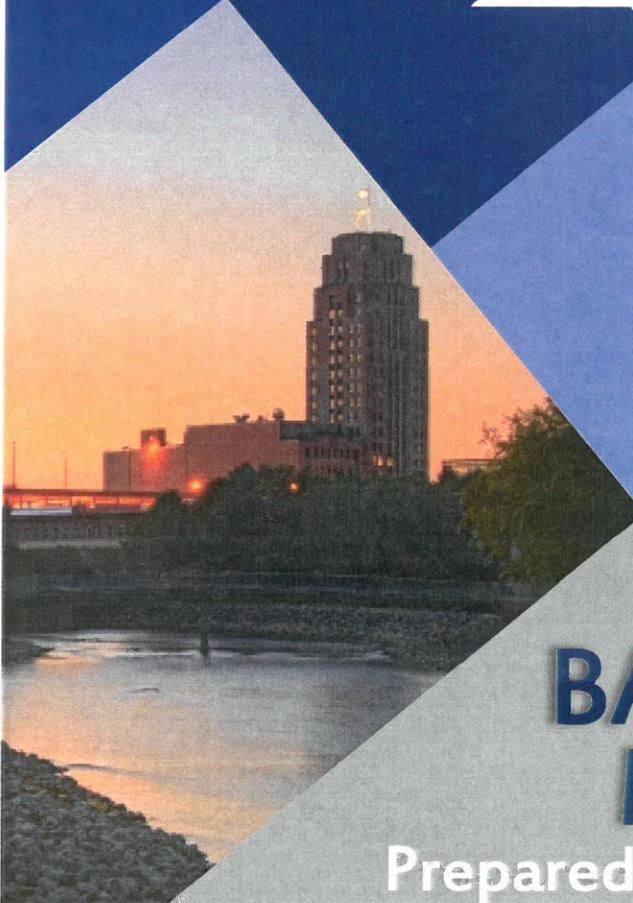


2017

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
JUNE 30, 2017



CITY OF BATTLE CREEK MICHIGAN

Prepared by the Finance Department

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CITY OF BATTLE CREEK, MICHIGAN

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INTRODUCTORY SECTION

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CITY OF BATTLE CREEK

FINANCE DEPARTMENT

December 22, 2017

To the Honorable Mayor, Members of the City Commission
and Citizens of the City of Battle Creek, Michigan:

State law requires that all local governments, subject to certain size criteria, publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Battle Creek, Michigan (the "City") for the fiscal year ended June 30, 2017.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, City management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Rehmann Robson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2017 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2017 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Battle Creek, incorporated as a City in 1859 and as a Home Rule City in 1913, is located in southwest Michigan, approximately 115 miles west of Detroit and 160 miles northeast of Chicago. It is the largest city in Calhoun County, encompassing an area of 44 square miles, with a current population of 51,589. The City is well known as the breakfast food capital of the world.

The government has operated under the commission-manager form of government since 1961. Policymaking and legislative authorities are vested in the City Commission, which is comprised of nine members including the mayor. The governing council is responsible, among other things, for passing ordinances and resolutions, making public policy decisions, adopting the budget, appointing boards, commissions, and committees, approving contracts, authorizing real estate transactions, awarding bids, selling property, and hiring the government's manager and attorney. Four Commissioners are elected at-large for two-year terms and five Commissioners are elected from the five wards in the City, also serving two-year terms. The City Commission elects a Mayor and Vice-Mayor from among its members.

The City Manager is the chief administrative officer of the City and is appointed by and serves at the pleasure of the City Commission. The City Manager is responsible for carrying out the policies and ordinances of the City Commission, for overseeing the day-to-day operations of the government, and appointing government's department heads.

The City of Battle Creek provides a full range of services including: police and fire protection; the construction and maintenance of highways, streets and other infrastructure; a general aviation airport; wastewater treatment and disposal; water treatment and distribution; community services, economic development; recreational activities and public transportation services.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Battle Creek operates.

Local economy. The City's economy is diverse with a sizable, mature tax base valued at \$2.8 billion for the year ended June 30, 2017. The residential amenities provides area residents with convenient and affordable housing to take advantage of the City's industrial, commercial, cultural, educational and recreational opportunities. The City is home to Kellogg Company's world headquarters, the W.K. Kellogg Foundation, the Hart-Dole-Inouye Federal Center, and the International Food Protection Training Institute. Battle Creek has many other major corporate community members including Post Cereals, Tree House Foods, Denso, Il Stanley, and Duncan Aviation. The City is revitalizing its downtown to accommodate food science, small business, entrepreneurs, and other innovation industries. Battle Creek's general aviation airport and industrial park are diversifying the economy and attracting worldwide business for military, aviation, aerospace and alternative energy.

Long-term financial planning. The City of Battle Creek believes long-term financial planning has been and will continue to be an important component to ensure the City's fiscal health. Economic development and downtown development continue to be high priorities for the City. Battle Creek Unlimited, a non-profit organization partnering with the City to perform economic development, continues to promote and develop the City's Fort Custer Industrial Park (FCIP).

Along with efforts to ensure a future growth in tax revenue, the City has developed a Capital Improvements Program (CIP) to identify its long-term capital needs and ability to fund the program. Identified in the CIP for the six years 2018-2023 are over \$194 million in capital needs including new facilities for the fire department. The City issued three bond issues in December 2016; these issues included \$15.3 million for a new police station that is scheduled for completion in the fall of 2018 as well as two sewer projects. One of the sewer projects is a secondary energy project financed with \$8.89 million in qualified energy conservation bonds that is anticipated to save the City \$2.7 million in interest costs over the 20 year life. The other sewer project for sludge cake improvements in the amount of \$7.7 million has been completed.

From an operational perspective, the City's revenue profile is diverse and has shown improvement over the prior year. Income tax revenue accounts for 34.6% of general fund revenues for the year ending June 30, 2017. Property tax revenue makes up another 29.7% of general fund revenues for the year ending June 30, 2017, and the City has 0.622-mill (5.5%) margin available under the Headlee rollback limit for operation. This could generate approximately \$627,000 in additional property tax revenue.

A Legacy Cost Committee has been established for evaluation of unfunded liabilities for pension and other postemployment benefits. This committee is looking at best practices as well as cost containment. Work continues by the Committee, which is comprised of City staff, a City Commissioner, a city resident, financial experts, and business representatives.

There is a continued transition to using the priority based budgeting methodology. This includes program identification and costing, prioritization by departments and independent committees, and analysis of mandated programs and partnership opportunities to identify potential savings.

New Accounting Standards. Governmental Accounting Standards Board (GASB) pronouncement number 74, *Postemployment Benefit Plans Other than Pension Plans*, was implemented for the year ended June 30, 2017. The new standard required the City to disclose in the footnotes the calculation of the net other postemployment benefit (OPEB) liability based on an actuarial valuation of retiree healthcare and similar benefits administered by an OPEB trust. Additionally, GASB pronouncement number 77, *Tax Abatement Disclosures*, was implemented for the year ended June 30, 2017. This new standard required the City to disclose in the footnotes certain information about tax abatement agreements made to foster economic development or otherwise benefit the government or its citizens.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. This was the eighteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the City of Battle Creek. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and City Commission for their support for maintaining the highest standards of professionalism in the management of the City of Battle Creek's finances.

Rebecca L. Fleury
City Manager

Linda A. Morrison
Finance Director

[Signatures omitted for security purposes.]

CITY OF BATTLE CREEK, MICHIGAN

GFOA Certificate of Achievement



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Battle Creek
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

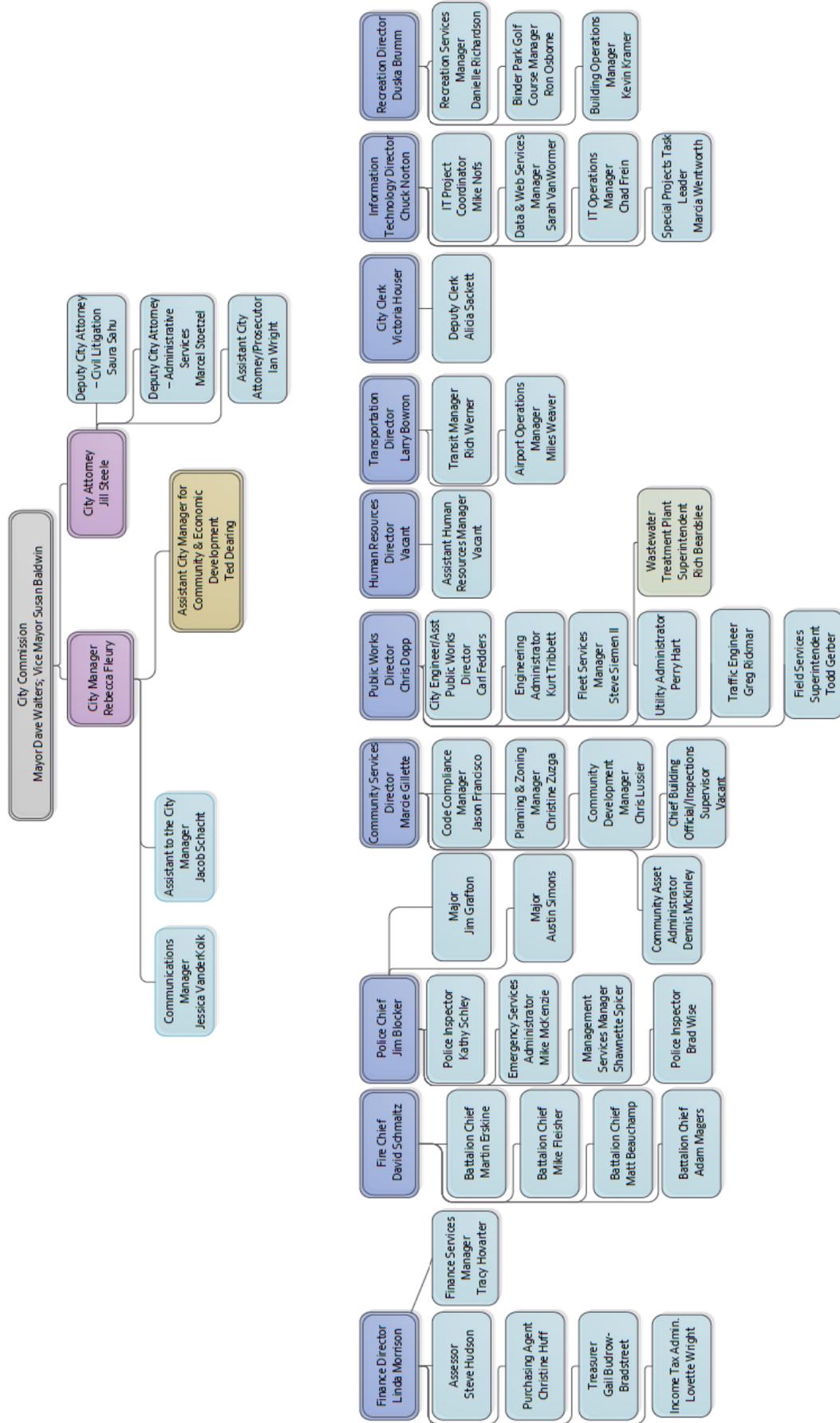
June 30, 2016

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive, flowing style.

Executive Director/CEO

CITY OF BATTLE CREEK, MICHIGAN

Organizational Chart



CITY OF BATTLE CREEK, MICHIGAN

List of Principal City Officials

CITY COMMISSION:

David Walters
Mayor

Susan Baldwin
Vice Mayor

Mark Behnke
Kaytee Faris
Kate Flores
Lynn Ward Gray
Andy Helmboldt
Deborah Owens
Mike Sherzer

Administration

Rebecca L. Fleury
City Manager

Jill Humphreys Steele
City Attorney

Linda A. Morrison
Finance Director

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

December 22, 2017

Honorable Mayor and
Members of the City Commission
City of Battle Creek, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the *City of Battle Creek, Michigan* (the "City"), as of and for the year ended June 30, 2017, 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.

Independent Auditors' 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 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 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 City'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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Battle Creek, Michigan, as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules for the pension and other postemployment benefits plans, as listed in the table of contents 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 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 about 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.

Other Information

Our audit was conducted for the purpose of forming opinions of the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules, the introductory section, the statistical section, and the continuing disclosure filing are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, statistical section and continuing disclosure filing are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated December 22, 2017 on our consideration of the City of Battle Creek, Michigan'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rehmann Johnson LLC". The signature is written in a cursive, flowing style.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF BATTLE CREEK, MICHIGAN

Management's Discussion and Analysis

As management of the *City of Battle Creek, Michigan*, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, as noted in the table of contents.

Financial Highlights

· Total net position	\$243,688,327
· Change in total net position	(20,880,368)
· Fund balances, governmental funds	28,081,169
· Change in fund balances, governmental funds	12,115,896
· Unassigned fund balance, general fund	5,958,796
· Change in fund balance, general fund	(87,119)
· Installment debt outstanding	62,920,557
· Change in installment debt	29,318,387

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of 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 *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information shows how the government's net position changed during the most recent fiscal year. All changes in net position 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 fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, highways and streets, parks and recreation and community development. The business-type activities of the City include water, wastewater, public transit, solid waste collection, airport, parking and economic development.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also legally separate entities for which the City is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself. These component units include the Downtown Development Authority, the Lakeview Downtown Development Authority, the Tax Incremental Financing Authority, the Brownfield Redevelopment Authority and the Local Development Finance Authority. The Building Authority, although also legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

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. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

CITY OF BATTLE CREEK, MICHIGAN

Management's Discussion and Analysis

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 fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of 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, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains numerous individual governmental 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, building authority bonds debt service fund, and the police station capital project fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, 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 City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its wastewater, water, public transit, solid waste collection and other operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its equipment center, self-insurance, information services and reproduction services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and wastewater and Battle Creek Transit System which are considered to be major funds of the City. Conversely, all of the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This includes schedules for the City's pension and other postemployment benefits to its employees.

The combined statements referred to earlier in connection with nonmajor, internal service and fiduciary funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Battle Creek, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$243,688,327 at the close of the most recent fiscal year.

CITY OF BATTLE CREEK, MICHIGAN

Management's Discussion and Analysis

By far the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, systems and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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.

	Net Position					
	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$ 50,211,270	\$ 37,814,573	\$ 43,079,121	\$ 29,287,168	\$ 93,290,391	\$ 67,101,741
Capital assets	230,952,771	232,516,309	97,722,730	99,987,476	328,675,501	332,503,785
Total assets	281,164,041	270,330,882	140,801,851	129,274,644	421,965,892	399,605,526
Deferred outflows of resources						
Deferred charge on refunding	1,026,155	1,098,853	-	-	1,026,155	1,098,853
Deferred pension amounts	16,444,210	24,259,505	3,742,010	5,908,214	20,186,220	30,167,719
Total deferred outflows of resources	17,470,365	25,358,358	3,742,010	5,908,214	21,212,375	31,266,572
Liabilities						
Other liabilities	10,803,485	9,357,037	2,762,686	2,495,744	13,566,171	11,852,781
Long-term debt	45,772,761	30,679,685	20,605,951	6,259,671	66,378,712	36,939,356
Other liabilities due in more than one year:						
Net other postemployment benefits liability	14,413,196	11,922,659	-	-	14,413,196	11,922,659
Net pension liability	73,409,877	79,786,740	24,660,090	25,239,343	98,069,967	105,026,083
Total liabilities	144,399,319	131,746,121	48,028,727	33,994,758	192,428,046	165,740,879
Deferred inflows of resources						
Deferred pension amounts	6,676,167	369,382	385,727	193,142	7,061,894	562,524
Net position						
Net investment in capital assets	204,289,221	209,385,180	77,696,600	94,256,830	281,985,821	303,642,010
Restricted	9,498,489	10,573,097	-	-	9,498,489	10,573,097
Unrestricted (deficit)	(66,228,790)	(56,384,540)	18,432,807	6,738,128	(47,795,983)	(49,646,412)
Total net position	\$147,558,920	\$163,573,737	\$ 96,129,407	\$100,994,958	\$243,688,327	\$264,568,695

An additional portion of the City's net position (3.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position (deficit)* may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in the net investment of capital assets and restricted net position, however, the unrestricted deficit was a result of the City's net pension liability. All three components City's business-type activities net position are stated as a positive balance; the same held true for the prior fiscal year.

CITY OF BATTLE CREEK, MICHIGAN

Management's Discussion and Analysis

The City's net position decreased by \$20,880,368. This large reduction was primarily a result of non-capital project expenses in the wastewater business-type activities, an increase in the other postemployment benefit obligation, increased debt service interest, as well as planned spend down of highways and streets monies. The change in the amount of the decrease between the current and prior year was \$8,053,178; there were a variety of offsetting increases and decreases in the revenues and expenses, and between the governmental and business-type activities, which are discussed in the succeeding sections.

	Changes in Net Position					
	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 8,021,746	\$ 8,539,058	\$ 33,063,914	\$ 34,529,048	\$ 41,085,660	\$ 43,068,106
Grants and contributions:						
Operating	15,546,274	14,753,846	3,698,755	4,336,403	19,245,029	19,090,249
Capital	320,769	34,404	-	-	320,769	-
General revenues:						
Property taxes	16,457,014	16,189,320	-	-	16,457,014	16,189,320
Income taxes	16,581,118	16,414,572	-	-	16,581,118	16,414,572
Grants and contributions not restricted to specific programs	5,678,681	5,637,815	-	-	5,678,681	5,637,815
Unrestricted investment earnings	293,860	770,022	49,396	269,643	343,256	1,039,665
Rents and leases	-	-	197,807	246,507	197,807	246,507
Total revenues	62,899,462	62,339,037	37,009,872	39,381,601	99,909,334	101,720,638
Expenses						
General government	13,804,561	13,522,067	-	-	13,804,561	13,522,067
Public safety	38,272,687	38,643,958	-	-	38,272,687	38,643,958
Public works	1,925,529	2,016,152	-	-	1,925,529	2,016,152
Highways and streets	12,962,951	11,759,289	-	-	12,962,951	11,759,289
Parks and recreation	7,549,260	7,662,739	-	-	7,549,260	7,662,739
Community development	2,575,566	2,960,152	-	-	2,575,566	2,960,152
Interest on long-term debt	1,383,774	1,193,277	-	-	1,383,774	1,193,277
Wastewater	-	-	21,226,749	16,616,652	21,226,749	16,616,652
Water	-	-	8,638,715	8,407,774	8,638,715	8,407,774
Public transit	-	-	4,787,343	4,519,401	4,787,343	4,519,401
Solid waste collection	-	-	3,327,216	3,021,188	3,327,216	3,021,188
Airport	-	-	2,620,027	2,566,234	2,620,027	2,566,234
Parking	-	-	1,418,990	1,475,329	1,418,990	1,475,329
Economic development	-	-	296,334	183,616	296,334	183,616
Total expenses	78,474,328	77,757,634	42,315,374	36,790,194	120,789,702	114,547,828
Change in net position, before transfers	(15,574,866)	(15,418,597)	(5,305,502)	2,591,407	(20,880,368)	(12,827,190)
Transfers	(439,951)	(600,945)	439,951	600,945	-	-
Change in net position	(16,014,817)	(16,019,542)	(4,865,551)	3,192,352	(20,880,368)	(12,827,190)
Net position, beginning of year	163,573,737	179,593,279	100,994,958	97,802,606	264,568,695	277,395,885
Net position, end of year	\$147,558,920	\$163,573,737	\$ 96,129,407	\$100,994,958	\$243,688,327	\$264,568,695

Governmental activities. Governmental activities decreased the City's net position by \$16,014,817 (as compared to a prior year decrease of \$16,019,542). Key elements of this decrease and the change from the prior year include:

CITY OF BATTLE CREEK, MICHIGAN

Management's Discussion and Analysis

The total revenue increase of \$560,425 is primarily due to an increase in general government operating grants. The State of Michigan is phasing out personal property taxes and is replacing the lost revenue with a Local Community Stabilization Authority (LCSA) grant. The current year LCSA amount is \$3,896,307 and is new for the fiscal year. This is offset by decreases in administrative reimbursements from the BCTIFA (\$841,248), declines in the use of the sewer SAW grant (\$595,750), and declines in the Kellogg Arena intergovernmental revenue (\$348,000). A decline in Community Development Block Grant revenue (\$613,429) and HOME grants (\$134,782) also is an offsetting factor in the community development operating grants and contributions, as is the decline in public safety revenue (\$403,941) from the payoff in fiscal year 2016 of a dispatch equipment loan for which the County was contributing.

Business-type activities. Business-type activities decreased the City's net position by \$4,865,551 as compared to an increase of \$3,192,352 in the prior year. Key elements of this decrease and the change from the prior year include:

Of this \$8 million fluctuation from last year to this year, wastewater activities account for \$6 million. Industrial wastewater revenues have declined \$1.3 million from the prior year, a capital project that was unsuccessful was written off in the amount of \$4 million, interest on debt service increased \$173,503, and general operating cost increases make up the difference.

Financial Analysis of the City's Governmental Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$28,081,169 an increase of \$12,115,896 from the prior year. The nonspendable portion of fund balance decreased from \$1,527,390 to \$1,400,443. Nonspendable fund balance is not available for new spending because it has been set aside for the following purposes:

- to generate income for the support and maintenance of the youth center and Kellogg Arena (\$879,909); and
- for inventories and prepaid expenditures (\$520,534).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance (which is only reported in the general fund) was \$5,958,796, while total fund balance was \$7,985,997. In accordance with the City's adopted fund balance policy, the minimum unassigned fund balance in the general fund of no less than 8% of current year budgeted operating revenue has been met. The percent as of June 30, 2017 is 12.4%.

The fund balance of the City's general fund decreased by \$87,119 during the current fiscal year. This was unfavorable in comparison to the final budgeted increase in fund balance of \$92,407.

The building authority bonds debt service fund has a committed fund balance of \$5,311 at year-end. The fund is used to account for the financial resources of the 2008 building authority bonds issue and the corresponding receivable from Calhoun County to pay the debt. The purpose of this bond issue was construction of the Justice Center facility, and the repayment commitment came partially from the City of Battle Creek and partly from Calhoun County. The City's portion is paid in full, and the only remaining balance will be fully paid by the County.

The police station capital project fund was created in the current year to account for the construction expenditures of the new police facility and has a restricted fund balance of \$14,045,323 at year-end.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water and wastewater system fund at the end of the year amounted to \$12,649,097. The fund had a decrease in total net position for the year of \$3,677,737. Factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

CITY OF BATTLE CREEK, MICHIGAN

Management's Discussion and Analysis

The Battle Creek Transit System had a total net position deficit of \$2,257,705; the fund had a decrease in net position of \$760,132 for the year primarily as a result of the change in the net pension liability and related deferred outflows/inflows.

General Fund Budgetary Highlights

The general fund original adopted budget reflected expenditures in excess of revenues and a use of fund balance of \$638,396. Mid-year budget adjustments were made to reflect the higher-than-anticipated LCSA payment from the State of Michigan resulting in a budgeted increase in fund balance of \$92,407. This was the first year for the LCSA personal property tax replacement State aid revenue, and the original budget included a conservative estimate for this revenue item. Ultimately actual revenues were short of the budget (primarily in the personal property tax line item) in an amount greater than expenditures were less than budget. This results in the small use of fund balance for the fiscal year of \$87,119.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounted to \$328,675,501 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings, vehicles, equipment, infrastructure and systems. Net capital assets for governmental activities decreased by 0.7%, and for business-type activities decreased by 2.3%.

	City of Battle Creek's Capital Assets (Net of Depreciation)					
	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Land and land improvements	\$ 17,346,139	\$ 19,201,085	\$ 5,418,141	\$ 5,389,805	\$ 22,764,280	\$ 24,590,890
Construction in progress	1,671,539	155,531	8,102,213	8,616,468	9,773,752	8,771,999
Buildings	29,725,968	31,194,692	15,249,952	15,257,188	44,975,920	46,451,880
Vehicles	4,067,189	2,498,806	648,372	678,913	4,715,561	3,177,719
Equipment	3,217,892	3,347,260	734,994	933,184	3,952,886	4,280,444
Infrastructure	174,924,044	176,118,935	-	-	174,924,044	176,118,935
Systems	-	-	67,569,058	69,111,918	67,569,058	69,111,918
Total	\$230,952,771	\$232,516,309	\$ 97,722,730	\$ 99,987,476	\$ 328,675,501	\$ 332,503,785

Major capital asset events during the current fiscal year included:

- Construction in progress in governmental activities includes the new police facility (anticipated completion is fall of 2018).
- Construction in progress in business-type activities includes the sludge cake project treatment plant upgrades and runway improvements at the airport.
- Vehicle purchases for the year included a fire truck that was financed with capital improvement bond proceeds.

Additional information on the City's capital assets can be found in Note 7 to the financial statements.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$57,275,000. Of this amount, \$38,250,000 is comprised of debt backed by the full faith and credit of the government. The remainder of the City's bonded debt represents bonds secured solely by specified revenue sources.

	General Obligation and Revenue Bonds					
	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 38,250,000	\$ 24,770,000	\$ -	\$ -	\$ 38,250,000	\$ 24,770,000
Revenue bonds	-	-	19,025,000	5,381,000	19,025,000	5,381,000
Total	\$ 38,250,000	\$ 24,770,000	\$ 19,025,000	\$ 5,381,000	\$ 57,275,000	\$ 30,151,000

CITY OF BATTLE CREEK, MICHIGAN

Management's Discussion and Analysis

The City's total bonded debt increased by \$27,124,000 (90 percent) during the current fiscal year through the issuance of the 2016 general obligation bonds for the police facility capital projects and the 2016 water and wastewater system revenue bonds for various projects.

The following chart depicts the City's credit rating for the various outstanding debt and the different rating agencies:

	Moody's	S&P	Fitch
General obligation limited tax bonds	Aa3	AA	AA
Water and wastewater revenue bonds	Aa3	A	AA-

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total state equalized valuation. The City's current outstanding general obligation debt is substantially below the current debt limit of \$137,480,368.

Additional information on the City's long-term debt can be found in the notes to the financial statements.

Economic Factors

Low fuel costs and low unemployment had positive effects on the City's financial results for the year.

Next Year's Budgets and Rates

- Developed the fiscal year ending June 30, 2018 budget with an increase of .330 mills in property tax revenues as the result of a floating Police & Fire pension millage.
- Included debt service in the general fund for the new police facility bonds.
- General fund budgeted expenditures are equal to budgeted revenues.
- Included 2-3% wage raises in many collective bargaining agreements.
- General fund revenues continue to reflect decreasing intergovernmental revenue and another year of conservative budgeting for the LCSA reimbursement.
- Employees are paying 20% of health insurance premiums based on collective bargaining agreements.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. The financial statements are available on the City's website: www.battlecreekmi.gov. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Director, P.O. Box 1717, Battle Creek, Michigan 49016-1717.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BATTLE CREEK, MICHIGAN

Statement of Net Position

June 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Pooled cash and investments	\$ 35,527,904	\$ 32,517,104	\$ 68,045,008	\$ 21,024,653
Receivables	10,414,717	8,665,792	19,080,509	948,555
Receivables, long-term portion	3,002,517	169,328	3,171,845	3,590,734
Internal balances	(155,861)	155,861	-	-
Inventories and prepaid items	1,421,993	1,571,036	2,993,029	2,500
Capital assets not being depreciated	3,721,872	11,555,076	15,276,948	14,886,061
Capital assets being depreciated, net	227,230,899	86,167,654	313,398,553	1,056,552
Total assets	281,164,041	140,801,851	421,965,892	41,509,055
Deferred outflows of resources				
Deferred charge on refunding	1,026,155	-	1,026,155	2,067,774
Deferred pension amounts	16,444,210	3,742,010	20,186,220	-
Total deferred outflows of resources	17,470,365	3,742,010	21,212,375	2,067,774
Liabilities				
Accounts payable and accrued liabilities	10,230,650	2,511,987	12,742,637	4,324,344
Accrued interest payable	246,519	99,906	346,425	244,058
Unearned revenue	326,316	150,793	477,109	1,975
Long-term debt:				
Due within one year	4,263,569	1,925,755	6,189,324	1,721,268
Due in more than one year	41,509,192	18,680,196	60,189,388	40,603,561
Other liabilities due in more than one year:				
Net other postemployment benefits obligation	14,413,196	-	14,413,196	-
Net pension liability	73,409,877	24,660,090	98,069,967	-
Total liabilities	144,399,319	48,028,727	192,428,046	46,895,206
Deferred inflows of resources				
Deferred pension amounts	6,676,167	385,727	7,061,894	-
Net position				
Net investment in capital assets	204,289,221	77,696,600	281,985,821	15,942,613
Restricted for:				
Debt service	7,264,142	-	7,264,142	-
Endowment - nonexpendable	879,909	-	879,909	-
Endowment - expendable	58,857	-	58,857	-
Other purposes	1,295,581	-	1,295,581	1,255,012
Unrestricted (deficit)	(66,228,790)	18,432,807	(47,795,983)	(20,516,002)
Total net position (deficit)	\$ 147,558,920	\$ 96,129,407	\$ 243,688,327	\$ (3,318,377)

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

CITY OF BATTLE CREEK, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2017

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 13,804,561	\$ 3,188,666	\$ 7,512,578	\$ -	\$ (3,103,317)
Public safety	38,272,687	1,119,088	304,576	-	(36,849,023)
Public works	1,925,529	118,886	88,773	-	(1,717,870)
Highways and streets	12,962,951	4,559	6,590,245	320,769	(6,047,378)
Parks and recreation	7,549,260	3,511,655	-	-	(4,037,605)
Community development	2,575,566	78,892	1,050,102	-	(1,446,572)
Interest on long-term debt	1,383,774	-	-	-	(1,383,774)
Total governmental activities	78,474,328	8,021,746	15,546,274	320,769	(54,585,539)
Business-type activities:					
Wastewater	21,226,749	16,905,486	-	-	(4,321,263)
Water	8,638,715	9,574,123	25,860	-	961,268
Public transit	4,787,343	378,300	2,719,879	-	(1,689,164)
Solid waste collection	3,327,216	3,407,372	-	-	80,156
Airport	2,620,027	1,459,032	953,016	-	(207,979)
Parking	1,418,990	1,333,331	-	-	(85,659)
Economic development	296,334	6,270	-	-	(290,064)
Total business-type activities	42,315,374	33,063,914	3,698,755	-	(5,552,705)
Total primary government	\$ 120,789,702	\$ 41,085,660	\$ 19,245,029	\$ 320,769	\$ (60,138,244)
Component units					
Community development	\$ 12,158,142	\$ 151,973	\$ 3,174,407	\$ 4,577,583	\$ (4,254,179)

continued...

CITY OF BATTLE CREEK, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenues	\$ (54,585,539)	\$ (5,552,705)	\$ (60,138,244)	\$ (4,254,179)
General revenues:				
Property taxes	16,457,014	-	16,457,014	5,427,352
Income taxes	16,581,118	-	16,581,118	-
Grants and contributions not restricted to specific programs	5,678,681	-	5,678,681	-
Unrestricted investment earnings	293,860	49,396	343,256	162,615
Rents and leases	-	197,807	197,807	77,646
Transfers	(439,951)	439,951	-	-
Total general revenues and transfers	38,570,722	687,154	39,257,876	5,667,613
Change in net position	(16,014,817)	(4,865,551)	(20,880,368)	1,413,434
Net position (deficit), beginning of year	163,573,737	100,994,958	264,568,695	(4,731,811)
Net position (deficit), end of year	\$ 147,558,920	\$ 96,129,407	\$ 243,688,327	\$ (3,318,377)

concluded.

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

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FUND FINANCIAL STATEMENTS

CITY OF BATTLE CREEK, MICHIGAN

Balance Sheet

Governmental Funds

June 30, 2017

	General	Building Authority Bonds	Police Station Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Pooled cash and investments	\$ 7,400,528	\$ 5,311	\$ 14,512,782	\$ 6,419,841	\$ 28,338,462
Receivables:					
Interest	44,223	30,241	79	22,857	97,400
Accounts	2,744,195	-	-	1,402,248	4,146,443
Special assessments	98,663	-	-	29,684	128,347
Grants	42,207	-	-	615,229	657,436
Loans	1,284,935	480,000	-	2,692,794	4,457,729
Loans, long-term portion	-	2,680,000	-	322,517	3,002,517
Inventories	13,341	-	-	123,618	136,959
Prepaid items	362,708	-	-	20,867	383,575
Interfund receivable	1,115,959	-	-	-	1,115,959
Total assets	\$ 13,106,759	\$ 3,195,552	\$ 14,512,861	\$ 11,649,655	\$ 42,464,827
Liabilities					
Accounts payable	\$ 1,199,807	\$ -	\$ 467,538	\$ 1,381,971	\$ 3,049,316
Accrued payroll	2,768,320	-	-	-	2,768,320
Retentions, deposits and other liabilities	-	-	-	219,196	219,196
Interfund payable	-	-	-	791,550	791,550
Unearned revenue	83,166	-	-	166,115	249,281
Total liabilities	4,051,293	-	467,538	2,558,832	7,077,663
Deferred inflows of resources					
Unavailable revenue:					
Special assessments	12,169	-	-	29,684	41,853
Loans and related interest	1,057,300	3,190,241	-	3,016,601	7,264,142
Total deferred inflows of resources	1,069,469	3,190,241	-	3,046,285	7,305,995
Fund balances					
Nonspendable	376,049	-	-	1,024,394	1,400,443
Restricted	241,186	-	14,045,323	2,272,651	16,559,160
Committed	1,313,835	5,311	-	2,498,846	3,817,992
Assigned	96,131	-	-	248,647	344,778
Unassigned	5,958,796	-	-	-	5,958,796
Total fund balances	7,985,997	5,311	14,045,323	6,044,538	28,081,169
Total liabilities, deferred inflows of resources and fund balances	\$ 13,106,759	\$ 3,195,552	\$ 14,512,861	\$ 11,649,655	\$ 42,464,827

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

CITY OF BATTLE CREEK, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2017

Fund balances - total governmental funds	\$ 28,081,169
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	3,721,872
Capital assets being depreciated, net	227,230,899
Less: capital assets being accounted for in internal service funds	(3,895,556)
Internal service funds are used by management to charge the costs of certain equipment usage to individual governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	
Net position of governmental internal service funds	7,745,835
Portion of internal service funds cumulative net operating income attributed to business-type funds	(155,861)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current expenditures. Those assets (i.e., receivables) are offset by deferred inflows of resources in the governmental funds and, therefore, not included in fund balance.	
Unavailable special assessments	41,853
Loans receivable related to the sale of capital assets and other loans	7,264,142
Gains and losses on refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net position.	
Deferred charge on refunding	1,026,155
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and installment contracts payable	(42,454,850)
Accrued interest on bonds and installment contracts payable	(246,519)
Net pension liability	(73,409,877)
Deferred outflows related to the net pension liability	16,444,210
Deferred inflows related to the net pension liability	(6,676,167)
Net other postemployment benefits obligation	(14,413,196)
Compensated absences	(2,745,189)
Net position of governmental activities	<u>\$ 147,558,920</u>

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

CITY OF BATTLE CREEK, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2017

	General	Building Authority Bonds	Police Station Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 31,531,913	\$ -	\$ -	\$ 1,506,219	\$ 33,038,132
Licenses and permits	1,019,433	-	-	-	1,019,433
Intergovernmental	11,717,251	-	-	9,367,235	21,084,486
Charges for services	2,482,779	-	-	2,396,820	4,879,599
Fines and forfeitures	125,194	-	-	-	125,194
Investment earnings (loss)	145,145	-	20,344	(8,004)	157,485
Contributions	-	-	-	121,303	121,303
Rents and leases	-	-	-	25,237	25,237
Other	928,761	601,375	-	295,472	1,825,608
Total revenues	47,950,476	601,375	20,344	13,704,282	62,276,477
Expenditures					
Current expenditures:					
General government	6,648,823	-	2,729,484	3,825,573	13,203,880
Public safety	29,009,596	-	-	407,448	29,417,044
Public works	2,463,778	-	-	-	2,463,778
Highway and streets	-	-	-	9,568,383	9,568,383
Parks and recreation	3,036,624	-	-	1,975,821	5,012,445
Community development	-	-	-	1,126,055	1,126,055
Inspections	-	-	-	625,830	625,830
Unallocated	1,330,575	-	-	-	1,330,575
Debt service:					
Principal	-	465,000	-	1,607,734	2,072,734
Interest	-	136,375	-	1,231,086	1,367,461
Total expenditures	42,489,396	601,375	2,729,484	20,367,930	66,188,185
Revenue over (under) expenditures	5,461,080	-	(2,709,140)	(6,663,648)	(3,911,708)
Other financing sources (uses)					
Issuance of long-term debt	-	-	15,265,000	-	15,265,000
Premium on bonds	-	-	1,489,463	-	1,489,463
Transfers in	21,113	-	-	6,567,639	6,588,752
Transfers out	(5,569,312)	-	-	(1,746,299)	(7,315,611)
Total other financing sources (uses)	(5,548,199)	-	16,754,463	4,821,340	16,027,604
Net change in fund balances	(87,119)	-	14,045,323	(1,842,308)	12,115,896
Fund balances, beginning of year	8,073,116	5,311	-	7,886,846	15,965,273
Fund balances, end of year	\$ 7,985,997	\$ 5,311	\$ 14,045,323	\$ 6,044,538	\$ 28,081,169

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

CITY OF BATTLE CREEK, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2017

Net change in fund balances - total governmental funds	\$ 12,115,896
Amounts reported for <i>governmental activities</i> 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.	
Acquisition/construction of capital assets	7,917,942
Donated capital assets	320,769
Depreciation expense	(10,483,434)
Loss on disposal of capital assets	(136,848)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather deferred to subsequent fiscal years.	
Change in long-term special assessments receivable	(67,903)
Change in assets held for resale	(137,000)
Change in unavailable revenues related to loans receivable	(429,194)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term debt in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.	
Principal payments on long-term debt	2,072,734
Amount received from other entities for their share of debt principal	(465,000)
Proceeds from issuance of long-term debt	(15,265,000)
Bond premium on issuance of long-term debt	(1,489,463)
Internal service funds are used by management to charge the costs of certain equipment usage to individual governmental funds. The net revenues (expense) attributable to those funds is reported with governmental activities.	
Net operating income from governmental activities in internal service funds	61,436
Interest paid from governmental activities in internal service funds	(8,090)
Transfers received in governmental internal service funds	1,127,168
Transfers made from governmental internal services funds	(840,260)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Change in accrued interest payable on bonds	(8,223)
Change in the net pension liability and related deferred amounts	(7,745,217)
Change in net other postemployment benefits obligation	(2,490,537)
Change in the accrual for compensated absences	(64,593)
Change in net position of governmental activities	<u>\$ (16,014,817)</u>

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

CITY OF BATTLE CREEK, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes:				
City income	\$ 16,575,000	\$ 16,575,000	\$ 16,581,118	\$ 6,118
Real estate	12,323,788	12,323,788	12,294,325	(29,463)
Personal property	2,304,090	2,304,090	1,932,676	(371,414)
Administration fees	655,397	655,397	657,984	2,587
Other	1,500	1,500	65,810	64,310
Total taxes	31,859,775	31,859,775	31,531,913	(327,862)
Licenses and permits	941,875	941,875	1,019,433	77,558
Intergovernmental:				
State shared - statutory	1,436,386	1,436,386	1,436,386	-
State shared - constitutional	4,129,439	4,129,439	4,191,285	61,846
Other	2,157,234	6,073,542	6,089,580	16,038
Total intergovernmental	7,723,059	11,639,367	11,717,251	77,884
Charges for services:				
Parks and recreation	1,617,351	1,617,351	1,450,606	(166,745)
Police services	922,604	1,029,508	1,032,173	2,665
Total charges for services	2,539,955	2,646,859	2,482,779	(164,080)
Fines and forfeitures	150,500	150,500	125,194	(25,306)
Investment earnings	425,821	162,821	145,145	(17,676)
Other:				
Rent and leases	254,284	254,284	209,509	(44,775)
Contributions and donations	-	-	4,309	4,309
Miscellaneous and other	497,958	556,787	714,943	158,156
Total other	752,242	811,071	928,761	117,690
Total revenues	44,393,227	48,212,268	47,950,476	(261,792)

continued...

