

CITY OF **BATTLE CREEK** **MICHIGAN**

Prepared by the Finance Department



**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED
JUNE 30, 2019**

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CITY OF BATTLE CREEK, MICHIGAN

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INTRODUCTORY SECTION

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CITY OF BATTLE CREEK

CITY MANAGER

December 19, 2019

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, 2019.

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, 2019 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, 2019 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 51,247. 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 commission 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. Current Commissioners are serving three-year terms to accommodate the move of the election timing to match even-year elections. The City Commission elects a Mayor and Vice-Mayor from among its members every year.

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 the government's department heads.

The City of Battle Creek provides a full range of services by more than 500 employees located at various locations throughout the City 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 \$2.5 billion for the year ended June 30, 2019. The residential amenities provide 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 and their Research & Development facility, the W.K. Kellogg Foundation, and the Hart-Dole-Inouye Federal Center. Battle Creek has many other major corporate community members including Post Cereals, 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, logistics, 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 2019-2025 are over \$267 million in capital needs including airport development projects and fire station/apparatus replacements. The new capital bond-funded police station was placed into service during the current fiscal year, and grant-funded taxiway rehabilitation at the airport was underway. Major projects at the water and wastewater treatment plants were in progress, and the prioritization of projects included in the CIP continues to determine what new projects will be undertaken in the near term.

From an operational perspective, the City's revenue profile is diverse and has shown improvement over the prior year. Income tax revenue accounts for 36.8% of general fund revenues for the year ending June 30, 2019. Property tax revenue makes up another 30.6% of general fund revenues for the year ending June 30, 2019, and the City has 1.016-mill (8.9%) margin available under the Headlee rollback limit for operation. This could generate approximately \$1,042,000 in additional property tax revenue.

A Legacy Cost Committee was established in 2015 to evaluate unfunded liabilities for pension and other postemployment benefits. This committee has been looking at best practices and cost containment, and has assisted City administration in responding to the new requirements of Public Act 202 of 2017 (the Protecting Local Government Retirement and Benefits Act). Work continues by the Committee, which is comprised of City staff, a City Commissioner, a city resident, financial experts, and business representatives. Action item recommendations from this committee in addition to the implemented Corrective Action Plan for Public Act 202 are being considered.

The priority based budgeting methodology has been fully implemented. This includes program identification and costing, prioritization by departments and independent committees, and analysis of mandated programs and partnership opportunities to identify potential savings.

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, 2018. This was the nineteenth 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

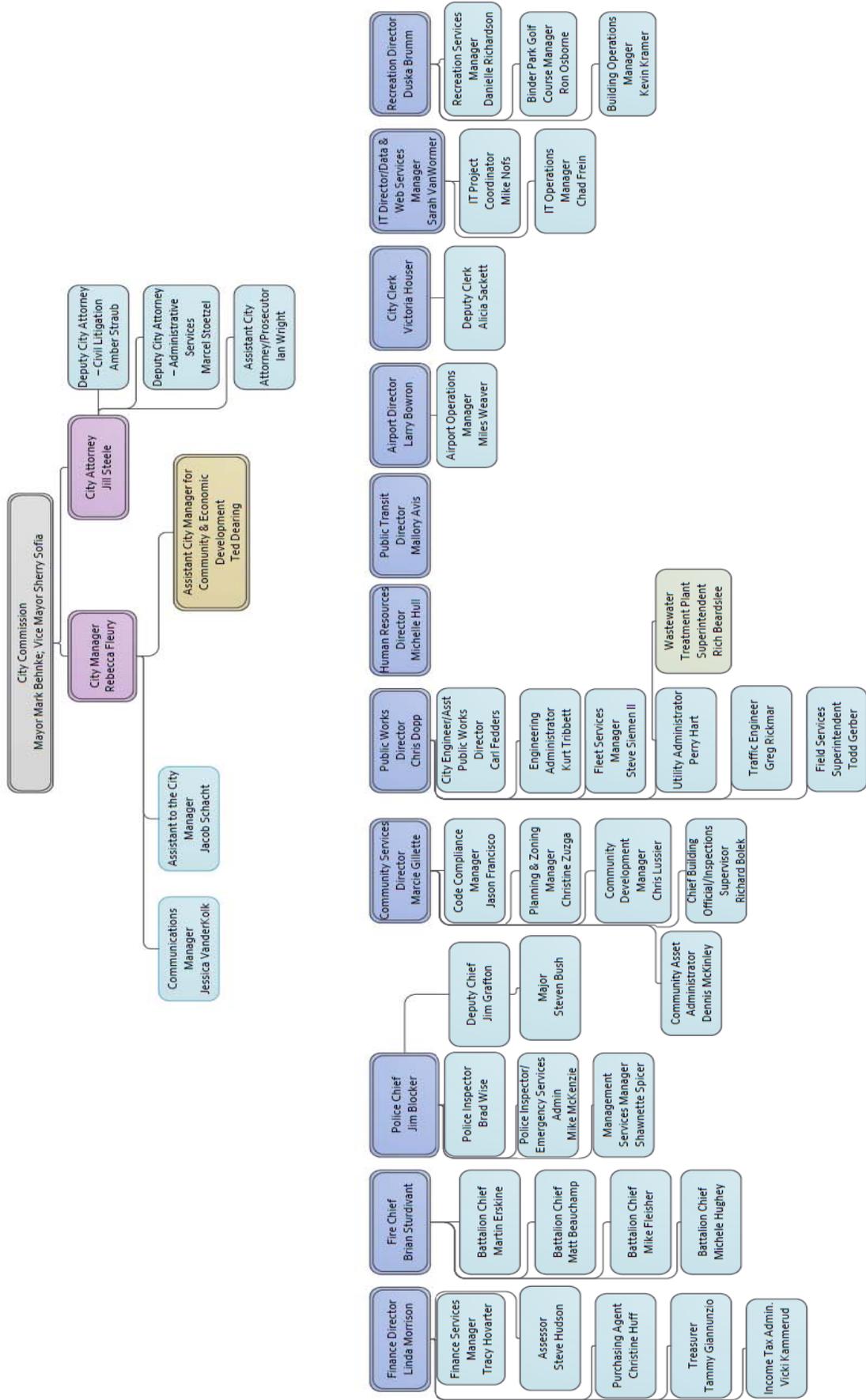
June 30, 2018

Christopher P. Morill

Executive Director/CEO

CITY OF BATTLE CREEK, MICHIGAN

Organizational Chart



CITY OF BATTLE CREEK, MICHIGAN

List of Principal City Officials

CITY COMMISSION:

Mark Behnke
Mayor

Sherry Sofia
Vice Mayor

Susan Baldwin
Kaytee Faris
Kate Flores
Lynn Ward Gray
John Griffin
Jim Lance
Christopher Simmons

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 19, 2019

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, 2019, 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, 2019, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund, major street and trunkline maintenance, and special grants special revenue funds 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 19, 2019 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 Lohman 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, 2019. 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	\$168,956,110
· Change in total net position	(7,863,605)
· Fund balances, governmental funds	18,374,465
· Change in fund balances, governmental funds	952,027
· Unassigned fund balance, general fund	6,221,349
· Change in fund balance, general fund	16,276
· General obligation and revenue bonds outstanding	49,875,000
· Change in general obligation and revenue bonds outstanding	(3,705,000)

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, recreation and community development. The business-type activities of the City include water and 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, the Local Development Finance Authority and the Cereal City Development Corporation. 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, major street and trunkline maintenance special revenue fund, and the special grants special revenue 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, Battle Creek Transit System, and W.K. Kellogg Airport/FAA 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 \$168,956,110 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	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 43,136,584	\$ 39,369,988	\$ 37,385,879	\$ 37,061,219	\$ 80,522,463	\$ 76,431,207
Capital assets	232,389,268	238,281,234	105,503,518	101,652,484	337,892,786	339,933,718
Total assets	275,525,852	277,651,222	142,889,397	138,713,703	418,415,249	416,364,925
Deferred outflows of resources	16,616,928	14,286,257	5,170,385	1,935,947	21,787,313	16,222,204
Liabilities						
Other liabilities	7,932,858	11,062,894	2,994,979	3,335,081	10,927,837	14,397,975
Long-term debt	48,682,750	43,011,142	17,830,761	19,221,179	66,513,511	62,232,321
Other liabilities due in more than one year:						
Net pension liability	90,823,177	80,969,755	27,885,156	23,389,855	118,708,333	104,359,610
Net other postemployment benefit liability	37,753,007	33,604,513	18,678,992	16,626,448	56,431,999	50,230,961
Total liabilities	185,191,792	168,648,304	67,389,888	62,572,563	252,581,680	231,220,867
Deferred inflows of resources	13,189,554	17,173,967	5,475,218	7,372,580	18,664,772	24,546,547
Net position						
Net investment in capital assets	196,784,239	202,996,774	88,322,398	84,440,617	285,106,637	287,437,391
Restricted	17,761,851	11,428,992	-	-	17,761,851	11,428,992
Unrestricted (deficit)	(120,784,656)	(108,310,558)	(13,127,722)	(13,736,110)	(133,912,378)	(122,046,668)
Total net position	\$ 93,761,434	\$106,115,208	\$ 75,194,676	\$ 70,704,507	\$168,956,110	\$176,819,715

An additional portion of the City's net position (10.5 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 reported 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 and net other postemployment benefit liability.

CITY OF BATTLE CREEK, MICHIGAN

Management's Discussion and Analysis

The City's net position decreased by \$7,863,605 from the prior year net position. This is an improvement from the prior year's \$10,630,965 decrease. Compared to the prior year, the current year improvement can be attributed to special grant revenue that increased \$4.2 million from the prior year, as well as significant improvements in investment earnings as the market value of bonds held during the year increased. Income tax revenues exceeded expectations and increased approximately \$1 million from the prior year. On the expense side, increases for community development related to downtown projects of approximately \$5 million was offset by decreases in water and wastewater as well as public safety expenses, primarily capital project costs that have declined year over year. Additionally, the police station capital project was placed in service in the current year, with the majority of those costs in the prior fiscal year.

	Changes in Net Position					
	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 8,806,869	\$ 9,699,611	\$ 32,525,918	\$ 32,381,532	\$ 41,332,787	\$ 42,081,143
Grants and contributions:						
Operating	22,433,015	17,633,267	9,873,639	4,664,524	32,306,654	22,297,791
Capital	338,769	3,391,624	-	-	338,769	3,391,624
General revenues:						
Property taxes	16,993,111	17,109,789	363,711	321,410	17,356,822	17,431,199
Income taxes	17,664,804	16,718,592	-	-	17,664,804	16,718,592
Grants and contributions not restricted to specific programs	6,116,033	5,822,141	-	-	6,116,033	5,822,141
Unrestricted investment earnings	366,154	125,428	624,757	8,976	990,911	134,404
Total revenues	72,718,755	70,500,452	43,388,025	37,376,442	116,106,780	107,876,894
Expenses						
General government	13,560,047	12,298,063	-	-	13,560,047	12,298,063
Public safety	39,249,188	37,754,399	-	-	39,249,188	37,754,399
Public works	2,818,928	2,848,257	-	-	2,818,928	2,848,257
Highways and streets	14,773,886	14,614,111	-	-	14,773,886	14,614,111
Recreation	5,324,142	6,786,153	-	-	5,324,142	6,786,153
Community development	7,103,236	2,582,810	-	-	7,103,236	2,582,810
Interest on long-term debt	1,508,678	1,576,922	-	-	1,508,678	1,576,922
Water and wastewater	-	-	26,135,213	27,208,769	26,135,213	27,208,769
Public transit	-	-	4,819,992	4,763,055	4,819,992	4,763,055
Solid waste collection	-	-	3,539,162	3,418,516	3,539,162	3,418,516
Airport	-	-	2,919,251	2,684,727	2,919,251	2,684,727
Parking	-	-	1,520,256	1,378,093	1,520,256	1,378,093
Economic development	-	-	698,406	593,984	698,406	593,984
Total expenses	84,338,105	78,460,715	39,632,280	40,047,144	123,970,385	118,507,859
Change in net position, before transfers	(11,619,350)	(7,960,263)	3,755,745	(2,670,702)	(7,863,605)	(10,630,965)
Transfers	(734,424)	(631,231)	734,424	631,231	-	-
Change in net position	(12,353,774)	(8,591,494)	4,490,169	(2,039,471)	(7,863,605)	(10,630,965)
Net position, beginning of year	106,115,208	114,706,702	70,704,507	72,743,978	176,819,715	187,450,680
Net position, end of year	\$ 93,761,434	\$106,115,208	\$ 75,194,676	\$ 70,704,507	\$168,956,110	\$176,819,715

CITY OF BATTLE CREEK, MICHIGAN

Management's Discussion and Analysis

Governmental activities. Governmental activities decreased the City's net position by \$12,353,774 (as compared to a prior year decrease of \$8,591,494). Key elements of this decrease and the change from the prior year include:

The total revenue increase of \$2,218,303 is primarily due to an increase in special grant revenues offset by a reduction in capital grants (prior year revenues included a non-recurring receipt of property from the federal government). As discussed above, income tax revenue exceeded expectations and investment earnings reflects the overall positive market performance for the fiscal year. The total expense increase of \$5,877,390 is primarily due to \$5 million for a major downtown project as well as \$1 million expended in the fiscal year 2019 lead hazard control grant.

Business-type activities. Business-type activities increased the City's net position by \$4,490,169 as compared to a decrease of \$2,039,471 in the prior year. Key elements of this positive change from the prior year include:

Current year revenues include a Federal Airport Improvement grant of \$2.8 million, an increase of \$1.3 in federal transit grants over the prior year, and over \$500,000 in wastewater grants. Investment earnings also positively impacted the year in comparison to prior year. On the expense side, the prior year water and wastewater included the completion of the write off of an unsuccessful capital project in the amount of \$1.5 million.

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 \$18,374,465 an increase of \$952,027. The nonspendable portion of fund balance decreased from \$1,389,947 to \$1,063,679. 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 (\$183,770).

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 \$6,221,349, while total fund balance was \$8,139,854. 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, 2019 is 13.3%.

The fund balance of the City's general fund increased by \$16,276 during the current fiscal year. This was favorable in comparison to the final budgeted decrease in fund balance of \$562,447. This fluctuation is primarily the result of better than expected city income tax revenue and investment earnings. A \$2.4 million mid-year budget reduction was implemented as the result of lower than expected Local Community Stabilization Act (LCSA) personal property tax reimbursement in the general fund. Because of the difficulty of absorbing this large expenditure reduction mid way through the year, part of the resolution was to budget a use of fund balance. Fortunately, revenue sources came in ahead of projections and departments were able to manage their expenditure reductions.

The major street and trunkline maintenance special revenue fund has a committed fund balance of \$3,039,672 at year end. The fund is used to account for the repair and maintenance of streets and sidewalks. The fund experienced an increase of \$1,153,132 in fund balance in the current year. This increase is a result of increased gas and weight tax revenue from Act 51.

The special grants special revenue fund was created to account for various grants received by the City and has a committed fund balance of \$2,596,915 at year end. The fund balance increased from the prior year in the amount of \$2,515,833 from promissory note proceeds in excess of current year expenditures for the Milton Tower economic development project. This multi-year project has been funded through the W.K. Kellogg Foundation and the excess current year promissory note proceeds are being held for future expenditures.

CITY OF BATTLE CREEK, MICHIGAN

Management's Discussion and Analysis

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 a deficit of \$13,918,104. This deficit is the result of the net pension liability and net other postemployment benefit liability. The fund had an increase in total net position for the year of \$764,110. Factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

The Battle Creek Transit System reported a net position deficit of \$7,679,814. The fund also reported an increase in net position of \$340,142. The deficit net position is primarily a result of the change in the net pension liability, net other postemployment benefit liability and related deferred outflows/inflows.

The W.K. Kellogg Airport / FAA fund reported a net position of \$13,180,230. The fund also reported an increase in net position of \$2,550,130. The net position increase is a result of increased federal revenues for the airport runway improvement project.

General Fund Budgetary Highlights

The general fund ended the year with revenues over expenditures of \$16,276. This is favorable compared to the general fund original adopted budget with expenditures in excess of revenues and a use of fund balance of \$18,065. As discussed previously, the mid year budget reduction resulted in a final budgeted use of fund balance in the amount of \$562,447. Departments were diligent in containment of expenditures and income tax revenues as well as investment earnings exceeded the budget for the better-than-budget year end result.

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, 2019, amounted to \$337,892,786 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, construction in progress, buildings, vehicles, equipment, infrastructure and systems. Net capital assets for governmental activities decreased by 2.5%, and for business-type activities increased by 3.8%.

	City of Battle Creek's Capital Assets (Net of Depreciation)					
	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Land and land improvements	\$ 13,918,319	\$ 15,727,222	\$ 5,311,711	\$ 5,349,914	\$ 19,230,030	\$ 21,077,136
Construction in progress	153,783	11,874,664	18,245,494	10,935,723	18,399,277	22,810,387
Buildings	42,276,503	30,463,834	18,492,989	19,369,267	60,769,492	49,833,101
Vehicles	4,508,976	4,740,170	1,270,978	691,891	5,779,954	5,432,061
Equipment	3,055,318	3,248,384	709,927	772,240	3,765,245	4,020,624
Infrastructure	168,476,369	172,226,960	-	-	168,476,369	172,226,960
Systems	-	-	61,472,419	64,533,449	61,472,419	64,533,449
Total	\$232,389,268	\$238,281,234	\$105,503,518	\$101,652,484	\$337,892,786	\$339,933,718

Major capital asset events during the current fiscal year included:

- The majority of the police department facility construction was completed during the fiscal year and \$11.8 million was moved from construction in progress to buildings. Reclassifications were made between asset types to more accurately reflect non-depreciable assets as of June 30, 2019.
- Wastewater projects of \$4.6 million, including the secondary treatment projects, and the airport taxiway C project of \$3.2 million were added to business-type activities construction in progress at June 30, 2019.

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

CITY OF BATTLE CREEK, MICHIGAN

Management's Discussion and Analysis

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$49,875,000. Of this amount, \$33,475,000 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	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 33,475,000	\$ 35,850,000	\$ -	\$ -	\$ 33,475,000	\$ 35,850,000
Revenue bonds	-	-	16,400,000	17,730,000	16,400,000	17,730,000
Total	\$ 33,475,000	\$ 35,850,000	\$ 16,400,000	\$ 17,730,000	\$ 49,875,000	\$ 53,580,000

The City's total bonded debt decreased by \$3,705,000 (6.9 percent) during the current fiscal year as a result of scheduled debt payments.

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	A1	AA	AA-
Water and wastewater revenue bonds	N/A	A	N/A

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 \$141,252,335.

Additional information on the City's long-term debt can be found in Note 10 to the financial statements.

Economic Factors

Low unemployment has had a positive impact on the City's income tax revenue, which exceeded expectations for the fiscal year ended June 30, 2019. Investment earnings also had a positive impact on revenues for the year.

Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2019/20 fiscal year:

- Developed the fiscal year ending June 30, 2020 budget with revenues equal to expenditures with a small 0.185 increase in the police and fire retirement component of the property tax millage.
- Continued efforts to fund pension and other postemployment benefit liabilities with strategies recommended by the Legacy Cost Committee.
- Included 2% wage increases across the organization - collectively bargained as well as non-represented - all in conjunction with the results of an across-the-organization salary study completion and the expiration of seven of the City's nine collective bargaining agreements.
- Internal service fund and administrative cost allocations continue to be evaluated.

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, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Pooled cash and investments	\$ 26,716,540	\$ 20,856,279	\$ 47,572,819	\$ 10,182,014
Receivables	12,915,072	6,362,546	19,277,618	1,109,844
Receivables, long-term portion	4,469,818	6,437,042	10,906,860	2,967,207
Internal balances	(1,803,703)	1,803,703	-	-
Inventories and prepaid items	838,857	1,926,309	2,765,166	54,703
Capital assets not being depreciated	2,204,116	21,698,357	23,902,473	21,415,513
Capital assets being depreciated, net	230,185,152	83,805,161	313,990,313	1,602,996
Total assets	275,525,852	142,889,397	418,415,249	37,332,277
Deferred outflows of resources				
Deferred charge on refunding	880,761	-	880,761	1,335,902
Deferred pension amounts	13,001,045	3,817,134	16,818,179	-
Deferred other postemployment benefit amounts	2,735,122	1,353,251	4,088,373	-
Total deferred outflows of resources	16,616,928	5,170,385	21,787,313	1,335,902
Liabilities				
Accounts payable and accrued liabilities	6,996,762	2,736,832	9,733,594	3,608,564
Accrued interest payable	272,744	78,011	350,755	215,884
Unearned revenue	663,352	180,136	843,488	7,644
Long-term debt:				
Due within one year	5,790,794	2,018,145	7,808,939	1,878,688
Due in more than one year	42,891,956	15,812,616	58,704,572	35,960,481
Other liabilities due in more than one year:				
Net pension liability	90,823,177	27,885,156	118,708,333	-
Net other postemployment benefit liability	37,753,007	18,678,992	56,431,999	-
Total liabilities	185,191,792	67,389,888	252,581,680	41,671,261
Deferred inflows of resources				
Deferred pension amounts	2,296,446	85,655	2,382,101	-
Deferred other postemployment benefit amounts	10,893,108	5,389,563	16,282,671	-
Total deferred inflows of resources	13,189,554	5,475,218	18,664,772	-
Net position				
Net investment in capital assets	196,784,239	88,322,398	285,106,637	22,998,663
Restricted for:				
Debt service	11,166,801	-	11,166,801	3,350
Endowment - nonexpendable	879,909	-	879,909	-
Endowment - expendable	81,551	-	81,551	-
Other purposes	5,633,590	-	5,633,590	1,237,667
Unrestricted (deficit)	(120,784,656)	(13,127,722)	(133,912,378)	(27,242,762)
Total net position (deficit)	\$ 93,761,434	\$ 75,194,676	\$ 168,956,110	\$ (3,003,082)

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, 2019

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	\$ 13,560,047	\$ 4,661,434	\$ 6,274,574	\$ 338,769	\$ (2,285,270)
Public safety	39,249,188	1,633,937	844,480	-	(36,770,771)
Public works	2,818,928	116,846	100,090	-	(2,601,992)
Highways and streets	14,773,886	749	9,447,338	-	(5,325,799)
Recreation	5,324,142	2,340,253	-	-	(2,983,889)
Community development	7,103,236	53,650	5,766,533	-	(1,283,053)
Interest on long-term debt	1,508,678	-	-	-	(1,508,678)
Total governmental activities	84,338,105	8,806,869	22,433,015	338,769	(52,759,452)
Business-type activities:					
Water and wastewater	26,135,213	26,192,910	1,110,794	-	1,168,491
Public transit	4,819,992	339,299	4,019,522	-	(461,171)
Solid waste collection	3,539,162	3,512,255	67,557	-	40,650
Airport	2,919,251	1,309,971	4,276,171	-	2,666,891
Parking	1,520,256	1,171,483	-	-	(348,773)
Economic development	698,406	-	399,595	-	(298,811)
Total business-type activities	39,632,280	32,525,918	9,873,639	-	2,767,277
Total primary government	\$ 123,970,385	\$ 41,332,787	\$ 32,306,654	\$ 338,769	\$ (49,992,175)
Component units					
Community development	\$ 12,249,041	\$ 1,554,697	\$ 2,103,775	\$ 1,690,489	\$ (6,900,080)

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CITY OF BATTLE CREEK, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenues	\$ (52,759,452)	\$ 2,767,277	\$ (49,992,175)	\$ (6,900,080)
General revenues:				
Property taxes	16,993,111	363,711	17,356,822	5,957,492
Income taxes	17,664,804	-	17,664,804	-
Grants and contributions not restricted to specific programs	6,116,033	-	6,116,033	-
Unrestricted investment earnings	366,154	624,757	990,911	645,270
Transfers	(734,424)	734,424	-	-
Total general revenues and transfers	40,405,678	1,722,892	42,128,570	6,602,762
Change in net position	(12,353,774)	4,490,169	(7,863,605)	(297,318)
Net position, beginning of year	106,115,208	70,704,507	176,819,715	(2,705,764)
Net position, end of year	\$ 93,761,434	\$ 75,194,676	\$ 168,956,110	\$ (3,003,082)

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, 2019

	General	Major Street and Trunkline Maintenance	Special Grants	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Pooled cash and investments	\$ 7,542,194	\$ 2,006,408	\$ 2,873,654	\$ 4,884,586	\$ 17,306,842
Receivables:					
Interest	1,162	-	694	43,059	44,915
Accounts	2,607,406	-	-	83,550	2,690,956
Special assessments	273,818	-	-	204,915	478,733
Due from other governments	34,652	1,071,364	699,382	496,174	2,301,572
Taxes	482,567	-	-	-	482,567
Loans	-	-	6,098,463	575,948	6,674,411
Loans, long-term portion	-	-	-	4,469,818	4,469,818
Inventories	115,835	-	-	-	115,835
Prepaid items	67,935	-	-	-	67,935
Interfund receivable	1,317,220	-	-	-	1,317,220
Total assets	\$ 12,442,789	\$ 3,077,772	\$ 9,672,193	\$ 10,758,050	\$ 35,950,804
Liabilities					
Accounts payable	\$ 1,488,135	\$ 36,397	\$ 428,051	\$ 471,576	\$ 2,424,159
Accrued payroll	2,617,039	-	-	-	2,617,039
Retentions, deposits and other liabilities	-	-	-	196,522	196,522
Interfund payable	-	-	-	202,470	202,470
Unearned revenue	6,978	1,703	548,764	16,205	573,650
Total liabilities	4,112,152	38,100	976,815	886,773	6,013,840
Deferred inflows of resources					
Unavailable revenue:					
Special assessments	190,783	-	-	204,915	395,698
Loans, grants and related interest	-	-	6,098,463	5,068,338	11,166,801
Total deferred inflows of resources	190,783	-	6,098,463	5,273,253	11,562,499
Fund balances					
Nonspendable	183,770	-	-	879,909	1,063,679
Restricted	234,490	3,039,672	-	2,993,969	6,268,131
Committed	1,383,226	-	2,596,915	251,108	4,231,249
Assigned	117,019	-	-	473,038	590,057
Unassigned	6,221,349	-	-	-	6,221,349
Total fund balances	8,139,854	3,039,672	2,596,915	4,598,024	18,374,465
Total liabilities, deferred inflows of resources and fund balances	\$ 12,442,789	\$ 3,077,772	\$ 9,672,193	\$ 10,758,050	\$ 35,950,804

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, 2019

Fund balances - total governmental funds	\$ 18,374,465
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	2,204,116
Capital assets being depreciated, net	230,185,152
Less: capital assets being accounted for in internal service funds	(4,620,521)
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	11,574,720
Portion of internal service funds cumulative net operating income attributed to business-type funds	(1,803,703)
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	395,698
Loans receivable related to the sale of capital assets and other loans	11,166,801
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	880,761
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 notes from direct borrowings and direct placements payable	(45,440,335)
Accrued interest on bonds and notes from direct borrowings and direct placements payable	(272,744)
Net pension liability	(90,823,177)
Deferred outflows related to the net pension liability	13,001,045
Deferred inflows related to the net pension liability	(2,296,446)
Net other postemployment benefit liability	(37,753,007)
Deferred outflows related to the net other postemployment benefit liability	2,735,122
Deferred inflows related to the net other postemployment benefit liability	(10,893,108)
Compensated absences	(2,853,405)
Net position of governmental activities	<u>\$ 93,761,434</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, 2019

	General	Major Street and Trunkline Maintenance	Special Grants	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 33,102,096	\$ -	\$ -	\$ 1,555,819	\$ 34,657,915
Licenses and permits	1,197,941	-	-	-	1,197,941
Intergovernmental:					
Federal	46,278	-	2,282,021	869,478	3,197,777
State	7,146,944	7,641,621	626,251	1,879,262	17,294,078
Local	1,345,184	-	-	700,353	2,045,537
Charges for services	3,774,648	-	-	704,701	4,479,349
Fines and forfeitures	118,908	-	-	-	118,908
Investment earnings	596,605	56,029	531	97,576	750,741
Contributions	2,878	-	668,970	-	671,848
Rents and leases	160,897	36,439	-	44,703	242,039
Other	445,622	14,636	-	425,981	886,239
Total revenues	47,938,001	7,748,725	3,577,773	6,277,873	65,542,372
Expenditures					
Current expenditures:					
General government	5,353,716	-	2,952,501	364,840	8,671,057
Public safety	31,208,161	-	736,935	3,135,562	35,080,658
Public works	2,817,820	-	-	-	2,817,820
Highway and streets	-	4,086,593	-	5,225,925	9,312,518
Recreation	3,353,181	-	-	71,046	3,424,227
Community development	686,024	-	6,097,766	923,516	7,707,306
Inspections	-	-	-	725,683	725,683
Non-departmental	1,211,464	-	-	-	1,211,464
Debt service:					
Principal	180,000	-	-	2,510,397	2,690,397
Interest	57,514	-	-	1,451,171	1,508,685
Total expenditures	44,867,880	4,086,593	9,787,202	14,408,140	73,149,815
Revenue over (under) expenditures	3,070,121	3,662,132	(6,209,429)	(8,130,267)	(7,607,443)
Other financing sources (uses)					
Proceeds from promissory note	-	-	8,620,963	-	8,620,963
Transfers in	-	-	104,299	5,589,407	5,693,706
Transfers out	(3,053,845)	(2,509,000)	-	(192,354)	(5,755,199)
Total other financing sources (uses)	(3,053,845)	(2,509,000)	8,725,262	5,397,053	8,559,470
Net change in fund balances	16,276	1,153,132	2,515,833	(2,733,214)	952,027
Fund balances, beginning of year	8,123,578	1,886,540	81,082	7,331,238	17,422,438
Fund balances, end of year	\$ 8,139,854	\$ 3,039,672	\$ 2,596,915	\$ 4,598,024	\$ 18,374,465

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, 2019

Net change in fund balances - total governmental funds \$ 952,027

Amounts reported for *governmental activities* in the statement of activities
are different because:

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

Acquisition/construction of capital assets	6,392,169
Less: acquisition/construction of capital assets being accounted for in internal service funds	(1,184,160)
Donated capital assets	338,769
Depreciation expense	(12,612,645)
Less: depreciation expense being accounted for in internal service funds	1,393,980

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	136,472
Change in unavailable revenues related to loans and grants receivable	4,897,058

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	2,690,397
Amount received from other entities for their share of debt principal	(495,000)
Proceeds from issuance of long-term debt	(8,620,963)
Amortization of bond premium	130,573
Amortization of bond discount	(8,657)
Amortization of deferred charge on refunding	(72,698)

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	2,738,999
Less: net operating income from business-type activities in internal service funds	(925,116)
Intergovernmental subsidies from governmental internal service funds	95,940
Interest earnings from governmental internal service funds	110,413
Loss on disposal of capital assets from governmental internal service funds	(10,259)
Transfers received in governmental internal service funds	284,157
Transfers made from governmental internal services funds	(957,088)

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	(49,211)
Change in the net pension liability and related deferred amounts	(8,557,524)
Change in net other postemployment benefit liability and related deferred amounts	943,390
Change in the accrual for compensated absences	35,203

Change in net position of governmental activities \$ (12,353,774)

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, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes:				
City income	\$ 16,500,000	\$ 16,915,000	\$ 17,664,804	\$ 749,804
Real estate	13,054,597	13,054,597	12,455,568	(599,029)
Personal property	2,191,629	2,191,629	2,225,754	34,125
Administration fees	679,890	679,890	679,212	(678)
Other	76,000	76,000	76,758	758
Total taxes	32,502,116	32,917,116	33,102,096	184,980
Licenses and permits	871,375	1,024,375	1,197,941	173,566
Intergovernmental:				
Federal	35,000	35,000	46,278	11,278
State	9,340,503	6,898,681	7,146,944	248,263
Local	1,415,094	1,315,094	1,345,184	30,090
Total intergovernmental	10,790,597	8,248,775	8,538,406	289,631
Charges for services:				
Recreation	2,379,857	2,384,857	2,273,903	(110,954)
Police services	1,432,831	1,432,831	1,500,745	67,914
Total charges for services	3,812,688	3,817,688	3,774,648	(43,040)
Fines and forfeitures	120,000	120,000	118,908	(1,092)
Investment earnings	100,000	100,000	596,605	496,605
Contributions	-	-	2,878	2,878
Rent and leases	147,813	147,813	160,897	13,084
Other	267,564	332,652	445,622	112,970
Total revenues	48,612,153	46,708,419	47,938,001	1,229,582

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, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures				
General government:				
Administration:				
Mayor and city commission	\$ 118,082	\$ 113,008	\$ 120,239	\$ 7,231
City clerk	537,403	518,604	531,399	12,795
City manager	993,731	949,555	943,083	(6,472)
City hall maintenance	464,989	449,743	445,515	(4,228)
Neighborhood code compliance	349,713	301,370	327,185	25,815
Labor relations	272,996	259,626	276,745	17,119
Human resources	442,148	355,543	339,714	(15,829)
Legal department	1,024,063	1,018,234	988,574	(29,660)
Civil service	101,597	73,684	60,760	(12,924)
Administrative reimbursements	(2,099,892)	(2,084,835)	(2,092,731)	(7,896)
Total administration	2,204,830	1,954,532	1,940,483	(14,049)
Finance:				
Accounting	1,162,632	1,138,137	1,124,602	(13,535)
Purchasing	337,030	333,728	325,867	(7,861)
Treasurer's office	379,634	361,671	344,618	(17,053)
Assessing	1,010,443	993,948	961,834	(32,114)
Income tax division	681,853	660,535	656,312	(4,223)
Total finance	3,571,592	3,488,019	3,413,233	(74,786)
Total general government	5,776,422	5,442,551	5,353,716	(88,835)
Public safety:				
Police department	19,284,002	18,494,954	18,804,932	309,978
Fire department	11,064,669	10,607,418	11,201,484	594,066
Dispatch	1,347,692	1,314,445	1,201,745	(112,700)
Total public safety	31,696,363	30,416,817	31,208,161	791,344

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, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (continued)				
Public works:				
Street and storm sewers	\$ 2,672,996	\$ 2,671,216	\$ 2,667,146	\$ (4,070)
Engineering	237,480	179,928	150,674	(29,254)
Total public works	2,910,476	2,851,144	2,817,820	(33,324)
Recreation	3,514,831	3,365,084	3,353,181	(11,903)
Community development	744,449	794,155	686,024	(108,131)
Non-departmental:				
Special projects	209,816	264,761	342,373	77,612
AccessVision	344,000	344,000	319,358	(24,642)
Retiree health contributions	500,000	500,000	500,000	-
Other	-	-	49,733	49,733
Total non-departmental	1,053,816	1,108,761	1,211,464	102,703
Debt service:				
Principal	180,000	180,000	180,000	-
Interest	57,514	57,514	57,514	-
Total debt service	237,514	237,514	237,514	-
Total expenditures	45,933,871	44,216,026	44,867,880	651,854
Revenue over expenditures	2,678,282	2,492,393	3,070,121	577,728
Other financing uses				
Transfers out	(2,696,347)	(3,054,840)	(3,053,845)	(995)
Net change in fund balance	(18,065)	(562,447)	16,276	578,723
Fund balance, beginning of year	8,123,578	8,123,578	8,123,578	-
Fund balance, end of year	\$ 8,105,513	\$ 7,561,131	\$ 8,139,854	\$ 578,723

concluded.