CITY OF BATTLE CREEK, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures				
General government:				
Administration:				
Mayor and city commission	\$ 104,036	\$ 104,036	\$ 96,150	\$ (7,886)
City clerk	313,380	313,599	319,492	5,893
City manager	977,726	1,033,726	1,018,938	(14,788)
City hall maintenance	370,767	370,767	361,464	(9,303)
Neighborhood code compliance	342,571	348,021	360,107	12,086
Labor relations	230,589	270,589	322,460	51,871
Human resources	373,621	511,621	428,035	(83,586)
Legal department	928,536	928,536	949,183	20,647
Elections	234,039	205,952	154,592	(51,360)
Civil service	101,730	101,730	88,797	(12,933)
Administrative reimbursements	(1,110,527)	(1,108,967)	(1,108,967)	-
Total administration	2,866,468	3,079,610	2,990,251	(89,359)
Community development:				
City planning	584,370	682,694	593,179	(89,515)
Housing board of appeals	5,450	-	-	-
Total community development	589,820	682,694	593,179	(89,515)
Finance:				
Accounting	896,081	922,488	939,337	16,849
Purchasing	310,664	310,664	311,428	764
Treasurer's office	361,676	344,002	339,804	(4,198)
Assessing	903,533	903,533	840,535	(62,998)
Income tax division	645,965	652,100	634,289	(17,811)
Total finance	3,117,919	3,132,787	3,065,393	(67,394)
Total general government	6,574,207	6,895,091	6,648,823	(246,268)

continued...

CITY OF BATTLE CREEK, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (continued)				
Public safety:				
Police department:				
Administration	\$ 1,066,472	\$ 1,066,472	\$ 1,052,521	\$ (13,951)
Crime lab	724,132	724,632	734,794	10,162
Investigation	1,528,286	1,529,686	1,597,390	67,704
Fleet management	174,457	252,557	219,275	(33,282)
Special investigative unit	730,520	730,520	725,775	(4,745)
Management service	947,719	948,899	776,072	(172,827)
Patrol	10,423,531	10,332,172	10,642,797	310,625
Community service	1,086,552	1,098,172	998,450	(99,722)
Contractual service	-	286,228	247,134	(39,094)
Officer training	243,258	243,758	245,467	1,709
Detention center	120,137	120,137	114,875	(5,262)
Total police department	17,045,064	17,333,233	17,354,550	21,317
Fire department:				
Administration	1,218,301	1,213,401	1,245,308	31,907
Fire fighting	8,186,869	8,481,882	8,734,856	252,974
Total fire department	9,405,170	9,695,283	9,980,164	284,881
Dispatch	1,118,442	1,496,442	1,490,186	(6,256)
Civil defense	176,820	177,820	184,696	6,876
Total public safety	27,745,496	28,702,778	29,009,596	306,818
Public works:				
Street and storm sewers	421,927	421,927	390,975	(30,952)
Engineering	159,924	159,924	175,950	16,026
Street lighting	1,100,000	1,100,000	1,123,064	23,064
Downtown maintenance	689,793	689,793	599,582	(90,211)
Outside service	136,944	157,944	174,207	16,263
Total public works	2,508,588	2,529,588	2,463,778	(65,810)

continued...

CITY OF BATTLE CREEK, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Parks and recreation:				
Administration	\$ 849,295	\$ 840,058	\$ 782,481	\$ (57,577)
Sports	1,593,607	1,545,787	1,393,397	(152,390)
Youth center and water park	720,851	720,851	860,746	139,895
Total parks and recreation	3,163,753	3,106,696	3,036,624	(70,072)
Unallocated:				
Special projects	219,831	289,902	373,117	83,215
Other	990,531	990,531	957,458	(33,073)
Total unallocated	1,210,362	1,280,433	1,330,575	50,142
Total expenditures	41,202,406	42,514,586	42,489,396	(25,190)
Revenue over expenditures	3,190,821	5,697,682	5,461,080	(236,602)
Other financing sources (uses)				
Transfers in	-	21,113	21,113	-
Transfers out	(3,829,217)	(5,626,388)	(5,569,312)	(57,076)
Total other financing uses	(3,829,217)	(5,605,275)	(5,548,199)	(57,076)
Net change in fund balance	(638,396)	92,407	(87,119)	(179,526)
Fund balance, beginning of year	8,073,116	8,073,116	8,073,116	-
Fund balance, end of year	\$ 7,434,720	\$ 8,165,523	\$ 7,985,997	\$ (179,526)

concluded.

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

CITY OF BATTLE CREEK, MICHIGAN

Statement of Net Position
 Proprietary Funds
 June 30, 2017

	Business-type Activities - Enterprise Funds			Governmental Activities	
	Water and Wastewater System	Battle Creek Transit System	Nonmajor Enterprise Funds	Internal Service Funds	
Assets					
Current assets:					
Pooled cash and investments	\$ 24,438,657	\$ -	\$ 8,402,856	\$ 32,841,513	\$ 6,865,033
Receivables:					
Interest	-	-	22,972	22,972	90,474
Accounts	3,599,574	80	707,932	4,307,586	836,888
Special assessments	130,923	-	-	130,923	-
Grants	16,081	1,162,773	-	1,178,854	-
Loans, current portion	-	-	3,025,457	3,025,457	-
Inventories	1,487,367	83,669	-	1,571,036	440,959
Prepaid items	-	-	-	-	460,500
Total current assets	<u>29,672,602</u>	<u>1,246,522</u>	<u>12,159,217</u>	<u>43,078,341</u>	<u>8,693,854</u>
Noncurrent assets:					
Loans receivable, long-term portion	-	-	169,328	169,328	-
Capital assets, net	78,820,367	1,689,704	17,212,659	97,722,730	3,895,556
Total noncurrent assets	<u>78,820,367</u>	<u>1,689,704</u>	<u>17,381,987</u>	<u>97,892,058</u>	<u>3,895,556</u>
Total assets	<u>108,492,969</u>	<u>2,936,226</u>	<u>29,541,204</u>	<u>140,970,399</u>	<u>12,589,410</u>
Deferred outflows of resources					
Deferred pension amounts	<u>2,594,823</u>	<u>828,523</u>	<u>318,664</u>	<u>3,742,010</u>	<u>-</u>
Liabilities					
Current liabilities:					
Accounts payable and accrued liabilities	1,443,493	81,838	687,131	2,212,462	250,647
Accrued payroll	8,470	742	-	9,212	-
Compensated absences, current portion	393,553	63,037	65,250	521,840	133,145
Retentions, deposits and other liabilities	202,008	-	88,305	290,313	-
Accrued interest payable	96,734	-	3,172	99,906	-
Claims payable, current portion	-	-	-	-	2,226,738
Interfund payable	-	324,409	-	324,409	-
Unearned revenue	62,805	-	87,988	150,793	77,035
Lease payable, current portion	-	-	40,446	40,446	109,792
Bonds payable, current portion	1,363,469	-	-	1,363,469	-
Total current liabilities	<u>3,570,532</u>	<u>470,026</u>	<u>972,292</u>	<u>5,012,850</u>	<u>2,797,357</u>
Noncurrent liabilities:					
Compensated absences	43,728	7,004	7,249	57,981	-
Claims payable	-	-	-	-	1,716,433
Lease payable	-	-	42,626	42,626	329,785
Bonds payable	18,579,589	-	-	18,579,589	-
Net pension liability	17,100,062	5,460,020	2,100,008	24,660,090	-
Total noncurrent liabilities	<u>35,723,379</u>	<u>5,467,024</u>	<u>2,149,883</u>	<u>43,340,286</u>	<u>2,046,218</u>
Total liabilities	<u>39,293,911</u>	<u>5,937,050</u>	<u>3,122,175</u>	<u>48,353,136</u>	<u>4,843,575</u>
Deferred inflows of resources					
Deferred pension amounts	<u>267,475</u>	<u>85,404</u>	<u>32,848</u>	<u>385,727</u>	<u>-</u>
Net position					
Net investment in capital assets	58,877,309	1,689,704	17,129,587	77,696,600	3,455,979
Unrestricted (deficit)	12,649,097	(3,947,409)	9,575,258	18,276,946	4,289,856
Total net position	<u>\$ 71,526,406</u>	<u>\$ (2,257,705)</u>	<u>\$ 26,704,845</u>	<u>\$ 95,973,546</u>	<u>\$ 7,745,835</u>

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

CITY OF BATTLE CREEK, MICHIGAN

Reconciliation

Net Position of Enterprise Funds
to Net Position of Business-type Activities
June 30, 2017

Net position - total enterprise funds \$ 95,973,546

Amounts reported for *business-type activities* in the statement of net position
are different because:

Internal service funds are used by management to charge the costs of certain services
to individual governmental and enterprise funds. The net revenues (expense) of
the internal service funds are allocated to governmental and business-type activities.

Portion of internal service funds cumulative net operating income
attributed to enterprise funds.

155,861

Net position of business-type activities

\$ 96,129,407

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

CITY OF BATTLE CREEK, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Wastewater System	Battle Creek Transit System	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenues					
Charges for services	\$ 25,925,301	\$ 373,131	\$ 6,063,218	\$ 32,361,650	\$ 18,986,244
Rents and leases	197,807	-	-	197,807	1,625,510
Other	554,308	5,169	144,787	704,264	822,584
Total operating revenues	26,677,416	378,300	6,208,005	33,263,721	21,434,338
Operating expenses					
Personal services	9,878,500	3,435,308	1,466,042	14,779,850	3,222,302
Materials and supplies	2,070,868	504,957	149,270	2,725,095	1,964,380
Contractual and other	7,421,830	573,796	4,863,540	12,859,166	15,009,325
Depreciation	6,220,151	274,829	1,113,625	7,608,605	1,142,538
Total operating expenses	25,591,349	4,788,890	7,592,477	37,972,716	21,338,545
Operating income (loss)	1,086,067	(4,410,590)	(1,384,472)	(4,708,995)	95,793
Nonoperating revenues (expenses)					
Intergovernmental subsidies	25,860	2,719,879	951,016	3,696,755	-
Investment earnings (loss)	(6,297)	-	55,693	49,396	-
Interest expense	(305,463)	-	(7,414)	(312,877)	(8,090)
Loss on disposal of capital assets	(3,996,528)	(2,917)	-	(3,999,445)	-
Bad debts	-	-	(64,693)	(64,693)	-
Total nonoperating revenues	(4,282,428)	2,716,962	934,602	(630,864)	(8,090)
Income (loss) before transfers	(3,196,361)	(1,693,628)	(449,870)	(5,339,859)	87,703
Transfers in	-	938,230	9,036	947,266	1,127,168
Transfers out	(481,376)	(4,734)	(21,205)	(507,315)	(840,260)
Change in net position	(3,677,737)	(760,132)	(462,039)	(4,899,908)	374,611
Net position (deficit), beginning of year	75,204,143	(1,497,573)	27,166,884	100,873,454	7,371,224
Net position (deficit), end of year	\$ 71,526,406	\$ (2,257,705)	\$ 26,704,845	\$ 95,973,546	\$ 7,745,835

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

CITY OF BATTLE CREEK, MICHIGAN

Reconciliation

Change in Net Position of Enterprise Funds
to Change in Net Position of Business-type Activities
For the Year Ended June 30, 2017

Change in net position - total enterprise funds	\$ (4,899,908)
Amounts reported for <i>business-type activities</i> in the statement of activities are different because:	
Internal service funds are used by management to charge the costs of certain services to individual governmental and enterprise funds. The current year net operating income of the internal service funds are allocated to governmental and business-type activities.	<u>34,357</u>
Change in net position of business-type activities	<u><u>\$ (4,865,551)</u></u>

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

CITY OF BATTLE CREEK, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Wastewater System	Battle Creek Transit System	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities					
Receipts from customers and users	\$ 26,684,758	\$ 466,016	\$ 6,365,140	\$ 33,515,914	\$ -
Receipts from interfund services	-	-	-	-	21,434,338
Payments to suppliers and contractors	(9,743,515)	(1,049,762)	(4,610,206)	(15,403,483)	(18,067,264)
Payments to employees	(8,610,524)	(2,962,648)	(1,291,668)	(12,864,840)	(3,216,724)
Payments for interfund services	(27,877)	(3,985)	(2,017)	(33,879)	-
Net cash provided by (used in) operating activities	8,302,842	(3,550,379)	461,249	5,213,712	150,350
Cash flows from noncapital financing activities					
Transfers in	-	938,230	9,036	947,266	1,127,168
Transfers out	(481,376)	(4,734)	(21,205)	(507,315)	(840,260)
Intergovernmental subsidies	25,860	2,719,879	951,016	3,696,755	-
Net cash provided by (used in) noncapital financing activities	(455,516)	3,653,375	938,847	4,136,706	286,908
Cash flows from capital and related financing activities					
Principal and interest paid on debt	(3,303,832)	-	(111,993)	(3,415,825)	-
Principal and interest paid on capital lease	-	-	-	-	(109,236)
Issuance of capital lease	-	-	-	-	494,724
Bond issuance premium	822,454	-	-	822,454	-
Issuance of revenue bonds	16,615,000	-	-	16,615,000	-
Purchase of capital assets	(8,447,119)	(102,996)	(793,189)	(9,343,304)	(1,960,571)
Net cash provided by (used in) capital and related financing activities	5,686,503	(102,996)	(905,182)	4,678,325	(1,575,083)
Cash flows from investing activities					
Interest on investments	(6,297)	-	68,824	62,527	(8,699)
Net change in pooled cash and investments	13,527,532	-	563,738	14,091,270	(1,146,524)
Pooled cash and investments, beginning of year	10,911,125	-	7,839,118	18,750,243	8,011,557
Pooled cash and investments, end of year	\$ 24,438,657	\$ -	\$ 8,402,856	\$ 32,841,513	\$ 6,865,033

continued...

CITY OF BATTLE CREEK, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Wastewater System	Battle Creek Transit System	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities					
Operating income (loss)	\$ 1,086,067	\$ (4,410,590)	\$ (1,384,472)	\$ (4,708,995)	\$ 95,793
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	6,220,151	274,829	1,113,625	7,608,605	1,142,538
Bad debts	-	-	(64,693)	(64,693)	-
Changes in assets and liabilities:					
Accounts receivable	(10,559)	(80)	(4,154)	(14,793)	(286,559)
Special assessments receivable	(11,956)	-	-	(11,956)	-
Grants receivable	(220)	87,796	-	87,576	-
Loans receivable	-	-	223,564	223,564	-
Inventories	(56,941)	(5,137)	-	(62,078)	40,669
Prepaid items	12,509	-	-	12,509	26,583
Accounts payable and accrued liabilities	(241,034)	30,143	394,286	183,395	(294,200)
Compensated absences	33,991	(7,069)	23,874	50,796	5,578
Retentions, deposits and other liabilities	6,772	-	6,301	13,073	-
Claims payable	-	-	-	-	(574,329)
Interfund payable	-	85,721	-	85,721	-
Unearned revenue	30,077	-	1,375	31,452	(5,723)
Net pension liability and related deferred outflows/inflows	1,233,985	394,008	151,543	1,779,536	-
Net cash provided by (used in) operating activities	<u>\$ 8,302,842</u>	<u>\$ (3,550,379)</u>	<u>\$ 461,249</u>	<u>\$ 5,213,712</u>	<u>\$ 150,350</u>

concluded.

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

CITY OF BATTLE CREEK, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2017

	Pension and Other Employee Benefit Trust Funds	Agency Funds
Assets		
Pooled cash and investments	\$ 1,060,270	\$ 178,925
Cash and cash equivalents	3,795,129	-
Investments:		
Fixed income:		
Corporate bonds	26,754,180	-
Foreign bonds	3,055,076	-
Municipal bonds	978,540	-
U.S. government securities	30,560,036	-
Equity-indexed institutional funds	26,837,825	-
Domestic equities	26,813,296	-
Foreign equities	3,334,112	-
American depositary receipts	15,118,612	-
Mutual funds	5,056,298	-
Real estate trusts	673,771	-
Interest receivable	390,030	-
Pension contributions receivable	108,733	-
Delinquent taxes receivable	-	452,417
Total assets	<u>144,535,908</u>	<u>\$ 631,342</u>
Liabilities		
Obligation for impaired investment of securities lending collateral	131,239	\$ -
Undistributed receipts	-	631,342
Total liabilities	<u>131,239</u>	<u>\$ 631,342</u>
Net position		
Restricted for pension and postemployment healthcare benefits	<u>\$ 144,404,669</u>	

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

CITY OF BATTLE CREEK, MICHIGAN

Statement of Changes in Fiduciary Net Position

Pension and Other Employee Benefit Trust Funds
For the Year Ended June 30, 2017

Additions

Investment income:

From investing activities:

Net appreciation in fair value of investments	\$ 9,232,406
Interest and dividends	3,356,115
Less investment expenses	<u>(477,910)</u>

Net income from investing activities	<u>12,110,611</u>
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From securities lending activities:

Gross earnings	29,893
Borrower rebates	(25,181)
Securities lending fees	<u>16,511</u>

Net income from securities lending activities	<u>21,223</u>
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Total net investment income	<u>12,131,834</u>
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Contributions:

Employer	5,950,965
Employees	<u>1,443,101</u>

Total contributions	<u>7,394,066</u>
---------------------	------------------

Total additions	<u>19,525,900</u>
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Deductions

Pension benefit payments	10,370,514
Contribution refunds	5,392
Medical insurance premiums/benefits	1,831,211
Administrative expenses	<u>229,930</u>

Total deductions	<u>12,437,047</u>
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Change to net position restricted for benefits	7,088,853
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Net position, beginning of year	<u>137,315,816</u>
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Net position, end of year	<u><u>\$ 144,404,669</u></u>
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The accompanying notes are an integral part of these financial statements.

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COMPONENT UNITS FINANCIAL STATEMENTS

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Net Position

Component Units

June 30, 2017

	Battle Creek Downtown Development Authority	Lakeview Downtown Development Authority	Battle Creek Tax Increment Financing Authority	Brownfield Redevelopment Authority
Assets				
Pooled cash and investments	\$ 1,132,076	\$ 104,611	\$ 19,249,193	\$ 516,237
Receivables, net	358,133	5,146	404,099	-
Prepaid items	2,500	-	-	-
Loans receivable, net:				
Due within one year	106,637	-	-	-
Due in more than one year	161,064	-	3,429,670	-
Capital assets not being depreciated	-	-	14,886,061	-
Capital assets being depreciated, net	-	-	1,056,552	-
Total assets	1,760,410	109,757	39,025,575	516,237
Deferred outflows of resources				
Deferred charge on refunding	2,067,774	-	-	-
Liabilities				
Accounts payable and accrued liabilities	271,290	6,563	3,705,709	266,254
Accrued interest payable	227,425	-	16,633	-
Unearned revenue	1,975	-	-	-
Long-term debt:				
Due within one year	1,327,064	-	394,204	-
Due in more than one year	32,628,256	-	4,545,635	3,429,670
Total liabilities	34,456,010	6,563	8,662,181	3,695,924
Net position				
Investment in capital assets	-	-	15,942,613	-
Restricted for loan commitments and lending activity	1,255,012	-	-	-
Unrestricted (deficit)	(31,882,838)	103,194	14,420,781	(3,179,687)
Total net position (deficit)	\$ (30,627,826)	\$ 103,194	\$ 30,363,394	\$ (3,179,687)

continued...

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Net Position

Component Units

June 30, 2017

	Local Development Finance Authority	Cereal City Development Corporation	Total
Assets			
Pooled cash and investments	\$ 22,536	\$ -	\$ 21,024,653
Receivables, net	12	74,528	841,918
Prepaid items	-	-	2,500
Loans receivable, net:			
Due within one year	-	-	106,637
Due in more than one year	-	-	3,590,734
Capital assets not being depreciated	-	-	14,886,061
Capital assets being depreciated, net	-	-	1,056,552
Total assets	22,548	74,528	41,509,055
Deferred outflows of resources			
Deferred charge on refunding	-	-	2,067,774
Liabilities			
Accounts payable and accrued liabilities	-	74,528	4,324,344
Accrued interest payable	-	-	244,058
Unearned revenue	-	-	1,975
Long-term debt:			
Due within one year	-	-	1,721,268
Due in more than one year	-	-	40,603,561
Total liabilities	-	74,528	46,895,206
Net position			
Investment in capital assets	-	-	15,942,613
Restricted for loan commitments and lending activity	-	-	1,255,012
Unrestricted (deficit)	22,548	-	(20,516,002)
Total net position (deficit)	\$ 22,548	\$ -	\$ (3,318,377)

concluded.

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

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Activities

Component Units

For the Year Ended June 30, 2017

	Battle Creek Downtown Development Authority	Lakeview Downtown Development Authority	Battle Creek Tax Increment Financing Authority	Brownfield Redevelopment Authority
Expenses				
Community development	\$ 2,126,738	\$ 1,905,652	\$ 6,613,735	\$ 181,597
Program revenues				
Charges for services	4,595	-	27,628	-
Operating grants and contributions	1,684,972	34,178	-	252,676
Capital grants and contributions	-	-	4,576,980	603
Total program revenues	1,689,567	34,178	4,604,608	253,279
Net program revenues (expenses)	(437,171)	(1,871,474)	(2,009,127)	71,682
General revenues				
Property taxes	1,373,282	1,876,002	1,885,897	292,171
Rents and leases	45,138	-	25,967	-
Unrestricted investment earnings	8,460	-	154,155	-
Total general revenues	1,426,880	1,876,002	2,066,019	292,171
Change in net position	989,709	4,528	56,892	363,853
Net position (deficit), beginning of year	(31,617,535)	98,666	30,306,502	(3,543,540)
Net position (deficit), end of year	\$ (30,627,826)	\$ 103,194	\$ 30,363,394	\$ (3,179,687)

continued...

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Activities

Component Units

For the Year Ended June 30, 2017

	Local Development Finance Authority	Cereal City Development Corporation	Total
Expenses			
Community development	\$ 1,548	\$ 1,328,872	\$ 12,158,142
Program revenues			
Charges for services	-	119,750	151,973
Operating grants and contributions	-	1,202,581	3,174,407
Capital grants and contributions	-	-	4,577,583
Total program revenues	-	1,322,331	7,903,963
Net program revenues (expenses)	(1,548)	(6,541)	(4,254,179)
General revenues			
Property taxes	-	-	5,427,352
Rents and leases	-	6,541	77,646
Unrestricted investment earnings	-	-	162,615
Total general revenues	-	6,541	5,667,613
Change in net position	(1,548)	-	1,413,434
Net position (deficit), beginning of year	24,096	-	(4,731,811)
Net position (deficit), end of year	\$ 22,548	\$ -	\$ (3,318,377)

concluded.

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

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NOTES TO FINANCIAL STATEMENTS

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying financial statements present the activities of the City of Battle Creek, Michigan (the “City”) and its seven component units, legally separate organizations for which the City is financially accountable. The activities of the Building Authority are so intertwined with the City that it is, in substance, the same as the City and, therefore, is blended and reported as if it were part of the City. The other six component units are not so intertwined and, therefore, are discretely presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. The component units each have a June 30 year-end.

Component Unit	Included in the Reporting Entity Because	Separate Financial Statements Available
Building Authority (BA); finances and constructs the City’s public buildings	City Commission appoints, may remove BA board and would be financially responsible for any debt of the BA	Not prepared
Downtown Development Authority (DDA); corrects and prevents deterioration in the downtown district, encourages historical preservation and promotes economic development	City Commission appoints, may remove DDA board and would be financially responsible for any debt of the DDA	Finance Department in City Hall
Lakeview Downtown Development Authority (LDDA); promotes development of the Lakeview district	City Commission appoints, may remove LDDA board and would be financially responsible for any debt of the LDDA	Finance Department in City Hall
Tax Increment Financing Authority (TIFA); administers the Fort Custer Industrial Park development district	City Commission appoints, may remove TIFA board and would be financially responsible for any debt of the TIFA	Finance Department in City Hall
Brownfield Redevelopment Authority (BRA); administers brownfield redevelopment projects	City Commission appoints, may remove BRA board and would be financially responsible for any debt of the BRA	Finance Department in City Hall
Local Development Finance Authority (LDFA); encourages technological development through the City’s “SmartZone”	City Commission appoints, may remove LDFA board and would be financially responsible for any debt of the LDFA	Finance Department in City Hall
Cereal City Development Corporation (CCDC); promotes community and economic development through the organization and management of events in the City	City Commission appoints, may remove CCDC board and would be financially responsible for any debt of the CCDC	Not prepared

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Basis of Presentation

Government-wide Financial Statements. The statements of net position and activities display information about the primary government (the "City") and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the City's *governmental* and *business-type activities*. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category - *governmental, proprietary and fiduciary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

General fund. This is the government's primary operating fund. It is used to account for and report all financial resources not accounted for and reported in another fund.

Building authority bonds debt service fund. This fund accounts for the financial resources restricted, committed or assigned to expenditure for principal and interest.

Police station capital project fund. This fund accounts for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets for the police facility.

The City has the following major enterprise funds:

Water and wastewater system enterprise fund. This fund accounts for the activities of the City's water distribution, water treatment, sewage disposal and sewage treatment systems.

Battle Creek transit system fund. This fund accounts for the activities of the City's transit system.

Additionally, the City reports the following fund types:

Special revenue funds. These funds are used to account and report proceeds of *specific revenue sources* that are *restricted* or *committed* to expenditure for *specific purposes* other than debt service or capital projects.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Debt service funds. These funds account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

Capital projects funds. These funds account for all financial resources restricted to expenditure for the acquisition or construction of capital assets.

Permanent funds. These funds account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's purposes.

Enterprise funds. These funds account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Internal service funds. These funds account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. This includes machinery, equipment and building space management services; liability, auto, health, dental, life and workers' compensation self-insurance; information technology services; and printing, mailing and reproduction services.

Pension and other employee benefits trust funds. These funds account for the activities of the Police and Fire Retirement System, Retiree Health Insurance Funding Trust (formerly known as Voluntary Employee Beneficiary Association), and Fire Retiree Health Care Trust, which accumulate resources for retirement and other employee benefit payments to qualified employees.

Agency funds. These funds account for assets held for other governments in an agency capacity, including property tax collections and fire insurance escrow.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide, proprietary and fiduciary fund financial statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds, which do not have a measurement focus. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses for proprietary funds include the cost of sales/services, administration and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Governmental fund financial statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end, except for income tax revenue for which a 15-day collection period is used. Property taxes, franchise taxes, licenses and interest are considered to be susceptible to accrual.

Expenditures generally are recorded when a related fund liability is incurred, except for debt service expenditures, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues, subject to satisfying any grant program matching provisions.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity

Deposits and Investments

The City maintains a cash and investment pool for all City monies. Each fund's portion of the cash and investment pool is displayed on the statement of net position or balance sheet as "pooled cash and investments." The cash resources of the pension and other employee benefits trust funds are invested separately. The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments. The State's Pension Investment Act, as amended, authorizes the pension trust fund to invest in common stocks, real estate, and various other investment instruments, subject to certain limitations.

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have established market values are reported at estimated fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

Unrealized appreciation or depreciation on pension trust fund investments due to changes in fair value are recognized each year.

Receivables and Payables

All trade and delinquent property tax receivables are shown net of an allowance for uncollectibles, as applicable.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Certain loans receivable in governmental funds consist of rehabilitation and redevelopment loans that are generally not expected or scheduled to be collected in the subsequent year.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either *interfund receivables/payables* (i.e., the current portion of interfund loans) or *advances to/from other funds* (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as *internal balances*.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (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. The government defines capital assets as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land improvements	5-50
Buildings	50
Vehicles	7-10
Equipment	3-10
Public domain infrastructure	50
Water and wastewater system infrastructure	25-50

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then. The City reports a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also reports deferred outflows of resources related to the net pension liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and compensatory time benefits, subject to certain limitations. Certain bargaining unit employees (i.e., firefighters) are also permitted to accumulate earned but unused sick leave. All vacation and compensatory time pay and 50 percent of sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. Liability accruals for vacation and compensatory time in the government-wide and proprietary fund financial statements are allocated between current and long-term liabilities; the liability for sick leave in the governmental activities is allocated between current and long-term. The classifications between current and long-term are based on approximate recent historical usage.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts 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.

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 actual debt proceeds, are reported as debt service expenditures.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources until that time. The governmental funds report unavailable revenues, which arise only under the modified accrual basis of accounting, from three sources: special assessments, property taxes, and loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the City reports deferred inflows of resources for changes in expected and actual investment returns, assumptions, and benefits provided in its pension plans.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Fund Balances

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the City Commission. The City Commission is the highest level of decision-making authority for the government that can authorize a resolution prior to the end of the fiscal year to commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. *Assigned fund balance* is reported for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Commission has by resolution authorized City management to assign fund balance. *Unassigned fund balance* is the residual classification used only for the general fund and any deficits reported in other governmental funds.

When the government incurs expenditures for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed, assigned and finally unassigned fund balance.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. Annual appropriations lapse at year-end, except for those approved by the City Commission for carry forward. The legal level of budgetary control is the activity level.

The City Commission requires the City Manager to submit an estimate of revenues and anticipated expenditures for the succeeding fiscal year in June. The City Manager is then authorized to assign and transfer budget amounts within each fund to the extent that the net total fund appropriation (which the City defines as gross authorized expenditures less related revenues that are specifically designated to fund those activities) is not exceeded. City Commission approval is required for any budgetary changes that result in an increase to net appropriations.

Formal budgetary integration is employed as a management control during the year. Supplemental appropriations were approved by the City Commission in the form of budget amendment resolutions or as part of special authorizing motions for grants, bonds or notes, the total of which was not significant in relation to the original budget appropriation valuations.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the City were adopted on an activity level basis, although budget and actual information in the fund financial statements have been presented at a level of detail greater than the level of legal budgetary control.

During the year ended June 30, 2017, the City incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	Amended Budget	Actual	Over Budget
General fund:			
Public safety:			
Police department	\$ 17,333,233	\$ 17,354,550	\$ 21,317
Fire department	9,695,283	9,980,164	284,881
Civil defense	177,820	184,696	6,876
Unallocated	1,280,433	1,330,575	50,142
Nonmajor governmental funds:			
Narcotics forfeiture fund	155,030	168,226	13,196
Binder park golf course	1,186,822	1,193,166	6,344

4. DEPOSITS AND INVESTMENTS - POOLED CASH AND INVESTMENTS

Following is a reconciliation of deposit and investment balances, including both pooled cash and investments as well as pension and other employee benefits trust fund balances, as of June 30, 2017:

	Primary Government	Component Units	Total
Statement of net position			
Pooled cash and investments	\$ 68,045,008	\$ 21,024,653	\$ 89,069,661
Statement of fiduciary net position			
Pooled cash and investments:			
Agency funds	178,925	-	178,925
Other employee benefits	1,060,270	-	1,060,270
Cash and cash equivalents - pension	3,795,129	-	3,795,129
Investments:			
Pension	134,348,611	-	134,348,611
Other employee benefits	4,833,135	-	4,833,135
Total	<u>\$ 212,261,078</u>	<u>\$ 21,024,653</u>	<u>\$ 233,285,731</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Deposits and investments:	
Bank deposits (checking, savings and certificates of deposit)	\$ 30,962,273
Portfolio cash - pension	3,795,129
Investments in securities, mutual funds and similar vehicles:	
Pool	59,333,546
Pension	134,348,611
Other employee benefits	4,833,135
Cash on hand	<u>13,037</u>
 Total	 <u><u>\$ 233,285,731</u></u>

Custodial Credit Risk - Deposits. For deposits, custodial credit risk is the risk, that in the event of a bank failure, the City’s deposits may not be returned to the government. As of June 30, 2017, \$30,272,552 of the City’s total bank balance of \$30,948,702 (total book balance was \$30,962,273) was exposed to custodial credit risk as it was uninsured and uncollateralized.

The City’s investment policy does not specifically address this risk, although the City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk - Investments. Following is a summary of the City’s pooled investments as of June 30, 2017:

U.S. agencies	\$ 47,230,463
Municipal bonds	3,840,000
Commercial bonds	799,448
Money market accounts	<u>7,463,635</u>
 Total investments	 <u><u>\$ 59,333,546</u></u>

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of June 30, 2017, none of the City’s investments, excluding the money market accounts which are not subject to custodial credit risk, were exposed to risk since the securities are held in the City’s name by the counterparty.

Credit Risk. As of June 30, 2017, all of the City’s investments in securities of U.S. agencies were rated AA+ by Standard & Poor’s. The City also held investments in municipal bonds rated A-, commercial bonds rated AA+ and money market accounts rated AAA by Standard and Poor’s. All of the City’s investments comply with its policy regarding the types of investments it may hold.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Concentration of Credit Risk. At June 30, 2017, the investment portfolio was concentrated as follows:

	% of portfolio
U.S. agencies	
Federal Farm Credit Bank	34.2%
Federal National Mortgage Association	21.9%
Federal Home Loan Bank	16.2%

The City’s investment policy does not address concentration of credit risk.

Interest Rate Risk. As of June 30, 2017, maturities of the City’s investments in the debt securities were as follows:

	Investment Maturities (fair value by years)				
	Fair Value	Less Than 1	1-5	6-10	Over 10
U.S. agencies	\$ 47,230,463	\$ 6,499,525	\$ 33,898,645	\$ 6,832,293	\$ -
Municipal bonds	3,840,000	-	-	-	3,840,000
Commercial bonds	799,448	-	-	-	799,448
	<u>\$ 51,869,911</u>	<u>\$ 6,499,525</u>	<u>\$ 33,898,645</u>	<u>\$ 6,832,293</u>	<u>\$ 4,639,448</u>

The City’s investment policy does not address interest rate risk.

Fair Value Measurements. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. These levels are determined by the City’s investment manager and are determined at the fund level based on a review of the investment’s class, structure and what kind of securities are held in the funds. The investment manager will request the information from the investment manager, if necessary.

The City’s recurring fair value measurements as of June 30, 2017 for its investments in the money market accounts are valued using quoted prices in active markets (Level 1 inputs.) Government agency funds, municipal bonds and the commercial bonds are valued using significant other observable inputs of the underlying securities and bonds (Level 2 inputs).

5. DEPOSITS, INVESTMENTS AND SECURITIES LENDING - PENSION AND OPEB TRUST FUNDS

The deposits and investments of the Police and Fire Retirement System Trust Fund (the “System”) and of the other employee benefits trust funds are maintained separately from the City’s pooled cash and investments, and are subject to separate investment policies and state statutes. Accordingly, the required disclosures for these deposits and investments are presented separately.

Deposits - The System and the other employee benefits trust funds do not maintain any checking or other demand/time deposit accounts. Amounts reported as cash and cash equivalents in the statement of plan net position are composed entirely of short-term investments in money market accounts.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Investments - The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the System to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The Retirement Board has the responsibility and authority to oversee the investment portfolio. Various professional investment managers are contracted to assist in managing the System's assets. All investment decisions are subject to Michigan law and the investment policy established by the Retirement Board.

Investments at fair value, as determined by
quoted market price

Fixed income:	
Corporate bonds	\$ 26,754,180
Foreign bonds	3,055,076
Municipal bonds	978,540
U.S. government securities	30,560,036
Equity-indexed institutional funds	26,837,825
Domestic equities	26,813,296
Foreign equities	3,334,112
American depositary receipts	15,118,612
Mutual funds	223,163
Real estate trusts	<u>673,771</u>
 Total investments	 <u><u>\$ 134,348,611</u></u>

In addition to the above, the System and the other employee benefits trust funds had short-term investments of \$3,795,129 held in money market funds and \$1,060,270 included in the City's pooled cash and investments as of June 30, 2017. Also, the Retirement Health Funding Vehicle fund, one of the other employee benefits trust funds, had \$4,833,135 held in a mutual fund at year-end.

Credit Risk. The System's investment policy provides that its investments in fixed income securities be limited to those rated BBB or better by a nationally recognized statistical rating organization. As of June 30, 2017, the System's investments in securities of U.S. agencies were not rated by Standard & Poor's. The System's investments in corporate bonds, foreign bonds, municipal bonds, and U.S. Government securities were rated by Standard & Poor's as follows:

	Rating
AAA	\$ 2,871,670
AA	3,187,475
A	5,862,721
BBB	9,046,338
BB	207,367
Not rated	<u>40,172,261</u>
 Totals	 <u><u>\$ 61,347,832</u></u>

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System's investment policy requires that investment securities be held in trust by a third-party institution in the System's name. As such, although uninsured and unregistered, the System's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the System's name. Investments in money market and mutual funds are not subject to custodial credit risk.

Concentration of Credit Risk. The System's investments are not exposed to concentration of credit risk relative to a single issuer (i.e. company or government agency) inasmuch as no holdings equal or exceed 5% or more of total investments.

The System's investment policy requires that the securities of any one company or government agency should not exceed 10% of the total fund and no more than 25% of the total fund should be invested in any one industry.

Interest Rate Risk. As of June 30, 2017, maturities of the System's debt securities were as follows:

	Fair Value	Investment Maturities (fair value by years)			
		Less Than 1	1-5	6-10	More Than 10
Corporate bonds	\$ 26,754,180	\$ 1,061,541	\$ 6,493,689	\$ 8,051,114	\$ 11,147,836
Foreign bonds	3,055,076	150,011	1,160,910	1,623,438	120,717
Municipal bonds	978,540	-	-	-	978,540
U.S government securities	30,560,036	-	7,402,223	7,010,403	16,147,410
	<u>\$ 61,347,832</u>	<u>\$ 1,211,552</u>	<u>\$ 15,056,822</u>	<u>\$ 16,684,955</u>	<u>\$ 28,394,503</u>

None of the above securities are callable.

The System's investment policy does not place limits on the maximum maturity for any single fixed income security or the weighted average for the portfolio maturity or a particular segment thereof. At June 30, 2017, the actual weighted average maturity was 14.42 years.

Foreign Currency Risk. Foreign currency risk is the risk that significant fluctuations in exchange rates may adversely affect the fair value of an investment. The System has various investment holdings in international equities of \$3,334,112, foreign bonds of \$3,055,076, and American depository receipts of \$15,118,612; these holdings are primarily in common and preferred stocks of Canadian (dollars) and European (euros) companies. The System does not have any policies regarding foreign currency risk.

Securities Lending. A contract approved by the System's Board permits the System to lend its securities to broker-dealers and banks (borrowers) for collateral that will be returned for the same securities in the future. The System's custodial bank manages the securities lending program and receives cash as collateral. The collateral securities cannot be pledged or sold by the System unless the borrower defaults. Collateral cash is initially pledged at 100 percent of the fair value of the securities lent, and may not fall below 100 percent during the term of the loan. There are no restrictions on the amount of securities that can be loaned. Securities on loan at year-end are classified in the preceding schedule of investments according to the category for the collateral received on the securities lent.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

At year-end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. The contract with the System’s custodian requires it to indemnify the System if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities’ issuers while the securities are on loan.

Also at year-end, through a cash collateral investing program provided by the custodial bank, the System has an obligation to repay \$131,239 of cash collateral that was invested in a Sigma Finance Medium Term Note, which is impaired. Any current or future recoveries from Sigma Finance are not expected.

Fair Value Measurements. The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The System had the following recurring fair value measurements as of June 30, 2017:

	Level 1	Level 2	Level 3	Total
Fixed income:				
Corporate bonds	\$ 319,574	\$ 26,434,606	\$ -	\$ 26,754,180
Foreign bonds	-	3,055,076	-	3,055,076
Municipal bonds	-	978,540	-	978,540
U.S. government securities	-	30,560,036	-	30,560,036
Equity-indexed institutional funds	26,837,825	-	-	26,837,825
Domestic equities	26,813,296	-	-	26,813,296
Foreign equities	3,334,112	-	-	3,334,112
American depository receipts	15,118,612	-	-	15,118,612
Mutual funds	-	223,163	-	223,163
Real estate trusts	673,771	-	-	673,771
	<u>\$ 73,097,190</u>	<u>\$ 61,251,421</u>	<u>\$ -</u>	<u>\$ 134,348,611</u>

The Retirement Health Funding Vehicle fund’s recurring fair value measurements as of June 30, 2017 were related to its investments in mutual funds. These investments are valued using significant other observable inputs of the underlying securities and bonds (Level 2 inputs).

6. RECEIVABLES

Receivables in the governmental and business-type activities are as follows:

	Governmental Activities	Business-type Activities
Interest	\$ 187,874	\$ 22,972
Accounts	6,107,752	4,879,314
Allowance for uncollectible accounts	(1,124,421)	(571,728)
Special assessments, due within one year	128,347	130,923
Grants	657,436	1,178,854
Loans, due within a year	4,457,729	3,025,457
Loans, long-term portion	3,002,517	169,328
	<u>\$ 13,417,234</u>	<u>\$ 8,835,120</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

7. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 2,122,331	\$ 63,380	\$ (135,378)	\$ 2,050,333
Construction in progress	155,531	1,620,376	(104,368)	1,671,539
	<u>2,277,862</u>	<u>1,683,756</u>	<u>(239,746)</u>	<u>3,721,872</u>
Capital assets being depreciated:				
Land improvements	25,549,082	14,560	-	25,563,642
Buildings	59,638,699	617,275	-	60,255,974
Vehicles	11,930,674	2,461,365	(214,300)	14,177,739
Equipment	26,666,284	750,751	(267,781)	27,149,254
Infrastructure	296,153,687	4,775,943	-	300,929,630
	<u>419,938,426</u>	<u>8,619,894</u>	<u>(482,081)</u>	<u>428,076,239</u>
Less accumulated depreciation for:				
Land improvements	(8,470,328)	(1,797,508)	-	(10,267,836)
Buildings	(28,444,007)	(2,085,999)	-	(30,530,006)
Vehicles	(9,431,868)	(891,512)	212,830	(10,110,550)
Equipment	(23,319,024)	(880,119)	267,781	(23,931,362)
Infrastructure	(120,034,752)	(5,970,834)	-	(126,005,586)
	<u>(189,699,979)</u>	<u>(11,625,972)</u>	<u>480,611</u>	<u>(200,845,340)</u>
Total capital assets being depreciated, net	<u>230,238,447</u>	<u>(3,006,078)</u>	<u>(1,470)</u>	<u>227,230,899</u>
Governmental activities capital assets, net	<u>\$ 232,516,309</u>	<u>\$ (1,322,322)</u>	<u>\$ (241,216)</u>	<u>\$ 230,952,771</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 286,801
Public safety	682,030
Public works, including depreciation of general infrastructure assets	7,867,695
Parks and recreation	1,646,908
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>1,142,538</u>
Total depreciation expense - governmental activities	<u>\$ 11,625,972</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 3,452,863	\$ -	\$ -	\$ 3,452,863
Construction in progress	8,616,468	4,634,076	(5,148,331)	8,102,213
	<u>12,069,331</u>	<u>4,634,076</u>	<u>(5,148,331)</u>	<u>11,555,076</u>
Capital assets being depreciated:				
Land improvements	6,580,157	169,021	-	6,749,178
Buildings	63,738,501	1,559,752	-	65,298,253
Vehicles	5,034,979	130,278	(307,195)	4,858,062
Equipment	15,252,407	22,045	(107,891)	15,166,561
Systems	192,934,255	4,010,677	(141,429)	196,803,503
	<u>283,540,299</u>	<u>5,891,773</u>	<u>(556,515)</u>	<u>288,875,557</u>
Less accumulated depreciation for:				
Land improvements	(4,643,215)	(140,685)	-	(4,783,900)
Buildings	(48,481,313)	(1,566,988)	-	(50,048,301)
Vehicles	(4,356,066)	(157,900)	304,276	(4,209,690)
Equipment	(14,319,223)	(218,883)	106,539	(14,431,567)
Systems	(123,822,337)	(5,524,149)	112,041	(129,234,445)
	<u>(195,622,154)</u>	<u>(7,608,605)</u>	<u>522,856</u>	<u>(202,707,903)</u>
Total capital assets being depreciated, net	<u>87,918,145</u>	<u>(1,716,832)</u>	<u>(33,659)</u>	<u>86,167,654</u>
Business-type activities capital assets, net	<u>\$ 99,987,476</u>	<u>\$ 2,917,244</u>	<u>\$ (5,181,990)</u>	<u>\$ 97,722,730</u>
Business-type activities:				
Wastewater				\$ 4,221,786
Water				1,998,365
Public transit				274,829
Airport				806,275
Parking				<u>307,350</u>
Total depreciation expense - business-type activities				<u>\$ 7,608,605</u>

During the fiscal year ended June 30, 2017, the City identified an impaired asset in the amount of \$3,966,076. This amount is included in the decreases in construction in progress.

At June 30, 2017, the City had outstanding commitments through construction contracts of approximately \$30.68 million in relation to the construction of a new police department facility, secondary energy project, and other building, street and equipment improvements.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Activity for the TIFA for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Component unit - TIFA				
Capital assets not being depreciated:				
Land	\$ 12,675,578	\$ 141,993	\$ -	\$ 12,817,571
Construction in progress	-	2,068,490	-	2,068,490
	<u>12,675,578</u>	<u>2,210,483</u>	<u>-</u>	<u>14,886,061</u>
Capital assets being depreciated:				
Land improvements	1,319,385	17,356	-	1,336,741
Buildings	315,845	-	-	315,845
Equipment	446,951	-	-	446,951
	<u>2,082,181</u>	<u>17,356</u>	<u>-</u>	<u>2,099,537</u>
Less accumulated depreciation for:				
Land improvements	(310,646)	(27,256)	-	(337,902)
Buildings	(254,228)	(14,894)	-	(269,122)
Equipment	(424,439)	(11,522)	-	(435,961)
	<u>(989,313)</u>	<u>(53,672)</u>	<u>-</u>	<u>(1,042,985)</u>
Total capital assets being depreciated, net	<u>1,092,868</u>	<u>(36,316)</u>	<u>-</u>	<u>1,056,552</u>
TIFA capital assets, net	<u>\$ 13,768,446</u>	<u>\$ 2,174,167</u>	<u>\$ -</u>	<u>\$ 15,942,613</u>

8. PAYABLES

Payables in the governmental and business-type activities are as follows:

	Governmental Activities	Business-type Activities
Accounts payable and accrued liabilities	\$ 3,299,963	\$ 2,212,462
Accrued payroll	2,768,320	9,212
Retentions, deposits and other liabilities	219,196	290,313
Claims payable, current portion	2,226,738	-
Claims payable, long-term portion	1,716,433	-
	<u>\$ 10,230,650</u>	<u>\$ 2,511,987</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2017, the following interfund balances were outstanding:

Receivable Fund	Payable Funds		Total
	Nonmajor Governmental Funds	Battle Creek Transit System Fund	
General fund	\$ 791,550	\$ 324,409	\$ 1,115,959

These balances result from negative cash balances in the respective funds with interfund payables, also to move charges for services from the general to nonmajor funds.

For the year ended June 30, 2017, interfund transfers consisted of the following:

Transfers Out	Transfers In			
	General Fund	Nonmajor Governmental Funds	Battle Creek Transit System	Nonmajor Enterprise Funds
General fund	\$ -	\$ 3,876,753	\$ 938,230	\$ -
Nonmajor governmental funds	113	1,730,564	-	9,036
Water and wastewater fund	-	151,232	-	-
Battle Creek Transit System fund	-	-	-	-
Nonmajor enterprise funds	-	-	-	-
Internal service funds	21,000	809,090	-	-
	<u>\$ 21,113</u>	<u>\$ 6,567,639</u>	<u>\$ 938,230</u>	<u>\$ 9,036</u>

Transfers Out	Transfers In	
	Internal Service Funds	Total
General fund	\$ 754,329	\$ 5,569,312
Nonmajor governmental funds	6,586	1,746,299
Water and wastewater fund	330,144	481,376
Battle Creek Transit System fund	4,734	4,734
Nonmajor enterprise funds	21,205	21,205
Internal service funds	10,170	840,260
	<u>\$ 1,127,168</u>	<u>\$ 8,663,186</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

The more significant of these transfers are from the general fund to the nonmajor governmental funds for various projects, initiatives and debt service.

10. LONG-TERM DEBT

General obligation bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 5 to 25 year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

	Year of Maturity	Interest Rates	Original Amount	Amount
Governmental activities				
2008 building authority refunding	2023	3.000% - 4.125%	\$ 8,605,000	\$ 3,160,000
2009 building authority - golf course refunding	2026	3.000% - 4.200%	2,240,000	1,765,000
2011 building authority limited tax refunding	2026	3.000% - 4.125%	6,725,000	4,830,000
2013 capital improvement	2018	2.000% - 5.000%	15,370,000	625,000
2016 capital improvement - refunding	2033	2.500% - 4.000%	12,605,000	12,605,000
2016 general obligation limited tax bonds	2042	4.000% - 5.000%	15,265,000	15,265,000
Total governmental activities				<u><u>\$ 38,250,000</u></u>
Discretely presented component units				
2009 tax increment - airport	2029	3.000% - 4.300%	\$ 3,935,000	\$ 2,675,000
2010 tax increment - airport hangar	2030	2.000% - 4.750%	3,585,000	2,275,000
Total component units				<u><u>\$ 4,950,000</u></u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30,	Governmental Activities		Component Units	
	Principal	Interest	Principal	Interest
2018	\$ 2,225,000	\$ 1,533,433	\$ 395,000	\$ 196,903
2019	2,370,000	1,442,058	410,000	183,787
2020	2,485,000	1,350,683	325,000	169,316
2021	2,585,000	1,251,809	340,000	156,986
2022	2,705,000	1,147,369	350,000	143,839
2023-2027	9,520,000	4,375,278	1,995,000	490,784
2028-2032	7,650,000	2,782,732	1,135,000	80,186
2033-2037	4,420,000	1,456,406	-	-
2038-2042	4,290,000	557,500	-	-
	<u><u>\$ 38,250,000</u></u>	<u><u>\$ 15,897,268</u></u>	<u><u>\$ 4,950,000</u></u>	<u><u>\$ 1,421,801</u></u>

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Revenue bonds. The City issues revenue bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. Revenue bonds currently outstanding are as follows:

	Year of Maturity	Interest Rates	Original Amount	Amount
Business-type activities				
2011 water and wastewater system refunding	2022	3.000% - 4.000%	\$ 6,045,000	\$ 3,315,000
2016A water and wastewater system	2036	4.000% - 5.000%	7,725,000	7,285,000
2016B water and wastewater system	2036	1.660% - 4.460%	8,890,000	<u>8,425,000</u>
Total business-type activities				<u><u>\$ 19,025,000</u></u>
Discretely presented component units				
2008 downtown development refunding	2022	5.000%	\$ 40,765,000	\$ 7,310,000
2013 downtown development refunding	2025	5.000%	3,675,000	3,675,000
2017 downtown development refunding	2034	2.836% - 3.984%	22,260,000	<u>22,260,000</u>
Total component units				<u><u>\$ 33,245,000</u></u>

Revenue bond debt service requirements to maturity are as follows:

Year Ended June 30,	Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest
2018	\$ 1,295,000	\$ 760,335	\$ 1,185,000	\$ 1,364,547
2019	1,330,000	718,609	1,340,000	1,305,297
2020	1,365,000	674,538	1,505,000	1,238,297
2021	1,405,000	626,089	1,590,000	1,163,047
2022	1,445,000	574,664	1,690,000	1,083,547
2023-2027	3,835,000	2,406,155	9,445,000	4,229,316
2028-2032	4,350,000	1,559,371	11,330,000	2,340,228
2033-2036	4,000,000	482,519	5,160,000	309,089
	<u>\$ 19,025,000</u>	<u>\$ 7,802,280</u>	<u>\$ 33,245,000</u>	<u>\$ 13,033,368</u>

The City has pledged future water and wastewater customer revenues, net of specified operating expenses, to repay \$6,045,000 and \$16,615,000 in water and wastewater system revenue bonds issued in June 2011 and December 2016, respectively. Proceeds from the bonds provided financing for various water main and sewer projects. The bonds are payable solely from water and wastewater customer net revenues and are payable through 2036. Annual principal and interest payments on the bonds are expected to require approximately 83% of net revenues. The total principal and interest remaining to be paid on the bonds is \$26,827,280. Principal and interest paid for the current year and total customer net revenues were \$3,403,244 and \$4,081,621, respectively.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Refunded Debt

During fiscal year 2017, the City issued \$22,260,000 of refunding bonds to partially advance refund \$20,700,000 of the 2008 downtown development refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources for all future debt service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities. The refunding resulted in a net loss of \$8,969,704 and an economic loss of \$437,880. The dissaving was allowed due to a decline in value and projected substantial use of fund balance. The refunding extends the year of maturity which in turn decreases the debt service expenditures in the near future.

Installment obligations. The government has entered into various long-term installment payment agreements.

	Year of Maturity	Interest Rates	Original Amount	Amount
Governmental activities				
2007 energy savings equipment contract #1	2023	4.66%	\$ 3,708,005	\$ 1,676,019
2008 energy savings equipment contract #2	2023	4.56%	280,000	125,168
2008 energy savings equipment contract #3	2022	4.21%	90,420	40,796
2016 city hall copiers	2021	5.28%	56,579	43,799
2017 telephone equipment	2021	0.00%	494,724	395,779
Total governmental activities				<u><u>\$ 2,281,561</u></u>

Annual debt service requirements to maturity for installment obligations are as follows:

Year Ended June 30,	Governmental Activities	
	Principal	Interest
2018	\$ 411,041	\$ 84,124
2019	425,778	69,387
2020	441,211	53,954
2021	454,134	37,805
2022	366,097	21,415
2023	183,300	2,843
	<u><u>\$ 2,281,561</u></u>	<u><u>\$ 269,528</u></u>

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Capital leases. The government has a lease agreement for airport snow removal equipment. The City did not enter into any new capital leases during the year. The cost of the assets acquired was \$340,410 and was fully amortized as of June 30, 2017.

	Year of Maturity	Interest Rates	Original Amount	Amount
Business-type activities				
2009 runway snowplow	2019	5.39%	\$ 340,410	<u>\$ 83,072</u>

Annual debt service requirements to maturity for the capital leases are as follows:

Year Ended June 30,	Business-type Activities	
	Principal	Interest
2018	\$ 40,446	\$ 4,478
2019	<u>42,626</u>	<u>2,298</u>
	<u>\$ 83,072</u>	<u>\$ 6,776</u>

Loans payable. During the year ended June 30, 2008, the Brownfield Redevelopment Authority entered into a loan with the Battle Creek Tax Increment Finance Authority (both component units of the City of Battle Creek) to borrow up to \$3,530,000 for use with a particular brownfield project. As of June 30, 2017, the Brownfield Redevelopment Authority had drawn a total of \$2,560,708 on the authorized amount, and there is a current outstanding balance due of \$969,377. During the year ended June 30, 2010, another loan was made between the two component units in the total amount of \$5,500,000 to be used in accordance with another particular brownfield plan. As of June 30, 2017, a total of \$2,460,293 had been drawn on the authorized amount and is currently outstanding.

Since repayment between the two component units is based on the future collection of incremental tax revenues, the loans are reported as a long-term liability by the Brownfield and a noncurrent receivable by the TIFA. The repayment obligations include interest at 5% per annum.

Loans outstanding at year-end are as follows:

	Year of Maturity	Interest Rates	Original Amount	Amount
Discretely presented component units				
Brownfield redevelopment loans	n/a	5.000%	n/a	<u>\$ 3,429,670</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Changes in long-term debt. Long-term debt activity for fiscal year 2017 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Primary government					
Governmental activities					
General obligation bonds	\$ 24,770,000	\$ 15,265,000	\$ (1,785,000)	\$ 38,250,000	\$ 2,225,000
Installment contracts	2,183,807	494,724	(396,970)	2,281,561	411,041
Compensated absences	2,808,161	1,509,340	(1,439,167)	2,878,334	1,505,612
Deferred amounts:					
For issuance premiums	1,033,843	1,489,463	(46,802)	2,476,504	130,573
For issuance discounts	(116,126)	-	2,488	(113,638)	(8,657)
Total governmental activities debt	\$ 30,679,685	\$ 18,758,527	\$ (3,665,451)	\$ 45,772,761	\$ 4,263,569
Business-type activities					
Revenue bonds	\$ 5,381,000	\$ 16,615,000	\$ (2,971,000)	\$ 19,025,000	\$ 1,295,000
Capital leases	185,573	-	(102,501)	83,072	40,446
Compensated absences	529,025	601,626	(550,830)	579,821	521,840
Deferred amounts -					
For issuance premiums	164,073	822,454	(68,469)	918,058	68,469
Total business-type activities debt	\$ 6,259,671	\$ 18,039,080	\$ (3,692,800)	\$ 20,605,951	\$ 1,925,755
Component units					
DDA					
Revenue bonds	\$ 33,030,000	\$ 22,260,000	\$ (22,045,000)	\$ 33,245,000	\$ 1,185,000
Deferred amounts -					
For issuance premiums	852,384	-	(142,064)	710,320	142,064
Total DDA debt	\$ 33,882,384	\$ 22,260,000	\$ (22,187,064)	\$ 33,955,320	\$ 1,327,064
TIFA					
General obligation bonds	\$ 5,330,000	\$ -	\$ (380,000)	\$ 4,950,000	\$ 395,000
Loans payable	51,336	-	(51,336)	-	-
Deferred amounts -					
For issuance discounts	(10,957)	-	796	(10,161)	(796)
Total TIFA debt	\$ 5,370,379	\$ -	\$ (430,540)	\$ 4,939,839	\$ 394,204
Brownfield					
Loans payable	\$ 3,699,160	\$ 3,010	\$ (272,500)	\$ 3,429,670	\$ -

For the governmental activities, compensated absences, net pension liability and net other postemployment benefits obligations are generally liquidated by the general fund.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

11. SEGMENT INFORMATION - ENTERPRISE FUNDS

The government issued revenue bonds to finance certain improvements to its water and wastewater system. Because the water and wastewater fund, an individual fund that accounts entirely for the government's water and wastewater activities, is a segment and is reported as a major fund in the fund financial statements, segment disclosures herein are not required.

12. ENDOWMENTS

Youth Center Endowment Permanent Trust Fund. For the year ended June 30, 2017, the net loss on investments of donor-restricted endowments was \$347. Under the terms of the endowment, and consistent with State statutes, the City is authorized based on a total-return policy to spend the net appreciation for the benefit of the youth center. At year-end, accumulated available net appreciation of \$14,179 is reported in restricted fund balance/net position; the nonspendable endowment balance is \$256,376.

Kellogg Arena Endowment Permanent Trust Fund. For the year ended June 30, 2017, the net loss on investments of donor-restricted endowments was \$1,081. Under the terms of the endowment, and consistent with State statutes, the City is authorized based on a total-return policy to spend the net appreciation for the benefit of the Kellogg Arena. At year-end, accumulated available net appreciation of \$44,678 is reported in restricted fund balance/net position; the nonspendable endowment balance is \$623,533.

13. RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries, as well as medical, dental and death benefits provided to employees. The City has purchased commercial insurance for employee dental and life coverages, certain property and inland marine exposures, airport liability, liquor liability, and emergency medical treatment. The City's workers' compensation exposure is handled on a self-funded basis using a third-party administrator, with excess insurance for claims greater than a self-insured retention (SIR) of \$650,000 per occurrence. As of July 1, 1986, the City's general and related liability insurance was allowed to expire; any occurrences prior to that date may be covered by liability policies previously in effect. The City now self-administers general liability and related exposures, utilizing excess liability insurance for losses greater than a SIR of \$1 million per occurrence and \$2.5 million in the aggregate, annually. The limits of the excess liability insurance have been as follows: \$15 million per occurrence effective September 1, 1999; \$5 million per occurrence effective October 1, 2002; then \$9 million per occurrence effective November 14, 2003.

Settled claims related to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Effective October 1, 2003, the City converted from a premium-based policy for employee medical coverage to a self-funded plan, with specific stop-loss insurance that limits claim expense to \$100,000 per contract (i.e., employee and dependents), annually. Aggregate stop-loss insurance limits annual losses to 120 percent of expected claims.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

The City estimates its self-insured liability for workers' compensation, medical and comprehensive general liability claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are prepared by the City's Risk Management Department and recorded in the self-insurance internal service fund. Changes in the estimated liability for the fiscal years ended June 30 were as follows:

	2017	2016
Estimated liability, beginning of year	\$ 4,517,500	\$ 4,681,587
Estimated claims incurred, including changes in estimates	9,485,725	8,200,417
Claim payments	<u>(10,060,054)</u>	<u>(8,364,504)</u>
Estimated liability, end of year	<u>\$ 3,943,171</u>	<u>\$ 4,517,500</u>

14. PROPERTY TAXES

The government's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through August 20; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Calhoun County. Assessed values, as established annually by the government and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. The taxable value of real and personal property in the City for the 2016 levy, including industrial facilities and neighborhood enterprise zone properties, but net of renaissance zones, was \$1,251,632,776. The government's general operating tax rate for fiscal 2016-17 was 10.240 mills with an additional 4.679 mills for police and fire pension and 0.5 mills for debt service.

Property taxes for the DDA, LDDA, LDFA, TIFA and BRA are derived from tax increment financing agreements with the various applicable taxing authorities. Under these arrangements, the tax increment finance entities receive the property taxes levied on the increment of current taxable values over the base year values on those properties located within the established tax increment financing district.

Property taxes are recognized in the fiscal year in which they are levied.

15. TAX ABATEMENTS

The City received reduced property tax revenues during 2017 as a result of industrial facilities tax exemptions (IFT's) and brownfield redevelopment agreements entered into by the City.

The IFT's were entered into based upon the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property in the City. The abatements amounted to \$462,862 in reduced City tax revenues for 2017.

Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. These agreements were entered into based upon the Brownfield Redevelopment Act, PA 381 of 1996, as amended. Under this Act, a municipality may create a brownfield redevelopment authority to develop and implement brownfield projects. Tax increment financing may be used as a tool for property redevelopment. The abatements amounted to \$35,409 in reduced City tax revenues for 2017.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

16. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

The City has filed various tax increment capture and personal property tax exemption loss forms with the Michigan Department of Treasury for their review and have received reimbursement. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. Any amounts which may be adjusted by the Department of Treasury cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The City is currently involved in various tax appeals pending before the Michigan Tax Tribunal. The appeals cover various commercial and industrial properties for 2017. Due to the large number of appeals currently before the Tribunal, the time frame for resolution of these matters is unknown at this time. The City has an estimated maximum exposure of approximately \$781,000 in taxable value. The City is vigorously defending all litigation.

17. DEFINED BENEFIT PENSION PLANS

Police and Fire Retirement System

The Police and Fire Retirement System (the "System") is a single-employer defined benefit pension plan that provides retirement, health, disability and death benefits to all full-time police and fire personnel of the City, subject to the limitations on health care benefits described in Note 18. The System is administered by the Retirement Board of the Police and Fire Retirement System. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the System at 10 North Division Street, Battle Creek, MI 49014 or is available on the City's website: www.battlecreekmi.gov.

The financial statements of the System are prepared using the accrual basis of accounting. System member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

System investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the Retirement Board, with the assistance of a valuation service. Administrative costs are financed through investment earnings.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Plan Membership. At June 30, 2016, the date of the latest actuarial valuation, plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	250
Terminated employees entitled to but not yet receiving benefits	9
Vested and non-vested active participants	<u>188</u>
 Total membership	 <u><u>447</u></u>

Benefits Provided. The System provides retirement, disability, and death benefits. Retirement benefits for police and fire members are generally calculated as 3.00% of the member’s final three or five-year average salary (depending on the group) times the member’s years of service up to a maximum of 25 years, plus an additional 1.00% of final average compensation times the number of years of service in excess of 25 years. Retirement benefits cannot exceed 80% of final average compensation. Members with 25 years of service or who are age 60 are eligible to retire and receive benefits.

Contributions. Plan members are required to contribute between 7.50% and 11.72% of their annual covered salary to the System for pension benefits, depending on bargaining unit. The City contributes such additional amounts as necessary, based on actuarial determinations, to provide assets sufficient to pay for member benefits. The City’s pension contribution for the year ended June 30, 2017 represented 33.73% of the annual covered payroll.

Rate of Return. For the year ended June 30, 2017, the annual money-weighted rate of return on plan investments, net of investment expenses, was 9.02 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the City. The City’s net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 (rolled forward to June 30, 2017). The components of the net pension liability of the City were as follows:

Total pension liability	\$ 176,579,083
Plan fiduciary net position	<u>(138,509,334)</u>
 City’s net pension liability	 <u><u>\$ 38,069,749</u></u>
 Plan fiduciary net position as percentage of total pension liability	 78.44%

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	4.25%
Salary increases	4.75 to 16.25%, including inflation
Investment rate of return	6.75%
Retirement age	Age and service-based tables of rates that are specific to the type of eligibility condition. Last updated for the 2009 valuation.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

RP-2014 Standard Mortality Tables projected to 2019 using the MP-2014 mortality improvement scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 (see the discussion of the System's investment allocation policy) are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
U.S. treasuries	0.00%	0.75%	0.00%
U.S. agencies	47.00%	0.75%	0.35%
Domestic corporate securities	30.00%	4.50%	1.35%
Domestic equities	8.00%	4.75%	0.39%
American depository receipts	3.00%	0.00%	0.01%
International equities	12.00%	4.75%	0.58%
Real estate investment trusts	0.00%	0.75%	0.00%
	100.00%		
Inflation			2.25%
Administrative expenses netted above			1.82%
Investment rate of return			6.75%

Discount Rate. The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 6.75% percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
City's net pension liability	\$ 59,628,793	\$ 38,069,749	\$ 20,085,693

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Changes in the net pension liability. The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 175,665,481	\$ 132,048,992	\$ 43,616,489
Changes for the year:			
Service cost	3,637,644	-	3,637,644
Interest on total pension liability	11,630,004	-	11,630,004
Benefit changes	1,062,436	-	1,062,436
Differences between expected and actual experience	(5,040,576)	-	(5,040,576)
Employer contributions	-	4,746,323	(4,746,323)
Employee contributions	-	1,215,059	(1,215,059)
Net investment income	-	11,593,876	(11,593,876)
Benefit payments	(10,375,906)	(10,375,906)	-
Administrative expense	-	(219,010)	219,010
Other	-	(500,000)	500,000
Net changes	<u>913,602</u>	<u>6,460,342</u>	<u>(5,546,740)</u>
Balances at June 30, 2017	<u>\$ 176,579,083</u>	<u>\$ 138,509,334</u>	<u>\$ 38,069,749</u>

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the combining statements for the pension.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2017, the City recognized pension expense of \$5,194,982. At June 30, 2017, the City reported pension-related deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
Difference between expected and actual experience	\$ 783,113	\$ 3,943,241	\$ (3,160,128)
Changes in assumptions	4,460,482	-	4,460,482
Net difference between projected and actual earnings on pension plan investments	<u>5,837,983</u>	<u>2,180,146</u>	<u>3,657,837</u>
Total	<u>\$ 11,081,578</u>	<u>\$ 6,123,387</u>	<u>\$ 4,958,191</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Amounts reported as pension-related deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2018	\$ 2,975,965
2019	2,794,646
2020	120,962
2021	<u>(933,382)</u>
Total	<u>\$ 4,958,191</u>

Municipal Employees Retirement System of Michigan

Plan Description. The City participates in the Municipal Employees' Retirement System (MERS) of Michigan, a defined benefit pension plan providing certain retirement, disability and death benefits to plan members and beneficiaries. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. Public Act 427 of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at www.mersofmich.com.

Benefits Provided. Pension benefits vary by division/bargaining unit and are calculated based on final average compensation (based on a 3 or 5 year period) and multipliers ranging from 1.25% to 2.50%. Participants are considered to be fully vested in the plan after 6 to 10 years, depending on division/bargaining unit. Normal retirement age is 60 with early retirement at age 50 with 25 years of service, age 55 with 15 years of service, or age 55 with 25 years of service, depending on division/bargaining unit.

Contributions. The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions range from 0.00% to 138.91% of annual payroll, or monthly amounts ranging from \$0 to \$65,035 depending on division/bargaining unit.

Net Pension Liability. The City's net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The components of the net pension liability of the City were as follows:

Total pension liability	\$ 141,255,649
Plan fiduciary net position	<u>81,255,431</u>
City's net pension liability	<u>\$ 60,000,218</u>
Plan fiduciary net position as percentage of total pension liability	57.52%

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	3.75% in the long-term
Investment rate of return	8.00%, net of investment and administrative expense including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.75% long-term wage inflation assumption would be consistent with a price inflation of 2.5%.

Mortality rates used were based on the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table is used to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study conducted in 2015 covering the period from January 1, 2009, through December 31, 2013.

Employees Covered by Benefit Terms. At December 31, 2016, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	403
Inactive employees entitled to but not yet receiving benefits	45
Active employees	<u>332</u>
Total membership	<u><u>780</u></u>

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	57.5%	5.02%	2.88%
Global fixed income	20.0%	2.18%	0.44%
Real assets	12.5%	4.23%	0.53%
Diversifying strategies	<u>10.0%</u>	6.56%	0.65%
	<u><u>100.0%</u></u>		
Inflation			3.25%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u><u>8.00%</u></u>

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Discount Rate. The discount rate used to measure the total pension liability is 8.00% for 2017 (down from 8.25% in 2016). The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2015	\$ 138,929,728	\$ 77,520,134	\$ 61,409,594
Changes for the year:			
Service cost	1,934,782	-	1,934,782
Interest	10,808,541	-	10,808,541
Changes in benefits	(2,988)	-	(2,988)
Differences between expected and actual experience	(833,627)	-	(833,627)
Employer contributions	-	4,375,156	(4,375,156)
Employee contributions	-	521,222	(521,222)
Net investment income	-	8,589,468	(8,589,468)
Benefit payments, including refunds of employee contributions	(9,580,787)	(9,580,787)	-
Administrative expense	-	(169,762)	169,762
Net changes	2,325,921	3,735,297	(1,409,376)
Balances at December 31, 2016	\$ 141,255,649	\$ 81,255,431	\$ 60,000,218

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 8.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current rate:

1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
\$ 74,230,785	\$ 60,000,218	\$ 47,816,767

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2017, the City recognized pension expense of \$9,084,445. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ 938,507	\$ (938,507)
Changes in assumptions	3,411,923	-	3,411,923
Net difference between projected and actual earnings on pension plan investments	<u>3,269,632</u>	-	<u>3,269,632</u>
	6,681,555	938,507	5,743,048
Contributions subsequent to the measurement date	<u>2,423,087</u>	-	<u>2,423,087</u>
Total	<u><u>\$ 9,104,642</u></u>	<u><u>\$ 938,507</u></u>	<u><u>\$ 8,166,135</u></u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2018	\$ 2,703,018
2019	2,703,021
2020	853,412
2021	<u>(516,403)</u>
Total	<u><u>\$ 5,743,048</u></u>

18. POSTEMPLOYMENT BENEFITS

General Information about the Plan

The City provides health care benefits under a single-employer plan to certain full-time employees upon retirement, in accordance with labor agreements and/or the City Administrative Code, or in the case of police and fire personnel according to City Commission resolution. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with contributions required in varying amounts. The City purchases Medicare supplemental insurance for retirees eligible for Medicare.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

For police and fire employees, the obligation for police and fire personnel retiree health care, prior to fiscal 2007, was entirely advance-funded through the Police and Fire Retirement System (the “System”). Beginning in fiscal 2007, following negotiations and arbitration, the System became responsible for only the first \$512,795 of health care costs of the then current retirees. Police and fire personnel retiring on or after July 1, 2007 receive their health care benefits through either the Retirement Health Funding Vehicle (RHFV) or Fire Retiree Health Care trust fund, which are employee contributory plans (that are presented as other employee benefit trust funds herein; these two trust funds constitute the financial statements for the City’s postemployment benefits plan). The System does not issue a separate financial report.

For all other eligible City employees, the City contributes a maximum of \$200 per month towards the purchase of retiree health care.

The Systems’ financial statements are prepared using the accrual basis of accounting. System contributions are recognized in the period in which the contributions are due and the employer has made a formal commitment to provide the contribution. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have established market values are reported at estimated fair values as determined by the custodian under the direction of the Retirement Board with the assistance of a valuation service. Administrative costs are financed through investment earnings. The RHFV portion of the plan utilizes a retirement health funding vehicle trust established with the Municipal Employees Retirement System of Michigan to invest plan assets.

Employees Covered by Benefit Terms. At June 30, 2015, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	303
Active employees	<u>497</u>
Total membership	<u><u>800</u></u>

The City has no obligation to make contributions in advance of when the insurance premiums or benefits are due for payment; in other words, the plan may be financed on a pay-as-you-go basis. Administrative costs of the plan are paid for by the City’s general fund and internal service self-insurance fund. Certain plan participants are required to contribute to the plan ranging from 2% to 3% of annual pay. For the year ended June 30, 2017, \$1,432,684 was contributed towards the cost of benefits and funding the plan. See below for summary:

Fund	Employee	Employer	Total
Retirement health funding vehicle - police	\$ -	\$ 390,002	\$ 390,002
Fire retiree health care	228,042	250,000	478,042
Police and fire pension fund	-	500,000	500,000
Internal service - self-insurance fund	-	64,640	64,640
	<u>\$ 228,042</u>	<u>\$ 1,204,642</u>	<u>\$ 1,432,684</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Funding Progress. For the year ended June 30, 2017, the City estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2015. Such valuation computes the annual required contribution (ARC) that represents a level of funding, that if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current combined ARC is 12.37% of annual covered payroll.

Employer Disclosures under GASB Statement 45

For fiscal year 2017, the components of the City's annual OPEB (other postemployment benefit) cost for the year, the amount actually contributed to the plan (including pay-as-you-go amounts), and changes in the City's net OPEB obligation to the plan are as follows:

Annual required contribution	\$ 3,823,865
Interest on net OPEB obligation	596,133
Adjustment to annual required contribution	<u>(496,777)</u>
Annual OPEB cost	3,923,221
Contributions made	<u>(1,432,684)</u>
Increase in net OPEB obligation	2,490,537
Net OPEB obligation, beginning of year	<u>11,922,659</u>
 Net OPEB obligation, end of year	 <u><u>\$ 14,413,196</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 2,572,552	90.0%	\$ 9,568,940
6/30/2016	3,737,185	37.0%	11,922,659
6/30/2017	3,923,221	36.5%	14,413,196

The funded status of the plan as of June 30, 2015, the date of the latest actuarial valuation, was as follow:

Actuarial accrued liability (AAL)	\$ 57,194,872
Actuarial value of assets	<u>5,086,500</u>
Unfunded AAL (UAAL)	<u><u>\$ 52,108,372</u></u>
 Funded ratio	 <u><u>8.9%</u></u>
 Covered payroll	 <u><u>\$ 29,578,633</u></u>
 UAAL as % of covered payroll	 <u><u>176.2%</u></u>

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant methods and assumptions were as follows:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Individual entry age
Amortization method	Level percent closed
Remaining amortization period	24 years closed
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.0%
Projected salary increases	4.25%-17.3%
Inflation rate	4.25%
Healthcare inflation rate	9% (2016), grading to 4.25% (2025)

Plan Disclosures under GASB Statement 74

The components of the net OPEB liability of the City at June 30, 2017, were as follows:

Total OPEB liability	\$ 76,546,178
Plan fiduciary net position	<u>5,895,335</u>
Net OPEB liability	<u>\$ 70,650,843</u>
Plan fiduciary net position as a percentage of the total OPEB liability	7.70%

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Actuarial Assumptions. The City's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2015 using the following actuarial assumptions, applied consistently to all periods included in the measurement:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Individual entry age
Amortization method	Level percent closed
Remaining amortization period	24 years closed
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.0%
Projected salary increases	4.25%-17.3%
Inflation rate	4.25%
Healthcare inflation rate	9% (2016), grading to 4.25% (2025)

MERS. The mortality table used to project the mortality experience of MERS members is a 50% Male - 50% Female blend of the RP-2000 Mortality table projected to year 2020 with scale BB. For disabled retirees, the regular mortality tables are used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members. 90% of active member deaths are assumed to be nonduty deaths and 10% of the deaths are assumed to be duty related.

Police and Fire. The mortality table used to project the mortality experience of Police and Fire members is the RP-2014 Healthy Annuitant Mortality Table projected to 2019 using MP-2014 mortality improvement scales for healthy retirees; the RP-2014 Disabled Retirees Mortality Table projected to 2019 using MP-2014 mortality improvement scales for disabled retirees; and the RP-2014 Mortality Table for Employees projected to 2019 using MP-2014 mortality improvement scales for active employees. 100% of active member deaths are assumed to be non-duty deaths.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study dated June 30, 2014 for the Police and Fire System and June 30, 2015 for MERS.

Investment Policy. The OPEB Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. The investment policy has been formulated based on consideration of a wide range of policies and describes the prudent investment processes that the Board deems appropriate. The OPEB Plan's asset allocation policy is shown on the following pages.

Rate of Return. For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 12.99%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Money-Weighted Rate of Return
Global Equity	55.50%	6.15%	3.41%
Global Fixed Income	18.50%	1.26%	0.23%
Real Assets	13.50%	7.22%	0.97%
Diversifying Strategies	12.50%	5.00%	0.64%
	<u>100.00%</u>		5.25%
Inflation			<u>2.50%</u>
Investment rate of return			<u>7.75%</u>

Discount Rate. The blended discount rate used to measure the total OPEB liability was 3.59%. The projection of cash flows used to determine the discount rate assumed that annual employer contributions will be equal to the average amount contributed over the past five fiscal years (2013 - 2017). Based on these assumptions, the OPEB plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2022. As a result, the long-term expected rate of return on OPEB plan investments was applied to projected benefit payments through the year 2022, and the municipal bond rate (calculated on an index of 20-year general obligation bonds with an average of AA credit ratings as of the measurement date) was applied to all benefit payments after that date.

Sensitivity of the Net OPEB Liability to Single Discount Rate Assumption. The following presents the net OPEB liability of the City, calculated using the discount rate of 3.59%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.59%) or 1% higher (4.59%) than the current rate:

1% Decrease (2.59%)	Current Discount Rate (3.59%)	1% Increase (4.59%)
\$ 83,367,995	\$ 70,650,843	\$ 60,053,217

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following represents the net OPEB liability of the City calculated using the current healthcare cost trend rate assumption, as well as, what the City's net OPEB liability would be if it were calculated using a trend rate of 1% lower or 1% higher than the current rate assumption:

1% Decrease	Current	1% Increase
\$ 62,879,250	\$ 70,650,843	\$ 80,541,961

19. NET INVESTMENT IN CAPITAL ASSETS

Following is a summary of net investment in capital assets, as presented in the government-wide statement of net position:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 3,721,872	\$ 11,555,076
Capital assets being depreciated	227,230,899	86,167,654
	<u>230,952,771</u>	<u>97,722,730</u>
Long-term debt related to capital assets:		
General obligation bonds	38,250,000	-
Revenue bonds	-	19,025,000
Installment contracts	2,281,561	-
Capital leases	-	83,072
Deferred amounts:		
For issuance premiums	2,476,504	918,058
For issuance discounts	(113,638)	-
Deferred charge on refunding	(1,026,155)	-
Unexpended bond proceeds	(15,204,722)	-
	<u>26,663,550</u>	<u>20,026,130</u>
Net long-term debt related to capital assets		
	<u>\$ 204,289,221</u>	<u>\$ 77,696,600</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

20. FUND BALANCES - GOVERNMENTAL FUNDS

	General	Building Authority Bonds	Police Station Capital Project	Nonmajor Governmental	Total Governmental
Nonspendable:					
Inventories	\$ 13,341	\$ -	\$ -	\$ 123,618	\$ 136,959
Prepaid items	362,708	-	-	20,867	383,575
Endowments	-	-	-	879,909	879,909
	<u>376,049</u>	<u>-</u>	<u>-</u>	<u>1,024,394</u>	<u>1,400,443</u>
Restricted for:					
Community development	-	-	-	56	56
Michigan justice training	-	-	-	35,672	35,672
Narcotics forfeiture	-	-	-	117,890	117,890
Building inspection	-	-	-	900,777	900,777
Youth center	-	-	-	14,179	14,179
Kellogg arena	-	-	-	44,678	44,678
Special projects	241,186	-	-	-	241,186
Capital improvements (unexpended bond proceeds)	-	-	14,045,323	1,159,399	15,204,722
	<u>241,186</u>	<u>-</u>	<u>14,045,323</u>	<u>2,272,651</u>	<u>16,559,160</u>
Committed for:					
Major and local streets	-	-	-	555,103	555,103
Special grants	-	-	-	122,770	122,770
Kellogg arena	-	-	-	38,609	38,609
Binder park golf course	-	-	-	124,328	124,328
Debt service	-	5,311	-	1,109,342	1,114,653
Capital projects	-	-	-	548,694	548,694
Special projects	1,313,835	-	-	-	1,313,835
	<u>1,313,835</u>	<u>5,311</u>	<u>-</u>	<u>2,498,846</u>	<u>3,817,992</u>
Assigned for:					
Departmental appropriations	-	-	-	248,647	248,647
Capital outlay and projects (encumbrances)	96,131	-	-	-	96,131
	<u>96,131</u>	<u>-</u>	<u>-</u>	<u>248,647</u>	<u>344,778</u>
Unassigned	<u>5,958,796</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,958,796</u>
Total fund balances, governmental funds	<u>\$ 7,985,997</u>	<u>\$ 5,311</u>	<u>\$ 14,045,323</u>	<u>\$ 6,044,538</u>	<u>\$ 28,081,169</u>



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BATTLE CREEK, MICHIGAN

Required Supplementary Information Police and Fire Retirement System

Schedule of Changes in Net Pension Liability and Related Ratios

	Fiscal Year Ended June 30,			
	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 3,637,644	\$ 3,649,198	\$ 3,460,667	\$ 3,152,919
Interest on total pension liability	11,630,004	11,317,045	10,533,430	10,227,546
Benefit changes	1,062,436	704,651	2,043,014	-
Difference between expected and actual experience	(5,040,576)	(119,463)	-	-
Assumption changes	-	4,988,871	4,476,291	-
Benefit payments	(10,375,906)	(9,444,578)	(9,381,779)	(8,947,330)
Net change in total pension liability	913,602	11,095,724	11,131,623	4,433,135
Total pension liability, beginning of year	175,665,481	164,569,757	153,438,134	149,004,999
Total pension liability, end of year	176,579,083	175,665,481	164,569,757	153,438,134
Plan fiduciary net position				
Employer contributions	4,746,323	4,664,957	4,612,446	4,316,203
Employee contributions	1,215,059	1,077,632	1,076,523	984,463
Net investment income	11,593,876	2,617,277	4,868,622	17,087,045
Benefit payments and refunds	(10,375,906)	(9,444,578)	(9,381,779)	(8,947,330)
Administrative expense	(219,010)	(216,729)	(181,572)	(213,462)
Other	(500,000)	(500,000)	(1,040,952)	(356,758)
Net change in plan fiduciary net position	6,460,342	(1,801,441)	(46,712)	12,870,161
Plan fiduciary net position, beginning of year	132,048,992	133,850,433	133,897,145	121,026,984
Plan fiduciary net position, end of year	138,509,334	132,048,992	133,850,433	133,897,145
Net pension liability	\$ 38,069,749	\$ 43,616,489	\$ 30,719,324	\$ 19,540,989
Plan fiduciary net position as a percentage of total pension liability	78.44%	75.17%	81.33%	87.26%
Covered payroll	\$ 14,043,138	\$ 14,069,533	\$ 13,495,955	\$ 11,700,630
Net pension liability as a percentage of covered payroll	271.09%	310.01%	227.62%	167.01%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF BATTLE CREEK, MICHIGAN

Required Supplementary Information
Police and Fire Retirement System

Schedules of the Net Pension Liability and Annual Rate of Return

Fiscal Year Ending June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered Payroll	Net Pension Liability as Percentage of Covered Payroll
2014	\$ 153,438,134	\$ 133,897,145	\$ 19,540,989	87.26%	\$ 11,700,630	167.01%
2015	164,569,757	133,850,433	30,719,324	81.33%	13,495,955	227.62%
2016	175,665,481	132,048,992	43,616,489	75.17%	14,069,533	310.01%
2017	176,579,083	138,509,334	38,069,749	78.44%	14,043,138	271.09%

Fiscal Year Ending June 30,	Annual Return ⁽¹⁾
2014	14.01%
2015	3.44%
2016	15.82%
2017	9.02%

⁽¹⁾ Annual money-weighted rate of return, net of investment expenses.