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 - Major Street and Trunkline Maintenance Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental - state	\$ 6,162,500	\$ 6,162,500	\$ 7,641,621	\$ 1,479,121
Investment earnings	-	-	56,029	56,029
Rents and leases	25,000	25,000	36,439	11,439
Other	1,000	1,000	14,636	13,636
Total revenues	6,188,500	6,188,500	7,748,725	1,560,225
Expenditures				
Current expenditures - Highways and streets	4,631,910	4,629,572	4,086,593	(542,979)
Revenues over expenditures	1,556,590	1,558,928	3,662,132	2,103,204
Other financing uses				
Transfers out	(2,509,036)	(2,509,036)	(2,509,000)	36
Net change in fund balances	(952,446)	(950,108)	1,153,132	2,103,240
Fund balance, beginning of year	1,886,540	1,886,540	1,886,540	-
Fund balance, end of year	\$ 934,094	\$ 936,432	\$ 3,039,672	\$ 2,103,240

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

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CITY OF BATTLE CREEK, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - Special Grants Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental:				
Federal	\$ -	\$ 4,265,398	\$ 2,282,021	\$ (1,983,377)
State	-	866,772	626,251	(240,521)
Investment earnings	-	531	531	-
Contributions	-	5,432,645	668,970	(4,763,675)
Other	-	912	-	(912)
Total revenues	-	10,566,258	3,577,773	(6,988,485)
Expenditures				
Current expenditures:				
General government	-	5,455,260	2,952,501	(2,502,759)
Public safety	-	1,350,992	736,935	(614,057)
Community development	-	3,864,972	6,097,766	2,232,794
Total expenditures	-	10,671,224	9,787,202	(884,022)
Revenues under expenditures	-	(104,966)	(6,209,429)	(6,104,463)
Other financing sources				
Proceeds from promissory note	-	-	8,620,963	8,620,963
Transfers in	-	132,878	104,299	(28,579)
Total other financing sources	-	132,878	8,725,262	8,592,384
Net change in fund balances	-	27,912	2,515,833	2,487,921
Fund balance, beginning of year	81,082	81,082	81,082	-
Fund balance, end of year	\$ 81,082	\$ 108,994	\$ 2,596,915	\$ 2,487,921

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

CITY OF BATTLE CREEK, MICHIGAN

Statement of Net Position

Proprietary Funds
June 30, 2019

	Business-type Activities - Enterprise Funds				Governmental	
	Water and Wastewater System	Battle Creek Transit System	W.K. Kellogg Airport / FAA	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets						
Current assets:						
Pooled cash and investments	\$ 16,513,798	\$ -	\$ 1,537,650	\$ 3,919,581	\$ 21,971,029	\$ 8,294,948
Receivables:						
Interest	-	-	16,227	39,871	56,098	89,527
Accounts	3,611,150	288	108,664	653,029	4,373,131	152,391
Special assessments	187,153	-	-	-	187,153	-
Due from other governments	32,401	1,383,740	39,401	-	1,455,542	-
Loans, current portion	-	-	-	290,622	290,622	-
Inventories	1,783,875	141,654	-	-	1,925,529	485,111
Prepaid items	-	-	330	450	780	169,976
Total current assets	22,128,377	1,525,682	1,702,272	4,903,553	30,259,884	9,191,953
Noncurrent assets:						
Loans receivable, long-term portion	-	-	-	6,437,042	6,437,042	-
Capital assets not being depreciated	15,287,238	66,499	4,839,495	1,505,125	21,698,357	48,823
Capital assets being depreciated, net	69,320,298	2,093,776	9,954,179	2,436,908	83,805,161	4,571,698
Total noncurrent assets	84,607,536	2,160,275	14,793,674	10,379,075	111,940,560	4,620,521
Total assets	106,735,913	3,685,957	16,495,946	15,282,628	142,200,444	13,812,474
Deferred outflows of resources						
Deferred pension amounts	2,646,917	845,156	287,910	37,151	3,817,134	-
Deferred other postemployment benefit amounts	989,386	286,186	77,679	-	1,353,251	-
Total deferred outflows of resources	3,636,303	1,131,342	365,589	37,151	5,170,385	-
Liabilities						
Current liabilities:						
Accounts payable and accrued liabilities	1,796,608	28,490	48,958	552,487	2,426,543	401,678
Accrued payroll	802	-	-	-	802	-
Retentions, deposits and other liabilities	214,987	-	-	94,500	309,487	-
Accrued interest payable	78,011	-	-	-	78,011	-
Interfund payable	-	1,114,750	-	-	1,114,750	-
Unearned revenue	124,999	-	55,137	-	180,136	89,702
Compensated absences, current portion	427,147	63,715	77,321	16,493	584,676	169,602
Claims payable, current portion	-	-	-	-	-	971,632
Lease payable, current portion	-	-	-	-	-	110,998
Bonds payable, current portion	1,433,469	-	-	-	1,433,469	-
Total current liabilities	4,076,023	1,206,955	181,416	663,480	6,127,874	1,743,612
Noncurrent liabilities:						
Compensated absences	47,462	7,080	8,591	1,832	64,965	-
Claims payable	-	-	-	-	-	385,732
Lease payable	-	-	-	-	-	108,410
Bonds payable	15,747,651	-	-	-	15,747,651	-
Net pension liability	19,336,422	6,174,086	2,103,260	271,388	27,885,156	-
Net other postemployment benefit liability	13,656,544	3,950,240	1,072,208	-	18,678,992	-
Total noncurrent liabilities	48,788,079	10,131,406	3,184,059	273,220	62,376,764	494,142
Total liabilities	52,864,102	11,338,361	3,365,475	936,700	68,504,638	2,237,754
Deferred inflows of resources						
Deferred pension amounts	59,396	18,965	6,460	834	85,655	-
Deferred other postemployment benefit amounts	3,940,406	1,139,787	309,370	-	5,389,563	-
Total deferred inflows of resources	3,999,802	1,158,752	315,830	834	5,475,218	-
Net position						
Net investment in capital assets	67,426,416	2,160,275	14,793,674	3,942,033	88,322,398	4,401,113
Unrestricted (deficit)	(13,918,104)	(9,840,089)	(1,613,444)	10,440,212	(14,931,425)	7,173,607
Total net position (deficit)	\$ 53,508,312	\$ (7,679,814)	\$ 13,180,230	\$ 14,382,245	\$ 73,390,973	\$ 11,574,720

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, 2019

Net position - total enterprise funds \$ 73,390,973

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.

1,803,703

Net position of business-type activities

\$ 75,194,676

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, 2019

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water and Wastewater System	Battle Creek Transit System	W.K. Kellogg Airport / FAA	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenues						
Charges for services	\$ 26,192,910	\$ 339,299	\$ 1,309,971	\$ 4,683,738	\$ 32,525,918	\$ 21,757,057
Rents and leases	-	-	-	-	-	1,726,253
Other	1,078,393	11,261	23,163	187,806	1,300,623	1,016,828
Total operating revenues	27,271,303	350,560	1,333,134	4,871,544	33,826,541	24,500,138
Operating expenses						
Personnel services	10,287,169	3,538,223	1,218,764	538,081	15,582,237	3,169,069
Materials and supplies	2,431,536	516,101	175,137	110,097	3,232,871	2,177,766
Contractual and other	7,828,667	575,124	670,164	4,803,224	13,877,179	15,020,324
Depreciation	5,868,013	327,461	894,063	330,475	7,420,012	1,393,980
Total operating expenses	26,415,385	4,956,909	2,958,128	5,781,877	40,112,299	21,761,139
Operating income (loss)	855,918	(4,606,349)	(1,624,994)	(910,333)	(6,285,758)	2,738,999
Nonoperating revenues (expenses)						
Property taxes	-	-	-	363,711	363,711	-
Intergovernmental subsidies:						
Federal	32,401	2,107,432	2,842,747	-	4,982,580	95,940
State	-	1,900,829	198,162	279,346	2,378,337	-
Local	-	-	1,212,099	-	1,212,099	-
Investment earnings (loss)	533,023	-	(77,213)	168,947	624,757	110,413
Interest expense	(407,965)	-	(671)	-	(408,636)	-
Loss on disposal of capital assets	(36,461)	-	-	-	(36,461)	(10,259)
Total nonoperating revenues	120,998	4,008,261	4,175,124	812,004	9,116,387	196,094
Income (loss) before transfers	976,916	(598,088)	2,550,130	(98,329)	2,830,629	2,935,093
Transfers in	-	938,230	-	9,000	947,230	284,157
Transfers out	(212,806)	-	-	-	(212,806)	(957,088)
Change in net position	764,110	340,142	2,550,130	(89,329)	3,565,053	2,262,162
Net position (deficit), beginning of year	52,744,202	(8,019,956)	10,630,100	14,471,574	69,825,920	9,312,558
Net position (deficit), end of year	\$ 53,508,312	\$ (7,679,814)	\$ 13,180,230	\$ 14,382,245	\$ 73,390,973	\$ 11,574,720

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, 2019

Change in net position - total enterprise funds	\$ 3,565,053
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>925,116</u>
Change in net position of business-type activities	<u><u>\$ 4,490,169</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, 2019

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water and Wastewater System	Battle Creek Transit System	W.K. Kellogg Airport / FAA	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities						
Receipts from customers and users	\$ 27,273,481	\$ 101,475	\$ 1,236,563	\$ 4,836,575	\$ 33,448,094	\$ -
Receipts from interfund services	-	-	-	-	-	24,500,138
Payments to suppliers and contractors	(10,123,016)	(1,038,618)	(829,612)	(6,942,631)	(18,933,877)	(17,781,803)
Payments to employees	(9,296,144)	(3,002,244)	(1,096,138)	(514,521)	(13,909,047)	(3,160,529)
Receipts (payments) for interfund services	(724,598)	(136,917)	(39,548)	(24,053)	(925,116)	-
Net cash provided by (used in) operating activities	7,129,723	(4,076,304)	(728,735)	(2,644,630)	(319,946)	3,557,806
Cash flows from noncapital financing activities						
Transfers in	-	938,230	-	9,000	947,230	284,157
Transfers out	(212,806)	-	-	-	(212,806)	(957,088)
Property taxes	-	-	-	363,711	363,711	-
Intergovernmental subsidies	32,401	4,008,261	4,253,008	279,346	8,573,016	95,940
Net cash provided by (used in) noncapital financing activities	(180,405)	4,946,491	4,253,008	652,057	9,671,151	(576,991)
Cash flows from capital and related financing activities						
Principal and interest paid on debt	(1,815,489)	-	(44,924)	-	(1,860,413)	-
Principal paid on capital lease	-	-	-	-	-	(110,379)
Purchase of capital assets	(6,992,734)	(870,187)	(3,444,586)	-	(11,307,507)	(1,184,160)
Net cash used in capital and related financing activities	(8,808,223)	(870,187)	(3,489,510)	-	(13,167,920)	(1,294,539)
Cash flows from investing activities						
Interest earnings (loss) on investments	533,023	-	(79,749)	156,637	609,911	108,739
Net change in pooled cash and investments	(1,325,882)	-	(44,986)	(1,835,936)	(3,206,804)	1,795,015
Pooled cash and investments, beginning of year	17,839,680	-	1,582,636	5,755,517	25,177,833	6,499,933
Pooled cash and investments, end of year	\$ 16,513,798	\$ -	\$ 1,537,650	\$ 3,919,581	\$ 21,971,029	\$ 8,294,948

continued...

CITY OF BATTLE CREEK, MICHIGAN

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water and Wastewater System	Battle Creek Transit System	W. K. Kellogg Airport / FAA	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities						
Operating income (loss)	\$ 855,918	\$ (4,606,349)	\$ (1,624,994)	\$ (910,333)	\$ (6,285,758)	\$ 2,738,999
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation	5,868,013	327,461	894,063	330,475	7,420,012	1,393,980
Changes in assets and liabilities:						
Accounts receivable	7,238	2,714	(57,674)	(34,969)	(82,691)	(84,699)
Special assessments receivable	(35,621)	-	-	-	(35,621)	-
Due from other governments	(32,401)	(251,799)	(39,401)	-	(323,601)	-
Loans receivable	-	-	-	(2,055,607)	(2,055,607)	-
Inventories	(247,659)	(52,416)	-	-	(300,075)	(36,294)
Prepaid items	-	405	(330)	(450)	(375)	218,628
Accounts payable and accrued liabilities	(343,632)	(32,299)	(23,529)	(225)	(399,685)	40,622
Compensated absences	26,686	11,347	7,407	5,237	50,677	8,540
Retentions, deposits and other liabilities	3,880	-	-	2,919	6,799	-
Claims payable	-	-	-	-	-	(746,501)
Interfund payable	-	206,468	-	-	206,468	-
Unearned revenue	62,962	-	504	-	63,466	24,531
Net pension liability	3,117,180	995,310	339,061	43,750	4,495,301	-
Deferred outflows related to the net pension liability	(1,304,472)	(416,516)	(141,889)	(18,310)	(1,881,187)	-
Deferred inflows related to the net pension liability	(507,113)	(161,920)	(55,160)	(7,117)	(731,310)	-
Net other postemployment benefit liability	1,500,651	434,073	117,820	-	2,052,544	-
Deferred outflows related to the net other postemployment benefit liability	(989,386)	(286,186)	(77,679)	-	(1,353,251)	-
Deferred inflows related to the net other postemployment benefit liability	(852,521)	(246,597)	(66,934)	-	(1,166,052)	-
Net cash provided by (used in) operating activities	\$ 7,129,723	\$ (4,076,304)	\$ (728,735)	\$ (2,644,630)	\$ (319,946)	\$ 3,557,806

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, 2019

	Pension and Other Employee Benefit Trust Funds	Agency Funds
Assets		
Pooled cash and investments	\$ 93,674	\$ 148,629
Cash and cash equivalents	4,399,011	-
Investments:		
Fixed income:		
Corporate bonds	29,100,800	-
Foreign bonds	2,759,001	-
Municipal bonds	671,477	-
U.S. government securities	30,320,686	-
Equity-indexed institutional funds	30,524,593	-
Domestic equities	31,047,059	-
Foreign equities	4,449,777	-
American depositary receipts	15,559,513	-
Mutual funds	6,154,354	-
Real estate trusts	842,047	-
Interest receivable	405,331	-
Pension contributions receivable	126,907	-
Delinquent taxes receivable	-	414,517
Total assets	156,454,230	\$ 563,146
Liabilities		
Obligation for impaired investment of securities lending collateral	94,055	\$ -
Undistributed receipts	-	563,146
Total liabilities	94,055	\$ 563,146
Net position		
Restricted for pension and postemployment healthcare benefits	\$ 156,360,175	

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, 2019

Additions

Investment income:

From investing activities:

Net appreciation in fair value of investments	\$ 7,265,168
Interest and dividends	3,029,198
Less investment expenses	<u>(541,194)</u>

Net income from investing activities 9,753,172

From securities lending activities:

Gross earnings	119,277
Borrower rebates	73,303
Securities lending fees	<u>13,784</u>

Net income from securities lending activities 206,364

Total net investment income 9,959,536

Contributions:

Employer	6,991,285
Employee	<u>1,792,342</u>

Total contributions 8,783,627

Total additions 18,743,163

Deductions

Benefit payments and refunds	13,022,205
Administrative expenses	<u>190,244</u>

Total deductions 13,212,449

Change to net position restricted for benefits 5,530,714

Net position, beginning of year 150,829,461

Net position, end of year \$ 156,360,175

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, 2019

	Battle Creek Downtown Development Authority	Lakeview Downtown Development Authority	Battle Creek Tax Increment Financing Authority	Brownfield Redevelopment Authority
Assets				
Pooled cash and investments	\$ 1,248,827	\$ 110,378	\$ 7,695,498	\$ 955,718
Receivables, net	286,895	3,579	584,276	-
Inventories	-	-	-	-
Prepaid items	-	-	-	-
Loans receivable, net:				
Due within one year	125,644	-	-	-
Due in more than one year	111,373	-	2,855,834	-
Capital assets not being depreciated	-	-	21,415,513	-
Capital assets being depreciated, net	-	-	1,583,150	-
Total assets	1,772,739	113,957	34,134,271	955,718
Deferred outflows of resources				
Deferred charge on refunding	1,335,902	-	-	-
Liabilities				
Accounts payable and accrued liabilities	21,323	6,563	2,976,260	440,783
Accrued interest payable	201,467	-	14,417	-
Unearned revenue	1,694	-	-	-
Long-term debt:				
Due within one year	1,554,484	-	324,204	-
Due in more than one year	29,292,420	-	3,812,227	2,855,834
Total liabilities	31,071,388	6,563	7,127,108	3,296,617
Net position				
Investment in capital assets	-	-	22,998,663	-
Restricted for debt service	-	-	3,350	-
Restricted for loan commitments and lending activity	1,237,667	-	-	-
Unrestricted (deficit)	(29,200,414)	107,394	4,005,150	(2,340,899)
Total net position (deficit)	\$ (27,962,747)	\$ 107,394	\$ 27,007,163	\$ (2,340,899)

continued...

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Net Position

Component Units

June 30, 2019

	Local Development Finance Authority	Cereal City Development Corporation	Total
Assets			
Pooled cash and investments	\$ 19,822	\$ 151,771	\$ 10,182,014
Receivables, net	8	109,442	984,200
Inventories	-	31,772	31,772
Prepaid items	-	22,931	22,931
Loans receivable, net:			
Due within one year	-	-	125,644
Due in more than one year	-	-	2,967,207
Capital assets not being depreciated	-	-	21,415,513
Capital assets being depreciated, net	-	19,846	1,602,996
Total assets	19,830	335,762	37,332,277
Deferred outflows of resources			
Deferred charge on refunding	-	-	1,335,902
Liabilities			
Accounts payable and accrued liabilities	-	163,635	3,608,564
Accrued interest payable	-	-	215,884
Unearned revenue	-	5,950	7,644
Long-term debt:			
Due within one year	-	-	1,878,688
Due in more than one year	-	-	35,960,481
Total liabilities	-	169,585	41,671,261
Net position			
Investment in capital assets	-	-	22,998,663
Restricted for debt service	-	-	3,350
Restricted for loan commitments and lending activity	-	-	1,237,667
Unrestricted (deficit)	19,830	166,177	(27,242,762)
Total net position (deficit)	\$ 19,830	\$ 166,177	\$ (3,003,082)

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, 2019

	Battle Creek Downtown Development Authority	Lakeview Downtown Development Authority	Battle Creek Tax Increment Financing Authority	Brownfield Redevelopment Authority
Expenses				
Community development	\$ 1,800,804	\$ 1,964,334	\$ 6,256,273	\$ 407,287
Program revenues				
Charges for services	29,431	-	67,406	-
Operating grants and contributions	1,449,833	55,481	-	71,637
Capital grants and contributions	-	-	1,690,489	-
Total program revenues	1,479,264	55,481	1,757,895	71,637
Net program revenues (expenses)	(321,540)	(1,908,853)	(4,498,378)	(335,650)
General revenues				
Property taxes	1,758,180	1,877,944	1,596,192	725,176
Unrestricted investment earnings	60,191	41,211	497,506	45,651
Total general revenues	1,818,371	1,919,155	2,093,698	770,827
Change in net position	1,496,831	10,302	(2,404,680)	435,177
Net position (deficit), beginning of year	(29,459,578)	97,092	29,411,843	(2,776,076)
Net position (deficit), end of year	\$ (27,962,747)	\$ 107,394	\$ 27,007,163	\$ (2,340,899)

continued...

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Activities

Component Units

For the Year Ended June 30, 2019

	Local Development Finance Authority	Cereal City Development Corporation	Total
Expenses			
Community development	\$ 1,836	\$ 1,818,507	\$ 12,249,041
Program revenues			
Charges for services	-	1,457,860	1,554,697
Operating grants and contributions	-	526,824	2,103,775
Capital grants and contributions	-	-	1,690,489
Total program revenues	-	1,984,684	5,348,961
Net program revenues (expenses)	(1,836)	166,177	(6,900,080)
General revenues			
Property taxes	-	-	5,957,492
Unrestricted investment earnings	711	-	645,270
Total general revenues	711	-	6,602,762
Change in net position	(1,125)	166,177	(297,318)
Net position (deficit), beginning of year	20,955	-	(2,705,764)
Net position (deficit), end of year	\$ 19,830	\$ 166,177	\$ (3,003,082)

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	CCDC Administration Office

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.

Major street and trunkline maintenance special revenue fund. These funds are used to account for all road street expenditures that are designated as "major".

Special grants special revenue fund. These funds are used to account for grant revenues and expenditures received for various projects throughout the City.

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.

W.K. Kellogg airport / FAA fund. This fund accounts for the activities of the City's airport.

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.

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 fifty 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, loans, and grants 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 change in expected and actual investment returns, assumptions, and benefits provided in its pension and other postemployment benefits 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 and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the plans and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plans. 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 department 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.

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 a department level basis.