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF BATTLE CREEK, MICHIGAN

Required Supplementary Information

Police and Fire Retirement System

Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as Percentage of Covered Payroll
2014	\$ 4,316,203	\$ 4,316,203	\$ -	\$ 11,700,630	36.89%
2015	4,612,446	4,612,446	-	13,495,955	34.18%
2016	4,664,957	4,664,957	-	14,069,533	33.16%
2017	4,746,323	4,746,323	-	14,043,138	33.80%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Notes to Schedule of Contributions

Valuation date June 30, 2016

Notes Actuarially determined contribution amounts are calculated as of June 30 of each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage-of-payroll, closed
Remaining amortization period	Closed 30 years for benefit improvements and assumption changes Closed 29 years for all other liabilities
Asset valuation method	5-year smoothed market
Inflation	4.25%
Salary increases	4.75%-16.25% including inflation
Investment rate of return	6.75%
Retirement age	Age and service-based tables of rates that are specific to the type of eligibility condition. Last updated for the 2009 valuation.
Mortality rates	RP-2014 Standard Mortality Tables projected to 2019 using the MP-2014 mortality improvement scale.
Other information	None

CITY OF BATTLE CREEK, MICHIGAN

Required Supplementary Information

Municipal Employees Retirement System of Michigan

Schedule of Changes in Net Pension Liability and Related Ratios

	Fiscal Year Ended June 30,		
	2017	2016	2015
Total pension liability			
Service cost	\$ 1,934,782	\$ 1,843,040	\$ 1,869,998
Interest on total pension liability	10,808,541	10,393,511	10,141,309
Benefit changes	(2,988)	(11,965)	-
Difference between expected and actual experience	(833,627)	(626,575)	-
Assumption changes	-	6,823,847	-
Benefit payments	(9,572,000)	(9,105,154)	(8,776,472)
Refunds	(8,787)	-	-
Net change in total pension liability	2,325,921	9,316,704	3,234,835
Total pension liability, beginning of year	138,929,728	129,613,024	126,378,189
Total pension liability, end of year	141,255,649	138,929,728	129,613,024
Plan fiduciary net position			
Employer contributions	4,375,156	4,104,291	3,776,983
Employee contributions	521,222	495,986	618,872
Net investment income (loss)	8,589,468	(1,203,250)	5,143,720
Benefit payments and refunds	(9,580,787)	(9,105,154)	(8,776,472)
Administrative expense	(169,762)	(178,504)	(188,145)
Net change in plan fiduciary net position	3,735,297	(5,886,631)	574,958
Plan fiduciary net position, beginning of year	77,520,134	83,406,765	82,831,807
Plan fiduciary net position, end of year	81,255,431	77,520,134	83,406,765
Net pension liability	\$ 60,000,218	\$ 61,409,594	\$ 46,206,259
Plan fiduciary net position as a percentage of total pension liability	57.52%	55.80%	64.35%
Covered payroll	\$ 17,452,775	\$ 17,263,618	\$ 17,200,636
Net pension liability as a percentage of covered payroll	343.79%	355.72%	268.63%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF BATTLE CREEK, MICHIGAN

Required Supplementary Information Municipal Employees Retirement System of Michigan

Schedule of the Net Pension Liability

Fiscal Year Ending June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered Payroll
2015	\$ 129,613,024	\$ 83,406,765	\$ 46,206,259	64.35%	\$ 17,200,636
2016	138,929,728	77,520,134	61,409,594	55.80%	17,263,618
2017	141,255,649	81,255,431	60,000,218	57.52%	17,452,775

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF BATTLE CREEK, MICHIGAN

Required Supplementary Information Municipal Employees Retirement System of Michigan

Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as Percentage of Covered Payroll
2015	\$ 3,948,830	\$ 3,948,830	\$ -	\$ 17,543,028	22.51%
2016	4,134,354	4,134,354	-	17,777,859	23.26%
2017	4,865,316	4,865,316	-	18,269,545	26.63%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Notes to Schedule of Contributions

Valuation Date Actuarially determined contribution rates are calculated as of the December 31 that is 18 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates (2017, based on the 12/31/2014 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	24 years
Asset valuation method	Open; 10-year smooth market
Inflation	3.0% to 4.0%
Salary increases	4.5% in the long-term (2.0% and 3.0% for calendars years 2015 and 2016, respectively)
Investment rate of return	8.0%, net of investment and administrative expense including inflation
Retirement age	Age-based table of rates that are specific to the type of eligibility condition. The Normal Retirement rates were first used for the December 31, 2009 actuarial valuations. The Early Retirement rates were first used for the December 31, 2011 actuarial valuations.
Mortality	1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

CITY OF BATTLE CREEK, MICHIGAN

Required Supplementary Information

Other Postemployment Benefits

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2009	\$ 1,491,954	\$ 53,965,475	\$ 52,473,521	2.8%	\$ 32,793,335	160.0%
6/30/2011	3,094,002	51,185,806	48,091,804	6.0%	30,158,824	159.5%
6/30/2013	4,078,070	41,620,241	37,542,171	9.8%	28,591,928	131.3%
6/30/2015	5,086,500	57,194,872	52,108,372	8.9%	29,578,633	176.2%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
2015	\$ 2,496,219	\$ 2,316,550	92.8%
2016	3,657,444	1,383,466	37.8%
2017	3,823,865	1,432,684	37.5%

CITY OF BATTLE CREEK, MICHIGAN

Required Supplementary Information

Single-Employer Other Postemployment Benefit Plan

Schedule of Changes in Net OPEB Liability and Related Ratios

	Fiscal Year Ended June 30, 2017
Total OPEB liability	
Service cost	\$ 2,866,687
Interest on total OPEB liability	2,366,860
Assumption changes	(8,351,874)
Benefit payments	(1,600,811)
Net change in total OPEB liability	<u>(4,719,138)</u>
Total OPEB liability, beginning of year	<u>81,265,316</u>
Total OPEB liability, end of year	<u>76,546,178</u>
Plan fiduciary net position	
Employer contributions	1,204,642
Employee contributions	228,042
Net investment income	807,558
Benefit payments and refunds	(1,600,811)
Administrative expense	(10,920)
Net change in plan fiduciary net position	<u>628,511</u>
Plan fiduciary net position, beginning of year	<u>5,266,824</u>
Plan fiduciary net position, end of year	<u>5,895,335</u>
Net OPEB liability	<u>\$ 70,650,843</u>
Plan fiduciary net position as a percentage of total OPEB liability	7.70%
Covered payroll	<u>\$ 30,761,954</u>
Net OPEB liability as a percentage of covered payroll	229.67%

Note: GASB 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF BATTLE CREEK, MICHIGAN

Required Supplementary Information
 Single-Employer Other Postemployment Benefit Plan

Schedule of the Net OPEB Liability

Fiscal Year Ending June 30,	Total OPEB Liability	Plan Net Position	Net OPEB Liability	Plan Net Position as Percentage of Total OPEB Liability	Covered Payroll	Net OPEB Liability as a % of Covered Payroll
2017	\$ 76,546,178	\$ 5,895,335	\$ 70,650,843	7.70%	\$ 30,761,954	229.67%

Note: GASB 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF BATTLE CREEK, MICHIGAN

Required Supplementary Information Single-Employer Other Postemployment Benefit Plan

Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as of % of Covered Payroll
2017	\$ 3,823,865	\$ 1,702,284	\$ 2,121,581	\$ 30,761,954	5.53%

Note: GASB 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed
Remaining amortization period	24 years (fiscal year beginning July 1, 2016)
Asset valuation method	Market value
Inflation	N/A
Salary increases	4.25%, including inflation
Investment rate of return	5.00%, net of OPEB plan investment expense, including inflation
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	<i>MERS members:</i> 50% Male - 50% Female blend of the RP-2000 Mortality table projected to year 2020 with scale BB. For disabled retirees, the regular mortality tables are used with a 10-year set forward in ages. 90% of active member deaths are assumed to be non-duty deaths and 10% of the deaths are assumed to be duty related. <i>Police and Fire members:</i> the RP-2014 Healthy Annuitant Mortality Table projected to 2019 using MP-2014 mortality improvement scales for healthy retirees; the RP-2014. Disabled Retirees Mortality Table projected to 2019 using MP-2014 mortality.
Health care trend rates	Trend starting at 9.0% and gradually decreasing to an ultimate trend rate of 4.50%.
Aging factors	The tables used in developing the retiree premium are based on a recent Society of Actuaries study of health costs.
Expenses	Investment and administrative expenses are net of the investment returns.

CITY OF BATTLE CREEK, MICHIGAN

Required Supplementary Information Single-Employer Other Postemployment Benefit Plan

Schedule of Investment Returns

Fiscal Year Ending June 30,	Annual Return ⁽¹⁾
2017	12.99%

⁽¹⁾ Annual money-weighted rate of return, net of investment expenses

Note: GASB 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF BATTLE CREEK, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2017

	Special Revenue	Debt Service	Capital Projects	Permanent	Totals
Assets					
Pooled cash and investments	\$ 1,872,278	\$ 1,108,931	\$ 2,507,588	\$ 931,044	\$ 6,419,841
Receivables:					
Interest	13,816	1,291	28	7,722	22,857
Accounts	1,329,637	72,611	-	-	1,402,248
Special assessments	-	29,684	-	-	29,684
Grants	615,229	-	-	-	615,229
Loans	2,636,925	55,869	-	-	2,692,794
Loans, long-term portion	-	322,517	-	-	322,517
Inventories	123,618	-	-	-	123,618
Prepaid items	20,867	-	-	-	20,867
Total assets	\$ 6,612,370	\$ 1,590,903	\$ 2,507,616	\$ 938,766	\$ 11,649,655
Liabilities					
Accounts payable	\$ 830,692	\$ 431	\$ 550,848	\$ -	\$ 1,381,971
Retentions, deposits and other liabilities	219,196	-	-	-	219,196
Interfund payable	719,752	71,770	28	-	791,550
Unearned revenue	166,115	-	-	-	166,115
Total liabilities	1,935,755	72,201	550,876	-	2,558,832
Deferred inflows of resources					
Unavailable revenue:					
Special assessments	-	29,684	-	-	29,684
Loans and related interest	2,636,925	379,676	-	-	3,016,601
Total deferred inflows of resources	2,636,925	409,360	-	-	3,046,285
Fund balances					
Nonspendable	144,485	-	-	879,909	1,024,394
Restricted	1,054,395	-	1,159,399	58,857	2,272,651
Committed	840,810	1,109,342	548,694	-	2,498,846
Assigned	-	-	248,647	-	248,647
Total fund balances	2,039,690	1,109,342	1,956,740	938,766	6,044,538
Total liabilities, deferred inflows of resources and fund balances	\$ 6,612,370	\$ 1,590,903	\$ 2,507,616	\$ 938,766	\$ 11,649,655

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2017

	Special Revenue	Debt Service	Capital Projects	Permanent	Totals
Revenues					
Property tax	\$ -	\$ -	\$ 1,506,219	\$ -	\$ 1,506,219
Intergovernmental	8,567,911	252,611	546,713	-	9,367,235
Charges for services	2,396,820	-	-	-	2,396,820
Investment earnings (loss)	3,162	50	(9,788)	(1,428)	(8,004)
Contributions	121,303	-	-	-	121,303
Rents and leases	16,704	-	8,533	-	25,237
Other	293,044	-	2,428	-	295,472
Total revenues	11,398,944	252,661	2,054,105	(1,428)	13,704,282
Expenditures					
Current expenditures:					
General government	1,047,463	-	2,778,110	-	3,825,573
Public safety	263,027	-	144,421	-	407,448
Highway and streets	6,968,118	-	2,600,265	-	9,568,383
Parks and recreation	1,975,821	-	-	-	1,975,821
Community development	1,126,055	-	-	-	1,126,055
Inspections	625,830	-	-	-	625,830
Debt service:					
Principal	165,000	1,442,734	-	-	1,607,734
Interest	71,976	1,159,110	-	-	1,231,086
Total expenditures	12,243,290	2,601,844	5,522,796	-	20,367,930
Revenues under expenditures	(844,346)	(2,349,183)	(3,468,691)	(1,428)	(6,663,648)
Other financing sources (uses)					
Transfers in	2,111,276	3,403,350	1,053,013	-	6,567,639
Transfers out	(1,515,621)	-	(200,678)	(30,000)	(1,746,299)
Total other financing sources (uses)	595,655	3,403,350	852,335	(30,000)	4,821,340
Net change in fund balances	(248,691)	1,054,167	(2,616,356)	(31,428)	(1,842,308)
Fund balances, beginning of year	2,288,381	55,175	4,573,096	970,194	7,886,846
Fund balances, end of year	\$ 2,039,690	\$ 1,109,342	\$ 1,956,740	\$ 938,766	\$ 6,044,538

CITY OF BATTLE CREEK, MICHIGAN

Combining Balance Sheet Nonmajor Special Revenue Funds June 30, 2017

	Community Development	Major Street and Trunkline Maintenance	Local Street
Assets			
Pooled cash and investments	\$ -	\$ -	\$ -
Receivables:			
Interest	-	-	12,743
Accounts	3,120	979,540	250,013
Grants	171,572	-	-
Loans	2,636,925	-	-
Inventories	-	12,451	8,301
Prepaid items	-	-	-
Total assets	\$ 2,811,617	\$ 991,991	\$ 271,057
Liabilities			
Accounts payable	\$ 49,449	\$ 78,439	\$ 55,881
Retentions, deposits and other liabilities	-	-	-
Interfund payable	125,187	501,405	49,844
Unearned revenue	-	1,624	-
Total liabilities	174,636	581,468	105,725
Deferred inflows of resources			
Unavailable revenue - Loans and related interest	2,636,925	-	-
Fund balances			
Nonspendable	-	12,451	8,301
Restricted	56	-	-
Committed	-	398,072	157,031
Total fund balances	56	410,523	165,332
Total liabilities, deferred inflows of resources and fund balances	\$ 2,811,617	\$ 991,991	\$ 271,057

continued...

CITY OF BATTLE CREEK, MICHIGAN

Combining Balance Sheet Nonmajor Special Revenue Funds June 30, 2017

	Special Grants	HOME Program	Michigan Justice Training
Assets			
Pooled cash and investments	\$ 352,530	\$ -	\$ 35,672
Receivables:			
Interest	-	-	-
Accounts	-	-	-
Grants	389,889	53,768	-
Loans	-	-	-
Inventories	-	-	-
Prepaid items	-	-	-
Total assets	\$ 742,419	\$ 53,768	\$ 35,672
Liabilities			
Accounts payable	\$ 469,369	\$ 10,452	\$ -
Retentions, deposits and other liabilities	-	-	-
Interfund payable	-	43,316	-
Unearned revenue	150,280	-	-
Total liabilities	619,649	53,768	-
Deferred inflows of resources			
Unavailable revenue -			
Loans and related interest	-	-	-
Fund balances			
Nonspendable	-	-	-
Restricted	-	-	35,672
Committed	122,770	-	-
Total fund balances	122,770	-	35,672
Total liabilities, deferred inflows of resources and fund balances	\$ 742,419	\$ 53,768	\$ 35,672

continued...

CITY OF BATTLE CREEK, MICHIGAN

Combining Balance Sheet Nonmajor Special Revenue Funds June 30, 2017

	Narcotics Forfeiture	Kellogg Arena	Binder Park Golf Course
Assets			
Pooled cash and investments	\$ 340,967	\$ 114,677	\$ 134,954
Receivables:			
Interest	1,073	-	-
Accounts	-	84,477	821
Grants	-	-	-
Loans	-	-	-
Inventories	-	25,629	77,237
Prepaid items	-	20,867	-
Total assets	\$ 342,040	\$ 245,650	\$ 213,012
Liabilities			
Accounts payable	\$ 4,954	\$ 155,474	\$ 2,307
Retentions, deposits and other liabilities	219,196	-	-
Interfund payable	-	-	-
Unearned revenue	-	5,071	9,140
Total liabilities	224,150	160,545	11,447
Deferred inflows of resources			
Unavailable revenue -			
Loans and related interest	-	-	-
Fund balances			
Nonspendable	-	46,496	77,237
Restricted	117,890	-	-
Committed	-	38,609	124,328
Total fund balances	117,890	85,105	201,565
Total liabilities, deferred inflows of resources and fund balances	\$ 342,040	\$ 245,650	\$ 213,012

continued...

CITY OF BATTLE CREEK, MICHIGAN

Combining Balance Sheet Nonmajor Special Revenue Funds June 30, 2017

	Building Inspection Fund	Total
Assets		
Pooled cash and investments	\$ 893,478	\$ 1,872,278
Receivables:		
Interest	-	13,816
Accounts	11,666	1,329,637
Grants	-	615,229
Loans	-	2,636,925
Inventories	-	123,618
Prepaid items	-	20,867
Total assets	\$ 905,144	\$ 6,612,370
Liabilities		
Accounts payable	\$ 4,367	\$ 830,692
Retentions, deposits and other liabilities	-	219,196
Interfund payable	-	719,752
Unearned revenue	-	166,115
Total liabilities	4,367	1,935,755
Deferred inflows of resources		
Unavailable revenue -		
Loans and related interest	-	2,636,925
Fund balances		
Nonspendable	-	144,485
Restricted	900,777	1,054,395
Committed	-	840,810
Total fund balances	900,777	2,039,690
Total liabilities, deferred inflows of resources and fund balances	\$ 905,144	\$ 6,612,370

concluded.

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds
For the Year Ended June 30, 2017

	Community Development	Major Street and Trunkline Maintenance	Local Street
Revenues			
Intergovernmental	\$ 819,789	\$ 5,321,193	\$ 1,269,052
Charges for services	-	-	-
Investment earnings (loss)	181	586	4,568
Contributions	-	-	-
Rents and leases	-	16,704	-
Other	78,387	20,472	3,224
Total revenues	898,357	5,358,955	1,276,844
Expenditures			
Current expenditures:			
General government	-	-	-
Public safety	-	-	-
Highways and streets	-	4,008,388	2,959,730
Parks and recreation	-	-	-
Community development	896,017	-	-
Inspections	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	896,017	4,008,388	2,959,730
Revenues over (under) expenditures	2,340	1,350,567	(1,682,886)
Other financing sources (uses)			
Transfers in	-	-	1,500,000
Transfers out	(2,340)	(1,512,501)	-
Total other financing sources (uses)	(2,340)	(1,512,501)	1,500,000
Net change in fund balances	-	(161,934)	(182,886)
Fund balances, beginning of year	56	572,457	348,218
Fund balances, end of year	\$ 56	\$ 410,523	\$ 165,332

continued...

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds
For the Year Ended June 30, 2017

	Special Grants	HOME Program	Michigan Justice Training
Revenues			
Intergovernmental	\$ 839,271	\$ 230,313	\$ 20,023
Charges for services	-	-	-
Investment earnings (loss)	-	-	-
Contributions	121,303	-	-
Rents and leases	-	-	-
Other	-	505	-
Total revenues	960,574	230,818	20,023
Expenditures			
Current expenditures:			
General government	863,533	-	15,704
Public safety	263,027	-	-
Highways and streets	-	-	-
Parks and recreation	-	-	-
Community development	-	230,038	-
Inspections	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	1,126,560	230,038	15,704
Revenues over (under) expenditures	(165,986)	780	4,319
Other financing sources (uses)			
Transfers in	211,276	-	-
Transfers out	-	(780)	-
Total other financing sources (uses)	211,276	(780)	-
Net change in fund balances	45,290	-	4,319
Fund balances, beginning of year	77,480	-	31,353
Fund balances, end of year	\$ 122,770	\$ -	\$ 35,672

continued...

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds
For the Year Ended June 30, 2017

	Narcotics Forfeiture	Kellogg Arena	Binder Park Golf Course
Revenues			
Intergovernmental	\$ 68,270	\$ -	\$ -
Charges for services	-	566,835	1,132,885
Investment earnings (loss)	(710)	-	-
Contributions	-	-	-
Rents and leases	-	-	-
Other	13,764	-	176,185
Total revenues	81,324	566,835	1,309,070
Expenditures			
Current expenditures:			
General government	168,226	-	-
Public safety	-	-	-
Highways and streets	-	-	-
Parks and recreation	-	1,019,631	956,190
Community development	-	-	-
Inspections	-	-	-
Debt service:			
Principal	-	-	165,000
Interest	-	-	71,976
Total expenditures	168,226	1,019,631	1,193,166
Revenues over (under) expenditures	(86,902)	(452,796)	115,904
Other financing sources (uses)			
Transfers in	-	400,000	-
Transfers out	-	-	-
Total other financing sources (uses)	-	400,000	-
Net change in fund balances	(86,902)	(52,796)	115,904
Fund balances, beginning of year	204,792	137,901	85,661
Fund balances, end of year	\$ 117,890	\$ 85,105	\$ 201,565

continued...

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds
For the Year Ended June 30, 2017

	Building Inspection Fund	Total
Revenues		
Intergovernmental	\$ -	\$ 8,567,911
Charges for services	697,100	2,396,820
Investment earnings (loss)	(1,463)	3,162
Contributions	-	121,303
Rents and leases	-	16,704
Other	507	293,044
	<hr/>	<hr/>
Total revenues	696,144	11,398,944
Expenditures		
Current expenditures:		
General government	-	1,047,463
Public safety	-	263,027
Highways and streets	-	6,968,118
Parks and recreation	-	1,975,821
Community development	-	1,126,055
Inspections	625,830	625,830
Debt service:		
Principal	-	165,000
Interest	-	71,976
	<hr/>	<hr/>
Total expenditures	625,830	12,243,290
Revenues over (under) expenditures	70,314	(844,346)
Other financing sources (uses)		
Transfers in	-	2,111,276
Transfers out	-	(1,515,621)
	<hr/>	<hr/>
Total other financing sources (uses)	-	595,655
Net change in fund balances	70,314	(248,691)
Fund balances, beginning of year	830,463	2,288,381
	<hr/>	<hr/>
Fund balances, end of year	\$ 900,777	\$ 2,039,690
	<hr/> <hr/>	<hr/> <hr/>

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CITY OF BATTLE CREEK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Final Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2017

	Community Development		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Intergovernmental revenue	\$ 1,552,367	\$ 819,789	\$ (732,578)
Charges for services	-	-	-
Investment earnings (loss)	181	181	-
Contributions	-	-	-
Rents and leases	-	-	-
Other	78,387	78,387	-
Total revenues	1,630,935	898,357	(732,578)
Expenditures			
Current expenditures:			
General government	-	-	-
Public safety	-	-	-
Highways and streets	-	-	-
Parks and recreation	-	-	-
Community development	1,628,595	896,017	(732,578)
Inspections	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	1,628,595	896,017	(732,578)
Revenues over (under) expenditures	2,340	2,340	-
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	(2,340)	(2,340)	-
Total other financing sources (uses)	(2,340)	(2,340)	-
Net change in fund balances	-	-	-
Fund balances, beginning of year	56	56	-
Fund balances, end of year	\$ 56	\$ 56	\$ -

continued...

CITY OF BATTLE CREEK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Final Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2017

	Major Street and Trunkline Maintenance Fund		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Intergovernmental revenue	\$ 5,140,734	\$ 5,321,193	\$ 180,459
Charges for services	-	-	-
Investment earnings (loss)	486	586	100
Contributions	-	-	-
Rents and leases	24,760	16,704	(8,056)
Other	8,184	20,472	12,288
Total revenues	5,174,164	5,358,955	184,791
Expenditures			
Current expenditures:			
General government	-	-	-
Public safety	-	-	-
Highways and streets	4,228,028	4,008,388	(219,640)
Parks and recreation	-	-	-
Community development	-	-	-
Inspections	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	4,228,028	4,008,388	(219,640)
Revenues over (under) expenditures	946,136	1,350,567	404,431
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	(1,512,501)	(1,512,501)	-
Total other financing sources (uses)	(1,512,501)	(1,512,501)	-
Net change in fund balances	(566,365)	(161,934)	404,431
Fund balances, beginning of year	572,457	572,457	-
Fund balances, end of year	\$ 6,092	\$ 410,523	\$ 404,431

continued...

CITY OF BATTLE CREEK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Final Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2017

	Local Street Fund		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Intergovernmental revenue	\$ 1,234,400	\$ 1,269,052	\$ 34,652
Charges for services	-	-	-
Investment earnings (loss)	4,000	4,568	568
Contributions	-	-	-
Rents and leases	-	-	-
Other	2,544	3,224	680
Total revenues	1,240,944	1,276,844	35,900
Expenditures			
Current expenditures:			
General government	-	-	-
Public safety	-	-	-
Highways and streets	2,961,208	2,959,730	(1,478)
Parks and recreation	-	-	-
Community development	-	-	-
Inspections	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	2,961,208	2,959,730	(1,478)
Revenues over (under) expenditures	(1,720,264)	(1,682,886)	37,378
Other financing sources (uses)			
Transfers in	1,500,000	1,500,000	-
Transfers out	-	-	-
Total other financing sources (uses)	1,500,000	1,500,000	-
Net change in fund balances	(220,264)	(182,886)	37,378
Fund balances, beginning of year	348,218	348,218	-
Fund balances, end of year	\$ 127,954	\$ 165,332	\$ 37,378

continued...

CITY OF BATTLE CREEK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Final Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2017

	Special Grants Fund		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Intergovernmental revenue	\$ 2,880,510	\$ 839,271	\$ (2,041,239)
Charges for services	-	-	-
Investment earnings (loss)	-	-	-
Contributions	419,117	121,303	(297,814)
Rents and leases	-	-	-
Other	912	-	(912)
Total revenues	3,300,539	960,574	(2,339,965)
Expenditures			
Current expenditures:			
General government	2,276,855	863,533	(1,413,322)
Public safety	1,521,146	263,027	(1,258,119)
Highways and streets	-	-	-
Parks and recreation	-	-	-
Community development	-	-	-
Inspections	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	3,798,001	1,126,560	(2,671,441)
Revenues over (under) expenditures	(497,462)	(165,986)	331,476
Other financing sources (uses)			
Transfers in	446,579	211,276	(235,303)
Transfers out	-	-	-
Total other financing sources (uses)	446,579	211,276	(235,303)
Net change in fund balances	(50,883)	45,290	96,173
Fund balances, beginning of year	77,480	77,480	-
Fund balances, end of year	\$ 26,597	\$ 122,770	\$ 96,173

continued...

CITY OF BATTLE CREEK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Final Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2017

	HOME Program Fund		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Intergovernmental revenue	\$ 357,900	\$ 230,313	\$ (127,587)
Charges for services	-	-	-
Investment earnings (loss)	-	-	-
Contributions	-	-	-
Rents and leases	-	-	-
Other	-	505	505
Total revenues	357,900	230,818	(127,082)
Expenditures			
Current expenditures:			
General government	-	-	-
Public safety	-	-	-
Highways and streets	-	-	-
Parks and recreation	-	-	-
Community development	357,120	230,038	(127,082)
Inspections	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	357,120	230,038	(127,082)
Revenues over (under) expenditures	780	780	-
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	(780)	(780)	-
Total other financing sources (uses)	(780)	(780)	-
Net change in fund balances	-	-	-
Fund balances, beginning of year	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -

continued...

CITY OF BATTLE CREEK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Final Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2017

	Michigan Justice Training Fund		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Intergovernmental revenue	\$ 18,400	\$ 20,023	\$ 1,623
Charges for services	-	-	-
Investment earnings (loss)	-	-	-
Contributions	-	-	-
Rents and leases	-	-	-
Other	-	-	-
Total revenues	18,400	20,023	1,623
Expenditures			
Current expenditures:			
General government	20,000	15,704	(4,296)
Public safety	-	-	-
Highways and streets	-	-	-
Parks and recreation	-	-	-
Community development	-	-	-
Inspections	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	20,000	15,704	(4,296)
Revenues over (under) expenditures	(1,600)	4,319	5,919
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(1,600)	4,319	5,919
Fund balances, beginning of year	31,353	31,353	-
Fund balances, end of year	\$ 29,753	\$ 35,672	\$ 5,919

continued...

CITY OF BATTLE CREEK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Final Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2017

	Narcotics Forfeiture Fund		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Intergovernmental revenue	\$ 100,000	\$ 68,270	\$ (31,730)
Charges for services	-	-	-
Investment earnings (loss)	-	(710)	(710)
Contributions	-	-	-
Rents and leases	-	-	-
Other	-	13,764	13,764
Total revenues	100,000	81,324	(18,676)
Expenditures			
Current expenditures:			
General government	155,030	168,226	13,196
Public safety	-	-	-
Highways and streets	-	-	-
Parks and recreation	-	-	-
Community development	-	-	-
Inspections	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	155,030	168,226	13,196
Revenues over (under) expenditures	(55,030)	(86,902)	(31,872)
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(55,030)	(86,902)	(31,872)
Fund balances, beginning of year	204,792	204,792	-
Fund balances, end of year	\$ 149,762	\$ 117,890	\$ (31,872)

continued...

CITY OF BATTLE CREEK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Final Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2017

	Kellogg Arena Fund		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Intergovernmental revenue	\$ -	\$ -	\$ -
Charges for services	691,015	566,835	(124,180)
Investment earnings (loss)	-	-	-
Contributions	-	-	-
Rents and leases	-	-	-
Other	-	-	-
Total revenues	691,015	566,835	(124,180)
Expenditures			
Current expenditures:			
General government	-	-	-
Public safety	-	-	-
Highways and streets	-	-	-
Parks and recreation	1,160,867	1,019,631	(141,236)
Community development	-	-	-
Inspections	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	1,160,867	1,019,631	(141,236)
Revenues over (under) expenditures	(469,852)	(452,796)	17,056
Other financing sources (uses)			
Transfers in	400,000	400,000	-
Transfers out	-	-	-
Total other financing sources (uses)	400,000	400,000	-
Net change in fund balances	(69,852)	(52,796)	17,056
Fund balances, beginning of year	137,901	137,901	-
Fund balances, end of year	\$ 68,049	\$ 85,105	\$ 17,056

continued...

CITY OF BATTLE CREEK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Final Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2017

	Binder Park Golf Course		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Intergovernmental revenue	\$ -	\$ -	\$ -
Charges for services	1,089,316	1,132,885	43,569
Investment earnings (loss)	-	-	-
Contributions	-	-	-
Rents and leases	-	-	-
Other	160,000	176,185	16,185
Total revenues	1,249,316	1,309,070	59,754
Expenditures			
Current expenditures:			
General government	-	-	-
Public safety	-	-	-
Highways and streets	-	-	-
Parks and recreation	949,846	956,190	6,344
Community development	-	-	-
Inspections	-	-	-
Debt service:			
Principal	165,000	165,000	-
Interest	71,976	71,976	-
Total expenditures	1,186,822	1,193,166	6,344
Revenues over (under) expenditures	62,494	115,904	53,410
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	62,494	115,904	53,410
Fund balances, beginning of year	85,661	85,661	-
Fund balances, end of year	\$ 148,155	\$ 201,565	\$ 53,410

continued...

CITY OF BATTLE CREEK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Final Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2017

	Building Inspection Fund		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Intergovernmental revenue	\$ -	\$ -	\$ -
Charges for services	620,950	697,100	76,150
Investment earnings (loss)	6,000	(1,463)	(7,463)
Contributions	-	-	-
Rents and leases	-	-	-
Other	500	507	7
Total revenues	627,450	696,144	68,694
Expenditures			
Current expenditures:			
General government	-	-	-
Public safety	-	-	-
Highways and streets	-	-	-
Parks and recreation	-	-	-
Community development	-	-	-
Inspections	692,517	625,830	(66,687)
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	692,517	625,830	(66,687)
Revenues over (under) expenditures	(65,067)	70,314	135,381
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(65,067)	70,314	135,381
Fund balances, beginning of year	830,463	830,463	-
Fund balances, end of year	\$ 765,396	\$ 900,777	\$ 135,381

concluded.

CITY OF BATTLE CREEK, MICHIGAN

Combining Balance Sheet

Nonmajor Debt Service Funds

June 30, 2017

	DPW Building	Special Assessment Debt Service	Energy Savings	Capital Improvement Bonds
Assets				
Pooled cash and investments	\$ 2,799	\$ 52,732	\$ -	\$ -
Receivables:				
Interest	-	-	-	1,291
Accounts	-	-	-	72,611
Special assessments	-	29,684	-	-
Loans	-	-	-	55,869
Loans, long-term portion	-	-	-	322,517
Total assets	\$ 2,799	\$ 82,416	\$ -	\$ 452,288
Liabilities				
Accounts payable	\$ -	\$ 431	\$ -	\$ -
Interfund payable	-	-	-	71,770
Total liabilities	-	431	-	71,770
Deferred inflows of resources				
Unavailable revenue:				
Special assessments	-	29,684	-	-
Loans and related interest	-	-	-	379,676
	-	29,684	-	379,676
Fund balances				
Committed	2,799	52,301	-	842
Total liabilities, deferred inflows of resources and fund balances	\$ 2,799	\$ 82,416	\$ -	\$ 452,288

continued...

CITY OF BATTLE CREEK, MICHIGAN

Combining Balance Sheet

Nonmajor Debt Service Funds

June 30, 2017

	Police Station Bonds	Total
Assets		
Pooled cash and investments	\$ 1,053,400	\$ 1,108,931
Receivables:		
Interest	-	1,291
Accounts	-	72,611
Special assessments	-	29,684
Loans	-	55,869
Loans, long-term portion	-	322,517
	<u> </u>	<u> </u>
Total assets	<u><u>\$ 1,053,400</u></u>	<u><u>\$ 1,590,903</u></u>
Liabilities		
Accounts payable	\$ -	\$ 431
Interfund payable	-	71,770
	<u> </u>	<u> </u>
Total liabilities	<u> </u>	<u>72,201</u>
Deferred inflows of resources		
Unavailable revenue:		
Special assessments	-	29,684
Loans and related interest	-	379,676
	<u> </u>	<u> </u>
	<u> </u>	<u>409,360</u>
Fund balances		
Committed	<u>1,053,400</u>	<u>1,109,342</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 1,053,400</u></u>	<u><u>\$ 1,590,903</u></u>

concluded.

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Debt Service Funds

For the Year Ended June 30, 2017

	DPW Building	Special Assessment Debt Service	Energy Savings	Capital Improvement Bonds
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ 252,611
Investment earnings	-	50	-	-
Total revenues	<u>-</u>	<u>50</u>	<u>-</u>	<u>252,611</u>
Expenditures				
Debt service:				
Principal	555,000	-	287,734	600,000
Interest	202,090	-	95,586	568,269
Total expenditures	<u>757,090</u>	<u>-</u>	<u>383,320</u>	<u>1,168,269</u>
Revenues over (under) expenditures	(757,090)	50	(383,320)	(915,658)
Other financing sources				
Transfers in	757,090	-	383,320	916,375
Net change in fund balances	<u>-</u>	<u>50</u>	<u>-</u>	<u>717</u>
Fund balances, beginning of year	2,799	52,251	-	125
Fund balances, end of year	<u>\$ 2,799</u>	<u>\$ 52,301</u>	<u>\$ -</u>	<u>\$ 842</u>

continued...

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Debt Service Funds
For the Year Ended June 30, 2017

	Police Station Bonds	Total
Revenues		
Intergovernmental	\$ -	\$ 252,611
Investment earnings	-	50
Total revenues	<u>-</u>	<u>252,661</u>
Expenditures		
Debt service:		
Principal	-	1,442,734
Interest	293,165	1,159,110
Total expenditures	<u>293,165</u>	<u>2,601,844</u>
Revenues over (under) expenditures	(293,165)	(2,349,183)
Other financing sources		
Transfers in	<u>1,346,565</u>	<u>3,403,350</u>
Net change in fund balances	1,053,400	1,054,167
Fund balances, beginning of year	<u>-</u>	<u>55,175</u>
Fund balances, end of year	<u><u>\$ 1,053,400</u></u>	<u><u>\$ 1,109,342</u></u>

concluded.

CITY OF BATTLE CREEK, MICHIGAN

Combining Balance Sheet Nonmajor Capital Projects Funds June 30, 2017

	Street Projects	Justice Center Construction	General Capital Improvement
Assets			
Pooled cash and investments	\$ 812,690	\$ -	\$ 248,903
Interest receivable	-	28	-
Total assets	<u>\$ 812,690</u>	<u>\$ 28</u>	<u>\$ 248,903</u>
Liabilities			
Accounts payable	\$ 263,996	\$ -	\$ 256
Interfund payable	-	28	-
Total liabilities	<u>263,996</u>	<u>28</u>	<u>256</u>
Fund balances			
Restricted	-	-	-
Committed	548,694	-	-
Assigned	-	-	248,647
Total fund balances	<u>548,694</u>	<u>-</u>	<u>248,647</u>
Total liabilities and fund balances	<u>\$ 812,690</u>	<u>\$ 28</u>	<u>\$ 248,903</u>

continued...

CITY OF BATTLE CREEK, MICHIGAN

Combining Balance Sheet Nonmajor Capital Projects Funds June 30, 2017

	Dispatch Capital Improvement	Capital Improvements Bonds	Total
Assets			
Pooled cash and investments	\$ 1,478	\$ 1,444,517	\$ 2,507,588
Interest receivable	-	-	28
Total assets	<u>\$ 1,478</u>	<u>\$ 1,444,517</u>	<u>\$ 2,507,616</u>
Liabilities			
Accounts payable	\$ 1,478	\$ 285,118	\$ 550,848
Interfund payable	-	-	28
Total liabilities	<u>1,478</u>	<u>285,118</u>	<u>550,876</u>
Fund balances			
Restricted	-	1,159,399	1,159,399
Committed	-	-	548,694
Assigned	-	-	248,647
Total fund balances	<u>-</u>	<u>1,159,399</u>	<u>1,956,740</u>
Total liabilities and fund balances	<u>\$ 1,478</u>	<u>\$ 1,444,517</u>	<u>\$ 2,507,616</u>

concluded.