During the year ended June 30, 2019, 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			
General government:			
Mayor and city commission	\$ 113,008	\$ 120,239	\$ 7,231
Neighborhood code compliance	301,370	327,185	25,815
Labor relations	259,626	276,745	17,119
Public safety:			
Police department	18,494,954	18,804,932	309,978
Fire department	10,607,418	11,201,484	594,066
Non-departmental:			
Special projects	264,761	342,373	77,612
Other	-	49,733	49,733
Special grants fund			
Community development	3,864,972	6,097,766	2,232,794
Nonmajor governmental funds			
Michigan justice training fund -			
General government	21,039	33,659	12,620
Kellogg Arena fund -			
Recreation	-	71,046	71,046

Effective July 1, 2018, the activity for the Kellogg Arena special revenue fund was transferred to the Cereal City Development Corporation, a discretely presented component unit of the City. This resulted in no amended budget being presented for the Kellogg Arena special revenue fund at June 30, 2019.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

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, 2019:

	Primary Government	Component Units	Total
Statement of net position			
Pooled cash and investments	\$ 47,572,819	\$ 10,182,014	\$ 57,754,833
Statement of fiduciary net position			
Pooled cash and investments:			
Agency funds	148,629	-	148,629
Other employee benefits	93,674	-	93,674
Cash and cash equivalents - pension	4,399,011	-	4,399,011
Investments:			
Pension	145,274,953	-	145,274,953
Other employee benefits	6,154,354	-	6,154,354
Total	\$ 203,643,440	\$ 10,182,014	\$ 213,825,454
Deposits and investments:			
Bank deposits (checking, savings and certificates of deposit)			\$ 6,771,995
Portfolio cash - pension			4,399,011
Investments in securities, mutual funds and similar vehicles:			
Pool			50,822,857
Pension			145,274,953
Other employee benefits			6,154,354
Cash on deposit with third party			389,704
Cash on hand			12,580
Total			\$ 213,825,454

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, 2019, \$4,715,899 of the City's total bank balance of \$5,374,667 (total book balance was \$6,771,995) 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.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Custodial Credit Risk - Investments. Following is a summary of the City's pooled investments as of June 30, 2019:

U.S. agencies	\$ 40,297,556
Municipal bonds	350,000
Money market accounts	<u>10,175,301</u>
 Total investments	 <u>\$ 50,822,857</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, 2019, 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, 2019, \$1,744,134 of the City's investments in securities of U.S. agencies were rated AA+ by Standard and Poor's and \$38,553,422 of the City's investments in securities of U.S. agencies were rated Aaa by Moody's. The City also held investments in municipal bonds and money market accounts, which are not rated. All of the City's investments comply with its policy regarding the types of investments it may hold.

Concentration of Credit Risk. At June 30, 2019, the investment portfolio was concentrated as follows:

	% of portfolio
U.S. agencies	
Federal Farm Credit Bank	23.5%
Governmental National Mortgage Association	31.9%
Federal Home Loan Bank	18.0%
Federal National Mortgage Association	20.9%
Federal Home Loan Mortgage Corporation	5.7%

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

Interest Rate Risk. As of June 30, 2019, 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	\$ 40,297,556	\$ 12,356,662	\$ 26,196,760	\$ -	\$ 1,744,134
Municipal bonds	350,000	-	190,000	160,000	-
	<u>\$ 40,647,556</u>	<u>\$ 12,356,662</u>	<u>\$ 26,386,760</u>	<u>\$ 160,000</u>	<u>\$ 1,744,134</u>

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

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

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.

Level 2 inputs use one of the following valuation techniques depending on the investment: a) traditional net asset valuation (dividing the asset value by the number of units owned), b) matrix pricing technique (relying on the securities' relationship to other benchmark quoted securities instead of exclusively on quoted prices for specific securities), or c) quoted market prices for similar assets in active markets or quoted prices for identical or similar assets in markets that are not active.

The City's recurring fair value measurements as of June 30, 2019 for its investments in the money market accounts are valued using quoted prices in active markets (Level 1 inputs). Government agency securities and municipal bonds are valued by a pricing service that uses matrix pricing. Observable inputs consist of the price or yield of the underlying securities and bonds as the investments are only traded in secondary markets (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	\$ 29,100,800
Foreign bonds	2,759,001
Municipal bonds	671,477
U.S. government securities	<u>30,320,686</u>
	62,851,964
Equity-indexed institutional funds	30,524,593
Domestic equities	31,047,059
Foreign equities	4,449,777
American depository receipts	15,559,513
Real estate trusts	<u>842,047</u>
 Total investments	 <u><u>\$ 145,274,953</u></u>

In addition to the above, the System and the other employee benefits trust funds had short-term investments of \$4,399,011 held in money market accounts and \$93,674 included in the City's pooled cash and investments as of June 30, 2019. Also, the Retiree Health Funding Vehicle fund, one of the other employee benefits trust funds, had \$6,154,354 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 Ba2 or better by a nationally recognized statistical rating organization. The System's investments in all other securities (not fixed income) are not rated by Moody's. The System's investments in corporate bonds, foreign bonds, municipal bonds, and U.S. government securities were rated by Moody's as follows:

	Rating
Aaa	\$ 14,738,441
Aa1	399,280
Aa2	778,193
Aa3	1,001,111
A1	1,290,970
A2	2,359,451
A3	2,611,374
Baa1 and below	9,624,452
Not rated	<u>30,048,692</u>
 Totals	 <u><u>\$ 62,851,964</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 accounts 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, 2019, maturities of the System's fixed income securities were as follows:

	Investment Maturities (fair value by years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Corporate bonds	\$ 29,100,800	\$ 1,142,277	\$ 8,488,321	\$ 8,317,086	\$ 11,153,116
Foreign bonds	2,759,001	214,719	1,505,813	563,990	474,479
Municipal bonds	671,477	-	-	-	671,477
U.S. government securities	30,320,686	181,572	7,926,817	5,565,805	16,646,492
	<u>\$ 62,851,964</u>	<u>\$ 1,538,568</u>	<u>\$ 17,920,951</u>	<u>\$ 14,446,881</u>	<u>\$ 28,945,564</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, 2019, the actual weighted average maturity was 13.7 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 \$4,449,777, foreign bonds of \$2,759,001, and American depository receipts of \$15,559,513; 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.

Rate of return. For the year ended June 30, 2019, the annual money-weighted rate of return on plan investments, net of investment expenses, was 6.81%. 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

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.

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 \$94,055 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, 2019:

	Level 1	Level 2	Level 3	Total
Fixed income:				
Corporate bonds	\$ 512,168	\$ 28,588,632	\$ -	\$ 29,100,800
Foreign bonds	-	2,759,001	-	2,759,001
Municipal bonds	-	671,477	-	671,477
U.S. government securities	-	30,320,686	-	30,320,686
Equity-indexed institutional funds	30,524,593	-	-	30,524,593
Domestic equities	31,047,059	-	-	31,047,059
Foreign equities	4,449,777	-	-	4,449,777
American depositary receipts	15,559,513	-	-	15,559,513
Real estate trusts	842,047	-	-	842,047
	<u>\$ 82,935,157</u>	<u>\$ 62,339,796</u>	<u>\$ -</u>	<u>\$ 145,274,953</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

The City's recurring fair value measurements as of June 30, 2019 for its investments listed as Level 2 inputs in the table above were valued by a pricing service that uses matrix pricing. Observable inputs consist of the price or yield of the underlying securities and bonds as the investments are only traded in secondary markets.

The Retiree Health Funding Vehicle fund's recurring fair value measurements as of June 30, 2019 were related to its investments in mutual funds. These investments were valued by a pricing service that uses matrix pricing. Observable inputs consist of the price or yield of the underlying securities and bonds as the investments are only traded in secondary markets. (Level 2 inputs).

6. RECEIVABLES

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

	Governmental Activities	Business-type Activities
Interest	\$ 134,442	\$ 56,098
Accounts	4,073,362	4,918,728
Allowance for uncollectible accounts	(1,230,015)	(545,597)
Special assessments, due within one year	478,733	187,153
Due from other governments	2,301,572	1,455,542
Taxes	482,567	-
Loans, due within a year	6,674,411	290,622
Subtotal	<u>12,915,072</u>	<u>6,362,546</u>
Loans, long-term portion	<u>4,469,818</u>	<u>6,437,042</u>
	<u>\$ 17,384,890</u>	<u>\$ 12,799,588</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

7. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities					
Capital assets not being depreciated:					
Land	\$ 2,050,333	\$ -	\$ -	\$ -	\$ 2,050,333
Construction in progress	11,874,664	60,543	-	(11,781,424)	153,783
	<u>13,924,997</u>	<u>60,543</u>	<u>-</u>	<u>(11,781,424)</u>	<u>2,204,116</u>
Capital assets being depreciated:					
Land improvements	25,765,273	-	-	-	25,765,273
Buildings	62,440,570	2,505,696	-	11,781,424	76,727,690
Vehicles	14,890,633	937,187	(354,910)	-	15,472,910
Equipment	27,352,297	868,821	(219,328)	-	28,001,790
Infrastructure	304,284,690	2,358,691	-	-	306,643,381
	<u>434,733,463</u>	<u>6,670,395</u>	<u>(574,238)</u>	<u>11,781,424</u>	<u>452,611,044</u>
Less accumulated depreciation for:					
Land improvements	(12,088,384)	(1,808,903)	-	-	(13,897,287)
Buildings	(31,976,736)	(2,474,451)	-	-	(34,451,187)
Vehicles	(10,150,463)	(1,158,122)	344,651	-	(10,963,934)
Equipment	(24,103,913)	(1,061,887)	219,328	-	(24,946,472)
Infrastructure	(132,057,730)	(6,109,282)	-	-	(138,167,012)
	<u>(210,377,226)</u>	<u>(12,612,645)</u>	<u>563,979</u>	<u>-</u>	<u>(222,425,892)</u>
Total capital assets being depreciated, net	<u>224,356,237</u>	<u>(5,942,250)</u>	<u>(10,259)</u>	<u>11,781,424</u>	<u>230,185,152</u>
Governmental activities capital assets, net	<u>\$ 238,281,234</u>	<u>\$ (5,881,707)</u>	<u>\$ (10,259)</u>	<u>\$ -</u>	<u>\$ 232,389,268</u>

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

Governmental activities:	
General government	\$ 350,805
Public safety	1,053,777
Public works, including depreciation of general infrastructure assets	7,947,715
Recreation	1,866,368
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>1,393,980</u>
Total depreciation expense - governmental activities	<u>\$ 12,612,645</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities					
Capital assets not being depreciated:					
Land	\$ 3,452,863	\$ -	\$ -	\$ -	\$ 3,452,863
Construction in progress	10,935,723	8,235,181	-	(925,410)	18,245,494
	<u>14,388,586</u>	<u>8,235,181</u>	<u>-</u>	<u>(925,410)</u>	<u>21,698,357</u>
Capital assets being depreciated:					
Land improvements	6,820,529	-	(2,075)	106,969	6,925,423
Buildings	70,710,453	318,293	(230,900)	121,069	70,918,915
Vehicles	4,531,387	790,390	(997,666)	-	4,324,111
Equipment	14,814,916	110,380	(197,786)	-	14,727,510
Systems	196,038,604	1,853,263	(75,543)	697,372	198,513,696
	<u>292,915,889</u>	<u>3,072,326</u>	<u>(1,503,970)</u>	<u>925,410</u>	<u>295,409,655</u>
Less accumulated depreciation for:					
Land improvements	(4,923,478)	(145,172)	2,075	-	(5,066,575)
Buildings	(51,341,186)	(1,279,179)	194,439	-	(52,425,926)
Vehicles	(3,839,496)	(211,303)	997,666	-	(3,053,133)
Equipment	(14,042,676)	(172,693)	197,786	-	(14,017,583)
Systems	(131,505,155)	(5,611,665)	75,543	-	(137,041,277)
	<u>(205,651,991)</u>	<u>(7,420,012)</u>	<u>1,467,509</u>	<u>-</u>	<u>(211,604,494)</u>
Total capital assets being depreciated, net	<u>87,263,898</u>	<u>(4,347,686)</u>	<u>(36,461)</u>	<u>925,410</u>	<u>83,805,161</u>
Business-type activities capital assets, net	<u>\$ 101,652,484</u>	<u>\$ 3,887,495</u>	<u>\$ (36,461)</u>	<u>\$ -</u>	<u>\$ 105,503,518</u>
Business-type activities:					
Wastewater					\$ 4,265,556
Water					1,602,457
Public transit					327,461
Airport					894,063
Parking					<u>330,475</u>
Total depreciation expense - business-type activities					<u>\$ 7,420,012</u>

At June 30, 2019, the City had outstanding commitments through construction contracts of approximately \$7.27 million in relation to the construction of the 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, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Component unit - TIFA					
Capital assets not being depreciated:					
Land	\$ 14,266,053	\$ 119,526	\$ -	\$ -	\$ 14,385,579
Construction in progress	6,206,785	823,149	-	-	7,029,934
	<u>20,472,838</u>	<u>942,675</u>	<u>-</u>	<u>-</u>	<u>21,415,513</u>
Capital assets being depreciated:					
Land improvements	1,908,417	-	-	-	1,908,417
Buildings	315,845	-	-	-	315,845
Equipment	446,951	68,518	(127,146)	-	388,323
	<u>2,671,213</u>	<u>68,518</u>	<u>(127,146)</u>	<u>-</u>	<u>2,612,585</u>
Less accumulated depreciation for:					
Land improvements	(371,956)	(39,984)	-	-	(411,940)
Buildings	(284,016)	(14,884)	-	-	(298,900)
Equipment	(438,403)	(7,338)	127,146	-	(318,595)
	<u>(1,094,375)</u>	<u>(62,206)</u>	<u>127,146</u>	<u>-</u>	<u>(1,029,435)</u>
Total capital assets being depreciated, net	<u>1,576,838</u>	<u>6,312</u>	<u>-</u>	<u>-</u>	<u>1,583,150</u>
TIFA capital assets, net	<u>\$ 22,049,676</u>	<u>\$ 948,987</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,998,663</u>

At June 30, 2019, the Cereal City Development Corporation component unit had \$19,846 in machinery and equipment capital assets. The Corporation purchased the assets at the end of the year and therefore no depreciation was taken in the year of acquisition.

8. PAYABLES

Accounts payable and accrued liabilities in the governmental and business-type activities are as follows:

	Governmental Activities	Business-type Activities
Accounts payable and accrued liabilities	\$ 2,825,837	\$ 2,426,543
Accrued payroll	2,617,039	802
Retentions, deposits and other liabilities	196,522	309,487
Claims payable, current portion	971,632	-
Claims payable, long-term portion	385,732	-
	<u>\$ 6,996,762</u>	<u>\$ 2,736,832</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2019, the following interfund balances were outstanding:

Receivable Fund	Payable Funds		Total
	Nonmajor Governmental Funds	Battle Creek Transit System Fund	
General fund	\$ 202,470	\$ 1,114,750	\$ 1,317,220

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, 2019, interfund transfers consisted of the following:

Transfers Out	Transfers In			
	Special Grants Fund	Nonmajor Governmental Funds	Battle Creek Transit System	Nonmajor Enterprise Funds
General fund	\$ 28,493	\$ 1,974,965	\$ 938,230	\$ -
Major street and trunkline maintenance fund	-	2,500,000	-	9,000
Nonmajor governmental funds	35,000	157,354	-	-
Water and wastewater fund	40,806	-	-	-
Internal service funds	-	957,088	-	-
	<u>\$ 104,299</u>	<u>\$ 5,589,407</u>	<u>\$ 938,230</u>	<u>\$ 9,000</u>

Transfers Out	Transfers In	
	Internal Service Funds	Total
General fund	\$ 112,157	\$ 3,053,845
Major street and trunkline maintenance fund	-	2,509,000
Nonmajor governmental funds	-	192,354
Water and wastewater fund	172,000	212,806
Internal service funds	-	957,088
	<u>\$ 284,157</u>	<u>\$ 6,925,093</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	\$ 2,185,000
2009 building authority - golf course refunding	2025	3.000% - 4.200%	2,240,000	1,240,000
2011 building authority limited tax refunding	2026	3.000% - 4.125%	6,725,000	3,645,000
2016 capital improvement - refunding	2033	2.500% - 4.000%	12,605,000	11,895,000
2016 general obligation limited tax bonds	2042	4.000% - 5.000%	15,265,000	14,510,000
Total governmental activities				<u><u>\$ 33,475,000</u></u>
Discretely presented component units				
2009 tax increment - airport	2029	3.000% - 4.300%	\$ 3,935,000	\$ 2,310,000
2010 tax increment - airport hangar	2030	2.000% - 4.750%	3,585,000	1,835,000
Total component units				<u><u>\$ 4,145,000</u></u>

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

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
2020	\$ 2,490,000	\$ 1,347,083	\$ 325,000	\$ 169,316
2021	2,595,000	1,248,248	340,000	156,986
2022	2,710,000	1,143,591	350,000	143,839
2023	2,485,000	1,040,991	365,000	129,849
2024	1,835,000	944,996	380,000	115,269
2025-2029	7,865,000	3,672,973	2,175,000	315,877
2030-2034	7,075,000	2,164,188	210,000	9,975
2035-2039	3,720,000	1,124,200	-	-
2040-2042	2,700,000	207,000	-	-
	<u>\$ 33,475,000</u>	<u>\$ 12,893,270</u>	<u>\$ 4,145,000</u>	<u>\$ 1,041,111</u>

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	\$ 2,070,000
2016A water and wastewater system	2036	4.000% - 5.000%	7,725,000	6,765,000
2016B water and wastewater system	2036	1.660% - 4.460%	8,890,000	<u>7,565,000</u>
Total business-type activities				<u>\$ 16,400,000</u>
Discretely presented component units				
2017 downtown development refunding	2034	2.836% - 3.984%	\$ 22,260,000	\$ 22,260,000
2018 downtown development refunding	2025	2.000% - 5.000%	9,260,000	<u>7,870,000</u>
Total component units				<u>\$ 30,130,000</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Revenue bond debt service requirements to maturity are as follows:

Year Ended June 30,	Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest
2020	\$ 1,365,000	\$ 674,538	\$ 1,435,000	\$ 1,208,797
2021	1,405,000	626,089	1,515,000	1,137,047
2022	1,445,000	574,664	1,610,000	1,061,297
2023	740,000	535,779	1,620,000	980,797
2024	750,000	510,049	1,690,000	912,131
2025-2029	4,010,000	2,098,525	10,060,000	3,478,510
2030-2034	3,635,000	1,010,969	9,570,000	1,365,167
2035-2036	3,050,000	292,725	2,630,000	104,779
	<u>\$ 16,400,000</u>	<u>\$ 6,323,338</u>	<u>\$ 30,130,000</u>	<u>\$ 10,248,525</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 \$22,723,338. Principal and interest paid for the current year and total customer net revenues were \$2,048,609 and \$5,871,825, respectively.

Notes from direct borrowings and direct placements - 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	\$ 1,115,066
2008 energy savings equipment contract #2	2023	4.56%	280,000	83,232
2008 energy savings equipment contract #3	2022	4.21%	90,420	27,040
2016 city hall copiers	2021	5.28%	56,579	21,518
2017 telephone equipment	2021	n/a	494,724	197,890
Total governmental activities				<u>\$ 1,444,746</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

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

Year Ended June 30,	Governmental Activities	
	Principal	Interest
2020	\$ 441,211	\$ 53,954
2021	454,134	37,805
2022	366,097	21,415
2023	183,304	2,843
	<u>\$ 1,444,746</u>	<u>\$ 116,017</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, 2019, 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 \$178,161. 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, 2019, a total of \$2,677,673 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 Rate	Original Amount	Amount
Discretely presented component units				
Brownfield redevelopment loans	n/a	5.000%	\$ 9,030,000	<u>\$ 2,855,834</u>

Notes from direct borrowings and direct placements - promissory note. During the year ended June 30, 2019, the City entered into a promissory note with the W.K. Kellogg Foundation to borrow up to \$8,775,000 to fund the redevelopment of the Heritage Tower building. As of June 30, 2019, the City had drawn a total of \$8,620,963 on the authorized amount, which is the outstanding balance at year end. Principal payments are due beginning fiscal year 2021 and interest payments are due beginning fiscal year 2025.

The promissory note outstanding at year end is as follows:

	Year of Maturity	Interest Rate	Original Amount	Amount
Governmental Activities				
2019 W.K. Kellogg Foundation note	2033	2.000%	\$ 8,775,000	<u>\$ 8,620,963</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Annual debt service requirements to maturity for the promissory note are as follows:

Year Ended June 30,	Governmental Activities	
	Principal	Interest
2020	\$ -	\$ -
2021	2,000,000	-
2022	-	-
2023	-	-
2024	-	-
2025-2029	3,763,890	1,375,062
2030-2033	2,857,073	120,448
	<u>\$ 8,620,963</u>	<u>\$ 1,495,510</u>

Changes in long-term debt. Long-term debt activity for fiscal year 2019 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Primary government					
Governmental activities					
General obligation bonds	\$ 35,850,000	\$ -	\$ (2,375,000)	\$ 33,475,000	\$ 2,490,000
Notes from direct borrowings and direct placements:					
Installment obligations	1,870,522	-	(425,776)	1,444,746	441,211
Promissory note	-	8,620,963	-	8,620,963	-
Compensated absences	3,049,670	1,484,841	(1,511,504)	3,023,007	2,737,667
Deferred amounts:					
For issuance premiums	2,345,931	-	(130,573)	2,215,358	130,573
For issuance discounts	(104,981)	-	8,657	(96,324)	(8,657)
Total governmental activities debt	<u>\$ 43,011,142</u>	<u>\$ 10,105,804</u>	<u>\$ (4,434,196)</u>	<u>\$ 48,682,750</u>	<u>\$ 5,790,794</u>
Business-type activities					
Revenue bonds	\$ 17,730,000	\$ -	\$ (1,330,000)	\$ 16,400,000	\$ 1,365,000
Capital leases	42,626	-	(42,626)	-	-
Compensated absences	598,964	667,836	(617,159)	649,641	584,676
Deferred amounts - For issuance premiums	849,589	-	(68,469)	781,120	68,469
Total business-type activities debt	<u>\$ 19,221,179</u>	<u>\$ 667,836</u>	<u>\$ (2,058,254)</u>	<u>\$ 17,830,761</u>	<u>\$ 2,018,145</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Component units					
DDA					
Revenue bonds	\$ 31,400,000	\$ -	\$ (1,270,000)	\$ 30,130,000	\$ 1,435,000
Deferred amounts - For issuance premiums	836,388	-	(119,484)	716,904	119,484
Total DDA debt	\$ 32,236,388	\$ -	\$ (1,389,484)	\$ 30,846,904	\$ 1,554,484
TIFA					
General obligation bonds	\$ 4,555,000	\$ -	\$ (410,000)	\$ 4,145,000	\$ 325,000
Deferred amounts - For issuance discounts	(9,365)	-	796	(8,569)	(796)
Total TIFA debt	\$ 4,545,635	\$ -	\$ (409,204)	\$ 4,136,431	\$ 324,204
Brownfield					
Loans payable	\$ 3,167,915	\$ 204,135	\$ (516,216)	\$ 2,855,834	\$ -

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

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, 2019, the net earnings on investments of donor-restricted endowments was \$8,626. 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 \$21,723 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, 2019, the net earnings on investments of donor-restricted endowments was \$23,066. 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 \$59,828 is reported in restricted fund balance/net position; the nonspendable endowment balance is \$623,533.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

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, and liquor liability. 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. At that time the City began self-administering general liability and related exposures, utilizing excess liability insurance for losses greater than a SIR of \$1 million per occurrence. On July 1, 2016 the City became a member of the public-entity self-insurance pool, Michigan Municipal Risk Management Authority for excess coverage related to both property and liability losses. 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; \$9 million per occurrence effective November 14, 2003; then \$10 million per occurrence effective July 1, 2016.

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 exposure to \$120,000 per contract (i.e., employee and dependents), annually.

The government makes annual contributions to MMRMA based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the governmental activities using premiums paid into it by other funds of the government. Such contributions as received by MMRMA are allocated between its general and member retention funds. Economic resources in the MMRMA’s general fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the member retention fund are used for loss payments and defense costs up to the members’ self insured retention limits along with certain other member specific costs. Accordingly, the City records an asset for its portion of the unexpended member retention fund. At June 30, 2019, the balance of the City’s member retention fund was \$389,704.

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:

	2019	2018
Estimated liability, beginning of year	\$ 2,103,865	\$ 3,943,171
Estimated claims incurred, including changes in estimates	5,978,267	6,533,680
Claim payments	<u>(6,724,768)</u>	<u>(8,372,986)</u>
Estimated liability, end of year	<u>\$ 1,357,364</u>	<u>\$ 2,103,865</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

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 2018 levy, including industrial facilities and neighborhood enterprise zone properties, but net of renaissance zones, was \$1,246,212,788. The government's general operating tax rate for fiscal 2018-19 was 9.846 mills with an additional 5.403 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 2019 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 \$258,248 in reduced City tax revenues for 2019.

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 \$202,718 in reduced City tax revenues for 2019.

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.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

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 2019. 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 \$2.4 million 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.

Plan Membership. At June 30, 2018, the date of the latest actuarial valuation, plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	260
Terminated employees entitled to but not yet receiving benefits	8
Vested and non-vested active participants	<u>181</u>
Total membership	<u><u>449</u></u>

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

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 8.25% 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, 2019 represented 37.22% of the annual covered payroll.

Rate of Return. For the year ended June 30, 2019, the annual money-weighted rate of return on plan investments, net of investment expenses, was 6.81%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option Program (DROP). In lieu of retiring and receiving a monthly benefit, an eligible participant may elect to participate in the DROP by making an irrevocable election to terminate employment with the City and retire upon ceasing participation in the DROP. The DROP election must specify the future retirement date which must be within the maximum time period permitted (typically 3 to 5 years, based on bargaining unit and hire date). Upon entry in the DROP, the participant ceases to accrue years of service in the defined benefit pension plan. The participant remains an employee of the City for all other purposes, but the retirement benefit payment is calculated and payments commence into a separate, restricted account. These monthly payments, along with interest earnings thereon, are not distributed to the participant until employment has terminated. DROP activity is summarized as follows as of June 30:

Year Ended June 30,	Beginning Balance	Credits	Interest	Distributions	Ending Balance
2019	\$ 286,525	\$ 326,722	\$ 8,624	\$ 109,877	\$ 511,994

Net Pension Liability of the City. The City’s net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 (rolled forward to June 30, 2019). The components of the net pension liability of the City were as follows:

Total pension liability	\$ 200,970,933
Plan fiduciary net position	<u>(150,109,695)</u>
City’s net pension liability	<u>\$ 50,861,238</u>
Plan fiduciary net position as percentage of total pension liability	74.69%

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	4.00%
Salary increases	4.50 to 16.00%, including inflation
Investment rate of return	6.50%
Retirement age	Age and service-based tables of rates that are specific to the type of eligibility condition. Last updated for the 2009 valuation.

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014. From time to time one or more of the assumptions is modified to reflect experience trends (but not random or temporary year-to-year fluctuations).

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, 2019 (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. agencies	42.00%	1.50%	0.63%
Domestic corporate securities	32.00%	4.75%	1.52%
Domestic equities	9.00%	5.00%	0.45%
American depositary receipts	3.00%	0.00%	0.00%
International equities	14.00%	5.00%	0.70%
	<u>100.00%</u>		
Inflation			2.25%
Administrative expenses netted above			<u>0.95%</u>
Investment rate of return			<u>6.50%</u>

Discount Rate. A single discount rate of 6.50% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on the plan investments of 6.50%. The projection of cash flows used to determine the single 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.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

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 6.50% 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 (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Discount (6.50%)	1% Increase (7.50%)
City's net pension liability	\$ 75,591,227	\$ 50,861,238	\$ 30,325,643

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, 2018	\$ 192,038,450	\$ 144,588,461	\$ 47,449,989
Changes for the year:			
Service cost	4,068,824	-	4,068,824
Interest on total pension liability	12,286,062	-	12,286,062
Benefit changes	405,223	-	405,223
Differences between expected and actual experience	2,789,999	-	2,789,999
Employer contributions	-	5,544,586	(5,544,586)
Employee contributions	-	1,473,592	(1,473,592)
Net investment income	-	9,782,101	(9,782,101)
Benefit payments	(10,617,625)	(10,617,625)	-
Administrative expense	-	(177,368)	177,368
Medical insurance premiums	-	(484,052)	484,052
Net changes	<u>8,932,483</u>	<u>5,521,234</u>	<u>3,411,249</u>
Balances at June 30, 2019	<u>\$ 200,970,933</u>	<u>\$ 150,109,695</u>	<u>\$ 50,861,238</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.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2019, the City recognized pension expense of \$7,742,093. At June 30, 2019, 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 (Inflows) of Resources
Difference between expected and actual experience	\$ 3,368,597	\$ 1,563,385	\$ 1,805,212
Changes in assumptions	4,162,156	-	4,162,156
Net difference between projected and actual earnings on pension plan investments	-	610,310	(610,310)
Total	\$ 7,530,753	\$ 2,173,695	\$ 5,357,058

Amounts reported as deferred outflows of resources resulting from contributions subsequent to the measurement date, if any, will be recognized as a reduction in the net pension liability for the year ending June 30, 2020. 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
2020	\$ 2,119,609
2021	1,065,265
2022	1,757,970
2023	414,214
Total	\$ 5,357,058

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.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

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 152.10% of annual payroll, or monthly amounts ranging from \$0 to \$86,243 depending on division/bargaining unit.

Net Pension Liability. The City's net pension liability was measured as of December 31, 2018, 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	\$ 147,621,824
Plan fiduciary net position	<u>(79,774,729)</u>
City's net pension liability	<u>\$ 67,847,095</u>
Plan fiduciary net position as percentage of total pension liability	54.04%

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense including inflation

Although no explicit price inflation assumption is used in the valuation, the long-term annual rate of price inflation implicit in the 3.75% base wage inflation is 2.50%.

The mortality table used to project the mortality experience of non-disabled plan members is a 50% male, 50% female blend of the following tables:

- The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%
- The RP-2014 Employee Mortality Tables
- The RP-2014 Juvenile Mortality Tables

The mortality table used to project the mortality experience of disabled plan members is 50% Male, 50% Female blend of RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of the most recent actuarial experience study of 2009-2013.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Employees Covered by Benefit Terms. At December 31, 2018, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	425
Inactive employees entitled to but not yet receiving benefits	137
Active employees	<u>345</u>
 Total membership	 <u><u>907</u></u>

Long-term Expected Rate of Return. 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	55.5%	6.15%	3.41%
Global fixed income	18.5%	1.26%	0.23%
Real assets	13.5%	7.22%	0.98%
Diversifying strategies	<u>12.5%</u>	5.00%	0.63%
	<u><u>100.0%</u></u>		
Inflation			2.50%
Administrative expenses netted above			<u>0.25%</u>
 Investment rate of return			 <u><u>8.00%</u></u>

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2018 was 8.00%. 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.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

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, 2017	\$ 144,360,278	\$ 87,450,657	\$ 56,909,621
Changes for the year:			
Service cost	2,056,135	-	2,056,135
Interest	11,210,574	-	11,210,574
Changes in benefits	(25,969)	-	(25,969)
Differences between expected and actual experience	533,140	-	533,140
Employer contributions	-	5,598,951	(5,598,951)
Employee contributions	-	701,481	(701,481)
Net investment loss	-	(3,297,646)	3,297,646
Benefit payments, including refunds of employee contributions	(10,512,334)	(10,512,334)	-
Administrative expense	-	(166,380)	166,380
Net changes	<u>3,261,546</u>	<u>(7,675,928)</u>	<u>10,937,474</u>
Balances at December 31, 2018	<u>\$ 147,621,824</u>	<u>\$ 79,774,729</u>	<u>\$ 67,847,095</u>

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%)
\$ 82,442,952	\$ 67,847,095	\$ 55,323,587

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/Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the City recognized pension expense of \$9,962,793. 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	\$ 496,877	\$ 208,406	\$ 288,471
Net difference between projected and actual earnings on pension plan investments	6,148,907	-	6,148,907
	<u>6,645,784</u>	<u>208,406</u>	<u>6,437,378</u>
Contributions subsequent to the measurement date	2,641,642	-	2,641,642
	<u>2,641,642</u>	<u>-</u>	<u>2,641,642</u>
Total	<u>\$ 9,287,426</u>	<u>\$ 208,406</u>	<u>\$ 9,079,020</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, 2020. 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
2020	\$ 2,228,469
2021	858,651
2022	1,326,546
2023	<u>2,023,712</u>
Total	<u>\$ 6,437,378</u>

Summary of Pension Plans

	MERS	Police and Fire Retirement System	Total
Net pension liability (NPL)	\$ 67,847,095	\$ 50,861,238	\$ 118,708,333
Deferred outflows related to the NPL	9,287,426	7,530,753	16,818,179
Deferred inflows related to the NPL	208,406	2,173,695	2,382,101
Pension expense	9,962,793	7,742,093	17,704,886

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

18. POSTEMPLOYMENT BENEFITS

General Information about the Plan

The City provides health care benefits under a single-employer plan (the "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. Complete details on the City's retiree healthcare benefits are available in the actuarial valuation or the plan document located on the City's website.

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 \$484,052 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 Retiree 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 other eligible City employees, the City contributes a maximum of \$200 per month on a pay-as-you-go basis towards the purchase of retiree health care.

The System's 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 System's plan utilizes a retirement health funding vehicle trust established with the Municipal Employees Retiree System of Michigan to invest plan assets.

Plan Membership. Membership of the Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Retirees and beneficiaries currently receiving benefits	308
Vested and non-vested active participants	<u>512</u>
Total membership	<u><u>820</u></u>

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Contributions. 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, 2019, \$1,446,699 was contributed towards the cost of benefits and funding the plan.

The components of the net OPEB liability of the City at June 30, 2019, were as follows:

Total OPEB liability	\$ 62,682,479
Plan fiduciary net position	<u>6,250,480</u>
Net OPEB liability	<u>\$ 56,431,999</u>
Plan fiduciary net position as a percentage of the total OPEB liability	9.97%

Actuarial Assumptions. The City's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions, applied consistently to all periods included in the measurement:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level percent, closed
Remaining amortization period	22 years (fiscal year beginning July 1, 2018)
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	3.56% for General and 7.00% for Police and Fire, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50%, including inflation
Inflation rate	N/A
Healthcare inflation rate	Trend starting at 8.0% and gradually decreasing to an ultimate trend rate of 3.50%.

General Members. The mortality table used to project the mortality experience of general members is a 50% Male - 50% Female blend of the following tables: 1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105% for ages 70 and older, 2. The RP-2014 Employee Mortality Tables for ages 18-49, 3. The RP-2014 Juvenile Mortality Tables for ages 0-17. A blended rate of tables 1 and 2 are used for ages 50-69. Disabled plan members use a 50% Male - 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables. 90% of active member deaths are assumed to be non-duty deaths.

Police and Fire Members. 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.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated June 30, 2014 for the Police and Fire members and June 30, 2015 for general members.

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, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 2.67%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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, 2019 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			2.50%
Risk adjustment			<u>0.75%</u>
Investment rate of return			<u>7.00%</u>

Discount Rate. A single discount rate of 3.22% was used to measure the total OPEB liability. This was a decrease over the single discount rate of 3.71% used in the prior valuation. This single discount rate was based on an expected rate of return on OPEB plan investments of 7.00% and a municipal bond rate of 3.13%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the average amount contributed over the past five fiscal years (2015-2019), or \$1,599,526. Based on these assumptions, the OPEB plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2024. As a result, the long-term expected rate of return on OPEB plan investments was applied to projected benefit payments through the year 2024, and the municipal bond rate was applied to all benefit payments after that date.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Changes in Net OPEB Liability

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2018	\$ 56,471,961	\$ 6,241,000	\$ 50,230,961
Changes for the year:			
Service cost	1,519,101	-	1,519,101
Interest	2,087,663	-	2,087,663
Changes in assumptions	4,524,282	-	4,524,282
Employer contributions	-	1,446,699	(1,446,699)
Employee contributions	-	318,750	(318,750)
Net investment income	-	177,435	(177,435)
Benefit payments, including refunds of employee contributions	(1,920,528)	(1,920,528)	-
Administrative expense	-	(12,876)	12,876
Net changes	6,210,518	9,480	6,201,038
Balances at June 30, 2019	\$ 62,682,479	\$ 6,250,480	\$ 56,431,999

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 3.22%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.22%) or 1% higher (4.22%) than the current rate:

1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
\$ 66,211,462	\$ 56,431,999	\$ 48,520,857

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 (2.50%)	Current Healthcare Cost Trend Rate (3.50%)	1% Increase (4.50%)
\$ 48,401,549	\$ 56,431,999	\$ 66,015,475

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the City recognized OPEB expense of \$36,550. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ 1,231,861	\$ (1,231,861)
Changes in assumptions	3,857,161	15,050,810	(11,193,649)
Net difference between projected and actual earnings on OPEB plan investments	231,212	-	231,212
Total	\$ 4,088,373	\$ 16,282,671	\$ (12,194,298)

Amounts reported as deferred outflows/inflows of resources related to the OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2020	\$ (2,677,883)
2021	(2,677,883)
2022	(2,677,883)
2023	(2,687,191)
2024	(1,995,013)
Thereafter	521,555
Total	\$ (12,194,298)

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

19. OTHER POSTEMPLOYMENT BENEFIT PLAN TRUST FUND

Financial Statements

Financial statements for the individual other postemployment benefits plan is as follows:

Statement of Fiduciary Net Position

	Other Postemployment Benefit Plan Trust
Assets	
Pooled cash and investments	\$ 93,674
Investments -	
Mutual funds	6,154,354
Interest receivable	<u>2,452</u>
Total assets	<u>6,250,480</u>
Net position	
Restricted for postemployment healthcare benefits	<u><u>\$ 6,250,480</u></u>

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Statement of Changes in Fiduciary Net Position

	Other Postemployment Benefit Plan Trust
Additions	
Investment income - Investment earnings and dividends	<u>\$ 177,435</u>
Contributions:	
Employer	1,446,699
Employee	318,750
Total contributions	<u>1,765,449</u>
Total additions	<u>1,942,884</u>
Deductions	
Benefit payments	1,920,528
Administrative expenses	<u>12,876</u>
Total deductions	<u>1,933,404</u>
Net change to net position	9,480
Net position, beginning of year	<u>6,241,000</u>
Net position, end of year	<u><u>\$ 6,250,480</u></u>