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Capital Projects Funds For the Year Ended June 30, 2017

	Street Projects	Justice Center Construction	General Capital Improvement
Revenue			
Property tax	\$ 1,506,219	\$ -	\$ -
Intergovernmental	141,713	-	-
Investment earnings (loss)	-	-	-
Rents and leases	-	-	8,533
Other	1,335	-	1,093
Total revenue	<u>1,649,267</u>	<u>-</u>	<u>9,626</u>
Expenditures			
Current expenditures:			
General government	-	-	116,071
Public safety	-	-	-
Highways and streets	2,529,357	-	-
Total expenditures	<u>2,529,357</u>	<u>-</u>	<u>116,071</u>
Revenue under expenditures	<u>(880,090)</u>	<u>-</u>	<u>(106,445)</u>
Other financing sources (uses)			
Transfers in	1,052,000	-	1,000
Transfers out	(200,678)	-	-
Total other financing sources	<u>851,322</u>	<u>-</u>	<u>1,000</u>
Net change in fund balances	<u>(28,768)</u>	<u>-</u>	<u>(105,445)</u>
Fund balances, beginning of year	<u>577,462</u>	<u>-</u>	<u>354,092</u>
Fund balances, end of year	<u>\$ 548,694</u>	<u>\$ -</u>	<u>\$ 248,647</u>

continued...

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Capital Projects Funds For the Year Ended June 30, 2017

	Dispatch Capital Improvement	Capital Improvements Bonds	Total
Revenue			
Property tax	\$ -	\$ -	\$ 1,506,219
Intergovernmental	-	405,000	546,713
Investment earnings (loss)	(13)	(9,775)	(9,788)
Rents and leases	-	-	8,533
Other	-	-	2,428
Total revenue	(13)	395,225	2,054,105
Expenditures			
Current expenditures:			
General government	-	2,662,039	2,778,110
Public safety	-	144,421	144,421
Highways and streets	-	70,908	2,600,265
Total expenditures	-	2,877,368	5,522,796
Revenue over (under) expenditures	(13)	(2,482,143)	(3,468,691)
Other financing sources (uses)			
Transfers in	13	-	1,053,013
Transfers out	-	-	(200,678)
Total other financing sources	13	-	852,335
Net change in fund balances	-	(2,482,143)	(2,616,356)
Fund balances, beginning of year	-	3,641,542	4,573,096
Fund balances, end of year	\$ -	\$ 1,159,399	\$ 1,956,740

concluded.

CITY OF BATTLE CREEK, MICHIGAN

Combining Balance Sheet

Nonmajor Permanent Funds

June 30, 2017

	Youth Center Endowment	Kellogg Arena Endowment	Total
Assets			
Pooled cash and investments	\$ 265,815	\$ 665,229	\$ 931,044
Interest receivable	4,740	2,982	7,722
Total assets	<u>\$ 270,555</u>	<u>\$ 668,211</u>	<u>\$ 938,766</u>
Fund balances			
Nonspendable	\$ 256,376	\$ 623,533	\$ 879,909
Restricted	14,179	44,678	58,857
Total fund balances	<u>\$ 270,555</u>	<u>\$ 668,211</u>	<u>\$ 938,766</u>

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Permanent Funds
For the Year Ended June 30, 2017

	Youth Center Endowment	Kellogg Arena Endowment	Total
Revenues			
Investment earnings (loss)	\$ (347)	\$ (1,081)	\$ (1,428)
Other financing uses			
Transfers out	-	(30,000)	(30,000)
Net change in fund balances	(347)	(31,081)	(31,428)
Fund balances, beginning of year	270,902	699,292	970,194
Fund balances, end of year	<u>\$ 270,555</u>	<u>\$ 668,211</u>	<u>\$ 938,766</u>

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Net Position
 Nonmajor Enterprise Funds
 June 30, 2017

	Automobile Parking System	Solid Waste Collection	Economic Development	W.K. Kellogg Airport / FAA	Total
Assets					
Current assets:					
Pooled cash and investments	\$ 261,605	\$ 548,723	\$ 6,385,532	\$ 1,206,996	\$ 8,402,856
Receivables:					
Interest	-	294	8,235	14,443	22,972
Accounts	42,341	601,594	-	63,997	707,932
Loans, current portion	25,457	-	3,000,000	-	3,025,457
Total current assets	<u>329,403</u>	<u>1,150,611</u>	<u>9,393,767</u>	<u>1,285,436</u>	<u>12,159,217</u>
Noncurrent assets:					
Loans receivable, net	101,828	-	67,500	-	169,328
Capital assets, net	4,546,457	-	-	12,666,202	17,212,659
Total noncurrent assets	<u>4,648,285</u>	<u>-</u>	<u>67,500</u>	<u>12,666,202</u>	<u>17,381,987</u>
Total assets	<u>4,977,688</u>	<u>1,150,611</u>	<u>9,461,267</u>	<u>13,951,638</u>	<u>29,541,204</u>
Deferred outflows of resources					
Deferred pension amounts	-	36,419	-	282,245	318,664
Liabilities					
Current liabilities:					
Accounts payable and accrued liabilities	49,152	491,855	33,752	112,372	687,131
Compensated absences, current portion	939	7,419	-	56,892	65,250
Retentions, deposits and other liabilities	-	88,305	-	-	88,305
Accrued interest payable	-	-	-	3,172	3,172
Unearned revenue	-	-	-	87,988	87,988
Lease payable, current portion	-	-	-	40,446	40,446
Total current liabilities	<u>50,091</u>	<u>587,579</u>	<u>33,752</u>	<u>300,870</u>	<u>972,292</u>
Noncurrent liabilities:					
Compensated absences	104	824	-	6,321	7,249
Lease payable	-	-	-	42,626	42,626
Net pension liability	-	240,001	-	1,860,007	2,100,008
Total noncurrent liabilities	<u>104</u>	<u>240,825</u>	<u>-</u>	<u>1,908,954</u>	<u>2,149,883</u>
Total liabilities	<u>50,195</u>	<u>828,404</u>	<u>33,752</u>	<u>2,209,824</u>	<u>3,122,175</u>
Deferred inflows of resources					
Deferred pension amounts	-	3,754	-	29,094	32,848
Net position					
Net investment in capital assets	4,546,457	-	-	12,583,130	17,129,587
Unrestricted (deficit)	381,036	354,872	9,427,515	(588,165)	9,575,258
Total net position	<u>\$ 4,927,493</u>	<u>\$ 354,872</u>	<u>\$ 9,427,515</u>	<u>\$ 11,994,965</u>	<u>\$ 26,704,845</u>

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Nonmajor Enterprise Funds

For the Year Ended June 30, 2017

	Automobile Parking System	Solid Waste Collection	Economic Development	W.K. Kellogg Airport / FAA	Total
Operating revenues					
Charges for services	\$ 1,333,331	\$ 3,340,730	\$ -	\$ 1,389,157	\$ 6,063,218
Other	-	66,642	6,270	71,875	144,787
Total operating revenues	1,333,331	3,407,372	6,270	1,461,032	6,208,005
Operating expenses					
Personal services	-	340,301	-	1,125,741	1,466,042
Materials and supplies	-	41,542	-	107,728	149,270
Contractual and other	1,111,640	2,945,871	231,641	574,388	4,863,540
Depreciation	307,350	-	-	806,275	1,113,625
Total operating expenses	1,418,990	3,327,714	231,641	2,614,132	7,592,477
Operating income (loss)	(85,659)	79,658	(225,371)	(1,153,100)	(1,384,472)
Nonoperating revenues (expenses)					
Intergovernmental subsidies	-	-	-	951,016	951,016
Investment income (loss)	(894)	-	56,961	(374)	55,693
Interest expense	-	-	-	(7,414)	(7,414)
Bad debts	-	-	(64,693)	-	(64,693)
Total nonoperating revenues	(894)	-	(7,732)	943,228	934,602
Income (loss) before transfers	(86,553)	79,658	(233,103)	(209,872)	(449,870)
Transfers in	9,036	-	-	-	9,036
Transfers out	(1,050)	(13,200)	-	(6,955)	(21,205)
Change in net position	(78,567)	66,458	(233,103)	(216,827)	(462,039)
Net position, beginning of year	5,006,060	288,414	9,660,618	12,211,792	27,166,884
Net position, end of year	\$ 4,927,493	\$ 354,872	\$ 9,427,515	\$ 11,994,965	\$ 26,704,845

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds
For the Year Ended June 30, 2017

	Automobile Parking System	Solid Waste Collection	Economic Development	W. K. Kellogg Airport / FAA	Total
Cash flows from operating activities					
Receipts from customers and users	\$ 1,391,569	\$ 3,368,061	\$ 88,770	\$ 1,516,740	\$ 6,365,140
Payments to suppliers and contractors	(1,063,839)	(2,723,209)	(211,279)	(611,879)	(4,610,206)
Payments to employees	-	(318,628)	-	(973,040)	(1,291,668)
Payments for interfund services	-	(498)	-	(1,519)	(2,017)
Net cash provided by (used in) operating activities	327,730	325,726	(122,509)	(69,698)	461,249
Cash flows from noncapital financing activities					
Transfers in	9,036	-	-	-	9,036
Transfers out	(1,050)	(13,200)	-	(6,955)	(21,205)
Intergovernmental subsidies	-	-	-	951,016	951,016
Net cash provided by (used in) noncapital financing activities	7,986	(13,200)	-	944,061	938,847
Cash flows from capital and related financing activities					
Principal and interest paid on debt	-	-	-	(111,993)	(111,993)
Purchase of capital assets	(289,839)	-	-	(503,350)	(793,189)
Net cash used in capital and related financing activities	(289,839)	-	-	(615,343)	(905,182)
Cash flows from investing activities					
Interest earnings (loss) on investments	(894)	257	69,766	(305)	68,824
Net change in pooled cash and investments	44,983	312,783	(52,743)	258,715	563,738
Pooled cash and investments, beginning of year	216,622	235,940	6,438,275	948,281	7,839,118
Pooled cash and investments, end of year	\$ 261,605	\$ 548,723	\$ 6,385,532	\$ 1,206,996	\$ 8,402,856

continued...

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Cash Flows
 Nonmajor Enterprise Funds
 For the Year Ended June 30, 2017

	Automobile Parking System	Solid Waste Collection	Economic Development	W. K. Kellogg Airport / FAA	Total
Cash flows from operating activities					
Operating income (loss)	\$ (85,659)	\$ 79,658	\$ (225,371)	\$ (1,153,100)	\$ (1,384,472)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	307,350	-	-	806,275	1,113,625
Bad debts	-	-	(64,693)	-	(64,693)
Changes in assets and liabilities:					
Accounts receivable	(19,176)	(39,311)	-	54,333	(4,154)
Loans receivable	76,371	-	147,193	-	223,564
Accounts payable and accrued liabilities	47,801	257,405	20,362	68,718	394,286
Retentions, deposits and other liabilities	-	6,301	-	-	6,301
Compensated absences	1,043	4,354	-	18,477	23,874
Unearned revenue	-	-	-	1,375	1,375
Net pension liability and related deferred outflows/inflows	-	17,319	-	134,224	151,543
Net cash provided by (used in) operating activities	<u>\$ 327,730</u>	<u>\$ 325,726</u>	<u>\$ (122,509)</u>	<u>\$ (69,698)</u>	<u>\$ 461,249</u>

concluded.

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

June 30, 2017

	Equipment Center	Self- Insurance	Information Technology	Reproduction	Total
Assets					
Current assets:					
Pooled cash and investments	\$ 2,668,108	\$ 4,071,948	\$ 45,137	\$ 79,840	\$ 6,865,033
Receivables:					
Interest	-	90,474	-	-	90,474
Accounts	22,212	808,144	1,387	5,145	836,888
Inventories	440,959	-	-	-	440,959
Prepaid items	1,665	156,792	302,043	-	460,500
Total current assets	3,132,944	5,127,358	348,567	84,985	8,693,854
Noncurrent assets -					
Capital assets, net	2,846,855	32,712	976,384	39,605	3,895,556
Total assets	5,979,799	5,160,070	1,324,951	124,590	12,589,410
Liabilities					
Current liabilities:					
Accounts payable	138,614	109,333	1,972	728	250,647
Compensated absences, current portion	65,181	12,212	49,894	5,858	133,145
Claims payable, current portion	-	2,226,738	-	-	2,226,738
Unearned revenue	350	76,685	-	-	77,035
Lease payable, current portion	-	-	98,945	10,847	109,792
Total current liabilities	204,145	2,424,968	150,811	17,433	2,797,357
Noncurrent liabilities:					
Claims payable	-	1,716,433	-	-	1,716,433
Lease payable	-	-	296,833	32,952	329,785
Total noncurrent liabilities	-	1,716,433	296,833	32,952	2,046,218
Total liabilities	204,145	4,141,401	447,644	50,385	4,843,575
Net position					
Net investment in capital assets	2,846,855	32,712	580,606	(4,194)	3,455,979
Unrestricted	2,928,799	985,957	296,701	78,399	4,289,856
Total net position	\$ 5,775,654	\$ 1,018,669	\$ 877,307	\$ 74,205	\$ 7,745,835

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Internal Service Funds

For the Year Ended June 30, 2017

	Equipment Center	Self- Insurance	Information Technology	Reproduction	Total
Operating revenues					
Charges for services	\$ 4,566,943	\$ 12,740,832	\$ 1,413,175	\$ 265,294	\$ 18,986,244
Rents and leases	1,625,510	-	-	-	1,625,510
Other	239,351	583,174	49	10	822,584
Total operating revenues	6,431,804	13,324,006	1,413,224	265,304	21,434,338
Operating expenses					
Personal services	1,171,149	940,859	942,872	167,422	3,222,302
Materials and supplies	1,733,681	11,434	112,354	106,911	1,964,380
Contractual and other	1,314,926	13,196,499	411,286	86,614	15,009,325
Depreciation	928,101	10,398	192,723	11,316	1,142,538
Total operating expenses	5,147,857	14,159,190	1,659,235	372,263	21,338,545
Operating income (loss)	1,283,947	(835,184)	(246,011)	(106,959)	95,793
Nonoperating revenues (expenses)					
Interest expense	-	(8,090)	-	-	(8,090)
Income (loss) before transfers	1,283,947	(843,274)	(246,011)	(106,959)	87,703
Transfers in	-	597,157	425,377	104,634	1,127,168
Transfers out	(764,556)	(75,236)	-	(468)	(840,260)
Change in net position	519,391	(321,353)	179,366	(2,793)	374,611
Net position, beginning of year	5,256,263	1,340,022	697,941	76,998	7,371,224
Net position, end of year	\$ 5,775,654	\$ 1,018,669	\$ 877,307	\$ 74,205	\$ 7,745,835

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2017

	Equipment Center	Self- Insurance	Information Technology	Reproduction	Total
Cash flows from operating activities					
Receipts from interfund services	\$ 6,431,804	\$ 13,324,006	\$ 1,413,224	\$ 265,304	\$ 21,434,338
Payments to suppliers and contractors	(2,988,360)	(14,128,142)	(757,442)	(193,320)	(18,067,264)
Payments to employees	(1,162,372)	(949,146)	(937,076)	(168,130)	(3,216,724)
Net cash provided by (used in) operating activities	2,281,072	(1,753,282)	(281,294)	(96,146)	150,350
Cash flows from noncapital financing activities					
Transfers in	-	597,157	425,377	104,634	1,127,168
Transfers out	(764,556)	(75,236)	-	(468)	(840,260)
Net cash provided by (used in) noncapital financing activities	(764,556)	521,921	425,377	104,166	286,908
Cash flows from capital and related financing activities					
Principal and interest paid on capital lease	-	-	(98,946)	(10,290)	(109,236)
Issuance of capital lease	-	-	494,724	-	494,724
Purchase of capital assets	(1,465,847)	-	(494,724)	-	(1,960,571)
Net cash used in capital and related financing activities	(1,465,847)	-	(98,946)	(10,290)	(1,575,083)
Cash flows from investing activities					
Interest on investments	-	(8,699)	-	-	(8,699)
Net change in pooled cash and investments	50,669	(1,240,060)	45,137	(2,270)	(1,146,524)
Pooled cash and investments, beginning of year	2,617,439	5,312,008	-	82,110	8,011,557
Pooled cash and investments, end of year	\$ 2,668,108	\$ 4,071,948	\$ 45,137	\$ 79,840	\$ 6,865,033

continued...

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2017

	Equipment Center	Self- Insurance	Information Technology	Reproduction	Total
Cash flows from operating activities					
Operating income (loss)	\$ 1,283,947	\$ (835,184)	\$ (246,011)	\$ (106,959)	\$ 95,793
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	928,101	10,398	192,723	11,316	1,142,538
Changes in assets and liabilities:					
Accounts receivable	(15,724)	(270,862)	(1,387)	1,414	(286,559)
Inventories	40,669	-	-	-	40,669
Prepaid items	(1,665)	(4,018)	32,266	-	26,583
Accounts payable and accrued liabilities	36,967	(65,277)	(264,681)	(1,209)	(294,200)
Compensated absences	8,777	(8,287)	5,796	(708)	5,578
Claims payable	-	(574,329)	-	-	(574,329)
Unearned revenue	-	(5,723)	-	-	(5,723)
Net cash provided by (used in) operating activities	\$ 2,281,072	\$ (1,753,282)	\$ (281,294)	\$ (96,146)	\$ 150,350

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CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Fiduciary Net Position

Pension and Other Employee Benefits Trust Funds

June 30, 2017

	Pension	Other Employee Benefits		Total
	Police and Fire Retirement System	Retirement Health Funding Vehicle - Police	Fire Retiree Health Care	
Assets				
Pooled cash and investments	\$ -	\$ 66	\$ 1,060,204	\$ 1,060,270
Cash and cash equivalents	3,795,129	-	-	3,795,129
Investments:				
Fixed income:				
Corporate bonds	26,754,180	-	-	26,754,180
Foreign bonds	3,055,076	-	-	3,055,076
Municipal bonds	978,540	-	-	978,540
U.S. government securities	30,560,036	-	-	30,560,036
Equity-indexed institutional funds	26,837,825	-	-	26,837,825
Domestic equities	26,813,296	-	-	26,813,296
Foreign equities	3,334,112	-	-	3,334,112
American depositary receipts	15,118,612	-	-	15,118,612
Mutual funds	223,163	4,833,135	-	5,056,298
Real estate trusts	673,771	-	-	673,771
Interest receivable	388,100	-	1,930	390,030
Pension contributions receivable	108,733	-	-	108,733
Total assets	138,640,573	4,833,201	1,062,134	144,535,908
Liabilities				
Obligation for impaired investment of securities lending collateral	131,239	-	-	131,239
Net position				
Restricted for pension and postemployment healthcare benefits	\$ 138,509,334	\$ 4,833,201	\$ 1,062,134	\$ 144,404,669

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Changes in Fiduciary Net Position

Pension and Other Employee Benefits Trust Funds

For the Year Ended June 30, 2017

	Pension	Other Employee Benefits		Total
	Police and Fire Retirement System	Retirement Health Funding Vehicle - Police	Fire Retiree Health Care	
Additions				
Investment income:				
From investing activities:				
Net appreciation in fair value of investments	\$ 9,232,406	\$ -	\$ -	\$ 9,232,406
Investment earnings (loss) and dividends	2,818,157	540,064	(2,106)	3,356,115
Less investment expenses	(477,910)	-	-	(477,910)
Net income (loss) from investing activities	11,572,653	540,064	(2,106)	12,110,611
From securities lending activities:				
Gross earnings	29,893	-	-	29,893
Borrower rebates	(25,181)	-	-	(25,181)
Securities lending fees	16,511	-	-	16,511
Net income from securities lending activities	21,223	-	-	21,223
Total net investment income (loss)	11,593,876	540,064	(2,106)	12,131,834
Contributions:				
Employer	4,746,323	390,002	814,640	5,950,965
Employees	1,215,059	-	228,042	1,443,101
Total contributions	5,961,382	390,002	1,042,682	7,394,066
Total additions	17,555,258	930,066	1,040,576	19,525,900
Deductions				
Pension benefit payments	10,370,514	-	-	10,370,514
Contribution refunds	5,392	-	-	5,392
Medical insurance premiums/benefits	500,000	140,548	1,190,663	1,831,211
Administrative expenses	219,010	10,920	-	229,930
Total deductions	11,094,916	151,468	1,190,663	12,437,047
Net change to net position	6,460,342	778,598	(150,087)	7,088,853
Net position, beginning of year	132,048,992	4,054,603	1,212,221	137,315,816
Net position, end of year	\$ 138,509,334	\$ 4,833,201	\$ 1,062,134	\$ 144,404,669

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2017

	Fire Insurance Escrow	Delinquent Personal Property Taxes	Summer Property Tax Collection	Winter Property Tax Collection	Total
Assets					
Pooled cash and investments	\$ 139,766	\$ 14,370	\$ 18,830	\$ 5,959	\$ 178,925
Delinquent taxes receivable	-	452,417	-	-	452,417
Total assets	<u>\$ 139,766</u>	<u>\$ 466,787</u>	<u>\$ 18,830</u>	<u>\$ 5,959</u>	<u>\$ 631,342</u>
Liabilities					
Undistributed receipts	<u>\$ 139,766</u>	<u>\$ 466,787</u>	<u>\$ 18,830</u>	<u>\$ 5,959</u>	<u>\$ 631,342</u>

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2017

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
<i>Fire Insurance Escrow</i>				
Assets				
Pooled cash and investments	\$ 135,315	\$ 79,338	\$ 74,887	\$ 139,766
Liabilities				
Undistributed receipts	\$ 135,315	\$ 79,338	\$ 74,887	\$ 139,766
<i>Delinquent Personal Property Taxes</i>				
Assets				
Pooled cash and investments	\$ 28,189	\$ 688,985	\$ 702,804	\$ 14,370
Delinquent taxes receivable	688,423	168,593	404,599	452,417
Total assets	\$ 716,612	\$ 857,578	\$ 1,107,403	\$ 466,787
Liabilities				
Undistributed receipts	\$ 716,612	\$ 857,578	\$ 1,107,403	\$ 466,787
<i>Summer Property Tax Collection</i>				
Assets				
Pooled cash and investments	\$ 6,236	\$ 51,085,282	\$ 51,072,688	\$ 18,830
Liabilities				
Undistributed receipts	\$ 6,236	\$ 51,085,282	\$ 51,072,688	\$ 18,830
<i>Winter Property Tax Collection</i>				
Assets				
Pooled cash and investments	\$ 1,135	\$ 17,061,376	\$ 17,056,552	\$ 5,959
Liabilities				
Undistributed receipts	\$ 1,135	\$ 17,061,376	\$ 17,056,552	\$ 5,959

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CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2017

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
<i>Total All Agency Funds</i>				
Assets				
Pooled cash and investments	\$ 170,875	\$ 68,914,981	\$ 68,906,931	\$ 178,925
Delinquent taxes receivable	688,423	168,593	404,599	452,417
Total assets	<u>\$ 859,298</u>	<u>\$ 69,083,574</u>	<u>\$ 69,311,530</u>	<u>\$ 631,342</u>
Liabilities				
Undistributed receipts	<u>\$ 859,298</u>	<u>\$ 69,083,574</u>	<u>\$ 69,311,530</u>	<u>\$ 631,342</u>

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STATISTICAL SECTION

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CITY OF BATTLE CREEK, MICHIGAN

Statistical Section Table of Contents

This part of the City of Battle Creek, Michigan's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

		<u>Page</u>
Financial Trends (Schedules 1-5)	These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	154
Revenue Capacity (Schedules 6-28)	These schedules contain information to help the reader assess the government's most significant local revenue sources: property taxes and water and wastewater usage fees.	166
Debt Capacity (Schedules 29-32)	These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	210
Demographic and Economic Information (Schedules 33 & 34)	These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	223
Operating Information (Schedules 35-38)	These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	226

Sources: Unless otherwise noted, the information in these schedules are derived from the comprehensive annual financial reports for the applicable year.

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	2008	2009	2010	2011	2012
Governmental activities					
Net investment in capital assets	\$ 209,225,026	\$ 213,060,080	\$ 207,342,367	\$ 209,845,426	\$ 216,252,011
Restricted	4,929,264	3,287,591	2,150,046	2,434,818	2,328,940
Unrestricted (deficit)	33,063,496	28,294,180	29,256,852	21,529,980	21,344,934
Total governmental activities	<u>\$ 247,217,786</u>	<u>\$ 244,641,851</u>	<u>\$ 238,749,265</u>	<u>\$ 233,810,224</u>	<u>\$ 239,925,885</u>
Business-type activities					
Net investment in capital assets	\$ 96,505,088	\$ 96,106,663	\$ 96,648,044	\$ 94,517,336	\$ 93,175,690
Unrestricted	19,641,409	18,335,770	19,217,106	19,336,256	19,223,068
Total business-type activities	<u>\$ 116,146,497</u>	<u>\$ 114,442,433</u>	<u>\$ 115,865,150</u>	<u>\$ 113,853,592</u>	<u>\$ 112,398,758</u>
Primary government					
Net investment in capital assets	\$ 305,730,114	\$ 309,166,743	\$ 303,990,411	\$ 304,362,762	\$ 309,427,701
Restricted	4,929,264	3,287,591	2,150,046	2,434,818	2,328,940
Unrestricted (deficit)	52,704,905	46,629,950	48,473,958	40,866,236	40,568,002
Total primary government	<u>\$ 363,364,283</u>	<u>\$ 359,084,284</u>	<u>\$ 354,614,415</u>	<u>\$ 347,663,816</u>	<u>\$ 352,324,643</u>

continued...

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	2013	2014	2015	2016	2017
Governmental activities					
Net investment in capital assets	\$ 216,155,508	\$ 213,803,703	\$ 212,763,742	\$ 209,385,180	\$ 204,289,221
Restricted	3,326,396	2,671,582	6,422,246	10,573,097	9,498,489
Unrestricted (deficit)	16,137,588	13,828,647	(39,592,709)	(56,384,540)	(66,228,790)
Total governmental activities	<u>\$ 235,619,492</u>	<u>\$ 230,303,932</u>	<u>\$ 179,593,279</u>	<u>\$ 163,573,737</u>	<u>\$ 147,558,920</u>
Business-type activities					
Net investment in capital assets	\$ 92,885,198	\$ 92,099,833	\$ 91,757,657	\$ 94,256,830	\$ 77,696,600
Unrestricted	19,988,459	20,628,055	6,044,949	6,738,128	18,432,807
Total business-type activities	<u>\$ 112,873,657</u>	<u>\$ 112,727,888</u>	<u>\$ 97,802,606</u>	<u>\$ 100,994,958</u>	<u>\$ 96,129,407</u>
Primary government					
Net investment in capital assets	\$ 309,040,706	\$ 305,903,536	\$ 304,521,399	\$ 303,642,010	\$ 281,985,821
Restricted	3,326,396	2,671,582	6,422,246	10,573,097	9,498,489
Unrestricted (deficit)	36,126,047	34,456,702	(33,547,760)	(49,646,412)	(47,795,983)
Total primary government	<u>\$ 348,493,149</u>	<u>\$ 343,031,820</u>	<u>\$ 277,395,885</u>	<u>\$ 264,568,695</u>	<u>\$ 243,688,327</u>

concluded.

Source: City of Battle Creek Finance Department

Note: GASB Statements No. 63 and 65 were implemented for fiscal year ended June 30, 2013. This resulted in a change renaming net assets to net position and invested in capital assets, net of related debt to net investment in capital assets. As a result of implementation, bond issuance costs have been eliminated. Prior years were not restated.

Note: GASB Statement No. 68 was implemented for the fiscal year ended June 30, 2015. This resulted in presentation of the City's net pension liability on the statement of net position. Prior years were not restated.

Changes in Net Position

Last Ten Fiscal Years
(accrual basis of accounting)

	2008	2009	2010	2011	2012
Expenses					
Governmental activities:					
General government	\$ 13,176,854	\$ 11,518,181	\$ 8,669,931	\$ 10,303,586	\$ 12,250,359
Public safety	27,337,709	27,392,970	31,461,275	29,053,426	27,025,682
Public works	1,896,351	2,267,154	1,839,732	2,803,968	2,396,590
Highways and streets	12,521,742	11,445,076	9,761,195	9,426,798	7,149,971
Parks and recreation	5,994,590	7,309,779	7,104,029	6,665,571	6,280,210
Community development	2,629,423	2,446,793	3,258,213	5,321,021	6,589,947
Interest on long-term debt	885,050	1,063,227	746,334	830,920	826,922
Total governmental activities	64,441,719	63,443,180	62,840,709	64,405,290	62,519,681
Business-type activities:					
Wastewater	15,371,605	15,196,805	14,132,718	15,444,292	15,215,733
Water	7,439,990	7,189,064	7,276,720	8,358,607	7,814,304
Public transit	3,985,668	4,179,374	3,968,197	4,498,411	4,705,296
Solid waste collection	2,591,517	2,698,282	2,753,730	2,741,558	2,865,831
Airport	2,393,643	2,395,483	2,552,763	2,634,483	2,662,373
Golf course	1,232,043	-	-	-	-
Parking	1,147,371	1,179,759	1,155,113	1,252,970	1,406,230
Economic development	930,268	193,000	187,295	355,375	124,973
Total business-type activities	35,092,105	33,031,767	32,026,536	35,285,696	34,794,740
Total primary government expenses	99,533,824	96,474,947	94,867,245	99,690,986	97,314,421
Program revenues					
Governmental activities:					
Charges for services:					
General government	2,907,276	2,952,331	2,447,656	2,739,519	3,270,597
Public safety	1,835,157	2,005,200	1,820,299	1,161,679	1,148,538
Public works	671,611	583,610	142,714	323,374	98,263
Highways and streets	5,240	23,998	6,354	25,511	7,498
Parks and recreation	2,320,582	3,464,587	3,194,147	3,516,153	3,735,452
Community development	45,239	24,320	-	54,440	607,631
Interest on long-term debt	-	249	-	-	-
Operating grants and contributions	12,442,524	10,945,297	11,450,771	15,277,402	21,767,295
Capital grants and contributions	1,651,247	2,224,654	-	-	-
Total governmental activities	21,878,876	22,224,246	19,061,941	23,098,078	30,635,274

continued...

Changes in Net Position

Last Ten Fiscal Years
(accrual basis of accounting)

	2013	2014	2015	2016	2017
Expenses					
Governmental activities:					
General government	\$ 10,372,803	\$ 12,208,561	\$ 8,841,596	\$ 13,522,067	\$ 13,804,561
Public safety	26,952,192	27,215,335	29,790,342	38,643,958	38,272,687
Public works	1,891,765	2,199,624	2,239,223	2,016,152	1,925,529
Highways and streets	11,585,808	9,731,567	14,960,926	11,759,289	12,962,951
Parks and recreation	6,323,529	5,759,128	6,491,021	7,662,739	7,549,260
Community development	4,907,271	3,019,449	2,709,435	2,960,152	2,575,566
Interest on long-term debt	745,018	1,206,989	1,307,722	1,193,277	1,383,774
Total governmental activities	62,778,386	61,340,653	66,340,265	77,757,634	78,474,328
Business-type activities:					
Wastewater	15,247,288	15,642,028	15,833,103	16,616,652	21,226,749
Water	7,520,760	7,930,788	7,881,178	8,407,774	8,638,715
Public transit	4,924,554	4,814,924	4,551,257	4,519,401	4,787,343
Solid waste collection	2,940,000	3,004,407	2,977,648	3,021,188	3,327,216
Airport	2,511,613	2,485,677	2,512,780	2,566,234	2,620,027
Golf course	-	-	-	-	-
Parking	1,509,283	1,549,455	1,369,956	1,475,329	1,418,990
Economic development	148,922	130,400	124,121	183,616	296,334
Total business-type activities	34,802,420	35,557,679	35,250,043	36,790,194	42,315,374
Total primary government expenses	97,580,806	96,898,332	101,590,308	114,547,828	120,789,702
Program revenues					
Governmental activities:					
Charges for services:					
General government	3,363,317	2,824,535	3,442,117	3,598,573	3,188,666
Public safety	960,535	907,128	900,686	907,947	1,119,088
Public works	84,207	201,493	120,379	144,941	118,886
Highways and streets	4,251	27,929	13,953	6,932	4,559
Parks and recreation	3,635,347	3,250,950	3,400,581	3,822,885	3,511,655
Community development	830,898	277,924	135,693	57,780	78,892
Interest on long-term debt	-	-	-	-	-
Operating grants and contributions	12,618,453	10,289,625	12,533,025	14,753,846	15,546,274
Capital grants and contributions	-	-	762,199	34,404	320,769
Total governmental activities	21,497,008	17,779,584	21,308,633	23,327,308	23,888,789

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Changes in Net Position

Last Ten Fiscal Years
(accrual basis of accounting)

	2008	2009	2010	2011	2012
Business-type activities:					
Charges for services:					
Wastewater	11,617,431	12,056,109	13,600,518	13,204,301	14,268,729
Water	7,783,011	7,760,563	8,014,650	7,955,198	8,824,757
Public transit	381,122	401,200	390,010	405,754	423,116
Solid waste collection	2,554,607	2,592,942	2,702,376	2,841,261	2,865,400
Airport	1,165,832	1,287,463	1,228,917	1,189,936	1,358,819
Golf course	1,186,315	-	-	-	-
Parking	656,249	611,725	600,608	872,937	1,117,414
Economic development	845,671	359,384	479,652	139,425	163,229
Operating grants and contributions	3,891,109	3,571,310	3,459,262	6,021,711	4,197,347
Capital grants and contributions	544,337	1,940,273	2,319,601	-	-
Total business-type activities	<u>30,625,684</u>	<u>30,580,969</u>	<u>32,795,594</u>	<u>32,630,523</u>	<u>33,218,811</u>
Total primary government					
Program revenues	<u>52,504,560</u>	<u>52,805,215</u>	<u>51,857,535</u>	<u>55,728,601</u>	<u>63,854,085</u>
Net (expense)/revenue					
Government activities	(42,562,843)	(41,218,934)	(43,778,768)	(41,307,212)	(31,884,407)
Business-type activities	<u>(4,466,421)</u>	<u>(2,450,798)</u>	<u>769,058</u>	<u>(2,655,173)</u>	<u>(1,575,929)</u>
Total primary government net expense	<u>(47,029,264)</u>	<u>(43,669,732)</u>	<u>(43,009,710)</u>	<u>(43,962,385)</u>	<u>(33,460,336)</u>
General revenues					
Governmental activities:					
General revenues:					
Property taxes	16,485,528	17,033,749	17,414,875	16,711,960	16,542,171
Income taxes	15,505,430	14,240,808	14,328,097	13,548,759	15,009,421
Grants and contributions not restricted to specific programs	6,090,487	5,882,127	5,235,168	5,599,849	5,296,135
Unrestricted investment earnings	2,448,172	1,921,942	1,816,033	1,070,544	1,176,170
Transfers - internal activities	(693,655)	(585,336)	(533,894)	(562,941)	(23,829)
Total governmental activities	<u>39,835,962</u>	<u>38,493,290</u>	<u>38,260,279</u>	<u>36,368,171</u>	<u>38,000,068</u>
Business-type activities:					
Unrestricted investment earnings	581,031	161,107	119,765	80,674	97,266
Rents and leases	-	-	-	-	-
Transfers - internal activities	693,655	585,336	533,894	562,941	23,829
Total business-type activities	<u>1,274,686</u>	<u>746,443</u>	<u>653,659</u>	<u>643,615</u>	<u>121,095</u>
Total primary government	<u>41,110,648</u>	<u>39,239,733</u>	<u>38,913,938</u>	<u>37,011,786</u>	<u>38,121,163</u>
Change in net position					
Government activities	(2,726,881)	(2,725,644)	(5,518,489)	(4,939,041)	6,115,661
Business-type activities	<u>(3,191,735)</u>	<u>(1,704,355)</u>	<u>1,422,717</u>	<u>(2,011,558)</u>	<u>(1,454,834)</u>
Total primary government	<u>\$ (5,918,616)</u>	<u>\$ (4,429,999)</u>	<u>\$ (4,095,772)</u>	<u>\$ (6,950,599)</u>	<u>\$ 4,660,827</u>

continued...

Changes in Net Position

Last Ten Fiscal Years
(accrual basis of accounting)

	2013	2014	2015	2016	2017
Business-type activities:					
Charges for services:					
Wastewater	15,013,143	15,586,240	17,061,207	18,278,650	16,905,486
Water	9,208,283	9,465,371	9,495,161	9,883,241	9,574,123
Public transit	415,699	425,705	430,572	407,480	378,300
Solid waste collection	2,863,898	3,082,169	3,094,738	3,212,994	3,407,372
Airport	1,364,368	1,365,747	1,389,514	1,354,099	1,459,032
Golf course	-	-	-	-	-
Parking	1,229,770	1,330,971	1,398,498	1,384,948	1,333,331
Economic development	37,639	91,571	55,703	7,636	6,270
Operating grants and contributions	5,060,638	3,571,072	3,987,451	4,336,403	3,698,755
Capital grants and contributions	-	-	-	-	-
Total business-type activities	<u>35,193,438</u>	<u>34,918,846</u>	<u>36,912,844</u>	<u>38,865,451</u>	<u>36,762,669</u>
Total primary government					
Program revenues	<u>56,690,446</u>	<u>52,698,430</u>	<u>58,221,477</u>	<u>62,192,759</u>	<u>60,651,458</u>
Net (expense)/revenue					
Government activities	(43,561,069)	(43,561,069)	(45,031,632)	(54,430,326)	(54,585,539)
Business-type activities	<u>(638,833)</u>	<u>(638,833)</u>	<u>1,662,801</u>	<u>2,075,257</u>	<u>(5,552,705)</u>
Total primary government net expense	<u>(44,199,902)</u>	<u>(44,199,902)</u>	<u>(43,368,831)</u>	<u>(52,355,069)</u>	<u>(60,138,244)</u>
General revenues					
Governmental activities:					
General revenues:					
Property taxes	15,809,783	16,258,935	16,028,806	16,189,320	16,457,014
Income taxes	16,234,540	16,093,707	16,475,837	16,414,572	16,581,118
Grants and contributions not restricted to specific programs	5,271,399	5,336,347	5,441,022	5,637,815	5,678,681
Unrestricted investment earnings	371,196	953,036	856,338	770,022	293,860
Transfers - internal activities	(349,082)	(396,516)	(453,061)	(600,945)	(439,951)
Total governmental activities	<u>37,337,836</u>	<u>38,245,509</u>	<u>38,348,942</u>	<u>38,410,784</u>	<u>38,570,722</u>
Business-type activities:					
Unrestricted investment earnings	(63,487)	96,548	74,665	269,643	49,396
Rents and leases	-	-	-	246,507	197,807
Transfers - internal activities	349,082	396,516	453,061	600,945	439,951
Total business-type activities	<u>285,595</u>	<u>493,064</u>	<u>527,726</u>	<u>1,117,095</u>	<u>687,154</u>
Total primary government	<u>37,623,431</u>	<u>38,738,573</u>	<u>38,876,668</u>	<u>39,527,879</u>	<u>39,257,876</u>
Change in net position					
Government activities	6,115,661	(5,315,560)	(6,682,690)	(16,019,542)	(16,014,817)
Business-type activities	<u>(1,454,834)</u>	<u>(145,769)</u>	<u>2,190,527</u>	<u>3,192,352</u>	<u>(4,865,551)</u>
Total primary government	<u>\$ 4,660,827</u>	<u>\$ (5,461,329)</u>	<u>\$ (4,492,163)</u>	<u>\$ (12,827,190)</u>	<u>\$ (20,880,368)</u>

concluded.

Source: City of Battle Creek Finance Department

Fund Balances - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2008	2009	2010	2011	2012
General fund					
Nonspendable	\$ -	\$ -	\$ -	\$ 499,983	\$ 865,127
Restricted	-	-	-	336,529	163,327
Committed	-	-	-	783,357	892,532
Assigned	-	-	-	1,489,087	1,064,255
Unassigned	-	-	-	4,682,496	4,895,117
Reserved	297,534	531,030	518,774	-	-
Unreserved	7,875,800	6,886,896	6,740,926	-	-
Total general fund	\$ 8,173,334	\$ 7,417,926	\$ 7,259,700	\$ 7,791,452	\$ 7,880,358
All other governmental funds					
Nonspendable	\$ -	\$ -	\$ -	\$ 1,120,738	\$ 964,756
Restricted	-	-	-	689,873	556,164
Committed	-	-	-	958,394	2,209,308
Assigned	-	-	-	649,881	599,288
Unassigned (deficit)	-	-	-	(512,389)	-
Reserved	2,380,677	2,270,931	1,121,697	-	-
Unreserved, reported in:					
Special revenue funds	1,153,026	(284,187)	664,720	-	-
Debt service funds	62,483	7,380	7,564	-	-
Capital projects funds	4,000,751	712,055	1,250,256	-	-
Permanent funds	1,055,843	1,156,678	1,157,171	-	-
Total all other governmental funds	\$ 8,652,780	\$ 3,862,857	\$ 4,201,408	\$ 2,906,497	\$ 4,329,516

continued...

Fund Balances - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2013	2014	2015	2016	2017
General fund					
Nonspendable	\$ 448,287	\$ 484,653	\$ 455,414	\$ 508,342	\$ 376,049
Restricted	146,469	147,134	103,499	384,726	241,186
Committed	835,064	844,624	891,241	936,502	1,313,835
Assigned	68,152	91,720	101,236	61,973	96,131
Unassigned	6,171,173	6,580,891	6,417,328	6,181,573	5,958,796
Reserved	-	-	-	-	-
Unreserved	-	-	-	-	-
Total general fund	\$ 7,669,145	\$ 8,149,022	\$ 7,968,718	\$ 8,073,116	\$ 7,985,997
All other governmental funds					
Nonspendable	\$ 1,012,623	\$ 1,016,652	\$ 1,011,593	\$ 1,019,048	\$ 1,024,394
Restricted	755,079	11,477,425	6,468,777	4,791,668	16,317,974
Committed	2,389,690	2,436,895	2,418,119	1,727,350	2,504,157
Assigned	1,329,963	739,577	454,581	354,092	248,647
Unassigned (deficit)	(179,235)	(131,387)	(9,922)	-	-
Reserved	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Permanent funds	-	-	-	-	-
Total all other governmental funds	\$ 5,308,120	\$ 15,539,162	\$ 10,343,148	\$ 7,892,158	\$ 20,095,172

concluded.

Source: City of Battle Creek Finance Department

Note: The City implemented GASB Statement No. 54 in fiscal year 2011. Previous years were not restated.

Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2008	2009	2010	2011	2012
Revenues					
Income taxes	\$ 15,505,430	\$ 14,240,808	\$ 14,328,097	\$ 13,548,759	\$ 15,009,421
Property taxes	16,485,528	17,033,749	17,414,875	16,711,960	16,542,171
Licenses and permits	1,026,490	1,012,079	1,038,089	1,198,154	813,942
Intergovernmental	16,942,219	16,323,084	15,867,905	19,635,529	25,974,924
Charges for services	3,975,149	5,329,100	4,833,110	4,479,740	5,235,921
Fines and forfeitures	249,809	207,251	217,119	138,191	151,470
Investment income	1,942,756	1,626,797	985,996	756,002	648,835
Other	4,266,257	3,566,605	2,903,858	3,511,690	5,225,127
Total revenues	60,393,638	59,339,473	57,589,049	59,980,025	69,601,811
Expenditures					
General government	11,975,613	10,426,091	7,970,982	9,025,067	10,840,690
Public safety	26,766,867	27,333,095	27,096,596	26,296,938	25,721,232
Public works	1,600,366	2,005,097	1,906,614	2,739,101	2,422,655
Highway and streets	11,599,488	13,495,120	8,270,729	9,674,093	13,336,410
Parks and recreation	5,192,125	6,411,034	5,791,915	5,613,072	5,396,641
Community development	1,829,799	2,273,906	3,040,116	4,371,354	5,871,937
Inspections	2,504,094	551,947	537,689	1,080,883	400,956
Unallocated	168,949	327,213	267,009	-	1,230,028
Debt service:					
Principal retirement	2,110,890	2,119,432	2,103,669	2,363,469	1,843,730
Interest	928,236	1,035,366	927,124	895,686	723,652
Bond issuance costs	215,915	-	83,095	153,331	-
Total expenditures	64,892,342	65,978,301	57,995,538	62,212,994	67,787,931
Revenues over (under) expenditures	(4,498,704)	(6,638,828)	(406,489)	(2,232,969)	1,813,880
Other financing sources (uses)					
Issuance of bonds	8,975,420	-	2,240,000	6,725,000	-
Premium (discount) on bonds	(39,814)	-	5,220	250,294	-
Payment to refunding bond escrow agent	(8,556,980)	-	(2,162,125)	(6,818,624)	-
Proceeds from sales of capital assets	987,229	1,094,075	974,036	1,029,881	-
Transfers in	9,521,452	8,829,217	10,851,446	7,706,637	5,629,173
Transfers out	(9,972,627)	(8,353,518)	(11,331,409)	(7,423,378)	(5,931,128)
Total other financing sources (uses)	914,680	1,569,774	577,168	1,469,810	(301,955)
Net changes in fund balances	\$ (3,584,024)	\$ (5,069,054)	\$ 170,679	\$ (763,159)	\$ 1,511,925
Debt services as a percentage of noncapital expenditures	5.1%	5.4%	5.7%	6.0%	4.7%

continued...

Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2013	2014	2015	2016	2017
Revenues					
Income taxes	\$ 16,234,540	\$ 16,093,707	\$ 16,475,837	\$ 16,414,572	\$ 16,581,118
Property taxes	15,809,783	16,258,935	16,028,806	16,189,320	16,457,014
Licenses and permits	832,745	922,738	965,987	1,029,815	1,019,433
Intergovernmental	17,729,297	15,443,105	17,614,000	20,026,447	21,084,486
Charges for services	5,058,388	4,520,247	4,778,052	5,082,714	4,879,599
Fines and forfeitures	143,710	134,497	127,535	129,805	125,194
Investment income	110,735	559,839	555,685	501,922	157,485
Other	3,441,665	2,968,516	2,026,275	1,914,836	1,972,148
Total revenues	59,360,863	56,901,584	58,572,177	61,289,431	62,276,477
Expenditures					
General government	8,324,868	13,218,040	8,934,304	9,999,068	13,203,880
Public safety	25,856,822	25,587,422	26,469,518	27,427,085	29,417,044
Public works	1,801,123	2,152,726	2,103,888	2,571,981	2,463,778
Highway and streets	10,504,607	9,261,973	14,242,456	10,667,566	9,568,383
Parks and recreation	5,404,433	4,784,815	5,438,183	5,495,002	5,012,445
Community development	3,729,026	1,725,369	1,452,582	1,853,905	1,126,055
Inspections	432,009	438,325	580,355	616,610	625,830
Unallocated	1,789,974	1,272,866	1,350,777	1,286,389	1,330,575
Debt service:					
Principal retirement	1,439,473	1,960,721	2,342,497	2,539,826	2,072,734
Interest	748,414	1,183,898	1,346,762	1,207,672	1,367,461
Bond issuance costs	-	312,339	-	-	-
Total expenditures	60,030,749	61,898,494	64,261,322	63,665,104	66,188,185
Revenues over (under) expenditures	(669,886)	(4,996,910)	(5,689,145)	(2,375,673)	(3,911,708)
Other financing sources (uses)					
Issuance of bonds	-	15,370,000	-	12,605,000	15,265,000
Premium (discount) on bonds	-	383,666	-	860,638	1,489,463
Payment to refunding bond escrow agent	-	-	-	(13,548,312)	-
Proceeds from sales of capital assets	-	-	-	-	-
Transfers in	6,035,359	5,400,117	6,559,688	5,406,192	6,588,752
Transfers out	(4,598,082)	(5,445,954)	(6,246,861)	(5,294,437)	(7,315,611)
Total other financing sources (uses)	1,437,277	15,707,829	312,827	29,081	16,027,604
Net changes in fund balances	\$ 767,391	\$ 10,710,919	\$ (5,376,318)	\$ (2,346,592)	\$ 12,115,896
Debt services as a percentage of noncapital expenditures	4.2%	6.0%	6.8%	6.5%	5.9%

concluded.

Source: City of Battle Creek Finance Department

Changes in Fund Balances - General Fund

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2008	2009	2010	2011	2012
Revenues					
Income taxes	\$ 15,505,430	\$ 14,240,808	\$ 14,328,097	\$ 13,548,759	\$ 15,009,421
Property taxes	16,485,528	17,033,749	17,414,875	16,711,960	14,909,932
Licenses and permits	1,026,490	1,012,079	1,038,089	1,160,839	698,145
Intergovernmental	7,932,595	7,688,340	7,121,712	6,731,957	6,353,111
Charges for services	2,377,713	2,297,536	2,305,552	2,142,591	2,228,868
Fines and forfeitures	249,809	207,251	217,119	138,191	151,470
Investment income	1,455,000	1,330,682	793,498	687,076	577,687
Other	2,083,831	2,042,606	1,545,510	2,142,638	3,167,419
Total revenues	47,116,396	45,853,051	44,764,452	43,264,011	43,096,053
Expenditures					
General government	7,818,545	8,526,593	7,707,358	7,521,606	7,082,687
Public safety	26,187,733	26,631,841	26,452,872	25,607,110	24,741,135
Public works	1,600,366	2,005,097	1,906,614	2,739,101	2,422,655
Parks and recreation	3,847,291	3,756,736	3,390,286	3,284,606	3,017,352
Unallocated	2,140,538	402,265	364,755	1,053,986	1,230,028
Debt service:					
Principal retirement	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	41,594,473	41,322,532	39,821,885	40,206,409	38,493,857
Revenues over (under) expenditures	5,521,923	4,530,519	4,942,567	3,057,602	4,602,196
Other financing sources (uses)					
Transfers in	150,382	155,742	1,820,222	888,345	167,792
Issuance of debt	-	-	-	-	-
Sale of land and other assets	757,881	818,715	917,847	973,692	-
Transfers out	(6,337,369)	(6,260,384)	(7,838,862)	(5,767,462)	(4,681,082)
Total other financing sources (uses)	(5,429,106)	(5,285,927)	(5,100,793)	(3,905,425)	(4,513,290)
Net changes in fund balances	\$ 92,817	\$ (755,408)	\$ (158,226)	\$ (847,823)	\$ 88,906

continued...

Changes in Fund Balances - General Fund

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2013	2014	2015	2016	2017
Revenues					
Income taxes	\$ 16,234,540	\$ 16,093,707	\$ 16,475,837	\$ 16,414,572	\$ 16,581,118
Property taxes	14,227,428	14,683,943	14,504,834	14,668,381	14,950,795
Licenses and permits	696,355	744,302	868,181	1,021,229	1,019,433
Intergovernmental	6,595,260	6,659,514	6,809,508	8,698,540	11,717,251
Charges for services	2,026,494	1,981,271	2,040,194	2,378,225	2,482,779
Fines and forfeitures	143,710	134,497	127,535	129,805	125,194
Investment income	146,653	511,395	516,880	426,096	145,145
Other	1,833,188	1,965,686	872,559	1,034,513	928,761
Total revenues	41,903,628	42,774,315	42,215,528	44,771,361	47,950,476
Expenditures					
General government	7,268,561	7,225,082	6,371,999	6,772,153	6,648,823
Public safety	25,021,620	25,303,386	25,835,041	27,204,080	29,009,596
Public works	1,801,123	2,152,726	2,103,888	2,571,981	2,463,778
Parks and recreation	2,887,026	2,708,291	3,001,790	3,301,833	3,036,624
Unallocated	1,789,974	1,272,866	1,350,777	1,286,389	1,330,575
Debt service:					
Principal retirement			-	-	-
Interest			-	-	-
Total expenditures	38,768,304	38,662,351	38,663,495	41,136,436	42,489,396
Revenues over (under) expenditures	3,135,324	4,111,964	3,552,033	3,634,925	5,461,080
Other financing sources (uses)					
Transfers in	1,056	16,600	-	106,731	21,113
Issuance of debt	-	-	-	-	-
Sale of land and other assets	-	-	-	-	-
Transfers out	(3,347,593)	(3,648,687)	(3,732,337)	(3,637,258)	(5,569,312)
Total other financing sources (uses)	(3,346,537)	(3,632,087)	(3,732,337)	(3,530,527)	(5,548,199)
Net changes in fund balances	\$ (211,213)	\$ 479,877	\$ (180,304)	\$ 104,398	\$ (87,119)

concluded.

Source: City of Battle Creek Finance Department

Assessed and Taxable Value of Property

Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year Ended June 30,	Tax Year	Valued as of December 31,	(1) Total Assessed Value (S.E.V.)	Taxable Value	
				Real Property	Personal Property
2017	2016	2015	\$ 1,374,803,682	\$ 1,056,829,386	\$ 162,533,256
2016	2015	2014	1,597,755,968	1,058,229,131	331,368,399
2015	2014	2013	1,580,734,432	1,071,816,975	323,079,746
2014	2013	2012	1,601,470,703	1,090,543,166	321,394,012
2013	2012	2011	1,672,651,855	1,125,760,929	324,590,974
2012	2011	2010	1,727,239,263	1,147,982,019	323,603,422
2011	2010	2009	1,828,928,429	1,191,931,916	327,774,301
2010	2009	2008	1,960,436,729	1,232,773,351	337,956,932
2009	2008	2007	1,957,111,278	1,175,550,422	322,175,798
2008	2007	2006	1,897,043,026	1,144,865,369	342,109,866

continued...

Assessed and Taxable Value of Property

Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year Ended June 30,	Taxable Value			Total Estimated Actual Value of Taxable Property	Total Direct Tax Rate
	(2) Industrial Facilities	(2) Neighborhood Enterprise Zone	Total		
2017	\$ 67,913,737	\$ 52,084	\$ 1,287,328,463	\$ 2,749,607,364	15.4190
2016	149,463,733	52,084	1,539,113,347	3,195,511,936	14.7360
2015	146,581,873	62,440	1,541,541,034	3,161,468,864	14.7360
2014	143,777,085	96,372	1,555,810,635	3,202,941,406	14.7360
2013	163,610,573	149,072	1,614,111,548	3,345,303,710	14.7360
2012	171,383,082	315,736	1,643,284,259	3,454,478,526	14.7360
2011	177,283,387	493,409	1,697,483,013	3,657,856,858	14.4760
2010	199,737,206	509,073	1,770,976,562	3,920,873,458	14.4760
2009	229,617,747	451,177	1,727,795,144	3,914,222,556	14.4760
2008	194,647,401	451,147	1,682,073,783	3,794,086,052	14.4760

concluded.

Notes: Property in the City of Battle Creek is assessed every year representing approximately 50% of the actual value for all real and personal property. Taxable value is the figure used to calculate property taxes. The taxable value is limited to annual increases of 5% or the State of Michigan Consumer Price Index, whichever is less, except if a property is sold. The assessed value becomes the taxable value in the year following a sale. Property taxes are levied July 1 of the succeeding fiscal year based on taxable values as of December 31.

- (1) Assessed value is ad valorem property only and does not include tax abated properties (see #2 below).
- (2) Represents current values of tax abated properties.

Source: City of Battle Creek Assessor's Office.

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of taxable value)

Fiscal Year Ended June 30,	Levied July 1,	(1) City of Battle Creek			Total Direct Rate	Battle Creek Public Schools	State Education Tax
		Operating	Debt	Pension			
2017	2016	10.2400	0.5000	4.6790	15.4190	24.0000	6.0000
2016	2015	10.2400	-	4.4960	14.7360	24.3200	6.0000
2015	2014	10.3070	-	4.4290	14.7360	24.6000	6.0000
2014	2013	10.6480	-	4.0880	14.7360	24.8500	6.0000
2013	2012	10.9270	-	3.8090	14.7360	24.3400	6.0000
2012	2011	10.9880	-	3.7480	14.7360	24.3400	6.0000
2011	2010	10.9880	-	3.4880	14.4760	24.4400	6.0000
2010	2009	11.0580	-	3.4180	14.4760	23.9500	6.0000
2009	2008	11.0940	-	3.3820	14.4760	23.9500	6.0000
2008	2007	11.1990	-	3.2770	14.4760	20.0000	6.0000

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of taxable value)

Fiscal Year Ended June 30,	Calhoun Intermediate School District	Kellogg Community College	District Library	County	Totals	
					Non-Homestead	Homestead (2)
2017	6.2057	3.6136	2.0000	6.4713	63.7096	45.7096
2016	6.2057	3.6136	2.0000	6.4713	63.3466	45.3466
2015	6.2057	3.6136	2.0000	6.4713	63.6266	45.6266
2014	6.2057	3.6136	2.0000	6.4713	63.8766	45.8766
2013	6.2057	3.7106	2.0000	6.3713	63.3636	45.3636
2012	6.2057	3.7106	2.0000	6.3713	63.3636	45.3636
2011	6.2057	3.7106	2.0000	6.3713	63.2036	45.2036
2010	6.2057	3.7106	2.0000	6.3713	62.7136	44.7136
2009	6.2057	3.7106	2.0000	6.3713	62.7136	44.7136
2008	6.2057	3.7106	2.0000	6.3713	58.7636	40.7636

- (1) Approximately 2/3 of the City's taxable value is contained in Battle Creek School District. Four other school districts overlap into the geographical boundaries of the City. The millage rates for these other school districts are approximately equivalent to Battle Creek School District's.
- (2) Passage of Proposal A in 1994 reduced operating millage for Michigan public schools to 18 mills for non-homestead properties and exempted homestead properties. Both homestead and non-homestead properties are subject to the State Education Tax of 6 mills as well as any debt service levy.

Source: City of Battle Creek Finance Department

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2008		
	Taxable Value	Rank	Percentage of Total City Taxable Value
Kellogg Company	\$ 119,166,407	1	7.08%
Consumer Energy	20,348,661	4	1.21%
Denso Manufacturing MI Inc.	81,285,547	2	4.83%
Post Foods LLC	37,222,448	3	2.21%
Semco Energy Inc.	13,976,366	6	0.83%
Musashi Auto Parts-Michigan Inc.	-	-	0.00%
TRMI Inc.	11,000,229	8	0.65%
Il Stanley Co. Inc.	-	-	0.00%
Lakeview Square LLC	12,920,550	7	0.77%
Edward Rose Development Co.	-	-	0.00%
Conagra Foods Inc.	16,088,305	5	0.96%
Michigan Carton & Paperboard	8,540,917	9	0.51%
New AMI	6,326,674	10	0.38%
	<u>\$ 326,876,104</u>		<u>19.43%</u>

continued...

CITY OF BATTLE CREEK, MICHIGAN

Schedule 8
Unaudited

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2017		
	Taxable Value	Rank	Percentage of Total City Taxable Value
Kellogg Company	\$ 79,548,590	1	6.18%
Consumers Energy	34,166,748	2	2.65%
Denso Manufacturing MI Inc.	32,625,944	3	2.53%
Post Foods LLC	16,270,750	4	1.26%
Semco Energy Inc.	14,392,747	5	1.12%
Musashi Auto Parts-Michigan Inc.	13,653,620	6	1.06%
TRMI Inc.	10,658,331	7	0.83%
Il Stanley Co. Inc.	9,186,542	8	0.71%
Lakeview Square LLC	7,894,764	9	0.61%
Edward Rose Development Co.	6,087,616	10	0.47%
Conagra Foods Inc.	-	-	0.00%
Michigan Carton & Paperboard	-	-	0.00%
New AMI	-	-	0.00%
	<u>\$ 224,485,652</u>		<u>17.44%</u>

concluded.

Source: City of Battle Creek Assessor's Office.

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Property Tax Levies and Collections
Last Ten Fiscal Years

Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Subsequent Years Collections	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2017	\$ 18,905,774	\$ 18,872,333	99.82%	\$ 3,248	\$ 18,875,581	99.84%
2016	20,813,769	20,779,353	99.83%	8,403	20,787,756	99.88%
2015	20,686,120	20,672,222	99.93%	1,967	20,674,189	99.94%
2014	21,005,303	20,940,399	99.69%	4,911	20,945,310	99.71%
2013	21,447,205	21,408,738	99.82%	3,195	21,411,933	99.84%
2012	22,158,202	22,104,514	99.76%	12,611	22,117,125	99.81%
2011	22,579,440	22,506,975	99.68%	25,414	22,532,389	99.79%
2010	23,571,614	23,501,520	99.70%	21,539	23,523,059	99.79%
2009	23,135,527	23,070,355	99.72%	18,492	23,088,846	99.80%
2008	22,783,861	22,530,390	98.89%	253,471	22,783,861	100.00%

Source: City of Battle Creek Treasurer's Office

Number of Water System Customers by User Class
Last Ten Fiscal Years

Type of User	2008	2009	2010	2011	2012
In-City					
Residential	15,627	14,639	14,467	14,318	14,430
Commercial (1)	1,756	1,718	1,575	1,557	1,557
Industrial	204	211	126	124	128
	<u>17,587</u>	<u>16,568</u>	<u>16,168</u>	<u>15,999</u>	<u>16,115</u>
Outside City					
Emmett Township	742	754	668	648	649
Bedford Township	431	437	421	418	430
Springfield City	Bulk	Bulk	Bulk	Bulk	Bulk
Pennfield Township	Bulk	Bulk	Bulk	Bulk	Bulk
	<u>1,173</u>	<u>1,191</u>	<u>1,089</u>	<u>1,066</u>	<u>1,079</u>
Totals	<u><u>18,760</u></u>	<u><u>17,759</u></u>	<u><u>17,257</u></u>	<u><u>17,065</u></u>	<u><u>17,194</u></u>

continued...

Number of Water System Customers by User Class
Last Ten Fiscal Years

Type of User	2013	2014	2015	2016	2017
In-City					
Residential	14,814	14,791	14,765	14,757	14,771
Commercial (1)	1,622	1,628	1,617	1,619	1,634
Industrial	129	132	131	130	126
	<u>16,565</u>	<u>16,551</u>	<u>16,513</u>	<u>16,506</u>	<u>16,531</u>
Outside City					
Emmett Township	669	669	668	675	699
Bedford Township	438	430	426	420	428
Springfield City	Bulk	Bulk	Bulk	Bulk	Bulk
Pennfield Township	Bulk	Bulk	Bulk	Bulk	Bulk
	<u>1,107</u>	<u>1,099</u>	<u>1,094</u>	<u>1,095</u>	<u>1,127</u>
Totals	<u><u>17,672</u></u>	<u><u>17,650</u></u>	<u><u>17,607</u></u>	<u><u>17,601</u></u>	<u><u>17,658</u></u>

concluded.

(1) This class includes commercial and governmental users.

Source: City of Battle Creek Treasurer's Office

Number of Water System Customers by User Class as a Percent of Total
Last Ten Fiscal Years

Type of User	2008	2009	2010	2011	2012
In-City					
Residential	83.30%	82.43%	83.83%	83.90%	83.92%
Commercial	9.36%	9.67%	9.13%	9.12%	9.06%
Industrial	1.09%	1.19%	0.73%	0.73%	0.74%
	<u>93.75%</u>	<u>93.29%</u>	<u>93.69%</u>	<u>93.75%</u>	<u>93.72%</u>
Outside City					
Emmett Township	3.96%	4.25%	3.87%	3.80%	3.78%
Bedford Township	2.30%	2.46%	2.44%	2.45%	2.50%
Springfield City	n/a	n/a	n/a	n/a	n/a
Pennfield Township	n/a	n/a	n/a	n/a	n/a
	<u>6.25%</u>	<u>6.71%</u>	<u>6.31%</u>	<u>6.25%</u>	<u>6.28%</u>
Totals	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

continued...

Number of Water System Customers by User Class as a Percent of Total
Last Ten Fiscal Years

Type of User	2013	2014	2015	2016	2017
In-City					
Residential	83.83%	83.80%	83.86%	83.84%	83.65%
Commercial	9.18%	9.22%	9.18%	9.20%	9.25%
Industrial	0.72%	0.75%	0.74%	0.74%	0.71%
	<u>93.73%</u>	<u>93.77%</u>	<u>93.79%</u>	<u>93.78%</u>	<u>93.62%</u>
Outside City					
Emmett Township	3.79%	3.79%	3.79%	3.84%	3.96%
Bedford Township	2.48%	2.44%	2.42%	2.39%	2.42%
Springfield City	n/a	n/a	n/a	n/a	n/a
Pennfield Township	n/a	n/a	n/a	n/a	n/a
	<u>6.27%</u>	<u>6.23%</u>	<u>6.21%</u>	<u>6.22%</u>	<u>6.38%</u>
Totals	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

concluded.

Source: City of Battle Creek Treasurer's Office

Water System Revenues by User Class
Last Ten Fiscal Years

Type of User	2008	2009	2010	2011	2012
In-City					
Residential	\$ 3,128,571	\$ 3,116,515	\$ 3,013,516	\$ 2,973,697	\$ 3,197,288
Commercial (1)	2,140,021	2,018,350	2,036,886	1,683,483	1,886,236
Industrial	1,782,813	1,709,693	1,865,248	1,750,581	2,047,362
	<u>7,051,405</u>	<u>6,844,558</u>	<u>6,915,650</u>	<u>6,407,761</u>	<u>7,130,886</u>
Outside City					
Emmett Township (2)	-	-	157,258	518,833	568,638
Bedford Township (2)	-	-	45,160	97,724	90,044
East Leroy Township (2)	-	-	6,162	14,230	23,539
Springfield City	270,169	267,048	278,047	208,408	252,402
Pennfield Township	24,215	23,466	26,304	66,760	28,274
	<u>294,384</u>	<u>290,514</u>	<u>512,931</u>	<u>905,956</u>	<u>962,897</u>
Totals	<u>\$ 7,345,789</u>	<u>\$ 7,135,072</u>	<u>\$ 7,428,581</u>	<u>\$ 7,313,717</u>	<u>\$ 8,093,783</u>

continued...

Water System Revenues by User Class
Last Ten Fiscal Years

Type of User	2013	2014	2015	2016	2017
In-City					
Residential	\$ 3,410,041	\$ 3,403,962	\$ 3,478,565	\$ 3,575,598	\$ 3,724,145
Commercial (1)	2,099,206	2,092,311	2,028,652	2,243,876	2,124,857
Industrial	2,005,796	2,133,970	2,179,161	2,367,369	1,939,402
	<u>7,515,043</u>	<u>7,630,243</u>	<u>7,686,378</u>	<u>8,186,843</u>	<u>7,788,404</u>
Outside City					
Emmett Township (2)	495,823	610,684	626,495	689,318	695,064
Bedford Township (2)	101,866	92,695	98,325	100,731	99,809
East Leroy Township (2)	34,188	19,460	12,481	13,024	11,817
Springfield City	275,733	333,441	272,671	266,165	290,922
Pennfield Township	55,498	29,619	27,805	29,562	35,524
	<u>963,108</u>	<u>1,085,899</u>	<u>1,037,776</u>	<u>1,098,800</u>	<u>1,133,136</u>
Totals	<u>\$ 8,478,151</u>	<u>\$ 8,716,142</u>	<u>\$ 8,724,154</u>	<u>\$ 9,285,643</u>	<u>\$ 8,921,540</u>

concluded.

(1) This class includes commercial and governmental users.

(2) Effective 11/1/99 to 6/30/09, Emmett, Bedford and East Leroy Townships residential revenues are included above in In-City Residential.

Source: City of Battle Creek Treasurer's Office

Water System Revenues by User Class as a Percent of Total Revenue
Last Ten Fiscal Years

Type of User	2008	2009	2010	2011	2012
In-City					
Residential	42.59%	43.68%	40.57%	40.66%	39.50%
Commercial (1)	29.13%	28.29%	27.42%	23.02%	23.30%
Industrial	24.27%	23.96%	25.11%	23.94%	25.30%
	<u>95.99%</u>	<u>95.93%</u>	<u>93.10%</u>	<u>87.61%</u>	<u>88.10%</u>
Outside City					
Emmett Township (2)	0.00%	0.00%	2.12%	7.09%	7.03%
Bedford Township (2)	0.00%	0.00%	0.61%	1.34%	1.11%
East Leroy Township (2)	0.00%	0.00%	0.08%	0.19%	0.29%
Springfield City	3.68%	3.74%	3.74%	2.85%	3.12%
Pennfield Township	0.33%	0.33%	0.35%	0.91%	0.35%
	<u>4.01%</u>	<u>4.07%</u>	<u>6.90%</u>	<u>12.39%</u>	<u>11.90%</u>
Totals	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

continued...

Water System Revenues by User Class as a Percent of Total Revenue
Last Ten Fiscal Years

Type of User	2013	2014	2015	2016	2017
In-City					
Residential	40.22%	39.05%	39.87%	38.51%	41.74%
Commercial (1)	24.76%	24.01%	23.25%	24.17%	23.82%
Industrial	23.66%	24.48%	24.98%	25.49%	21.74%
	<u>88.64%</u>	<u>87.54%</u>	<u>88.10%</u>	<u>88.17%</u>	<u>87.30%</u>
Outside City					
Emmett Township (2)	5.85%	7.01%	7.18%	7.42%	7.79%
Bedford Township (2)	1.20%	1.06%	1.13%	1.08%	1.12%
East Leroy Township (2)	0.40%	0.22%	0.14%	0.14%	0.13%
Springfield City	3.25%	3.83%	3.13%	2.87%	3.26%
Pennfield Township	0.66%	0.34%	0.32%	0.32%	0.40%
	<u>11.36%</u>	<u>12.46%</u>	<u>11.90%</u>	<u>11.83%</u>	<u>12.70%</u>
Totals	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

concluded.

(1) This class includes commercial and governmental users.

(2) Effective 11/1/99 to 6/30/09, Emmett, Bedford & East Leroy Townships residential revenues are included above in In-City Residential.

Source: City of Battle Creek Treasurer's Office

Water System Sales Volume by User Class (Cubic Feet)
Last Ten Fiscal Years

Type of User	2008	2009	2010	2011	2012
In-City					
Residential	129,667,312	125,570,888	126,426,959	125,730,875	110,428,535
Commercial (1)	111,213,299	111,337,291	104,709,987	103,704,045	94,180,609
Industrial	117,340,118	112,527,550	113,482,354	108,505,973	135,043,271
	<u>358,220,729</u>	<u>349,435,729</u>	<u>344,619,300</u>	<u>337,940,893</u>	<u>339,652,415</u>
Outside City					
Emmett Township	19,970,065	17,390,165	19,058,356	22,469,497	20,989,946
Bedford Township	3,647,245	3,199,666	3,513,561	3,357,542	3,387,117
Springfield City	22,897,818	19,962,071	18,041,171	20,371,021	20,084,605
Pennfield Township	2,570,500	2,467,500	2,368,300	2,532,700	2,506,600
	<u>49,085,628</u>	<u>43,019,402</u>	<u>42,981,388</u>	<u>48,730,760</u>	<u>46,968,268</u>
Totals	<u>407,306,357</u>	<u>392,455,131</u>	<u>387,600,688</u>	<u>386,671,653</u>	<u>386,620,683</u>

continued...

Water System Sales Volume by User Class (Cubic Feet)
Last Ten Fiscal Years

Type of User	2013	2014	2015 (2)	2016 (2)	2017
In-City					
Residential	128,321,154	113,821,573	105,232,458	96,499,847	109,281,509
Commercial (1)	108,996,437	101,258,848	91,052,374	95,356,781	90,252,021
Industrial	130,981,050	131,575,143	127,625,133	127,002,299	113,625,946
	<u>368,298,641</u>	<u>346,655,564</u>	<u>323,909,965</u>	<u>318,858,927</u>	<u>313,159,476</u>
Outside City					
Emmett Township	22,861,381	25,097,179	23,111,371	23,441,862	25,738,764
Bedford Township	3,989,779	3,281,149	3,127,698	2,888,704	2,820,489
Springfield City	20,452,628	18,474,474	16,888,944	16,888,943	17,389,269
Pennfield Township	2,238,500	2,223,900	2,123,500	2,164,000	2,199,500
	<u>49,542,288</u>	<u>49,076,702</u>	<u>45,251,513</u>	<u>45,383,509</u>	<u>48,148,022</u>
Totals	<u>417,840,929</u>	<u>395,732,266</u>	<u>369,161,478</u>	<u>364,242,436</u>	<u>361,307,498</u>

concluded.

- (1) This class includes commercial and governmental users.
- (2) Installation of new read system causing negative usage from non-working transmitters not yet changed out but did not impact charges; two-year phase in for In-City, Emmett Township & Bedford Township

Source: City of Battle Creek Treasurer's Office

Water System Sales Volume by User Class as a Percent of Total Sales (Cubic Feet)
Last Ten Fiscal Years

Type of User	2008	2009	2010	2011	2012
In-City					
Residential	31.84%	32.00%	32.62%	32.52%	28.56%
Commercial (1)	27.30%	28.37%	27.01%	26.82%	24.36%
Industrial	28.81%	28.67%	29.28%	28.06%	34.93%
	<u>87.95%</u>	<u>89.04%</u>	<u>88.91%</u>	<u>87.40%</u>	<u>87.85%</u>
Outside City					
Emmett Township	4.90%	4.43%	4.92%	5.81%	5.43%
Bedford Township	0.90%	0.82%	0.91%	0.87%	0.88%
Springfield City	5.62%	5.09%	4.65%	5.27%	5.19%
Pennfield Township	0.63%	0.63%	0.61%	0.66%	0.65%
	<u>12.05%</u>	<u>10.96%</u>	<u>11.09%</u>	<u>12.60%</u>	<u>12.15%</u>
Totals	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

continued...

Water System Sales Volume by User Class as a Percent of Total Sales (Cubic Feet)
Last Ten Fiscal Years

Type of User	2013	2014	2015	2016	2017
In-City					
Residential	30.71%	28.76%	28.51%	26.49%	30.25%
Commercial (1)	26.09%	25.59%	24.66%	26.18%	24.98%
Industrial	31.35%	33.25%	34.57%	34.87%	31.45%
	<u>88.15%</u>	<u>87.60%</u>	<u>87.74%</u>	<u>87.54%</u>	<u>86.67%</u>
Outside City					
Emmett Township	5.47%	6.34%	6.26%	6.44%	7.12%
Bedford Township	0.95%	0.83%	0.85%	0.79%	0.78%
Springfield City	4.89%	4.67%	4.57%	4.64%	4.81%
Pennfield Township	0.54%	0.56%	0.58%	0.59%	0.61%
	<u>11.85%</u>	<u>12.40%</u>	<u>12.26%</u>	<u>12.46%</u>	<u>13.33%</u>
Totals	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

concluded.

(1) This class includes commercial and governmental users.

Source: City of Battle Creek Treasurer's Office

Water Pumped and Sold (Cubic Feet)

Last Ten Fiscal Years

Fiscal Year Ended June 30	Water Pumped	Percent Increase (Decrease)	Water Sold	Percent Increase (Decrease)	Water Sold as a % of Water Pumped
2017	456,264,706	-2.34%	361,307,498	-0.81%	79.19%
2016	467,175,134	1.93%	364,242,436	-1.33%	77.97%
2015	458,343,805	-3.76%	369,161,478	-6.71%	80.54%
2014	476,232,936	-0.45%	395,732,266	-5.29%	83.10%
2013	478,366,477	-6.11%	417,840,929	8.08%	87.35%
2012	509,471,267	5.72%	386,620,683	-0.01%	75.89%
2011	481,914,359	1.07%	386,671,653	-0.24%	80.24%
2010	476,834,498	2.10%	387,600,688	-1.24%	81.29%
2009	467,044,118	-10.36%	392,455,131	-3.65%	84.03%
2008	521,009,359	6.58%	407,306,357	-1.06%	78.18%

Source: City of Battle Creek Treasurer's Office

Water Revenues and Usage - Major Customers
 Fiscal Year Ended June 30, 2017

Company	Product or Service	Consumption (Cu. Ft.)	% of Total	Revenue	% of Total
Kellogg Company - Plant	Breakfast foods	36,526,688	10.11%	\$ 594,593	6.66%
Post Foods	Breakfast foods	32,364,999	8.96%	505,935	5.67%
Fire Keepers Casino	Gambling/Entertainment	8,564,900	2.37%	428,491	4.80%
Graphic Packaging/MI Paperboard	Paper Mill	8,303,800	2.30%	161,331	1.81%
Denso Mfg - Michigan	Automotive Parts	5,579,304	1.54%	299,240	3.35%
VA Medical Center - Hospital	Medical services	3,751,919	1.04%	191,598	2.15%
Adient (fka Johnson Controls)	Heating & Venting	3,536,100	0.98%	159,313	1.79%
Bronson Battle Creek	Medical services	3,195,300	0.88%	158,004	1.77%
Treehouse Private Brands	Breakfast foods	3,136,100	0.87%	229,877	2.58%
Rock-Tenn/Waldorf Corp	Paperboard	3,060,605	0.85%	160,736	1.80%
City of Battle Creek - WWTP	Government	3,018,300	0.84%	48,323	0.54%
Calhoun County Justice Center	Government-Jails/Courts	2,641,299	0.73%	120,218	1.35%
Rolling Hills MHC	Mobile Home Community	2,394,758	0.66%	97,140	1.09%
Prairie Farms Dairy	Dairy processing	2,041,886	0.57%	97,814	1.10%
Cello-Foil Products	Cellophane Product Mfg.	1,924,100	0.53%	31,610	0.35%
Kellogg Company - Research	Food Research	1,801,917	0.50%	88,233	0.99%
Gallagher Laundry	Laundry	1,621,340	0.45%	72,483	0.81%
Kellogg Company (headquarters)	Breakfast foods	1,562,854	0.43%	62,090	0.70%
Musashi Auto Parts Inc	Automotive Parts	1,554,399	0.43%	79,403	0.89%
Pedcor Investments (Teal Run Apts)	Apartment Complex	1,483,000	0.41%	64,735	0.73%
Totals		<u>128,063,568</u>	<u>35.44%</u>	<u>\$ 3,651,167</u>	<u>40.93%</u>

Source: City of Battle Creek Treasurer's Office

CITY OF BATTLE CREEK, MICHIGAN

Current Water Rates

Last Ten Fiscal Years

	Monthly Water Commodity Charge (1)				
	(Fiscal Year Ending June 30)				
	2008	2009	2010	2011	2012
Inside City					
0 to 4,410,000	\$ 1.23	\$ 1.26	\$ 1.29	\$ 1.32	\$ 1.39
4,410,001 to 11,000,000	0.60	0.61	0.63	0.64	0.07
Over 11,000,000	0.90	0.93	0.95	0.97	1.02
Outside City (bulk rate)					
Pennfield Township	0.90	0.88	0.93	0.95	1.01
Springfield City	1.23	1.26	1.29	1.32	1.39

	Monthly Readiness-to-Serve Charge (2)				
	(Fiscal Year Ending June 30)				
	2008	2009	2010	2011	2012
Inside City					
5/8"	\$ 7.05	\$ 7.23	\$ 7.41	\$ 7.59	\$ 7.97
3/4" or less	8.86	9.08	9.30	9.52	10.00
1"	12.48	12.78	13.07	13.37	14.04
1.5"	21.53	22.03	22.49	22.99	24.14
2"	32.39	33.13	33.80	34.54	36.27
3"	57.73	59.03	60.19	61.49	64.56
4"	93.93	96.03	97.89	99.99	104.99
6"	184.43	188.53	192.14	196.24	206.05
8"	293.03	299.53	305.24	311.74	327.33
10"	419.73	429.03	437.19	446.49	468.81

	Monthly Fire Sprinkler Charges (3)				
	(Fiscal Year Ending June 30)				
	2008	2009	2010	2011	2012
Inside City					
2"	\$ 5.26	\$ 5.40	\$ 5.53	\$ 5.67	\$ 5.95
3"	9.86	10.11	10.36	10.62	11.15
4"	16.45	16.86	17.28	17.72	18.61
6"	32.88	33.70	34.55	35.41	37.18
8"	52.63	53.95	55.30	56.68	59.51
10"	75.67	77.56	79.50	81.48	85.55

(1) Rate per 100 cubic feet.

(2) Rate based on meter size; Outside City rates are set by contract.

(3) Rate based on connection size; Outside City rates are set by contract.