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

20. 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	\$ 2,204,116	\$ 21,698,357
Capital assets being depreciated	230,185,152	83,805,161
	<u>232,389,268</u>	<u>105,503,518</u>
Long-term debt related to capital assets:		
General obligation bonds	33,475,000	-
Revenue bonds	-	16,400,000
Notes from direct borrowings and direct placements	1,444,746	-
Deferred amounts:		
For issuance premiums	2,215,358	781,120
For issuance discounts	(96,324)	-
Deferred charge on refunding	(880,761)	-
Unexpended bond proceeds	(552,990)	-
	<u>35,605,029</u>	<u>17,181,120</u>
Net long-term debt related to capital assets		
	<u>\$ 196,784,239</u>	<u>\$ 88,322,398</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

21. FUND BALANCES - GOVERNMENTAL FUNDS

	General	Major Street and Trunkline Maintenance	Special Grants	Nonmajor Governmental	Total Governmental
Nonspendable:					
Inventories	\$ 115,835	\$ -	\$ -	\$ -	\$ 115,835
Prepaid items	67,935	-	-	-	67,935
Endowments	-	-	-	879,909	879,909
	<u>183,770</u>	<u>-</u>	<u>-</u>	<u>879,909</u>	<u>1,063,679</u>
Restricted for:					
Major streets	-	3,039,672	-	-	3,039,672
Local streets	-	-	-	422,401	422,401
Michigan justice training	-	-	-	10,546	10,546
Narcotics forfeiture	-	-	-	310,074	310,074
Building inspection	-	-	-	888,015	888,015
Youth center	-	-	-	21,723	21,723
Kellogg arena	-	-	-	59,828	59,828
Special projects	234,490	-	-	728,392	962,882
Capital improvements (unexpended bond proceeds)	-	-	-	552,990	552,990
	<u>234,490</u>	<u>3,039,672</u>	<u>-</u>	<u>2,993,969</u>	<u>6,268,131</u>
Committed for:					
Special grants	-	-	2,596,915	-	2,596,915
Debt service	-	-	-	63,186	63,186
Capital projects	-	-	-	187,922	187,922
Special projects	1,383,226	-	-	-	1,383,226
	<u>1,383,226</u>	<u>-</u>	<u>2,596,915</u>	<u>251,108</u>	<u>4,231,249</u>
Assigned for:					
Departmental appropriations	-	-	-	473,038	473,038
Capital outlay and projects (encumbrances)	117,019	-	-	-	117,019
	<u>117,019</u>	<u>-</u>	<u>-</u>	<u>473,038</u>	<u>590,057</u>
Unassigned	6,221,349	-	-	-	6,221,349
Total fund balances, governmental funds	<u>\$ 8,139,854</u>	<u>\$ 3,039,672</u>	<u>\$ 2,596,915</u>	<u>\$ 4,598,024</u>	<u>\$ 18,374,465</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,		
	2019	2018	2017
Total pension liability			
Service cost	\$ 4,068,824	\$ 4,070,388	\$ 3,637,644
Interest on total pension liability	12,286,062	11,769,474	11,630,004
Benefit changes	405,223	1,505,727	1,062,436
Difference between expected and actual experience	2,789,999	1,955,535	(5,040,576)
Assumption changes	-	6,224,926	-
Benefit payments	(10,617,625)	(10,066,683)	(10,375,906)
Net change in total pension liability	8,932,483	15,459,367	913,602
Total pension liability, beginning of year	192,038,450	176,579,083	175,665,481
Total pension liability, end of year	200,970,933	192,038,450	176,579,083
Plan fiduciary net position			
Employer contributions	5,544,586	5,180,487	4,746,323
Employee contributions	1,473,592	1,478,257	1,215,059
Net investment income	9,782,101	10,201,971	11,593,876
Benefit payments and refunds	(10,617,625)	(10,066,683)	(10,375,906)
Administrative expense	(177,368)	(214,905)	(219,010)
Medical insurance premiums	(484,052)	(500,000)	(500,000)
Net change in plan fiduciary net position	5,521,234	6,079,127	6,460,342
Plan fiduciary net position, beginning of year	144,588,461	138,509,334	132,048,992
Plan fiduciary net position, end of year	150,109,695	144,588,461	138,509,334
Net pension liability	\$ 50,861,238	\$ 47,449,989	\$ 38,069,749
Plan fiduciary net position as a percentage of total pension liability	74.69%	75.29%	78.44%
Covered payroll	\$ 14,897,135	\$ 14,718,606	\$ 14,043,138
Net pension liability as a percentage of covered payroll	341.42%	322.38%	271.09%

Notes:

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

Assumption Changes 2015: Changes include a decrease in wage inflation, decrease in projected salary increases, and the mortality tables were updated to RP-2014.

Assumption Changes 2016: Changes include an increase in wage inflation, increase in projected salary increases, and decrease in the investment rate of return.

Assumption Changes 2018: Changes include a decrease in wage inflation, decrease in projected salary increases, and decrease in the investment rate of return.

Fiscal Year Ended June 30,		
2016	2015	2014
\$ 3,649,198	\$ 3,460,667	\$ 3,152,919
11,317,045	10,533,430	10,227,546
704,651	2,043,014	-
(119,463)	-	-
4,988,871	4,476,291	-
(9,444,578)	(9,381,779)	(8,947,330)
11,095,724	11,131,623	4,433,135
164,569,757	153,438,134	149,004,999
175,665,481	164,569,757	153,438,134
4,664,957	4,612,446	4,316,203
1,077,632	1,076,523	984,463
2,617,277	4,868,622	17,087,045
(9,444,578)	(9,381,779)	(8,947,330)
(216,729)	(181,572)	(213,462)
(500,000)	(1,040,952)	(356,758)
(1,801,441)	(46,712)	12,870,161
133,850,433	133,897,145	121,026,984
132,048,992	133,850,433	133,897,145
\$ 43,616,489	\$ 30,719,324	\$ 19,540,989
75.17%	81.33%	87.26%
\$ 14,069,533	\$ 13,495,955	\$ 11,700,630
310.01%	227.62%	167.01%

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%
2018	5,180,487	5,180,487	-	14,718,606	35.20%
2019	5,544,586	5,544,586	-	14,897,135	37.22%

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, 2018

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 26 years for all other liabilities
Asset valuation method	5-year smoothed market, with 20% corridor
Inflation	4.00%
Salary increases	4.50%-16.00%, including inflation
Investment rate of return	6.50%
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 Police and Fire Retirement System

Schedule of Investment Returns

Fiscal Year Ending June 30,	Annual Return ⁽¹⁾
2014	14.01%
2015	3.44%
2016	15.82%
2017	9.02%
2018	6.89%
2019	6.81%

⁽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

Municipal Employees Retirement System of Michigan

Schedule of Changes in Net Pension Liability and Related Ratios

	Fiscal Year Ended December 31,				
	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$ 2,056,135	\$ 1,998,171	\$ 1,934,782	\$ 1,843,040	\$ 1,869,998
Interest on total pension liability	11,210,574	10,978,431	10,808,541	10,393,511	10,141,309
Benefit changes	(25,969)	(17,297)	(2,988)	(11,965)	-
Difference between expected and actual experience	533,140	194,046	(833,627)	(626,575)	-
Assumption changes	-	-	-	6,823,847	-
Benefit payments and refunds	(10,512,334)	(10,048,722)	(9,580,787)	(9,105,154)	(8,776,472)
Net change in total pension liability	3,261,546	3,104,629	2,325,921	9,316,704	3,234,835
Total pension liability, beginning of year	144,360,278	141,255,649	138,929,728	129,613,024	126,378,189
Total pension liability, end of year	147,621,824	144,360,278	141,255,649	138,929,728	129,613,024
Plan fiduciary net position					
Employer contributions	5,598,951	5,382,451	4,375,156	4,104,291	3,776,983
Employee contributions	701,481	546,534	521,222	495,986	618,872
Net investment income (loss)	(3,297,646)	10,481,265	8,589,468	(1,203,250)	5,143,720
Benefit payments and refunds	(10,512,334)	(10,048,722)	(9,580,787)	(9,105,154)	(8,776,472)
Administrative expense	(166,380)	(166,302)	(169,762)	(178,504)	(188,145)
Net change in plan fiduciary net position	(7,675,928)	6,195,226	3,735,297	(5,886,631)	574,958
Plan fiduciary net position, beginning of year	87,450,657	81,255,431	77,520,134	83,406,765	82,831,807
Plan fiduciary net position, end of year	79,774,729	87,450,657	81,255,431	77,520,134	83,406,765
Net pension liability	\$ 67,847,095	\$ 56,909,621	\$ 60,000,218	\$ 61,409,594	\$ 46,206,259
Plan fiduciary net position as a percentage of total pension liability	54.04%	60.58%	57.52%	55.80%	64.35%
Covered payroll	\$ 19,275,745	\$ 18,317,097	\$ 17,452,775	\$ 17,263,618	\$ 17,200,636
Net pension liability as a percentage of covered payroll	351.98%	310.69%	343.79%	355.72%	268.63%

Notes:

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

Assumption Changes 2016: Based on the 2009-2013 Experience Study the following assumptions were changed starting with the December 31, 2015 valuation: (1) mortality table was adjusted to reflect longer lifetimes, (2) assumed annual rate of return of investment return, net of all expenses, was lowered from 8% to 7.75% (3) asset smoothing period was changed from 10 years to 5 years (4) the amortization period was moved to a fixed period amortization for the December 31, 2015 annual valuations.

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%
2018	5,729,486	5,729,486	-	19,014,825	30.13%
2019	5,407,865	5,407,865	-	18,355,363	29.46%

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 (2019, based on the 12/31/2016 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, open
Remaining amortization period	20 years
Asset valuation method	5-year smooth market
Inflation	2.50%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense including inflation
Normal retirement age	Age 60
Mortality	50% Female/50% Male blend of the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%, the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables

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,		
	2019	2018	2017
Total OPEB liability			
Service cost	\$ 1,519,101	\$ 2,444,926	\$ 2,866,687
Interest on total OPEB liability	2,087,663	2,752,781	2,366,860
Difference between expected and actual experience	-	(1,747,090)	-
Assumption changes	4,524,282	(21,345,849)	(8,351,874)
Benefit payments	(1,920,528)	(2,178,985)	(1,600,811)
Net change in total OPEB liability	6,210,518	(20,074,217)	(4,719,138)
Total OPEB liability, beginning of year	56,471,961	76,546,178	81,265,316
Total OPEB liability, end of year	62,682,479	56,471,961	76,546,178
Plan fiduciary net position			
Employer contributions	1,446,699	1,734,099	1,204,642
Employee contributions	318,750	439,777	228,042
Net investment income	177,435	365,451	807,558
Benefit payments and refunds	(1,920,528)	(2,178,985)	(1,600,811)
Administrative expense	(12,876)	(14,677)	(10,920)
Net change in plan fiduciary net position	9,480	345,665	628,511
Plan fiduciary net position, beginning of year	6,241,000	5,895,335	5,266,824
Plan fiduciary net position, end of year	6,250,480	6,241,000	5,895,335
Net OPEB liability	\$ 56,431,999	\$ 50,230,961	\$ 70,650,843
Plan fiduciary net position as a percentage of total OPEB liability	9.97%	11.05%	7.70%
Covered payroll	\$ 29,984,686	\$ 28,970,711	\$ 30,761,954
Net OPEB liability as a percentage of covered payroll	188.20%	173.39%	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.

Assumption Changes 2017: Changes include a decrease in the investment return assumption for the General group, an increase in the investment return assumption for the Police and Fire groups, decrease in the wage inflation assumption, decrease to the healthcare cost trend rate, increase in the number of remaining years of decreasing healthcare cost trend rate, the General group is using updated Merit and Seniority wage increase assumptions, mortality rates, early retirement rates, withdrawal rates, and disability rates, and an elimination of the excise tax adjustment.

Assumption Changes 2018: Changes include a decrease in the single discount rate, decrease in the wage inflation assumption, decrease to the healthcare cost trend rate, increase in the number of remaining years of decreasing healthcare cost trend rate, the General group is using updated Merit and Seniority wage increase assumptions, mortality rates, early retirement rates, withdrawal rates, and disability rates, and an elimination of the excise tax adjustment.

Assumption Changes 2019: Changes include a decrease in the single discount rate and an elimination of the implicit benefit payments method.

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	\$ 1,204,642	\$ 2,619,223	\$ 30,761,954	3.92%
2018	2,723,435	1,734,099	989,336	28,970,711	5.99%
2019	2,819,532	1,446,699	1,372,833	29,984,686	4.82%

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, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level percent, Closed
Remaining amortization period	22 years (fiscal year beginning July 1, 2018)
Asset valuation method	Market Value
Inflation	N/A
Salary increases	3.50%, including inflation
Investment rate of return	3.56% for General and 7.00% for Police and Fire, 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	<p><i>General members:</i> a 50% Male - 50% Female blend of the following tables: 1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105% for ages 70 and older, 2. The RP-2014 Employee Mortality Tables for ages 18-49, 3. The RP-2014 Juvenile Mortality Tables for ages 0-17. A blended rate of tables 1 and 2 are used for ages 50-69. Disabled plan members use a 50% Male - 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables. 90% of active member deaths are assumed to be non-duty deaths.</p> <p><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 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.</p>
Health care trend rates	Trend starting at 8.0% and gradually decreasing to an ultimate trend rate of 3.50%.
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%
2018	6.59%
2019	2.67%

⁽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, 2019

	Special Revenue	Debt Service	Capital Projects	Permanent	Totals
Assets					
Pooled cash and investments	\$ 1,561,153	\$ 61,882	\$ 2,307,580	\$ 953,971	\$ 4,884,586
Receivables:					
Interest	12,998	22,572	-	7,489	43,059
Accounts	11,944	71,606	-	-	83,550
Special assessments	-	204,915	-	-	204,915
Due from other governments	496,174	-	-	-	496,174
Loans	-	575,948	-	-	575,948
Loans, long-term portion	2,596,658	1,873,160	-	-	4,469,818
Total assets	\$ 4,678,927	\$ 2,810,083	\$ 2,307,580	\$ 961,460	\$ 10,758,050
Liabilities					
Accounts payable	\$ 105,896	\$ 442	\$ 365,238	\$ -	\$ 471,576
Retentions, deposits and other liabilities	196,522	-	-	-	196,522
Interfund payable	132,610	69,860	-	-	202,470
Unearned revenue	16,205	-	-	-	16,205
Total liabilities	451,233	70,302	365,238	-	886,773
Deferred inflows of resources					
Unavailable revenue:					
Special assessments	-	204,915	-	-	204,915
Loans, grants and related interest	2,596,658	2,471,680	-	-	5,068,338
Total deferred inflows of resources	2,596,658	2,676,595	-	-	5,273,253
Fund balances					
Nonspendable	-	-	-	879,909	879,909
Restricted	1,631,036	-	1,281,382	81,551	2,993,969
Committed	-	63,186	187,922	-	251,108
Assigned	-	-	473,038	-	473,038
Total fund balances	1,631,036	63,186	1,942,342	961,460	4,598,024
Total liabilities, deferred inflows of resources and fund balances	\$ 4,678,927	\$ 2,810,083	\$ 2,307,580	\$ 961,460	\$ 10,758,050

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue	Debt Service	Capital Projects	Permanent	Totals
Revenues					
Property tax	\$ -	\$ -	\$ 1,555,819	\$ -	\$ 1,555,819
Intergovernmental:					
Federal	869,478	-	-	-	869,478
State	1,724,786	-	154,476	-	1,879,262
Local	-	670,769	29,584	-	700,353
Charges for services	704,701	-	-	-	704,701
Investment earnings (loss)	34,173	1,924	29,787	31,692	97,576
Rents and leases	-	-	44,703	-	44,703
Other	137,762	-	288,219	-	425,981
Total revenues	3,470,900	672,693	2,102,588	31,692	6,277,873
Expenditures					
Current expenditures:					
General government	94,166	-	270,674	-	364,840
Public safety	-	-	3,135,562	-	3,135,562
Highway and streets	3,239,253	-	1,986,672	-	5,225,925
Recreation	71,046	-	-	-	71,046
Community development	923,516	-	-	-	923,516
Inspections	725,683	-	-	-	725,683
Debt service:					
Principal	-	2,510,397	-	-	2,510,397
Interest	-	1,451,171	-	-	1,451,171
Total expenditures	5,053,664	3,961,568	5,392,908	-	14,408,140
Revenues over (under) expenditures	(1,582,764)	(3,288,875)	(3,290,320)	31,692	(8,130,267)
Other financing sources (uses)					
Transfers in	2,000,000	2,789,407	800,000	-	5,589,407
Transfers out	-	-	(192,354)	-	(192,354)
Total other financing sources	2,000,000	2,789,407	607,646	-	5,397,053
Net change in fund balances	417,236	(499,468)	(2,682,674)	31,692	(2,733,214)
Fund balances, beginning of year	1,213,800	562,654	4,625,016	929,768	7,331,238
Fund balances, end of year	\$ 1,631,036	\$ 63,186	\$ 1,942,342	\$ 961,460	\$ 4,598,024

CITY OF BATTLE CREEK, MICHIGAN

Combining Balance Sheet Nonmajor Special Revenue Funds June 30, 2019

	Community Development	Local Street	HOME Program	Michigan Justice Training
Assets				
Pooled cash and investments	\$ -	\$ 128,641	\$ 11,865	\$ 25,858
Receivables:				
Interest	-	12,094	-	-
Accounts	-	-	-	-
Due from other governments	196,916	282,155	17,103	-
Loans, due in more than one year	2,596,658	-	-	-
Total assets	\$ 2,793,574	\$ 422,890	\$ 28,968	\$ 25,858
Liabilities				
Accounts payable	\$ 64,306	\$ 489	\$ 12,763	\$ 15,312
Retentions, deposits and other liabilities	-	-	-	-
Interfund payable	132,610	-	-	-
Unearned revenue	-	-	16,205	-
Total liabilities	196,916	489	28,968	15,312
Deferred inflows of resources				
Unavailable revenue - Loans, grants and related interest	2,596,658	-	-	-
Fund balances				
Restricted	-	422,401	-	10,546
Total liabilities, deferred inflows of resources and fund balances	\$ 2,793,574	\$ 422,890	\$ 28,968	\$ 25,858

continued...