(4) Rate effective 1/1/2017

Source: City of Battle Creek Treasurer's Office

Monthly Water Commodity Charge (1)

Monthly Water Commodity Charge (1)				
(Fiscal Year Ending June 30)				
2013	2014	2015	2016	2017 (4)
\$ 1.46	\$ 1.53	\$ 1.60	\$ 1.68	\$ 1.16
0.71	0.74	0.78	0.82	1.16
1.07	1.12	1.18	1.24	1.16
1.06	1.11	1.17	1.23	1.78
1.46	1.53	1.60	1.68	1.16

Monthly Readiness-to-Serve Charge (2)				
(Fiscal Year Ending June 30)				
2013	2014	2015	2016	2017 (4)
\$ 8.37	\$ 8.79	\$ 9.23	\$ 9.69	\$ 12.19
10.50	11.02	11.57	12.15	16.94
14.74	15.48	16.25	17.06	26.43
25.35	26.61	27.94	29.34	50.15
38.08	39.98	41.98	44.08	78.63
67.79	71.18	74.74	78.48	145.06
110.24	115.75	121.54	127.62	239.97
216.35	227.17	238.53	250.46	477.25
343.69	360.88	378.92	397.87	761.98
492.26	516.87	542.71	569.85	1,094.16

Monthly Fire Sprinkler Charges (3)				
(Fiscal Year Ending June 30)				
2013	2014	2015	2016	2017 (4)
\$ 6.25	\$ 6.56	\$ 6.89	\$ 7.24	\$ 7.60
11.71	12.29	12.91	13.55	14.23
19.54	20.51	21.54	22.62	23.75
39.04	40.99	43.04	45.19	47.45
62.49	65.61	68.89	72.34	75.96
89.83	94.32	99.04	103.99	109.19

Number of Wastewater System Customers by User Class
Last Ten Fiscal Years

Type of User	2008	2009	2010	2011	2012
In-City					
Residential	16,788	16,893	15,490	15,287	15,304
Commercial (1)	2,068	1,736	1,563	1,518	1,500
Industrial	155	155	116	116	119
	<u>19,011</u>	<u>18,784</u>	<u>17,169</u>	<u>16,921</u>	<u>16,923</u>
Outside City					
Emmett Township	1,842	1,885	1,665	1,631	1,690
Bedford Township	586	612	545	540	553
Springfield City	Bulk	Bulk	Bulk	Bulk	Bulk
Pennfield Township	Bulk	Bulk	Bulk	Bulk	Bulk
	<u>2,428</u>	<u>2,497</u>	<u>2,210</u>	<u>2,171</u>	<u>2,243</u>
Totals	<u>21,439</u>	<u>21,281</u>	<u>19,379</u>	<u>19,092</u>	<u>19,166</u>

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Number of Wastewater System Customers by User Class
Last Ten Fiscal Years

Type of User	2013	2014	2015	2016	2017
In-City					
Residential	15,812	15,785	15,745	15,734	15,740
Commercial (1)	1,570	1,576	1,570	1,580	1,583
Industrial	119	122	121	120	117
	<u>17,501</u>	<u>17,483</u>	<u>17,436</u>	<u>17,434</u>	<u>17,440</u>
Outside City					
Emmett Township	1,660	1,683	1,681	1,685	1,688
Bedford Township	563	553	549	543	551
Springfield City	Bulk	Bulk	Bulk	Bulk	Bulk
Pennfield Township	Bulk	Bulk	Bulk	Bulk	Bulk
	<u>2,223</u>	<u>2,236</u>	<u>2,230</u>	<u>2,228</u>	<u>2,239</u>
Totals	<u>19,724</u>	<u>19,719</u>	<u>19,666</u>	<u>19,662</u>	<u>19,679</u>

concluded.

(1) This class includes commercial and governmental users.

Source: City of Battle Creek Treasurer's Office

Wastewater System Customers by User Class as a Percent of Total
Last Ten Fiscal Years Ended June 30, 2017

Type of User	2008	2009	2010	2011	2012
In-City					
Residential	78.31%	79.38%	79.93%	80.07%	79.85%
Commercial (1)	9.65%	8.16%	8.07%	7.95%	7.83%
Industrial	0.72%	0.73%	0.60%	0.61%	0.62%
	<u>88.67%</u>	<u>88.27%</u>	<u>88.60%</u>	<u>88.63%</u>	<u>88.30%</u>
Outside City					
Emmett Township	8.59%	8.86%	8.59%	8.54%	8.82%
Bedford Township	2.73%	2.88%	2.81%	2.83%	2.89%
Springfield City	n/a	n/a	n/a	n/a	n/a
Pennfield Township	n/a	n/a	n/a	n/a	n/a
	<u>11.33%</u>	<u>11.73%</u>	<u>11.40%</u>	<u>11.37%</u>	<u>11.70%</u>
Totals	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

continued...

Wastewater System Customers by User Class as a Percent of Total
Last Ten Fiscal Years Ended June 30, 2017

Type of User	2013	2014	2015	2016	2017
In-City					
Residential	80.17%	80.05%	80.06%	80.02%	79.98%
Commercial (1)	7.96%	7.99%	7.98%	8.04%	8.04%
Industrial	0.60%	0.62%	0.62%	0.61%	0.59%
	<u>88.73%</u>	<u>88.66%</u>	<u>88.66%</u>	<u>88.67%</u>	<u>88.62%</u>
Outside City					
Emmett Township	8.42%	8.53%	8.55%	8.57%	8.58%
Bedford Township	2.85%	2.80%	2.79%	2.76%	2.80%
Springfield City	n/a	n/a	n/a	n/a	n/a
Pennfield Township	n/a	n/a	n/a	n/a	n/a
	<u>11.27%</u>	<u>11.34%</u>	<u>11.34%</u>	<u>11.33%</u>	<u>11.38%</u>
Totals	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

concluded.

(1) This class includes commercial and governmental users.

Source: City of Battle Creek Treasurer's Office

Wastewater System Revenues by User Class
Last Ten Fiscal Years

Type of User	2008	2009	2010	2011	2012
In-City					
Residential	\$ 3,267,808	\$ 3,763,342	\$ 4,012,982	\$ 4,145,313	\$ 4,323,322
Commercial (1)	2,169,934	2,108,616	2,219,711	2,169,252	2,340,662
Industrial	4,262,166	4,290,110	5,235,533	4,732,896	5,220,780
	<u>9,699,908</u>	<u>10,162,068</u>	<u>11,468,226</u>	<u>11,047,461</u>	<u>11,884,764</u>
Outside City					
Emmett Township	681,035	673,156	855,357	858,298	852,108
Bedford Township	198,244	202,640	177,108	193,916	236,027
East Leroy Township	-	-	426	12,961	24,345
Springfield City	457,727	477,221	536,289	482,238	536,885
Pennfield Township	434,360	485,602	496,588	447,255	519,595
	<u>1,771,366</u>	<u>1,838,619</u>	<u>2,065,768</u>	<u>1,994,668</u>	<u>2,168,960</u>
Totals	<u>\$ 11,471,274</u>	<u>\$ 12,000,687</u>	<u>\$ 13,533,994</u>	<u>\$ 13,042,129</u>	<u>\$ 14,053,724</u>

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Wastewater System Revenues by User Class
Last Ten Fiscal Years

Type of User	2013	2014	2015	2016	2017
In-City					
Residential	\$ 4,450,077	\$ 4,764,798	\$ 4,941,109	\$ 5,139,653	\$ 5,148,865
Commercial (1)	2,385,212	2,592,433	2,576,867	2,771,042	2,841,250
Industrial	5,815,387	5,564,090	6,810,953	7,429,068	6,115,683
	<u>12,650,676</u>	<u>12,921,321</u>	<u>14,328,929</u>	<u>15,339,763</u>	<u>14,105,798</u>
Outside City					
Emmett Township	905,189	1,087,836	1,137,984	1,221,559	1,090,616
Bedford Township	130,388	228,892	241,437	248,684	211,904
East Leroy Township	35,571	16,971	11,468	11,988	11,036
Springfield City	557,175	586,192	595,998	582,021	696,193
Pennfield Township	545,549	551,887	570,497	621,812	550,298
	<u>2,173,872</u>	<u>2,471,778</u>	<u>2,557,384</u>	<u>2,686,064</u>	<u>2,560,047</u>
Totals	<u>\$ 14,824,548</u>	<u>\$ 15,393,099</u>	<u>\$ 16,886,313</u>	<u>\$ 18,025,827</u>	<u>\$ 16,665,845</u>

concluded.

(1) This class includes commercial and governmental users.

Source: City of Battle Creek Treasurer's Office

Wastewater System Revenues by User Class as a Percent of Total Revenue
Last Ten Fiscal Years

Type of User	2008	2009	2010	2011	2012
In-City					
Residential	28.49%	31.36%	29.65%	31.78%	30.76%
Commercial (1)	18.92%	17.57%	16.40%	16.63%	16.66%
Industrial	37.16%	35.75%	38.68%	36.29%	37.15%
	<u>84.56%</u>	<u>84.68%</u>	<u>84.74%</u>	<u>84.71%</u>	<u>84.57%</u>
Outside City					
Emmett Township (2)	5.94%	5.61%	6.32%	6.58%	6.06%
Bedford Township (2)	1.73%	1.69%	1.31%	1.49%	1.68%
East Leroy Township (2)	0.00%	0.00%	0.00%	0.10%	0.17%
Springfield City	3.99%	3.98%	3.96%	3.70%	3.82%
Pennfield Township	3.79%	4.05%	3.67%	3.43%	3.70%
	<u>15.44%</u>	<u>15.32%</u>	<u>15.26%</u>	<u>15.29%</u>	<u>15.43%</u>
Totals	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

continued...

Wastewater System Revenues by User Class as a Percent of Total Revenue
Last Ten Fiscal Years

Type of User	2013	2014	2015	2016	2017
In-City					
Residential	30.02%	30.95%	29.26%	28.51%	30.89%
Commercial (1)	16.09%	16.84%	15.26%	15.37%	17.05%
Industrial	39.23%	36.15%	40.33%	41.21%	36.70%
	<u>85.34%</u>	<u>83.94%</u>	<u>84.86%</u>	<u>85.10%</u>	<u>84.64%</u>
Outside City					
Emmett Township (2)	6.11%	7.07%	6.74%	6.78%	6.54%
Bedford Township (2)	0.88%	1.49%	1.43%	1.38%	1.27%
East Leroy Township (2)	0.24%	0.11%	0.07%	0.07%	0.07%
Springfield City	3.76%	3.81%	3.53%	3.23%	4.18%
Pennfield Township	3.68%	3.59%	3.38%	3.45%	3.30%
	<u>14.66%</u>	<u>16.06%</u>	<u>15.14%</u>	<u>14.90%</u>	<u>15.36%</u>
Totals	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

concluded.

(1) This class includes commercial and governmental users.

(2) Effective 11/1/99, Emmett, Bedford and East Leroy Townships residential revenues are included above in In-City Residential.

Source: City of Battle Creek Treasurer's Office

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Wastewater System Ten Year History of Volumes

Fiscal Year Ended June 30,	Total Customers	Total Annual Amount of Sewer Treatment Sold (000,000's Gallons)	Total Annual Amount of Sewer Treated (000,000's Gallons)
2017	19,679	2,159	3,165
2016	19,662	2,237	3,158
2015	19,666	2,216	3,127
2014	19,719	2,287	3,233
2013	19,724	2,356	3,043
2012	19,166	2,278	3,380
2011	19,092	2,330	3,188
2010	19,379	2,322	3,221
2009	21,281	2,286	3,520
2008	21,439	2,644	3,358

Source: City of Battle Creek Treasurer's Office

Wastewater System Sales Volume by User Class (Cubic Feet)
Last Ten Fiscal Years

Type of User	2008	2009	2010	2011	2012
In-City					
Residential	133,629,491	119,898,268	118,720,421	119,253,007	115,628,965
Commercial (1)	100,897,362	84,822,970	83,527,632	79,250,599	76,113,173
Industrial	46,361,097	42,910,122	42,917,747	44,410,403	45,466,669
	<u>280,887,950</u>	<u>247,631,360</u>	<u>245,165,800</u>	<u>242,914,009</u>	<u>237,208,807</u>
Outside City					
Emmett Township	30,642,811	16,913,606	28,623,502	30,339,592	28,112,337
Bedford Township	7,342,349	5,620,143	6,339,386	5,409,186	5,798,143
Springfield City	18,222,458	17,902,584	16,043,919	16,990,491	17,028,636
Pennfield Township	16,392,850	17,519,550	14,309,350	15,813,350	16,344,800
	<u>72,600,468</u>	<u>57,955,883</u>	<u>65,316,157</u>	<u>68,552,619</u>	<u>67,283,916</u>
Totals	<u>353,488,418</u>	<u>305,587,243</u>	<u>310,481,957</u>	<u>311,466,628</u>	<u>304,492,723</u>

continued...

Wastewater System Sales Volume by User Class (Cubic Feet)
Last Ten Fiscal Years

Type of User	2013	2014	2015 (2)	2016 (2)	2017
In-City					
Residential	121,420,791	118,523,455	111,516,777	109,037,746	114,331,877
Commercial (1)	79,329,661	80,966,406	74,033,282	80,135,131	76,958,752
Industrial	43,565,656	37,475,733	43,364,117	41,786,764	33,223,800
	<u>244,316,108</u>	<u>236,965,594</u>	<u>228,914,176</u>	<u>230,959,641</u>	<u>224,514,429</u>
Outside City					
Emmett Township	32,937,121	32,620,458	30,937,747	31,523,803	32,901,531
Bedford Township	5,866,583	5,462,014	5,251,629	5,014,441	6,382,474
Springfield City	16,822,846	16,791,021	16,858,507	16,326,066	15,711,208
Pennfield Township	14,984,100	14,855,300	15,111,650	15,230,642	14,531,008
	<u>70,610,650</u>	<u>69,728,793</u>	<u>68,159,533</u>	<u>68,094,952</u>	<u>69,526,221</u>
Totals	<u><u>314,926,758</u></u>	<u><u>306,694,387</u></u>	<u><u>297,073,709</u></u>	<u><u>299,054,593</u></u>	<u><u>294,040,650</u></u>

concluded.

- (1) This class includes commercial and governmental users.
- (2) Installation of new read system causing negative usage from non-working transmitters not yet changed out but did not impact charges; two-year phase in for In-City, Emmett Township & Bedford Township

Source: City of Battle Creek Treasurer's Office

CITY OF BATTLE CREEK, MICHIGAN

Schedule 25
Unaudited

Wastewater System Sales Volume by User Class as a Percent of Total Sales (Cubic Feet)
Last Ten Fiscal Years Ended June 30, 2017

Type of User	2008	2009	2010	2011	2012
In-City					
Residential	37.80%	39.24%	38.24%	38.29%	37.97%
Commercial (1)	28.54%	27.76%	26.90%	25.44%	25.00%
Industrial	13.12%	14.04%	13.82%	14.26%	14.93%
	<u>79.46%</u>	<u>81.03%</u>	<u>78.96%</u>	<u>77.99%</u>	<u>77.90%</u>
Outside City					
Emmett Township	8.67%	5.53%	9.22%	9.74%	9.23%
Bedford Township	2.08%	1.84%	2.04%	1.74%	1.90%
Springfield City	5.16%	5.86%	5.17%	5.45%	5.60%
Pennfield Township	4.64%	5.73%	4.61%	5.08%	5.37%
	<u>20.54%</u>	<u>18.97%</u>	<u>21.04%</u>	<u>22.01%</u>	<u>22.10%</u>
Totals	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

continued...

CITY OF BATTLE CREEK, MICHIGAN

Schedule 25
Unaudited

Wastewater System Sales Volume by User Class as a Percent of Total Sales (Cubic Feet)
Last Ten Fiscal Years Ended June 30, 2017

Type of User	2013	2014	2015	2016	2017
In-City					
Residential	38.56%	38.65%	37.54%	36.46%	38.88%
Commercial (1)	25.19%	26.40%	24.92%	26.80%	26.17%
Industrial	13.83%	12.22%	14.60%	13.97%	11.30%
	<u>77.58%</u>	<u>77.26%</u>	<u>77.06%</u>	<u>77.23%</u>	<u>76.35%</u>
Outside City					
Emmett Township	10.46%	10.64%	10.41%	10.54%	11.19%
Bedford Township	1.86%	1.78%	1.77%	1.68%	2.17%
Springfield City	5.34%	5.47%	5.67%	5.46%	5.34%
Pennfield Township	4.76%	4.84%	5.09%	5.09%	4.94%
	<u>22.42%</u>	<u>22.74%</u>	<u>22.94%</u>	<u>22.77%</u>	<u>23.65%</u>
Totals	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

concluded.

(1) This class includes commercial and governmental users

Source: City of Battle Creek Treasurer's Office

Wastewater Revenue and Usage - Major Customers
 Fiscal Year Ended June 30, 2017

Company	Product or Service	Consumption (Cu. Ft.)	% of Total	Revenue	% of Total
Kellogg Company - Plant	Breakfast foods	33,097,513	11.26%	\$1,836,219	11.02%
Graphic Packaging/MI Paperboard	Paper mill	19,500,504	6.63%	1,318,531	7.91%
Post Foods	Breakfast foods	18,678,676	6.35%	1,012,752	6.08%
Rock-Tenn/Waldorf Corp	Paperboard	11,667,369	3.97%	838,380	5.03%
Fire Keepers Casino	Gambling/Entertainment	8,564,900	2.91%	260,749	1.56%
Denso Manufacturing	Automotive Parts	5,579,304	1.90%	160,129	0.96%
Treehouse Private Brands	Breakfast foods	5,310,800	1.81%	154,913	0.93%
VA Medical Center - Hospital	Medical services	3,754,169	1.28%	115,487	0.69%
Adient (fka Johnson Controls)	Heating & Venting	3,536,100	1.20%	100,521	0.60%
Bronson Battle Creek Health Sys.	Medical services	2,811,800	0.96%	86,100	0.52%
Federal Center	Government	2,678,616	0.91%	86,965	0.52%
Calhoun County Justice Center	Government-Jails/Courts	2,641,299	0.90%	76,661	0.46%
Rolling Hills Mobile Home Comm	Mobile Home Community	2,301,500	0.78%	59,807	0.36%
Prairie Farms Dairy	Dairy Processing	2,044,786	0.70%	61,613	0.37%
Gallagher Laundry	Laundry services	1,565,640	0.53%	45,144	0.27%
Pedcor Investments (Teal Run)	Apartment Complex	1,483,000	0.50%	40,316	0.24%
Kellogg Company - Research	Food research	1,472,317	0.50%	45,271	0.27%
NP Bedford Hills LLC	Mobile Home Community	1,471,500	0.50%	40,370	0.24%
Ft Custer Training Center	Govt-Military Training	1,452,345	0.49%	40,208	0.24%
Musashi Auto Parts Inc	Automotive Parts	1,235,600	0.42%	35,498	0.21%
Totals		130,847,738	44.50%	\$ 6,415,634	38.50%

(1) Consumption measured in Cubic Feet (M3).

Source: City of Battle Creek Treasurer's Office

Largest Wastewater Customers

Last Ten Fiscal Years Ended June 30, 2017

Fiscal Year Ended June 30,	Kellogg Company - Plant		Graphic Packaging/ MI Paperboard		Post Foods	
	Consumption	Revenue	Consumption	Revenue	Consumption	Revenue
2017	33,097,513	\$1,836,219	19,500,504	\$ 1,318,531	18,678,676	\$ 1,012,752
2016	37,451,373	2,054,596	20,810,403	1,353,332	18,665,795	1,064,837
2015	36,730,863	2,145,752	20,691,327	1,204,360	17,275,989	957,122
2014	40,663,447	1,881,377	19,534,989	1,026,706	20,099,514	1,239,005
2013	36,616,531	1,700,951	21,209,655	1,075,708	16,555,655	1,187,606
2012	39,537,470	1,664,917	18,827,932	842,539	18,013,957	1,115,070
2011	41,883,378	1,717,446	16,115,040	735,338	13,191,771	693,319
2010	45,501,750	2,037,778	17,583,515	853,414	9,173,262	555,703
2009	45,684,404	1,594,973	19,446,390	723,983	8,839,671	188,957
2008	48,436,961	1,669,857	25,055,615	791,028	8,938,583	336,591

Consumption measured in Cubic Feet (M3).

Source: City of Battle Creek Treasurer's Office

CITY OF BATTLE CREEK, MICHIGAN

Current Wastewater Rates

From July 1, 2009 to June 30, 2017

Commodity Charge

Date	Regular Commodity Rate (per ccf or 750 gallons)
July 1, 2009 - June 30, 2010	\$2.010
July 1, 2010 - June 30, 2011	\$2.010
July 1, 2011 - June 30, 2012	\$2.110
July 1, 2012 - June 30, 2013	\$2.220
July 1, 2013 - June 30, 2014	\$2.330
July 1, 2014 - June 30, 2015	\$2.440
July 1, 2015 - December 31, 2016	\$2.570
January 1, 2017 - June 30, 2017	\$2.890

Monitoring Charge

Date	Monitoring Charge (per sample)
July 1, 2009 - June 30, 2010	\$89.80
July 1, 2010 - June 30, 2011	\$89.80
July 1, 2011 - June 30, 2012	\$94.29
July 1, 2012 - June 30, 2013	\$99.00
July 1, 2013 - June 30, 2014	\$103.95
July 1, 2014 - June 30, 2015	\$109.15
July 1, 2015 - December 31, 2016	\$114.61
January 1, 2017 - June 30, 2017	\$176.04

continued...

Source: City of Battle Creek Finance Department

Readiness to Serve Charges

Inside City and Outside City Customers Billed by City

Meter Size	Current	July 1, 2009 to June 30, 2010	July 1, 2010 to June 30, 2011	July 1, 2011 to June 30, 2012	July 1, 2012 to June 30, 2013
5/8"	\$11.75	\$10.15	\$10.15	\$10.66	\$11.19
¾ "	\$15.50	\$13.39	\$13.39	\$14.06	\$14.76
1"	\$23.00	\$19.87	\$19.87	\$20.86	\$21.91
1.5"	\$41.76	\$36.07	\$36.07	\$37.87	\$39.77
2"	\$64.26	\$55.51	\$55.51	\$58.29	\$61.20
3"	\$116.77	\$100.87	\$100.87	\$105.91	\$111.21
4"	\$191.78	\$165.67	\$165.67	\$173.95	\$182.65
6"	\$379.32	\$327.67	\$327.67	\$344.05	\$361.26
8"	\$604.36	\$522.07	\$522.07	\$548.17	\$575.58
10"	\$866.91	\$748.87	\$748.87	\$786.31	\$825.63

Meter Size	Current	July 1, 2013 to June 30, 2014	July 1, 2014 to June 30, 2015	July 1, 2015 to Dec 31, 2016	January 1, 2017 to June 30, 2017
5/8"	\$11.75	\$11.75	\$12.34	\$12.95	\$11.32
¾ "	\$15.50	\$15.50	\$16.28	\$17.08	\$16.01
1"	\$23.00	\$23.00	\$24.15	\$25.36	\$25.38
1.5"	\$41.76	\$41.76	\$43.84	\$46.04	\$48.80
2"	\$64.26	\$64.26	\$67.47	\$70.85	\$76.91
3"	\$116.77	\$116.77	\$122.61	\$128.74	\$142.50
4"	\$191.78	\$191.78	\$201.37	\$211.44	\$236.20
6"	\$379.32	\$379.32	\$398.28	\$418.20	\$470.45
8"	\$604.36	\$604.36	\$634.58	\$666.31	\$751.55
10"	\$866.91	\$866.91	\$910.26	\$955.77	\$1,079.50

continued...

Source: City of Battle Creek Finance Department

CITY OF BATTLE CREEK, MICHIGAN

Current Wastewater Rates

From July 1, 2009 to June 30, 2017

BOD and Suspended Solids Charges

Date	BOD Charge (per pound)	Suspended Solids Charge (per pound)
July 1, 2009 - June 30, 2010	\$0.1574	0.2118
July 1, 2010 - June 30, 2011	\$0.1574	0.2118
July 1, 2011 - June 30, 2012	\$0.1653	0.2224
July 1, 2012 - June 30, 2013	\$0.1753	0.2335
July 1, 2013 - June 30, 2014	\$0.1822	0.2452
July 1, 2014 - June 30, 2015	\$0.1913	0.2574
July 1, 2015 - December 31, 2016	\$0.2009	0.2703
January 1, 2017 - June 30, 2017	\$0.1842	0.2213

Sewer Customer Only (No Water Service)

Customer is charged based on 750 cubic feet per month commodity charge, readiness to serve charge (same as outside City performing their own billing), and bill processing charge (below).

Date	Bill Processing Charge
July 1, 2009 - June 30, 2010	\$0.81
July 1, 2010 - June 30, 2011	\$0.81
July 1, 2011 - June 30, 2012	\$0.85
July 1, 2012 - June 30, 2013	\$0.89
July 1, 2013 - June 30, 2014	\$0.94
July 1, 2014 - June 30, 2015	\$0.98
July 1, 2015 - June 30, 2016	\$1.03
July 1, 2016 - June 30, 2017	\$0.00

continued...

Source: City of Battle Creek Finance Department

Outside City Performing Their Own Billing

Meter Size	Current	July 1, 2009 to June 30, 2010	July 1, 2010 to June 30, 2011	July 1, 2011 to June 30, 2012	July 1, 2012 to June 30, 2013
5/8"	\$7.50	\$6.48	\$6.48	\$6.80	\$7.14
¾ "	\$11.25	\$9.72	\$9.72	\$10.21	\$10.72
1"	\$18.75	\$16.20	\$16.20	\$17.01	\$17.86
1.5"	\$37.51	\$32.40	\$32.40	\$34.02	\$35.72
2"	\$60.01	\$51.84	\$51.84	\$54.43	\$57.15
3"	\$112.52	\$97.20	\$97.20	\$102.06	\$107.16
4"	\$187.54	\$162.00	\$162.00	\$170.10	\$178.61
6"	\$375.07	\$324.00	\$324.00	\$340.20	\$357.21
8"	\$600.11	\$518.40	\$518.40	\$544.32	\$571.54
10"	\$862.66	\$745.20	\$745.20	\$782.46	\$821.58

Meter Size	Current	July 1, 2013 to June 30, 2014	July 1, 2014 to June 30, 2015	July 1, 2015 to Dec. 31, 2016	January 1, 2016 to June 30, 2017
5/8"	\$7.50	\$7.50	\$7.88	\$8.27	n/a
¾ "	\$11.25	\$11.25	\$11.81	\$12.41	n/a
1"	\$18.75	\$18.75	\$19.69	\$20.68	n/a
1.5"	\$37.51	\$37.51	\$39.38	\$41.35	n/a
2"	\$60.01	\$60.01	\$63.01	\$66.16	n/a
3"	\$112.52	\$112.52	\$118.15	\$124.05	n/a
4"	\$187.54	\$187.54	\$196.91	\$206.76	n/a
6"	\$375.07	\$375.07	\$393.82	\$413.52	n/a
8"	\$600.11	\$600.11	\$630.12	\$661.62	n/a
10"	\$862.66	\$862.66	\$905.80	\$951.09	n/a

concluded.

Source: City of Battle Creek Finance Department

**Ratios of General Bonded Debt Outstanding and Total Outstanding Debt
Last Ten Fiscal Years**

Year	General Bonded Debt Outstanding				
	Governmental Activities		Business-type Activities		Total
	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	
2017	\$40,612,866	\$ (8,950)	\$ -	\$ -	\$40,603,916
2016	25,687,717	(9,160)	-	-	25,678,557
2015	27,208,801	(104,025)	-	-	27,104,776
2014	29,329,373	(17,300)	-	-	29,312,073
2013	15,326,278	(9,300)	-	-	15,316,978
2012	16,545,805	(9,300)	-	-	16,536,505
2011	17,945,000	(5,972)	250,000	-	18,189,028
2010	19,880,000	(6,209)	485,000	-	20,358,791
2009	21,810,000	(6,445)	710,000	-	22,513,555
2008	21,170,000	(5,548)	3,510,000	-	24,674,452

Year	Governmental Activities						Total
	General Obligation Bonds	Special Assessment Bonds	Installment Obligations	Capital Leases	Loans Payable	Less: Amounts Restricted to Repaying Principal	
2017	\$40,612,866	\$ -	\$ 2,281,561	\$ -	\$ -	\$ (8,950)	\$42,885,477
2016	25,687,717	-	2,183,807	-	-	(9,160)	27,862,364
2015	27,208,801	-	2,404,545	-	-	(104,025)	29,509,321
2014	29,329,373	-	2,667,042	-	-	(17,300)	31,979,115
2013	15,326,278	-	3,084,762	-	-	(9,300)	18,401,740
2012	16,545,805	-	3,479,235	-	-	(9,300)	20,015,740
2011	17,945,000	-	3,857,965	-	-	(5,972)	21,796,993
2010	19,880,000	-	4,221,434	8,491	-	(6,209)	24,103,716
2009	21,810,000	-	4,565,103	17,370	-	(6,445)	26,386,028
2008	21,170,000	-	4,132,535	25,642	-	(5,548)	25,322,629

**Ratios of General Bonded Debt Outstanding and Total Outstanding Debt
Last Ten Fiscal Years**

Year	% of Personal Income	% of Actual Taxable Value of Property	Per Capita
2017	0.82%	3.15%	\$ 788.08
2016	0.54%	1.67%	497.93
2015	0.55%	1.76%	524.93
2014	0.61%	1.88%	565.68
2013	0.32%	0.95%	295.60
2012	0.34%	1.01%	318.80
2011	0.39%	1.07%	349.45
2010	0.45%	1.15%	389.04
2009	0.52%	1.30%	434.39
2008	0.58%	1.47%	473.21

Year	Business-type Activities				Total	% of Personal Income	% of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Revenue Bonds (1)	Capital Leases	Less: Amounts Restricted to Repaying Principal				
2017	\$ -	\$19,943,058	\$ 83,072	\$ -	\$20,026,130	1.27%	4.89%	\$ 1,220.95
2016	-	5,545,073	185,573	-	5,730,646	0.71%	2.18%	651.34
2015	-	7,650,827	323,650	-	7,974,477	0.76%	2.44%	725.17
2014	-	9,718,581	494,130	-	10,212,711	0.88%	2.71%	814.09
2013	-	11,533,335	656,732	-	12,190,067	0.64%	1.90%	590.21
2012	-	12,865,000	855,100	-	13,720,100	0.70%	2.05%	650.20
2011	250,000	14,520,000	1,082,294	-	15,852,294	0.82%	2.23%	728.00
2010	485,000	16,240,000	1,299,151	-	18,024,151	0.94%	2.41%	814.16
2009	710,000	17,760,000	1,165,735	-	19,635,735	1.08%	2.71%	901.53
2008	3,510,000	19,225,000	1,338,099	-	24,073,099	1.25%	3.15%	1,014.52

(1) Amounts are presented net of applicable premiums and discounts which is consistent with the presentation in the footnotes. For purposes of the continuing disclosure filing, bonds are required to be presented at face value. Accordingly, differences may exist.

Source: City of Battle Creek Finance Department

Computation of Net Direct and Overlapping Debt

As of June 30, 2017

	(1) Net Debt Outstanding	Percentage Applicable to City of Battle Creek	Amount Applicable to City of Battle Creek
Direct:			
City issued bonded debt (2)	\$ 40,612,866	100.00%	\$ 40,612,866
Installment obligations	2,281,561	100.00%	2,281,561
			<u>42,894,427</u>
Overlapping: (3)			
Lakeview School District	63,679,698	100.00%	63,679,698
Battle Creek Public Schools	49,265,000	70.48%	34,721,972
Calhoun County	29,311,100	33.81%	9,910,083
Kellogg community College	16,115,000	33.70%	5,430,755
Pennfield School District	32,264,709	4.83%	1,558,385
Harper Creek School District	61,333,318	0.26%	159,467
Climax-Scotts School District	2,151,124	3.97%	85,400
Kalamazoo RESA	10,375,000	0.06%	6,225
Kalamazoo Valley Community College	8,760,000	0.06%	5,256
			<u>115,557,241</u>
Total direct and overlapping debt			<u><u>\$ 158,451,668</u></u>

(1) Excludes self-supporting debt.

(2) Excludes discretely presented component unit.

(3) The percentage of overlapping debt applicable is estimated using taxable assessed values. Applicable percentages were estimated by dividing the portion of the county's taxable assessed value that is within the City's boundaries and dividing it by the county's total taxable assessed value.

Source: City of Battle Creek Finance Department and Municipal Advisory Council of Michigan.

Legal Debt Margin
Last Ten Fiscal Years

State Equalized Value - ad valorem property		\$ 1,306,685,943
State Equalized Value - tax abated property:		
Industrial Facilities		68,065,655
Neighborhood Enterprise Zone		<u>52,084</u>
Total State Equalized Value (SEV)		<u><u>\$ 1,374,803,682</u></u>
Legal debt limit (10% of SEV)		\$ 137,480,368
Outstanding debt subject to limitation	\$ 95,470,000	
Less exempt obligations	<u>(8,425,000)</u>	
		<u>87,045,000</u>
Legal debt margin		<u><u>\$ 50,435,368</u></u>
Debt subject to limitation as a percent of SEV		<u><u>6.33%</u></u>

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to Limit as a Percentage of Debt Limit
2017	\$ 137,480,368	\$ 87,045,000	\$ 50,435,368	63.31%
2016	159,775,597	67,035,000	92,740,597	41.96%
2015	158,073,443	74,512,544	83,560,899	47.14%
2014	160,147,070	81,122,042	79,025,028	50.65%
2013	167,265,186	86,884,761	80,380,425	51.94%
2012	172,723,926	70,681,234	102,042,692	40.92%
2011	182,892,843	77,051,316	105,841,527	42.13%
2010	196,043,673	82,766,030	113,277,643	42.22%
2009	195,711,128	84,202,786	111,508,342	43.02%
2008	189,704,303	85,136,611	104,567,692	44.88%

Source: City of Battle Creek Finance Department

Water and Wastewater System Revenue Bond Coverage
 Last Ten Fiscal Years

Fiscal Year Ended June 30,	(1) Gross Revenue	(2) Operating Expenses	Net Revenue Available for Debt Service	(3) Total Debt Service Requirement	Coverage
2017	\$ 26,703,276	\$ 19,371,198	\$ 7,332,078	\$ 2,055,335	3.57
2016	28,647,154	18,478,024	10,169,130	2,214,162	4.59
2015	26,653,760	16,625,760	10,028,000	2,208,762	4.54
2014	25,174,150	16,432,935	8,741,215	2,265,350	3.86
2013	24,197,436	15,601,499	8,595,937	2,265,125	3.79
2012	23,225,329	15,793,089	7,432,240	2,455,437	3.03
2011	23,058,232	15,480,363	7,577,869	2,283,994	3.32
2010	21,800,246	15,078,231	6,722,015	2,287,081	2.94
2009	20,017,923	15,555,502	4,462,421	2,283,550	1.95
2008	19,423,713	15,358,388	4,065,325	2,290,497	1.77

(1) Includes operating and nonoperating revenue, as well as loss on disposal of assets.

(2) Excludes depreciation expense.

(3) Includes principal and interest on revenue bonds only.

Source: City of Battle Creek Finance Department

Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population	(a) Personal Income (thousands of dollars)	(a) Per Capita Personal Income	Unemployment Rate
2017	51,534	\$ 4,963,912	\$ 36,958	4.40%
2016	51,589	4,732,090	35,084	4.40%
2015	51,833	4,923,591	36,468	5.40%
2014	51,848	4,812,597	35,623	6.70%
2013	51,848	4,812,597	35,623	8.40%
2012	51,900	4,812,597	35,623	11.20%
2011	52,068	4,644,128	34,267	11.20%
2010	52,347	4,518,817	33,209	13.30%
2009	51,843	4,342,138	32,018	14.10%
2008	52,154	4,231,549	31,146	9.00%
2007	52,184	4,075,917	29,897	8.00%
2006	52,525	3,931,003	28,653	8.00%

(a) Battle Creek MSA data.

Sources: U.S. Census Bureau, U.S. Department of Commerce
Michigan Department of Career Development Employment Service Agency
Michigan Economic Development Corporation

Source: City of Battle Creek Finance Department

Principal Employers

Current Year and Nine Years Ago

Employer	2008		
	Employees	Rank	% of Total City Employment
Denso Manufacturing Michigan, Inc.	2,439	2	10.39%
Kellogg Company	2,804	1	8.85%
Veterans Administration Med Center	500	10	1.93%
Hart-Doyle-Inouye Federal Center	1,678	5	6.46%
Michigan Air National Guard	-	-	-
Bronson Battle Creek	1,740	4	6.70%
Battle Creek Public Schools	1,313	6	5.00%
Kellogg Community College	-	-	-
Il Stanley Company, Inc.	720	7	3.00%
Tokai Rika USA, Inc	2,252	3	8.67%
Kraft Foods, Post Division	700	8	2.70%
City of Battle Creek	585	9	2.23%
	<u>14,731</u>		<u>55.92%</u>

continued...

Principal Employers
Current Year and Nine Years Ago

Employer	2017		
	Employees	Rank	% of Total City Employment
Denso Manufacturing Michigan, Inc.	3,535	1	12.39%
Kellogg Company	2,300	2	10.02%
Veterans Administration Med Center	1,581	3	6.95%
Hart-Doyle-Inouye Federal Center	1,500	4	6.60%
Michigan Air National Guard	1,488	5	6.54%
Bronson Battle Creek	1,273	6	5.95%
Battle Creek Public Schools	1,089	7	4.79%
Kellogg Community College	920	8	4.05%
Il Stanley Company, Inc.	734	9	3.69%
TRMI	715	10	3.08%
Kraft Foods, Post Division	-	-	-
City of Battle Creek	-	-	-
	<u>15,135</u>		<u>64.06%</u>

concluded.

Source: City of Battle Creek Finance Department

Full-Time Equivalent Employees by Function/Program
Last Ten Fiscal Years

Function/Program	2008	2009	2010	2011	2012
General Fund and Special Revenue Funds					
Administration	23	25	24	24	18
Community development	33	28	27	24	25
Finance	26	26	23	22	23
Police department	132	132	131	133	123
Fire department	111	108	98	82	79
Public works	65	63	56	54	54
Parks and recreation	8	6	6	6	6
	<u>398</u>	<u>388</u>	<u>365</u>	<u>345</u>	<u>328</u>
Enterprise Funds					
W.K. Kellogg airport	10	10	10	10	10
Battle Creek transit system	36	38	39	38	40
Sewer and wastewater plant	63	65	60	57	59
Water	44	41	43	40	37
	<u>153</u>	<u>154</u>	<u>152</u>	<u>145</u>	<u>146</u>
Internal Service Funds					
Information systems	11	11	11	11	10
Equipment center	16	16	16	15	15
Self insurance	4	4	4	3	3
Reproduction and stores	3	3	3	3	3
	<u>34</u>	<u>34</u>	<u>34</u>	<u>32</u>	<u>31</u>
Total	<u>585</u>	<u>576</u>	<u>550</u>	<u>522</u>	<u>505</u>

continued...

Full-Time Equivalent Employees by Function/Program
Last Ten Fiscal Years

Function/Program	2013	2014	2015	2016	2017
General Fund and Special Revenue Funds					
Administration	20	18	18	21	19
Community development	26	28	29	29	27
Finance	21	22	23	23	23
Police department	119	122	126	123	127
Fire department	77	78	80	83	81
Public works	57	60	59	58	60
Parks and recreation	6	10	10	8	9
	<u>326</u>	<u>338</u>	<u>345</u>	<u>345</u>	<u>346</u>
Enterprise Funds					
W.K. Kellogg airport	10	10	10	8	10
Battle Creek transit system	39	36	37	36	35
Sewer and wastewater plant	55	56	55	55	56
Water	38	38	39	38	39
	<u>142</u>	<u>140</u>	<u>141</u>	<u>137</u>	<u>140</u>
Internal Service Funds					
Information systems	9	13	13	11	11
Equipment center	14	14	14	15	15
Self insurance	3	3	3	2	3
Reproduction and stores	3	3	3	3	3
	<u>29</u>	<u>33</u>	<u>33</u>	<u>31</u>	<u>32</u>
Total	<u>497</u>	<u>511</u>	<u>519</u>	<u>513</u>	<u>518</u>

concluded.

Source: City of Battle Creek Finance Department

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2008	2009	2010	2011	2012
Public Safety					
Police					
Number of incidents	47,045	45,346	50,210	58,529	58,741
Number of crash reports	2,231	1,423	1,781	1,755	1,703
Fire					
Number of incidents	5,061	4,686	5,341	5,701	5,258
Number of medical calls	2,620	1,337	3,453	2,547	3,800
Number of structural fires	127	99	95	65	78
Public Works					
Major street miles maintained	90.58	90.14	90	90	90
Local street miles maintained	204.70	204.52	205	204	204
Culture & Recreation					
Participation:					
Softball	2,004	1,943	1,686	1,711	1,789
Soccer	567	697	708	712	745
Baseball	3,938	1,615	1,214	2,003	2,097
Basketball	170	149	237	134	73
Floor hockey	353	375	479	566	795
Football	180	96	96	115	134
Tennis	-	-	-	-	-
Volleyball	-	-	-	-	-
Other	944	880	879	1,132	708
Aquatic center participation	63,441	19,007	20,357	23,003	28,321
Rounds of golf	49,000	47,000	51,000	48,350	49,583
Parks maintained	28	29	29	29	24
Number of linear park trail miles	24	26	26	25	25
Building Permits					
Commercial and Industrial					
Number of permits	71	252	205	138	204
Dollar value	\$ 44,855,746	\$ 74,785,330	\$ 77,741,692	\$ 17,807,968	\$ 25,353,933
Residential					
Number of permits	605	476	450	680	986
Dollar value	\$ 7,467,058	\$ 3,148,829	\$ 3,366,900	\$ 6,052,107	\$ 7,566,696
Totals					
Number of permits	676	728	655	818	1,190
Dollar value	\$ 52,322,804	\$ 77,934,159	\$ 81,108,592	\$ 23,860,075	\$ 32,920,629

continued...

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2013	2014	2015	2016	2017
Public Safety					
Police					
Number of incidents	56,276	44,599	44,686	54,569	56,688
Number of crash reports	1,802	2,004	1,980	1,903	1,886
Fire					
Number of incidents	6,071	6,441	6,940	7,086	7,222
Number of medical calls	3,958	4,149	4,847	5,197	5,308
Number of structural fires	60	48	47	61	68
Public Works					
Major street miles maintained	90	90	90	89	89
Local street miles maintained	204	205	205	205	205
Culture & Recreation					
Participation:					
Softball	732	840	734	624	1,020
Soccer	817	735	948	951	873
Baseball	1,242	1,019	1,265	1,132	1,359
Basketball	34	54	198	202	345
Floor hockey	732	608	655	641	852
Football	136	149	223	160	164
Tennis	-	106	56	58	55
Volleyball	-	91	78	119	76
Other	493	814	891	1,001	2,072
Aquatic center participation	23,217	24,796	27,919	30,397	26,944
Rounds of golf	43,016	40,935	41,684	36,430	37,512
Parks maintained	24	24	24	29	29
Number of linear park trail miles	25	25	25	25	25
Building Permits					
Commercial and Industrial					
Number of permits	188	177	236	233	137
Dollar value	\$ 23,102,086	\$ 12,174,483	\$ 15,739,032	\$ 4,967,026	\$ 4,539,512
Residential					
Number of permits	865	740	634	797	802
Dollar value	\$ 7,342,332	\$ 9,863,788	\$ 4,151,057	\$ 7,277,474	\$ 6,995,271
Totals					
Number of permits	1,052	917	870	1,030	939
Dollar value	\$ 30,444,418	\$ 22,038,271	\$ 19,890,089	\$ 12,244,500	\$ 11,534,783

concluded.

Source: City of Battle Creek Finance Department

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	2008	2009	2010	2011	2012
Police - vehicle patrol units					
Police patrol	41	42	48	44	43
Detective	18	10	18	17	17
Other	34	23	14	21	23
SIU	16	6	7	7	7
Fire					
Fire vehicle units:					
Trucks	2	2	2	2	2
Engines	8	8	8	8	8
Other	10	9	11	10	11
Fire stations	5	5	5	5	5
Administrative facilities	1	1	1	1	1
Parks and Recreation					
Parks:					
Parkland acreage	1,200	1,036	1,036	1,036	1,036
Natural area acreage	380	380	380	380	380
Picnic areas	15	15	15	15	15
Buildings:					
Log cabins	1	1	1	1	1
Recreation center	1	1	1	1	1
Fishing structures	3	3	3	3	3
Pavilions	12	12	12	16	16
Concession	4	4	4	4	4
Swimming beach areas	1	1	1	1	1
Golf course - 27 holes	1	1	1	1	1
Trails:					
Nature	1	1	1	1	1
Multi-use	1	1	1	1	1
Playgrounds	22	22	22	22	22
Water areas:					
Water parks	1	1	1	1	1
Public Works					
Major street miles maintained	90.58	90.14	90.14	90.11	90.11
Local street miles maintained	204.70	204.52	204.79	204.49	204.49
Vehicles:					
Dump trucks	48	48	41	44	45
Heavy equipment	15	17	20	37	31
Other	243	239	224	201	205

continued...

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	2013	2014	2015	2016	2017
Police - vehicle patrol units					
Police patrol	43	40	40	40	39
Detective	18	20	20	20	22
Other	24	21	21	31	33
SIU	7	10	10	8	8
Fire					
Fire vehicle units:					
Trucks	2	2	2	2	1
Engines	8	8	8	7	8
Other	11	11	11	14	15
Fire stations	5	5	5	5	5
Administrative facilities	1	1	1	1	1
Parks and Recreation					
Parks:					
Parkland acreage	1,036	1,036	1,036	1,036	1,036
Natural area acreage	380	380	380	380	380
Picnic areas	15	15	15	15	15
Buildings:					
Log cabins	1	1	1	1	1
Recreation center	1	1	1	1	1
Fishing structures	3	3	3	3	3
Pavilions	25	25	29	30	30
Concession	4	4	4	4	4
Swimming beach areas	1	1	1	1	1
Golf course - 27 holes	1	1	1	1	1
Trails:					
Nature	1	1	1	1	1
Multi-use	1	1	1	1	1
Playgrounds	22	22	22	22	22
Water areas:					
Water parks	1	1	1	1	1
Public Works					
Major street miles maintained	90.11	90.11	90.11	89.46	89.28
Local street miles maintained	204.44	204.52	204.52	204.52	204.55
Vehicles:					
Dump trucks	46	46	46	44	47
Heavy equipment	32	28	28	33	34
Other	207	211	211	208	203

concluded.

Source: City of Battle Creek Finance Department

Schedule of Insurance
As of June 30, 2017

Type of Coverage Name of Company	Policy Expiration Date	Premium	Description
Airport Liability	7/1/18	\$14,416	\$60,000,000 CSL each occ.; ded. \$1,000 per occ./\$10,000 agg., \$60,000,000 per aircraft/occ Hangar \$250,000 fire damage - any one fire Keepers liability. Terrorism declined.
Auto Liability	7/1/18	\$128,413	First dollar coverage for MI no-fault benefits. \$1,000,000 SIR for all other liability coverages.
Vehicle Physical Damage			\$25,000 SIR per vehicle / \$50,000 per occurrence for property damage. \$50,000 deductible for Fire/EMS vehicles. ACV coverage on all vehicle except Fire Protection Vehicles which are covered at replacement cost.
Crime Coverage	7/1/18	\$5,873 \$1,514 Treasurer's bond (2 year premium)	Employee dishonesty \$1,000,000 per loss, with \$10,000 ded.; forgery \$50,000 with \$500 ded., blanket limits, \$500,000 on Treasurer.
Data Breach, Privacy Electronic Media	7/1/18	Included in Liability Insurance	\$5 million per occurrence/claim \$25,000 deductible per occurrence/claim
Emergency Care Services (First Responder Prof. Liability)	7/1/18	\$4,507.18	\$1,000,000/claim/general aggregate \$250 deductible each claim - excludes terrorism
Fiduciary (Designated Benefit Plan)	7/1/18	\$7,593.00	\$2,000,000 limit. \$25,000 SIR
Liquor Liability Binder Park Golf	3/8/18	\$1071.00 (including surplus lines tax, fees)	\$1,000,000 each common cause/annual aggregate limit. No deductible. Note: License in name of Cereal City Development Corporation. (excludes Terrorism)

continued...

Schedule of Insurance
As of June 30, 2017

Type of Coverage Name of Company	Policy Expiration Date	Premium	Description
Property/Liability Insurance	7/1/18	\$379,953	Property - \$50,000 deductible Limits of stated value for Buildings and Personal Property, 5 million newly acquired, 2 million fine arts, 50 Million Terrorism, 5 Million Earthquake and Flood Liability - \$1 million SIR per occurrence \$10 million limit per occurrence \$5 million limit for terrorism
Pollution Liability	N/A	N/A	Note: Finance department files for self- insured authority with State, for UST liability. \$500,000 aggregate
Public Officials	7/1/18	\$36,539	See Excess Liability , for losses above \$1 million SIR.
Worker's Comp. (Primary)	6/30/18	N/A	Note: If requested by W.C. Bureau, must update self-insured certification by July 1st. Also, must notify if any changes in excess coverage, or TPA.
Worker's Comp. (Excess)	7/1/18	\$45,303	Statutory limit, \$1,000,000 Employers Liability, Specific Excess subject to \$600,000 per accident or disease. No agg. limit on S.I.R. per year.

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CONTINUING DISCLOSURES (UNAUDITED)

**City of Battle Creek
Total Taxable Value
Fiscal Years Ended or Ending June 30, 2013 Through 2017**

Assessed Value as of December 31	Year of State Equalization And Tax Levy	City's Fiscal Year Ended or Ending June 30	Ad Valorem Taxable Value	Equivalent Taxable Value of Property Granted Tax Abatement Under Act 198 (1)	Total Taxable Value	Percent Increase Over Prior Year
2011	2012	2013	\$ 1,440,499,965	\$ 78,455,217	\$ 1,518,955,182	3.95 %
2012	2013	2014	1,399,827,571	68,753,947	1,468,581,518	(3.32)
2013	2014	2015	1,381,847,655	73,290,937	1,455,138,592	(0.92)
2014	2015	2016	1,376,780,502	74,642,041	1,451,422,543	(0.26)
2015	2016	2017	1,206,148,717	33,956,869	1,240,105,586	(14.56)

Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2017 (2)..... \$ 23,690.10

(1) See "Tax Abatement" herein. Does not include the value of property located within the City' Renaissance Zone (the "Zone") which was created pursuant to the provisions of Act 376 of the Michigan Public Acts of 1996, as amended ("Act 376"). Act 376 was designed to stimulate private investment with the Zone through the abatement of certain property, income and business taxes. For the fiscal year ending June 30, 2017, the Taxable Value of property located in the Zone totaled \$44,610,014. Does not include the value of property located within the City's Neighborhood Enterprise Zone (the "NEZ"), authorized under Act 147, which is an abatement program to promote home ownership and investment in areas of the City where the greatest impact would occur and where such improvements may trigger additional investment in adjacent neighborhoods. For the fiscal year ending June 30, 2017 the Taxable Value of the property located in the NEZ totaled \$52,084.

(2) Based on the City's 2010 Census of 52,347.

Source: City of Battle Creek, State of Michigan – Department of Treasury and Calhoun County Equalization

**City of Battle Creek
Percent of Total Taxable Value by Use and Class
Fiscal Years Ended or Ending June 30, 2013 Through 2017**

Use	Fiscal Year Ended or Ending June 30				
	2013	2014	2015	2016	2017
Agricultural.....	0.11 %	0.12 %	0.14 %	0.14 %	0.19 %
Commercial.....	21.68	21.48	21.72	21.12	24.36
Industrial	28.08	27.82	28.66	29.44	17.56
Residential	47.67	47.89	47.04	46.80	54.74
Utility.....	2.46	2.70	2.44	2.50	3.16
Total	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
Class	2013	2014	2015	2016	2017
Real Property	74.34 %	74.25 %	73.53 %	72.82 %	85.03 %
Personal Property.....	25.66	25.75	26.47	27.18	14.97
Total	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

Source: City of Battle Creek, State of Michigan – Department of Treasury and Calhoun County Equalization

**City of Battle Creek
State Equalized Valuation
Fiscal Years Ended or Ending June 30, 2013 Through 2017**

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City's Fiscal Year Ended or Ending June 30	Ad Valorem SEV	SEV of Property		Percent Increase Over Prior Year
				Granted Tax Under Act 198 (1)	Total SEV	
2011	2012	2013	\$ 1,498,414,667	\$ 156,910,433	\$ 1,655,325,100	7.09 %
2012	2013	2014	1,444,909,016	137,507,894	1,582,416,910	(4.40)
2013	2014	2015	1,420,507,145	146,581,873	1,567,089,018	(0.97)
2014	2015	2016	1,434,612,189	149,284,082	1,583,896,271	1.07
2015	2016	2017	1,292,577,442	68,065,655	1,360,643,097	(14.10)

Per Capita Total SEV for the Fiscal Year Ending June 30, 2017 (2).....\$ 25,992.76

(1) See "Tax Abatement" herein. Does not include the value of property located within the City' Renaissance Zone (the "Zone") which was created pursuant to the provisions of Act 376 of the Michigan Public Acts of 1996, as amended ("Act 376"). Act 376 was designed to stimulate private investment with the Zone through the abatement of certain property, income and business taxes. For the fiscal year ending June 30, 2017, the SEV of property located in the Zone totaled \$45,585,574. Does not include the value of property located within the City's Neighborhood Enterprise Zone (the "NEZ"), authorized under Act 147, which is an abatement program to promote home ownership and investment in areas of the City where the greatest impact would occur and where such improvements may trigger additional investment in adjacent neighborhoods. For the fiscal year ending June 30, 2015 the Taxable Value of the property located in the NEZ totaled \$52,084.

(2) Based on the City's 2010 census of 52,347.

Source: City of Battle Creek, State of Michigan – Department of Treasury and Calhoun County Equalization

**City of Battle Creek
Property Tax Rates
Fiscal Years Ended or Ending June 30, 2013 Through 2017**

Levy July 1	Fiscal Year Ended or Ending June 30	Operating (1)				Police & Fire Pension (2)	Total
		General Operating	Capital Projects	Streets/ Drainage			
2012	2013	9.4270	-	1.5000	3.8090	14.7360	
2013	2014	9.1480	-	1.5000	4.0880	14.7360	
2014	2015	8.8070	-	1.5000	4.4290	14.7360	
2015	2016	8.7400	-	1.5000	4.4960	14.7360	
2016	2017	8.7400	0.5000	1.5000	4.6790	15.4190	

(1) See "Property Taxes" and "State Limitations on Property Taxes" herein.

(2) Voter approved in perpetuity. May be levied without limitation as to rate or amount.

Source: City of Battle Creek

City of Battle Creek
Homestead (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended or Ending June 30, 2013 Through 2017

<u>Governmental Unit</u>	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
City of Battle Creek.....	14.7360	14.7360	14.7360	14.7360	15.4190
County of Calhoun	6.3713	6.4713	6.4713	6.4713	6.4713
State of Michigan (2).....	6.0000	6.0000	6.0000	6.0000	6.0000
Battle Creek Public Schools (3).....	6.3400	6.8500	6.6000	6.3200	6.0000
Calhoun ISD	6.2057	6.2057	6.2057	6.2057	6.2057
Kellogg Community College.....	3.7106	3.6136	3.6136	3.6136	3.6136
Willard Public Library.....	<u>2.0000</u>	<u>2.0000</u>	<u>2.0000</u>	<u>2.0000</u>	<u>2.0000</u>
Total	<u>45.3636</u>	<u>45.8766</u>	<u>45.6266</u>	<u>45.3466</u>	<u>45.7096</u>

City of Battle Creek
Non-Homestead (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended or Ending June 30, 2013 Through 2017

<u>Governmental Unit</u>	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017 (3)</u>
City of Battle Creek.....	14.7360	14.7360	14.7360	14.7360	15.4190
County of Calhoun	6.3713	6.4713	6.4713	6.4713	6.4713
State of Michigan (2).....	6.0000	6.0000	6.0000	6.0000	6.0000
Battle Creek Public Schools (3).....	24.3400	24.8500	24.6000	24.3200	24.0000
Calhoun ISD	6.2057	6.2057	6.2057	6.2057	6.2057
Kellogg Community College.....	3.7106	3.6136	3.6136	3.6136	3.6136
Willard Public Library.....	<u>2.0000</u>	<u>2.0000</u>	<u>2.0000</u>	<u>2.0000</u>	<u>2.0000</u>
Total	<u>63.3636</u>	<u>63.8766</u>	<u>63.6266</u>	<u>63.3466</u>	<u>63.7096</u>

- (1) *Principal Residence* means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit. Principal residence includes all unoccupied property classified as agricultural adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner. If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the principal residence includes only 5 acres adjacent and contiguous to the home of the owner. Principal Residence includes a life care facility registered under the living care disclosure act, Act No. 440 of the Public Acts of 1976, being sections 554.801 to 554.844 of the Michigan Compiled Laws. Principal residence also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. *Non-principal residence* is property not included in the above definition.
- (2) Industrial personal property is exempt from the State Education Tax and up to 18 mills of the school operating millage. Commercial personal property is exempt from 12 of the 18 mills of school operating millage.
- (3) Portions of other school districts overlap the City's boundaries. The lowest and highest non-principal residence millage rates for the other overlapping school districts for the fiscal year ending June 30, 2017 ranged from 28.60 to 25.00.

Source: City of Battle Creek

**City of Battle Creek
Property Tax Collections
Fiscal Years Ended or Ending June 30, 2013 Through 2017**

Levy July 1	Fiscal Year Ended June 30	Tax Levy	Collections to March Following Levy	Percent Collected
2012	2013	\$ 21,447,205	\$ 21,408,738	99.82%
2013	2014	21,005,303	20,940,399	99.69
2014	2015	20,686,120	20,672,222	99.93
2015	2016	20,813,769	20,779,353	99.83
2016	2017	18,905,734	18,872,333	99.82

Source: City of Battle Creek

CITY INCOME TAX

The City's income tax was approved by voters in 1966. At the same time, residents voted to reduce the maximum general operating millage for property tax from 12.65 to 11.60 mills.

Residents of the City pay 1% income tax on all federally taxable income, with a few exceptions, such as pensions, social security and unemployment, etc. Corporation net income is taxed at 1%. Non-resident pay a 0.5% income tax on all income earned performing a job or doing business within the City limits.

For tax years beginning with 2004, there is a \$750 personal exemption allowed on individual returns, with an additional \$750 for taxpayers 65 and over; persons permanently and totally disabled; and dependents of others who are required to file City returns. Subtractions for alimony, Keogh Retirement, and specified unreimbursed employee business expenses are allowed.

Fiscal Year Ended June 30	Gross Collections	Less: Refunds	Net Collections	% Increase Over Prior Year
2013	\$18,160,270	\$1,925,730	\$16,234,540	8.2%
2014	17,759,989	1,666,282	16,093,707	(0.9)
2015	18,173,147	1,697,310	16,475,837	2.4
2016	18,808,711	2,394,139	16,414,572	(0.4)
2017	18,462,650	1,881,532	16,581,117	1.0

Source: City of Battle Creek

**City of Battle Creek
State Shared Revenues
Fiscal Years Ended or Ending June 30, 2013 Through 2017**

	Fiscal Years Ended or Ending June 30				
	2013	2014	2015	2016	2017
Constitutional	\$ 3,815,868	\$ 3,905,356	\$ 3,966,694	\$ 3,962,883	\$ 4,191,285
Statutory/CVTRS	1,329,768	1,393,833	1,436,386	1,436,386	1,436,386
Total State Shared Revenues	<u>\$ 5,145,636</u>	<u>\$ 5,299,189</u>	<u>\$ 5,403,080</u>	<u>\$ 5,399,269</u>	<u>\$ 5,627,671</u>

Source: City of Battle Creek, Michigan Department of Treasury

CITY DEBT

Legal Debt Margin

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the City may legally incur as of June 30, 2017.

Debt Limit (1).....		\$ 136,064,309
Debt Outstanding (2).....	\$97,387,556	
Less: Exempt Debt (3).....	<u>15,872,500</u>	<u>81,515,056</u>
Legal Debt Margin		<u>\$ 54,549,253</u>

- (1) 10% of \$1,360,643,097 which is the City's Total SEV for the fiscal year ending June 30, 2017. See "Property Valuations" herein.
- (2) Includes the Bonds described herein and the Water and Wastewater System Revenue Bonds, Series 2016A and the Water and Wastewater System Revenue Bonds, Series 2016B (Federally Taxable – Qualified Energy Conservation Bonds).
- (3) See "Statutory and Constitutional Debt Provisions" herein.
- Source: Municipal Advisory Council of Michigan and the City of Battle Creek

Debt Statement

The following table reflects a breakdown of the City's direct and overlapping debt as of June 30, 2017, including the Bonds described herein. Direct debt that is shown as self-supporting is paid from sources other than the City's General Fund. To the extent necessary, the City may levy taxes on all taxable property within its boundaries without limitation as to rate or amount to pay the principal of and interest due on the bonds that are designated as Unlimited Tax ("UT"). However, the City's ability to levy tax to pay the debt service on the bonds which are designated as Limited Tax ("LT") is subject to applicable charter, statutory and constitutional limitations. See "CITY TAXATION AND LIMITATIONS" herein.

City of Battle Creek Direct and Overlapping Debt

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
Building Authority Bonds:			
Dated December 29, 2009 (LT).....	\$ 1,595,000	\$ 1,595,000	\$ -0-
Dated February 28, 2008 (LT).....	<u>3,160,000</u>	<u>3,160,000</u>	<u>-0-</u>
Subtotal	<u>\$ 4,755,000</u>	<u>\$ 4,755,000</u>	<u>\$ -0-</u>
Downtown Development Authority Bonds:			
Dated March 21, 2017 (LT).....	\$ 22,260,000	\$ 22,260,000	\$ -0-
Dated December 17, 2013 (LT)	3,675,000	3,675,000	-0-
Dated February 13, 2008 (LT).....	<u>7,310,000</u>	<u>7,310,000</u>	<u>-0-</u>
Subtotal	<u>\$ 33,245,000</u>	<u>\$ 33,245,000</u>	<u>\$ -0-</u>
Tax Increment Finance Authority Bonds:			
Dated March 31, 2010 (LT).....	\$ 2,275,000	\$ 2,275,000	\$ -0-
Dated January 20, 2009 (LT).....	<u>2,675,000</u>	<u>2,675,000</u>	<u>-0-</u>
Subtotal	<u>\$ 4,950,000</u>	<u>\$ 4,950,000</u>	<u>\$ -0-</u>
Water and Wastewater Revenue Bonds: Dated			
Dated December 28, 2016, Series A (1)	\$ 7,285,000	\$ 7,285,000	\$ -0-
Dated December 28, 2016, Series B (1)	<u>8,425,000</u>	<u>8,425,000</u>	<u>-0-</u>
Subtotal	<u>\$ 15,710,000</u>	<u>\$ 15,710,000</u>	<u>\$ -0-</u>
General Obligation Bonds:			
Dated December 28, 2016 C (LT) (1).....	\$ 15,265,000	\$ -0-	\$ 15,265,000
Dated April 14, 2016 (LT)	12,605,000	-0-	12,605,000
Dated September 26, 2013 (LT)	625,000	-0-	625,000
Dated June 29, 2011 (LT)	<u>8,145,000</u>	<u>3,315,000</u>	<u>4,830,000</u>
Subtotal.....	<u>\$ 36,640,000</u>	<u>\$ 3,315,000</u>	<u>\$ 33,325,000</u>
Installment & Capital Purchase Contracts:			
Energy Savings Equipment	\$ 1,841,983	\$ -0-	\$ 1,841,983
City Hall Copiers	43,799	-0-	43,799
Telephone Equipment	395,779	-0-	395,779
Airport Snow Blowers Lease.....	<u>83,072</u>	<u>-0-</u>	<u>83,072</u>
Subtotal.....	<u>\$ 2,364,633</u>	<u>\$ -0-</u>	<u>\$ 2,364,633</u>
Total Direct Debt.....	<u>\$ 97,664,633</u>	<u>\$ 61,975,000</u>	<u>\$ 35,669,633</u>
Per Capita Net City Direct Debt (2)			\$681.41
Percent of Net Direct Debt to Total SEV (3).....			2.62%

<u>Overlapping Debt (4)</u>	<u>Gross</u>	<u>Percent of Gross</u>	<u>City Share</u>
Battle Creek School District	\$ 49,265,000	70.48	\$ 34,721,972
Climax-Scotts School District.....	2,151,124	3.97	85,400
Harper Creek School District.....	61,333,318	0.26	159,467
Lakeview Calhoun School District.....	63,679,698	100.00	63,679,698
Pennfield School District	32,264,709	4.83	1,558,385
Calhoun Intermediate School District	0	32.36	0
Kalamazoo Valley Intermediate School District...	10,375,000	0.06	6,225
Kalamazoo Valley Community College.....	8,760,000	0.06	5,256
Kellogg Community College	16,115,000	33.70	5,430,755
Willard Public Library	0	56.31	0
Calhoun County	29,311,100	33.81	9,910,083
Total Overlapping Debt	<u>\$ 273,254,949</u>		<u>\$ 115,557,241</u>
 Total Net Direct and Overlapping Debt	 <u>\$ 370,919,582</u>		 <u>\$ 151,226,874</u>

Per Capita Net Overlapping Debt (2)	\$2,207.52
Percent of Net Overlapping Debt to Total SEV (3)	8.71%
 Per Capita Net Direct and Overlapping Debt (2).....	 \$2,888.93
Percent of Net Direct and Overlapping Debt to Total SEV (3).....	11.11%

- (1) The Bonds described herein. Including the Water and Wastewater System Revenue Bonds, Series 2016A and the Water and Wastewater System Revenue Bonds, Series 2016B (Federally Taxable – Qualified Energy Conservation Bonds).
- (2) Based on the City’s 2010 Census of 52,347
- (3) Based on \$1,360,643,097 which is the City’s Total SEV for the fiscal year ending June 30, 2017. See “CITY TAX AND LIMITATIONS - Property Valuations” and “CITY TAX AND LIMITATIONS” herein.
- (4) Overlapping debt is the portion of another taxing unit’s debt for which property taxpayers of the City are liable in addition to debt issued by the City.
- Source: Municipal Advisory Council of Michigan and the City of Battle Creek.

DEFINED BENEFIT PENSION PLANS

Police and Fire Retirement System

The City’s net pension liability was measured as June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The components of the net pension liability of the City were as follows:

Total pension liability	\$176,579,083
Plan Fiduciary net position	<u>(138,509,334)</u>
City’s net pension liability	<u>\$ 38,069,749</u>

Plan fiduciary net position as percentage of total pension liability	78.44%
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The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at June 30, 2016	\$ 175,665,481	\$ 132,048,992	\$ 43,616,489
Changes for the Year			
Service cost	3,637,644	-	3,637,644
Interest on total pension liability	11,630,004	-	11,630,004
Benefit changes	1,062,436	-	1,062,436
Differences between expected and actual experience	(5,040,576)	-	(5,040,576)
Assumption change	-	-	-
Employer contributions	-	4,746,323	(4,746,323)
Employee contribution	-	1,215,059	(1,215,059)
Net investment income	-	11,593,876	(11,593,876)
Benefit payments	(10,375,906)	(10,375,906)	-
Administrative expense	-	(219,010)	219,010
Other	-	(500,000)	500,000
Net changes	\$ 913,602	\$ 6,460,342	\$ (5,546,740)
Balance at June 30, 2017	\$ 176,579,083	\$ 138,509,334	\$ 38,069,749

Pension Plans: Municipal Employees Retirement System of Michigan

The City's net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The components of the net pension liability of the City were as follows:

Total pension liability	\$141,255,649
Plan fiduciary net position	<u>81,255,431</u>
City's net pension liability	<u>\$ 60,000,218</u>
Plan fiduciary net position as percentage of total pension liability	57.52%

The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2015	\$ 138,929,728	\$ 77,520,134	\$ 61,409,594
Changes for the Year			
Service cost	1,934,782	-	1,934,782
Interest	10,808,541	-	10,808,541
Changes in benefits	(2,988)	-	(2,988)
Differences between expected and actual experience	(833,627)	-	(833,627)
Changes in assumptions	-	-	-
Contributions: employer	-	4,375,156	(4,375,156)
Contributions: employee	-	521,222	(521,222)
Net investment income	-	8,589,468	(8,589,468)
Benefit payments, including refunds	(9,580,787)	(9,580,787)	-
Administrative expense	-	(169,762)	169,762
Net changes	\$ 2,325,921	\$ 3,735,297	\$ (1,409,376)
Balances at December 31, 2016	\$ 141,255,649	\$ 81,255,431	\$ 60,000,218

For the year ended June 30, 2017, the City recognized pension expense of \$9,084,445.

City of Battle Creek Water and Wastewater System
Approximate Number of Water Customers as Billed by User Classification and Location
Fiscal Years Ended June 30, 2013 through 2017

	Fiscal Year Ended June 30				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>City Customers</u>					
Residential	14,814	14,791	14,765	14,757	14,771
Commercial (1).....	1,622	1,628	1,617	1,619	1,634
Industrial.....	<u>129</u>	<u>132</u>	<u>131</u>	<u>130</u>	<u>126</u>
Sub-total.....	16,565	16,551	16,551	16,506	16,531
<u>Customer Communities</u>					
Emmett	669	669	668	675	699
Bedford.....	438	430	426	420	428
Leroy (2).....	Bulk	Bulk	Bulk	Bulk	Bulk
Pennfield (3).....	Bulk	Bulk	Bulk	Bulk	Bulk
Springfield (4)	<u>Bulk</u>	<u>Bulk</u>	<u>Bulk</u>	<u>Bulk</u>	<u>Bulk</u>
Sub-total.....	<u>1,107</u>	<u>1,099</u>	<u>1,094</u>	<u>1,095</u>	<u>1,127</u>
Total Customers	<u>17,672</u>	<u>17,650</u>	<u>17,607</u>	<u>17,601</u>	<u>17,658</u>

- (1) Includes governmental and tax-exempt customers.
(2) Leroy has one water customer.
(3) Penfield has approximately 341 metered water customers.
(4) Springfield has approximately 1,438 metered water customers.
Source: City of Battle Creek

City of Battle Creek Water and Wastewater System
Approximate Number of Wastewater Customers by User Classification and Location
Fiscal Years Ended June 30, 2013 through 2017

	Fiscal Year Ended June 30				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>City Customers (1)</u>					
Residential	15,812	15,785	15,745	15,734	15,740
Commercial (2)	1,570	1,576	1,570	1,580	1,583
Industrial.....	<u>119</u>	<u>122</u>	<u>121</u>	<u>120</u>	<u>117</u>
Sub-total.....	17,501	17,501	17,483	17,434	17,440
<u>Customer Communities</u>					
Emmett (3).....	1,660	1,683	1,681	1,685	1,688
Bedford (4)	563	553	549	543	551
Leroy	Bulk	Bulk	Bulk	Bulk	Bulk
Pennfield (5).....	Bulk	Bulk	Bulk	Bulk	Bulk
Springfield (6)	<u>Bulk</u>	<u>Bulk</u>	<u>Bulk</u>	<u>Bulk</u>	<u>Bulk</u>
Sub-total.....	<u>2,223</u>	<u>2,236</u>	<u>2,230</u>	<u>2,228</u>	<u>2,239</u>
Total Customers	<u>19,724</u>	<u>19,719</u>	<u>19,666</u>	<u>19,662</u>	<u>19,679</u>

- (1) Includes approximately 1,057 customers located in the City that are not metered and who pay a flat monthly rate.
(2) Includes governmental and tax-exempt customers.
(3) Includes approximately 1,013 customers located in Emmett that are not metered and who pay a flat monthly rate.
(4) Includes approximately 158 customers located in Bedford that are not metered and who pay a flat monthly rate.
(5) Includes approximately 607 customers located in Pennfield that are not metered and who pay a flat monthly rate.
(6) Includes approximately 93 customers located in Springfield that are not metered and who pay a flat monthly rate.
Source: City of Battle Creek

**City of Battle Creek Water and Wastewater System
Water Volume as Billed by User Classification and Location (1)
Fiscal Years Ended June 30, 2013 through 2017**

<u>City Customers</u>	Fiscal Year Ended June 30				
	<u>2013</u>	<u>2014</u>	<u>2015 (3)</u>	<u>2016 (3)</u>	<u>2017</u>
Residential.....	128,321,154	113,821,573	105,232,458	96,499,847	109,281,509
Commercial (2)	108,996,437	101,258,848	91,052,374	95,356,781	90,252,021
Industrial	<u>130,981,050</u>	<u>131,575,143</u>	<u>127,625,133</u>	<u>127,002,299</u>	<u>113,625,946</u>
Sub-total.....	368,298,641	346,655,564	323,909,965	318,858,927	313,159,476
<u>Customer Communities</u>					
Emmett Township	22,861,381	25,097,179	23,111,371	23,441,862	25,738,764
Bedford Township.....	3,989,779	3,281,149	3,127,698	2,888,704	2,820,489
Springfield City.....	20,452,628	18,474,474	16,888,944	16,888,943	17,389,269
Pennfield Township.....	<u>2,238,500</u>	<u>2,223,900</u>	<u>2,123,500</u>	<u>2,164,000</u>	<u>2,199,500</u>
Sub-total	<u>49,542,288</u>	<u>49,076,702</u>	<u>45,251,513</u>	<u>45,383,509</u>	<u>48,148,022</u>
Total Water Billed.....	<u>417,840,929</u>	<u>395,732,266</u>	<u>369,161,478</u>	<u>364,242,436</u>	<u>361,307,498</u>

(1) Measured in cubic feet.

(2) Includes government and tax-exempt customers.

(3) During the installation of a new water meter reading system in fiscal year 2015 some transmitters malfunctioned resulting in under reporting of water volume.

Source: City of Battle Creek

**City of Battle Creek Water and Wastewater System
Wastewater Treatment Volume as Billed by User Classification and Location (1)
Fiscal Years Ended June 30, 2013 Through 2017**

<u>City Customers</u>	Fiscal Year Ended June 30				
	<u>2013</u>	<u>2014</u>	<u>2015 (3)</u>	<u>2016 (3)</u>	<u>2017</u>
Residential.....	121,420,791	118,523,455	111,516,777	109,037,746	114,331,877
Commercial (2)	79,329,661	80,966,406	74,033,282	80,135,131	76,958,752
Industrial	<u>43,565,656</u>	<u>37,475,733</u>	<u>43,364,117</u>	<u>41,786,764</u>	<u>33,223,800</u>
Sub-total.....	244,316,108	236,965,594	228,914,176	230,959,641	224,514,429
<u>Customer Communities</u>					
Emmett Township	32,937,121	32,620,458	30,937,747	31,523,803	32,901,531
Bedford Township.....	5,866,583	5,462,014	5,251,629	5,014,441	6,382,474
Springfield City.....	16,822,846	16,791,021	16,858,507	16,326,066	15,711,208
Pennfield Township.....	<u>14,984,100</u>	<u>14,855,300</u>	<u>15,111,650</u>	<u>15,230,642</u>	<u>14,531,008</u>
Sub-total.....	<u>70,610,650</u>	<u>69,728,793</u>	<u>68,159,533</u>	<u>68,094,952</u>	<u>69,526,221</u>
Total Wastewater Billed.....	<u>314,926,758</u>	<u>306,694,387</u>	<u>297,073,709</u>	<u>299,054,593</u>	<u>294,040,650</u>

(1) Measured in cubic feet.

(2) Includes government and tax-exempt customers.

(3) During the installation of a new water meter reading system in fiscal year 2015 some transmitters malfunctioned resulting in under reporting of water volume.

Source: City of Battle Creek

**City of Battle Creek Water and Wastewater System
Water System Revenues by User Class and Location
Fiscal Years Ended June 30, 2013 Through 2017**

	Fiscal Year Ended June 30				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>City Customers</u>					
Residential.....	\$ 3,410,041	\$ 3,403,962	\$ 3,478,565	\$ 3,575,598	\$ 3,724,145
Commercial (1)	2,099,206	2,092,311	2,028,652	2,243,876	2,124,857
Industrial	<u>2,005,796</u>	<u>2,133,970</u>	<u>2,179,161</u>	<u>2,367,369</u>	<u>1,939,402</u>
Sub-total.....	7,515,043	7,630,243	7,686,378	8,186,843	7,788,404
<u>Customer Communities</u>					
Emmett Township	495,823	610,684	626,495	689,318	695,064
Bedford Township.....	101,866	92,695	98,325	100,731	99,809
Leroy Township	34,188	19,460	12,481	13,024	11,817
Springfield City.....	275,733	333,441	272,671	266,165	290,922
Pennfield Township.....	<u>55,498</u>	<u>29,619</u>	<u>27,805</u>	<u>29,562</u>	<u>35,524</u>
Sub-total.....	<u>963,108</u>	<u>1,085,899</u>	<u>1,037,776</u>	<u>1,098,800</u>	<u>1,133,136</u>
Total Water Revenue.....	<u>\$ 8,478,151</u>	<u>\$ 8,716,142</u>	<u>\$ 8,724,154</u>	<u>\$ 9,285,643</u>	<u>\$ 8,921,540</u>

(1) Includes governmental and tax-exempt customers.
Source: City of Battle Creek

**City of Battle Creek Water and Wastewater System
Wastewater System Revenues by User Class and Location
Fiscal Years Ended June 30, 2013 Through 2017**

	Fiscal Year Ended June 30				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>City Customers</u>					
Residential.....	\$ 4,450,077	\$ 4,764,798	\$ 4,941,109	\$ 5,139,653	\$ 5,148,865
Commercial (1)	2,385,212	2,592,433	2,576,867	2,771,042	2,841,250
Industrial	<u>5,815,387</u>	<u>5,564,090</u>	<u>6,810,953</u>	<u>7,429,068</u>	<u>6,115,683</u>
Sub-total.....	12,650,676	12,921,321	14,328,929	15,339,763	14,105,798
<u>Customer Communities</u>					
Emmett Township	905,189	1,087,836	1,137,984	1,221,559	1,090,616
Bedford Township.....	130,388	228,892	241,437	248,684	211,904
East Leroy Township	35,571	16,971	11,468	11,988	11,036
Springfield City.....	557,175	586,192	595,998	582,021	696,193
Pennfield Township.....	<u>545,549</u>	<u>551,887</u>	<u>570,497</u>	<u>621,812</u>	<u>550,298</u>
Sub-total.....	<u>2,173,872</u>	<u>2,471,778</u>	<u>2,557,384</u>	<u>2,686,064</u>	<u>2,560,047</u>
Total Wastewater Revenue	<u>\$ 14,824,548</u>	<u>\$ 15,393,099</u>	<u>\$ 16,886,313</u>	<u>\$ 18,025,827</u>	<u>\$ 16,665,845</u>

(1) Includes governmental and tax-exempt customers.
Source: City of Battle Creek

**City of Battle Creek Water and Wastewater System
Ten Largest Water Customers by Volume and Revenue
Fiscal Year Ended June 30, 2017**

<u>Customer</u>	<u>Principal Product or Service</u>	<u>Water Volume Cubic Feet</u>	<u>Percent of Total (1)</u>	<u>Water Revenue</u>	<u>Percent of Total (2)</u>
Kellogg Company-Plant.....	Breakfast Foods.....	36,526,688	10.11%	\$594,593	6.66%
Post Foods.....	Breakfast Foods	32,364,999	8.96	505,935	5.67
Fire Keepers Casino.....	Gambling.....	8,564,900	2.37	428,491	4.80
Graphic Packaging.....	Paper Mill.....	8,303,800	2.30	161,331	1.81
Denso Mfg.	Automotive Parts...	5,579,304	1.54	299,240	3.35
VA Medical Center - Hospital .	Medical Services ..	3,751,919	1.04	191,598	2.15
Adient	Heating & Venting	3,536,100	0.98	159,313	1.79
Bronson Battle Creek.....	Medical Services ...	3,195,300	0.88	158,004	1.77
Treehouse Private Brands	Breakfast Foods	3,136,100	0.87	229,877	2.58
Rock-Tenn/Waldorf Corp	Paperboard	<u>3,060,605</u>	<u>0.85</u>	<u>160,736</u>	<u>1.80</u>
	Total	<u>108,019,715</u>	<u>29.90%</u>	<u>\$2,889,118</u>	<u>32.38%</u>

(1) Based on water volume of 361,307,498 for the fiscal year ended June 30, 2017.

(2) Based on water revenue of \$8,921,540 for the fiscal year ended June 30, 2017.

Source: City of Battle Creek

**City of Battle Creek Water and Wastewater System
Ten Largest Wastewater Customers by Volume and Revenue
Fiscal Year Ended June 30, 2017**

<u>Customer</u>	<u>Principal Product or Service</u>	<u>Wastewater Volume Cubic Feet</u>	<u>Percent of Total (1)</u>	<u>Wastewater Revenue</u>	<u>Percent of Total (2)</u>
Kellogg Company-Plant.....	Breakfast Foods	33,097,513	11.26%	\$1,836,219	11.02%
Graphic Packaging.....	Paper Mill	19,500,504	6.63	1,318,531	7.91
Post Foods.....	Breakfast Foods	18,678,676	6.35	1,012,752	6.08
Rock-Tenn/Waldorf Corp	Paperboard.....	11,667,369	3.97	838,380	5.03
Fire Keepers Casino.....	Gambling	8,564,900	2.91	260,749	1.56
Denso Manufacturing	Automotive Parts	5,579,304	1.90	160,129	0.96
Treehouse Private Brands	Breakfast Foods	5,310,800	1.81	154,913	0.93
VA Medical Center	Medical Services	3,754,169	1.28	115,487	0.69
Adient	Heating & Venting	3,536,100	1.20	100,521	0.60
Bronson Battle Creek Health	Medical Services	<u>2,811,800</u>	<u>0.96</u>	<u>86,100</u>	<u>0.52</u>
	Total	<u>112,501,135</u>	<u>38.26%</u>	<u>\$5,883,781</u>	<u>35.30%</u>

(1) Based on treated wastewater volume of 294,040,650 for the fiscal year ended June 30, 2017

(2) Based on wastewater revenue of \$16,665,845 for the fiscal year ended June 30, 2017

Source: City of Battle Creek

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