CITY OF BATTLE CREEK, MICHIGAN

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2019

	Narcotics Forfeiture	Kellogg Arena	Building Inspection Fund	Total
Assets				
Pooled cash and investments	\$ 507,887	\$ -	\$ 886,902	\$ 1,561,153
Receivables:				
Interest	904	-	-	12,998
Accounts	-	-	11,944	11,944
Due from other governments	-	-	-	496,174
Loans, due in more than one year	-	-	-	2,596,658
Total assets	<u>\$ 508,791</u>	<u>\$ -</u>	<u>\$ 898,846</u>	<u>\$ 4,678,927</u>
Liabilities				
Accounts payable	\$ 2,195	\$ -	\$ 10,831	\$ 105,896
Retentions, deposits and other liabilities	196,522	-	-	196,522
Interfund payable	-	-	-	132,610
Unearned revenue	-	-	-	16,205
Total liabilities	<u>198,717</u>	<u>-</u>	<u>10,831</u>	<u>451,233</u>
Deferred inflows of resources				
Unavailable revenue -				
Loans, grants and related interest	-	-	-	2,596,658
Fund balances				
Restricted	<u>310,074</u>	<u>-</u>	<u>888,015</u>	<u>1,631,036</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 508,791</u>	<u>\$ -</u>	<u>\$ 898,846</u>	<u>\$ 4,678,927</u>

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, 2019

	Community Development	Local Street	HOME Program	Michigan Justice Training
Revenues				
Intergovernmental:				
Federal	\$ 804,562	\$ -	\$ 64,916	\$ -
State	-	1,621,657	-	18,255
Charges for services	-	-	-	-
Investment earnings (loss)	388	(13,930)	-	-
Other	51,521	749	2,129	-
Total revenues	856,471	1,608,476	67,045	18,255
Expenditures				
Current expenditures:				
General government	-	-	-	33,659
Highways and streets	-	3,239,253	-	-
Recreation	-	-	-	-
Community development	856,471	-	67,045	-
Inspections	-	-	-	-
Total expenditures	856,471	3,239,253	67,045	33,659
Revenues over (under) expenditures	-	(1,630,777)	-	(15,404)
Other financing sources				
Transfers in	-	2,000,000	-	-
Fund balances, beginning of year	-	53,178	-	25,950
Fund balances, end of year	\$ -	\$ 422,401	\$ -	\$ 10,546

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, 2019

	Narcotics Forfeiture	Kellogg Arena	Building Inspection Fund	Total
Revenues				
Intergovernmental:				
Federal	\$ -	\$ -	\$ -	\$ 869,478
State	84,874	-	-	1,724,786
Charges for services	-	-	704,701	704,701
Investment earnings (loss)	16,991	-	30,724	34,173
Other	82,229	-	1,134	137,762
Total revenues	184,094	-	736,559	3,470,900
Expenditures				
Current expenditures:				
General government	60,507	-	-	94,166
Highways and streets	-	-	-	3,239,253
Recreation	-	71,046	-	71,046
Community development	-	-	-	923,516
Inspections	-	-	725,683	725,683
Total expenditures	60,507	71,046	725,683	5,053,664
Revenues over (under) expenditures	123,587	(71,046)	10,876	(1,582,764)
Other financing sources				
Transfers in	-	-	-	2,000,000
Fund balances, beginning of year	186,487	71,046	877,139	1,213,800
Fund balances, end of year	\$ 310,074	\$ -	\$ 888,015	\$ 1,631,036

concluded.

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, 2019

	Community Development		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Intergovernmental:			
Federal	\$ 2,036,422	\$ 804,562	\$ (1,231,860)
State	-	-	-
Charges for services	-	-	-
Investment earnings (loss)	388	388	-
Other	51,521	51,521	-
Total revenues	2,088,331	856,471	(1,231,860)
Expenditures			
Current expenditures:			
General government	-	-	-
Highways and streets	-	-	-
Recreation	-	-	-
Community development	2,088,331	856,471	(1,231,860)
Inspections	-	-	-
Total expenditures	2,088,331	856,471	(1,231,860)
Revenues over (under) expenditures	-	-	-
Other financing sources			
Transfers in	-	-	-
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, 2019

	Local Street Fund		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Intergovernmental:			
Federal	\$ -	\$ -	\$ -
State	1,535,000	1,621,657	86,657
Charges for services	-	-	-
Investment earnings (loss)	-	(13,930)	(13,930)
Other	500	749	249
Total revenues	1,535,500	1,608,476	72,976
Expenditures			
Current expenditures:			
General government	-	-	-
Highways and streets	3,727,830	3,239,253	(488,577)
Recreation	-	-	-
Community development	-	-	-
Inspections	-	-	-
Total expenditures	3,727,830	3,239,253	(488,577)
Revenues over (under) expenditures	(2,192,330)	(1,630,777)	561,553
Other financing sources			
Transfers in	2,000,000	2,000,000	-
Fund balances, beginning of year	53,178	53,178	-
Fund balances, end of year	\$ (139,152)	\$ 422,401	\$ 561,553

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, 2019

	HOME Program Fund		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Intergovernmental:			
Federal	\$ 370,466	\$ 64,916	\$ (305,550)
State	-	-	-
Charges for services	-	-	-
Investment earnings (loss)	-	-	-
Other	18,335	2,129	(16,206)
Total revenues	388,801	67,045	(321,756)
Expenditures			
Current expenditures:			
General government	-	-	-
Highways and streets	-	-	-
Recreation	-	-	-
Community development	388,801	67,045	(321,756)
Inspections	-	-	-
Total expenditures	388,801	67,045	(321,756)
Revenues over (under) expenditures	-	-	-
Other financing sources			
Transfers in	-	-	-
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, 2019

	Michigan Justice Training Fund		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Intergovernmental:			
Federal	\$ -	\$ -	\$ -
State	18,400	18,255	(145)
Charges for services	-	-	-
Investment earnings (loss)	-	-	-
Other	-	-	-
Total revenues	18,400	18,255	(145)
Expenditures			
Current expenditures:			
General government	21,039	33,659	12,620
Highways and streets	-	-	-
Recreation	-	-	-
Community development	-	-	-
Inspections	-	-	-
Total expenditures	21,039	33,659	12,620
Revenues over (under) expenditures	(2,639)	(15,404)	(12,765)
Other financing sources			
Transfers in	-	-	-
Fund balances, beginning of year	25,950	25,950	-
Fund balances, end of year	\$ 23,311	\$ 10,546	\$ (12,765)

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, 2019

	Narcotics Forfeiture Fund		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Intergovernmental:			
Federal	\$ -	\$ -	\$ -
State	150,000	84,874	(65,126)
Charges for services	-	-	-
Investment earnings (loss)	-	16,991	16,991
Other	5,800	82,229	76,429
Total revenues	155,800	184,094	28,294
Expenditures			
Current expenditures:			
General government	102,634	60,507	(42,127)
Highways and streets	-	-	-
Recreation	-	-	-
Community development	-	-	-
Inspections	-	-	-
Total expenditures	102,634	60,507	(42,127)
Revenues over (under) expenditures	53,166	123,587	70,421
Other financing sources			
Transfers in	-	-	-
Fund balances, beginning of year	186,487	186,487	-
Fund balances, end of year	\$ 239,653	\$ 310,074	\$ 70,421

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, 2019

	Kellogg Arena Fund		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Intergovernmental:			
Federal	\$ -	\$ -	\$ -
State	-	-	-
Charges for services	-	-	-
Investment earnings (loss)	-	-	-
Other	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures			
Current expenditures:			
General government	-	-	-
Highways and streets	-	-	-
Recreation	-	71,046	71,046
Community development	-	-	-
Inspections	-	-	-
Total expenditures	<u>-</u>	<u>71,046</u>	<u>71,046</u>
Revenues over (under) expenditures	-	(71,046)	(71,046)
Other financing sources			
Transfers in	-	-	-
Fund balances, beginning of year	<u>71,046</u>	<u>71,046</u>	<u>-</u>
Fund balances, end of year	<u>\$ 71,046</u>	<u>\$ -</u>	<u>\$ (71,046)</u>

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, 2019

	Building Inspection Fund		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Intergovernmental:			
Federal	\$ -	\$ -	\$ -
State	-	-	-
Charges for services	537,275	704,701	167,426
Investment earnings (loss)	500	30,724	30,224
Other	-	1,134	1,134
Total revenues	537,775	736,559	198,784
Expenditures			
Current expenditures:			
General government	-	-	-
Highways and streets	-	-	-
Recreation	-	-	-
Community development	-	-	-
Inspections	843,077	725,683	(117,394)
Total expenditures	843,077	725,683	(117,394)
Revenues over (under) expenditures	(305,302)	10,876	316,178
Other financing sources			
Transfers in	-	-	-
Fund balances, beginning of year	877,139	877,139	-
Fund balances, end of year	\$ 571,837	\$ 888,015	\$ 316,178

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CITY OF BATTLE CREEK, MICHIGAN

Combining Balance Sheet

Nonmajor Debt Service Funds

June 30, 2019

	DPW Building	Special Assessment Debt Service	Energy Savings	Capital Improvement Bonds
Assets				
Pooled cash and investments	\$ 2,269	\$ 54,802	\$ -	\$ -
Receivables:				
Interest	-	-	-	863
Accounts	-	-	-	71,106
Special assessments	-	204,915	-	-
Loans	-	-	-	60,948
Loans, long-term portion	-	-	-	203,160
Total assets	\$ 2,269	\$ 259,717	\$ -	\$ 336,077
Liabilities				
Accounts payable	\$ -	\$ 442	\$ -	\$ -
Interfund payable	-	-	-	69,860
Total liabilities	-	442	-	69,860
Deferred inflows of resources				
Unavailable revenue:				
Special assessments	-	204,915	-	-
Loans and related interest	-	-	-	264,971
Total deferred inflows of resources	-	204,915	-	264,971
Fund balances				
Committed	2,269	54,360	-	1,246
Total liabilities, deferred inflows of resources and fund balances	\$ 2,269	\$ 259,717	\$ -	\$ 336,077

continued...

CITY OF BATTLE CREEK, MICHIGAN

Combining Balance Sheet

Nonmajor Debt Service Funds

June 30, 2019

	Building Authority Bonds	Police Station Bonds	Total
Assets			
Pooled cash and investments	\$ 4,811	\$ -	\$ 61,882
Receivables:			
Interest	21,709	-	22,572
Accounts	500	-	71,606
Special assessments	-	-	204,915
Loans	515,000	-	575,948
Loans, long-term portion	1,670,000	-	1,873,160
Total assets	\$ 2,212,020	\$ -	\$ 2,810,083
Liabilities			
Accounts payable	\$ -	\$ -	\$ 442
Interfund payable	-	-	69,860
Total liabilities	-	-	70,302
Deferred inflows of resources			
Unavailable revenue:			
Special assessments	-	-	204,915
Loans and related interest	2,206,709	-	2,471,680
Total deferred inflows of resources	2,206,709	-	2,676,595
Fund balances			
Committed	5,311	-	63,186
Total liabilities, deferred inflows of resources and fund balances	\$ 2,212,020	\$ -	\$ 2,810,083

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, 2019

	DPW Building	Special Assessment Debt Service	Energy Savings	Capital Improvement Bonds
Revenues				
Intergovernmental - local	\$ -	\$ -	\$ -	\$ 71,106
Investment earnings	-	1,924	-	-
Total revenues	-	1,924	-	71,106
Expenditures				
Debt service:				
Principal	605,000	-	315,397	710,000
Interest	157,203	-	67,923	453,582
Total expenditures	762,203	-	383,320	1,163,582
Revenues over (under) expenditures	(762,203)	1,924	(383,320)	(1,092,476)
Other financing sources				
Transfers in	761,938	-	383,320	1,093,413
Net change in fund balances	(265)	1,924	-	937
Fund balances, beginning of year	2,534	52,436	-	309
Fund balances, end of year	<u>\$ 2,269</u>	<u>\$ 54,360</u>	<u>\$ -</u>	<u>\$ 1,246</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, 2019

	Building Authority Bonds	Police Station Bonds	Total
Revenues			
Intergovernmental - local	\$ 599,663	\$ -	\$ 670,769
Investment earnings	-	-	1,924
Total revenues	<u>599,663</u>	<u>-</u>	<u>672,693</u>
Expenditures			
Debt service:			
Principal	495,000	385,000	2,510,397
Interest	104,663	667,800	1,451,171
Total expenditures	<u>599,663</u>	<u>1,052,800</u>	<u>3,961,568</u>
Revenues over (under) expenditures	-	(1,052,800)	(3,288,875)
Other financing sources			
Transfers in	-	550,736	2,789,407
Net change in fund balances	-	(502,064)	(499,468)
Fund balances, beginning of year	<u>5,311</u>	<u>502,064</u>	<u>562,654</u>
Fund balances, end of year	<u><u>\$ 5,311</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 63,186</u></u>

concluded.

CITY OF BATTLE CREEK, MICHIGAN

Combining Balance Sheet
 Nonmajor Capital Projects Funds
 June 30, 2019

	Street Projects	General Capital Improvement	Capital Improvements Bonds	Police Station Capital Project	Total
Assets					
Pooled cash and investments	\$ 151,288	\$ 477,783	\$ 745,231	\$ 933,278	\$ 2,307,580
Liabilities					
Accounts payable	\$ 13,181	\$ 4,745	\$ 16,839	\$ 330,473	\$ 365,238
Fund balances					
Restricted	-	-	728,392	552,990	1,281,382
Committed	138,107	-	-	49,815	187,922
Assigned	-	473,038	-	-	473,038
Total fund balances	<u>138,107</u>	<u>473,038</u>	<u>728,392</u>	<u>602,805</u>	<u>1,942,342</u>
Total liabilities and fund balances	<u>\$ 151,288</u>	<u>\$ 477,783</u>	<u>\$ 745,231</u>	<u>\$ 933,278</u>	<u>\$ 2,307,580</u>

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, 2019

	Street Projects	General Capital Improvement	Capital Improvements Bonds	Police Station Capital Project	Total
Revenue					
Property tax	\$ 1,555,819	\$ -	\$ -	\$ -	\$ 1,555,819
Intergovernmental:					
State	154,476	-	-	-	154,476
Local	29,584	-	-	-	29,584
Investment earnings	-	-	25,896	3,891	29,787
Rents and leases	-	44,703	-	-	44,703
Other	-	24,638	263,581	-	288,219
Total revenue	1,739,879	69,341	289,477	3,891	2,102,588
Expenditures					
Current expenditures:					
General government	-	178,742	91,932	-	270,674
Public safety	-	-	-	3,135,562	3,135,562
Highways and streets	1,986,672	-	-	-	1,986,672
Total expenditures	1,986,672	178,742	91,932	3,135,562	5,392,908
Revenue over (under) expenditures	(246,793)	(109,401)	197,545	(3,131,671)	(3,290,320)
Other financing sources (uses)					
Transfers in	500,000	300,000	-	-	800,000
Transfers out	(157,354)	-	-	(35,000)	(192,354)
Total other financing sources (uses)	342,646	300,000	-	(35,000)	607,646
Net change in fund balances	95,853	190,599	197,545	(3,166,671)	(2,682,674)
Fund balances, beginning of year	42,254	282,439	530,847	3,769,476	4,625,016
Fund balances, end of year	\$ 138,107	\$ 473,038	\$ 728,392	\$ 602,805	\$ 1,942,342

CITY OF BATTLE CREEK, MICHIGAN

Combining Balance Sheet

Nonmajor Permanent Funds

June 30, 2019

	Youth Center Endowment	Kellogg Arena Endowment	Total
Assets			
Pooled cash and investments	\$ 273,423	\$ 680,548	\$ 953,971
Interest receivable	4,676	2,813	7,489
Total assets	<u>\$ 278,099</u>	<u>\$ 683,361</u>	<u>\$ 961,460</u>
Fund balances			
Nonspendable	\$ 256,376	\$ 623,533	\$ 879,909
Restricted	21,723	59,828	81,551
Total fund balances	<u>\$ 278,099</u>	<u>\$ 683,361</u>	<u>\$ 961,460</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, 2019

	Youth Center Endowment	Kellogg Arena Endowment	Total
Revenues			
Investment earnings	\$ 8,626	\$ 23,066	\$ 31,692
Fund balances, beginning of year	<u>269,473</u>	<u>660,295</u>	<u>929,768</u>
Fund balances, end of year	<u><u>\$ 278,099</u></u>	<u><u>\$ 683,361</u></u>	<u><u>\$ 961,460</u></u>

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Net Position
 Nonmajor Enterprise Funds
 June 30, 2019

	Automobile Parking System	Solid Waste Collection	Economic Development Loan	Economic Development	Total
Assets					
Current assets:					
Pooled cash and investments	\$ 416,176	\$ 609,944	\$ 2,687,016	\$ 206,445	\$ 3,919,581
Receivables:					
Interest	-	-	39,813	58	39,871
Accounts	8,907	644,122	-	-	653,029
Loans, current portion	-	-	290,622	-	290,622
Prepaid items	-	-	-	450	450
Total current assets	<u>425,083</u>	<u>1,254,066</u>	<u>3,017,451</u>	<u>206,953</u>	<u>4,903,553</u>
Noncurrent assets:					
Loans receivable, net	-	-	6,437,042	-	6,437,042
Capital assets not being depreciated	1,505,125	-	-	-	1,505,125
Capital assets being depreciated, net	2,436,908	-	-	-	2,436,908
Total noncurrent assets	<u>3,942,033</u>	<u>-</u>	<u>6,437,042</u>	<u>-</u>	<u>10,379,075</u>
Total assets	<u>4,367,116</u>	<u>1,254,066</u>	<u>9,454,493</u>	<u>206,953</u>	<u>15,282,628</u>
Deferred outflows of resources					
Deferred pension amounts	-	37,151	-	-	37,151
Liabilities					
Current liabilities:					
Accounts payable and accrued liabilities	2,027	499,919	16,349	34,192	552,487
Retentions, deposits and other liabilities	-	93,300	-	1,200	94,500
Compensated absences, current portion	827	9,695	-	5,971	16,493
Total current liabilities	<u>2,854</u>	<u>602,914</u>	<u>16,349</u>	<u>41,363</u>	<u>663,480</u>
Noncurrent liabilities:					
Compensated absences	91	1,077	-	664	1,832
Net pension liability	-	271,388	-	-	271,388
Total noncurrent liabilities	<u>91</u>	<u>272,465</u>	<u>-</u>	<u>664</u>	<u>273,220</u>
Total liabilities	<u>2,945</u>	<u>875,379</u>	<u>16,349</u>	<u>42,027</u>	<u>936,700</u>
Deferred inflows of resources					
Deferred pension amounts	-	834	-	-	834
Net position					
Net investment in capital assets	3,942,033	-	-	-	3,942,033
Unrestricted	422,138	415,004	9,438,144	164,926	10,440,212
Total net position	<u>\$ 4,364,171</u>	<u>\$ 415,004</u>	<u>\$ 9,438,144</u>	<u>\$ 164,926</u>	<u>\$ 14,382,245</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, 2019

	Automobile Parking System	Solid Waste Collection	Economic Development Loan	Economic Development	Total
Operating revenues					
Charges for services	\$ 1,171,483	\$ 3,512,255	\$ -	\$ -	\$ 4,683,738
Other	-	67,557	96,074	24,175	187,806
Total operating revenues	1,171,483	3,579,812	96,074	24,175	4,871,544
Operating expenses					
Personnel services	-	433,245	-	104,836	538,081
Materials and supplies	-	49,663	-	60,434	110,097
Contractual and other	1,189,781	3,075,419	98,106	439,918	4,803,224
Depreciation	330,475	-	-	-	330,475
Total operating expenses	1,520,256	3,558,327	98,106	605,188	5,781,877
Operating income (loss)	(348,773)	21,485	(2,032)	(581,013)	(910,333)
Nonoperating revenues					
Property taxes	-	-	-	363,711	363,711
Intergovernmental subsidies - state	-	-	-	279,346	279,346
Investment income	14,333	11,079	132,009	11,526	168,947
Total nonoperating revenues	14,333	11,079	132,009	654,583	812,004
Income (loss) before transfers	(334,440)	32,564	129,977	73,570	(98,329)
Transfers in	9,000	-	-	-	9,000
Change in net position	(325,440)	32,564	129,977	73,570	(89,329)
Net position, beginning of year	4,689,611	382,440	9,308,167	91,356	14,471,574
Net position, end of year	\$ 4,364,171	\$ 415,004	\$ 9,438,144	\$ 164,926	\$ 14,382,245

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds
For the Year Ended June 30, 2019

	Automobile Parking System	Solid Waste Collection	Economic Development Loan	Economic Development	Total
Cash flows from operating activities					
Receipts from customers and users	\$ 1,171,093	\$ 3,542,315	\$ 98,968	\$ 24,199	\$ 4,836,575
Payments to suppliers and contractors	(1,189,965)	(3,111,796)	(2,137,364)	(503,506)	(6,942,631)
Payments to employees	(120)	(416,200)	-	(98,201)	(514,521)
Payments for interfund services	-	(19,165)	-	(4,888)	(24,053)
Net cash used in operating activities	(18,992)	(4,846)	(2,038,396)	(582,396)	(2,644,630)
Cash flows from noncapital financing activities					
Transfers in	9,000	-	-	-	9,000
Property taxes	-	-	-	363,711	363,711
Intergovernmental subsidies	-	-	-	279,346	279,346
Net cash provided by noncapital financing activities	9,000	-	-	643,057	652,057
Cash flows from investing activities					
Interest earnings on investments	14,333	11,079	119,757	11,468	156,637
Net change in pooled cash and investments	4,341	6,233	(1,918,639)	72,129	(1,835,936)
Pooled cash and investments, beginning of year	411,835	603,711	4,605,655	134,316	5,755,517
Pooled cash and investments, end of year	\$ 416,176	\$ 609,944	\$ 2,687,016	\$ 206,445	\$ 3,919,581
Cash flows from operating activities					
Operating income (loss)	\$ (348,773)	\$ 21,485	\$ (2,032)	\$ (581,013)	\$ (910,333)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:					
Depreciation	330,475	-	-	-	330,475
Changes in assets and liabilities:					
Accounts receivable	(390)	(37,497)	2,894	24	(34,969)
Loans receivable	-	-	(2,055,607)	-	(2,055,607)
Prepaid items	-	-	-	(450)	(450)
Accounts payable and accrued liabilities	(184)	(7,598)	16,349	(8,792)	(225)
Retentions, deposits and other liabilities	-	1,719	-	1,200	2,919
Compensated absences	(120)	(1,278)	-	6,635	5,237
Net pension liability	-	43,750	-	-	43,750
Deferred outflows related to the net pension liability	-	(18,310)	-	-	(18,310)
Deferred inflows related to the net pension liability	-	(7,117)	-	-	(7,117)
Net cash used in operating activities	\$ (18,992)	\$ (4,846)	\$ (2,038,396)	\$ (582,396)	\$ (2,644,630)

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

June 30, 2019

	Equipment Center	Self-Insurance	Information Technology	Reproduction	Total
Assets					
Current assets:					
Pooled cash and investments	\$ 2,529,412	\$ 5,263,848	\$ 486,965	\$ 14,723	\$ 8,294,948
Receivables:					
Interest	-	89,527	-	-	89,527
Accounts	15,089	135,489	90	1,723	152,391
Inventories	485,111	-	-	-	485,111
Prepaid items	-	97,231	72,745	-	169,976
Total current assets	<u>3,029,612</u>	<u>5,586,095</u>	<u>559,800</u>	<u>16,446</u>	<u>9,191,953</u>
Noncurrent assets:					
Capital assets not being depreciated	31,708	17,115	-	-	48,823
Capital assets being depreciated, net	3,725,709	-	829,016	16,973	4,571,698
Total noncurrent assets	<u>3,757,417</u>	<u>17,115</u>	<u>829,016</u>	<u>16,973</u>	<u>4,620,521</u>
Total assets	<u>6,787,029</u>	<u>5,603,210</u>	<u>1,388,816</u>	<u>33,419</u>	<u>13,812,474</u>
Liabilities					
Current liabilities:					
Accounts payable	259,260	139,241	188	2,989	401,678
Unearned revenue	550	89,152	-	-	89,702
Claims payable, current portion	-	971,632	-	-	971,632
Compensated absences, current portion	83,266	23,884	56,088	6,364	169,602
Lease payable, current portion	-	-	98,945	12,053	110,998
Total current liabilities	<u>343,076</u>	<u>1,223,909</u>	<u>155,221</u>	<u>21,406</u>	<u>1,743,612</u>
Noncurrent liabilities:					
Claims payable	-	385,732	-	-	385,732
Lease payable	-	-	98,945	9,465	108,410
Total noncurrent liabilities	<u>-</u>	<u>385,732</u>	<u>98,945</u>	<u>9,465</u>	<u>494,142</u>
Total liabilities	<u>343,076</u>	<u>1,609,641</u>	<u>254,166</u>	<u>30,871</u>	<u>2,237,754</u>
Net position					
Net investment in capital assets	3,757,417	17,115	631,126	(4,545)	4,401,113
Unrestricted	2,686,536	3,976,454	503,524	7,093	7,173,607
Total net position	<u>\$ 6,443,953</u>	<u>\$ 3,993,569</u>	<u>\$ 1,134,650</u>	<u>\$ 2,548</u>	<u>\$ 11,574,720</u>

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, 2019

	Equipment Center	Self- Insurance	Information Technology	Reproduction	Total
Operating revenues					
Charges for services	\$ 4,842,938	\$ 14,703,800	\$ 1,857,128	\$ 353,191	\$ 21,757,057
Rents and leases	1,726,253	-	-	-	1,726,253
Other	420,115	596,363	350	-	1,016,828
Total operating revenues	6,989,306	15,300,163	1,857,478	353,191	24,500,138
Operating expenses					
Personnel services	1,331,969	734,984	911,906	190,210	3,169,069
Materials and supplies	1,742,387	17,098	311,485	106,796	2,177,766
Contractual and other	1,771,846	12,826,995	323,383	98,100	15,020,324
Depreciation	1,149,373	5,199	228,092	11,316	1,393,980
Total operating expenses	5,995,575	13,584,276	1,774,866	406,422	21,761,139
Operating income (loss)	993,731	1,715,887	82,612	(53,231)	2,738,999
Nonoperating revenues (expenses)					
Intergovernmental subsidies	95,940	-	-	-	95,940
Investment income	-	110,413	-	-	110,413
Loss on disposal of capital assets	(10,259)	-	-	-	(10,259)
Total nonoperating revenues	85,681	110,413	-	-	196,094
Income (loss) before transfers	1,079,412	1,826,300	82,612	(53,231)	2,935,093
Transfers in	-	97,157	172,000	15,000	284,157
Transfers out	(761,938)	(195,150)	-	-	(957,088)
Change in net position	317,474	1,728,307	254,612	(38,231)	2,262,162
Net position, beginning of year	6,126,479	2,265,262	880,038	40,779	9,312,558
Net position, end of year	\$ 6,443,953	\$ 3,993,569	\$ 1,134,650	\$ 2,548	\$ 11,574,720

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2019

	Equipment Center	Self- Insurance	Information Technology	Reproduction	Total
Cash flows from operating activities					
Receipts from interfund services	\$ 6,989,306	\$ 15,300,163	\$ 1,857,478	\$ 353,191	\$ 24,500,138
Payments to suppliers and contractors	(3,522,844)	(13,593,477)	(465,992)	(199,490)	(17,781,803)
Payments to employees	(1,323,412)	(728,124)	(919,113)	(189,880)	(3,160,529)
Net cash provided by (used in) operating activities	2,143,050	978,562	472,373	(36,179)	3,557,806
Cash flows from noncapital financing activities					
Transfers in	-	97,157	172,000	15,000	284,157
Transfers out	(761,938)	(195,150)	-	-	(957,088)
Intergovernmental subsidies	95,940	-	-	-	95,940
Net cash provided by (used in) noncapital financing activities	(665,998)	(97,993)	172,000	15,000	(576,991)
Cash flows from capital and related financing activities					
Principal paid on capital lease	-	-	(98,945)	(11,434)	(110,379)
Purchase of capital assets	(937,185)	-	(246,975)	-	(1,184,160)
Net cash used in capital and related financing activities	(937,185)	-	(345,920)	(11,434)	(1,294,539)
Cash flows from investing activities					
Interest earnings on investments	-	108,739	-	-	108,739
Net change in pooled cash and investments	539,867	989,308	298,453	(32,613)	1,795,015
Pooled cash and investments, beginning of year	1,989,545	4,274,540	188,512	47,336	6,499,933
Pooled cash and investments, end of year	<u>\$ 2,529,412</u>	<u>\$ 5,263,848</u>	<u>\$ 486,965</u>	<u>\$ 14,723</u>	<u>\$ 8,294,948</u>
Cash flows from operating activities					
Operating income (loss)	\$ 993,731	\$ 1,715,887	\$ 82,612	\$ (53,231)	\$ 2,738,999
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	1,149,373	5,199	228,092	11,316	1,393,980
Changes in assets and liabilities:					
Accounts receivable	5,792	(95,244)	940	3,813	(84,699)
Inventories	(36,294)	-	-	-	(36,294)
Prepaid items	-	50,757	167,871	-	218,628
Accounts payable and accrued liabilities	21,691	17,273	65	1,593	40,622
Compensated absences	8,557	6,860	(7,207)	330	8,540
Claims payable	-	(746,501)	-	-	(746,501)
Unearned revenue	200	24,331	-	-	24,531
Net cash provided by (used in) operating activities	\$ 2,143,050	\$ 978,562	\$ 472,373	\$ (36,179)	\$ 3,557,806

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CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Fiduciary Net Position

Pension and Other Employee Benefits Trust Funds

June 30, 2019

	Pension Police and Fire Retirement System	Other Postemployment Benefit Plan Trust	Total
Assets			
Pooled cash and investments	\$ -	\$ 93,674	\$ 93,674
Cash and cash equivalents	4,399,011	-	4,399,011
Investments:			
Fixed income:			
Corporate bonds	29,100,800	-	29,100,800
Foreign bonds	2,759,001	-	2,759,001
Municipal bonds	671,477	-	671,477
U.S. government securities	30,320,686	-	30,320,686
Equity-indexed institutional funds	30,524,593	-	30,524,593
Domestic equities	31,047,059	-	31,047,059
Foreign equities	4,449,777	-	4,449,777
American depositary receipts	15,559,513	-	15,559,513
Mutual funds	-	6,154,354	6,154,354
Real estate trusts	842,047	-	842,047
Interest receivable	402,879	2,452	405,331
Pension contributions receivable	126,907	-	126,907
Total assets	150,203,750	6,250,480	156,454,230
Liabilities			
Obligation for impaired investment of securities lending collateral	94,055	-	94,055
Net position			
Restricted for pension and postemployment healthcare benefits	\$ 150,109,695	\$ 6,250,480	\$ 156,360,175

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, 2019

	Pension Police and Fire Retirement System	Other Postemployment Benefit Plan Trust	Total
Additions			
Investment income:			
From investing activities:			
Net appreciation in fair value of investments	\$ 7,265,168	\$ -	\$ 7,265,168
Investment earnings and dividends	2,851,763	177,435	3,029,198
Less investment expenses	(541,194)	-	(541,194)
Net income from investing activities	<u>9,575,737</u>	<u>177,435</u>	<u>9,753,172</u>
From securities lending activities:			
Gross earnings	119,277	-	119,277
Borrower rebates	73,303	-	73,303
Securities lending fees recovery	13,784	-	13,784
Net income from securities lending activities	<u>206,364</u>	<u>-</u>	<u>206,364</u>
Total net investment income	<u>9,782,101</u>	<u>177,435</u>	<u>9,959,536</u>
Contributions:			
Employer	5,544,586	1,446,699	6,991,285
Employee	1,473,592	318,750	1,792,342
Total contributions	<u>7,018,178</u>	<u>1,765,449</u>	<u>8,783,627</u>
Total additions	<u>16,800,279</u>	<u>1,942,884</u>	<u>18,743,163</u>
Deductions			
Benefit payments and refunds	11,101,677	1,920,528	13,022,205
Administrative expenses	177,368	12,876	190,244
Total deductions	<u>11,279,045</u>	<u>1,933,404</u>	<u>13,212,449</u>
Net change to net position	5,521,234	9,480	5,530,714
Net position, beginning of year	<u>144,588,461</u>	<u>6,241,000</u>	<u>150,829,461</u>
Net position, end of year	<u>\$ 150,109,695</u>	<u>\$ 6,250,480</u>	<u>\$ 156,360,175</u>

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds
June 30, 2019

	Fire Insurance Escrow	Delinquent Personal Property Taxes	Summer Property Tax Collection	Winter Property Tax Collection	Total
Assets					
Pooled cash and investments	\$ 136,255	\$ 12,374	\$ -	\$ -	\$ 148,629
Delinquent taxes receivable	-	414,517	-	-	414,517
Total assets	\$ 136,255	\$ 426,891	\$ -	\$ -	\$ 563,146
Liabilities					
Undistributed receipts	\$ 136,255	\$ 426,891	\$ -	\$ -	\$ 563,146

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2019

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
<i>Fire Insurance Escrow</i>				
Assets				
Pooled cash and investments	\$ 105,614	\$ 419,347	\$ 388,706	\$ 136,255
Liabilities				
Undistributed receipts	\$ 105,614	\$ 419,347	\$ 388,706	\$ 136,255
<i>Delinquent Personal Property Taxes</i>				
Assets				
Pooled cash and investments	\$ 18,042	\$ 639,906	\$ 645,574	\$ 12,374
Delinquent taxes receivable	511,256	155,451	252,190	414,517
Total assets	\$ 529,298	\$ 795,357	\$ 897,764	\$ 426,891
Liabilities				
Undistributed receipts	\$ 529,298	\$ 795,357	\$ 897,764	\$ 426,891
<i>Summer Property Tax Collection</i>				
Assets				
Pooled cash and investments	\$ -	\$ 52,163,346	\$ 52,163,346	\$ -
Liabilities				
Undistributed receipts	\$ -	\$ 52,163,346	\$ 52,163,346	\$ -
<i>Winter Property Tax Collection</i>				
Assets				
Pooled cash and investments	\$ -	\$ 17,063,106	\$ 17,063,106	\$ -
Liabilities				
Undistributed receipts	\$ -	\$ 17,063,106	\$ 17,063,106	\$ -

continued...

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2019

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
<i>Total All Agency Funds</i>				
Assets				
Pooled cash and investments	\$ 123,656	\$ 1,059,253	\$ 1,034,280	\$ 148,629
Delinquent taxes receivable	511,256	155,451	252,190	414,517
Total assets	<u>\$ 634,912</u>	<u>\$ 1,214,704</u>	<u>\$ 1,286,470</u>	<u>\$ 563,146</u>
Liabilities				
Undistributed receipts	<u>\$ 634,912</u>	<u>\$ 1,214,704</u>	<u>\$ 1,286,470</u>	<u>\$ 563,146</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.	150
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.	162
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.	206
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.	213
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.	216

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)

	2010	2011	2012	2013	2014
Governmental activities					
Net investment in capital assets	\$ 207,342,367	\$ 209,845,426	\$ 216,252,011	\$ 216,155,508	\$ 213,803,703
Restricted	2,150,046	2,434,818	2,328,940	3,326,396	2,671,582
Unrestricted (deficit)	29,256,852	21,529,980	21,344,934	16,137,588	13,828,647
Total governmental activities	<u>\$ 238,749,265</u>	<u>\$ 233,810,224</u>	<u>\$ 239,925,885</u>	<u>\$ 235,619,492</u>	<u>\$ 230,303,932</u>
Business-type activities					
Net investment in capital assets	\$ 96,648,044	\$ 94,517,336	\$ 93,175,690	\$ 92,885,198	\$ 92,099,833
Unrestricted (deficit)	19,217,106	19,336,256	19,223,068	19,988,459	20,628,055
Total business-type activities	<u>\$ 115,865,150</u>	<u>\$ 113,853,592</u>	<u>\$ 112,398,758</u>	<u>\$ 112,873,657</u>	<u>\$ 112,727,888</u>
Primary government					
Net investment in capital assets	\$ 303,990,411	\$ 304,362,762	\$ 309,427,701	\$ 309,040,706	\$ 305,903,536
Restricted	2,150,046	2,434,818	2,328,940	3,326,396	2,671,582
Unrestricted (deficit)	48,473,958	40,866,236	40,568,002	36,126,047	34,456,702
Total primary government	<u>\$ 354,614,415</u>	<u>\$ 347,663,816</u>	<u>\$ 352,324,643</u>	<u>\$ 348,493,149</u>	<u>\$ 343,031,820</u>

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Net Position by Component
 Last Ten Fiscal Years
(accrual basis of accounting)

	2015	2016	2017	2018	2019
Governmental activities					
Net investment in capital assets	\$ 212,763,742	\$ 209,385,180	\$ 204,289,221	\$ 202,996,774	\$ 196,784,239
Restricted	6,422,246	10,573,097	9,498,489	11,428,992	17,761,851
Unrestricted (deficit)	(39,592,709)	(56,384,540)	(66,228,790)	(108,310,558)	(120,784,656)
Total governmental activities	<u>\$ 179,593,279</u>	<u>\$ 163,573,737</u>	<u>\$ 147,558,920</u>	<u>\$ 106,115,208</u>	<u>\$ 93,761,434</u>
Business-type activities					
Net investment in capital assets	\$ 91,757,657	\$ 94,256,830	\$ 77,696,600	\$ 84,440,617	\$ 88,322,398
Unrestricted (deficit)	6,044,949	6,738,128	18,432,807	(13,736,110)	(13,127,722)
Total business-type activities	<u>\$ 97,802,606</u>	<u>\$ 100,994,958</u>	<u>\$ 96,129,407</u>	<u>\$ 70,704,507</u>	<u>\$ 75,194,676</u>
Primary government					
Net investment in capital assets	\$ 304,521,399	\$ 303,642,010	\$ 281,985,821	\$ 287,437,391	\$ 285,106,637
Restricted	6,422,246	10,573,097	9,498,489	11,428,992	17,761,851
Unrestricted (deficit)	(33,547,760)	(49,646,412)	(47,795,983)	(122,046,668)	(133,912,378)
Total primary government	<u>\$ 277,395,885</u>	<u>\$ 264,568,695</u>	<u>\$ 243,688,327</u>	<u>\$ 176,819,715</u>	<u>\$ 168,956,110</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.

Note: GASB Statement No. 75 was implemented for the fiscal year ended June 30, 2018. 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)

	2010	2011	2012	2013	2014
Expenses					
Governmental activities:					
General government	\$ 8,669,931	\$ 10,303,586	\$ 12,250,359	\$ 10,372,803	\$ 12,208,561
Public safety	31,461,275	29,053,426	27,025,682	26,952,192	27,215,335
Public works	1,839,732	2,803,968	2,396,590	1,891,765	2,199,624
Highways and streets	9,761,195	9,426,798	7,149,971	11,585,808	9,731,567
Recreation	7,104,029	6,665,571	6,280,210	6,323,529	5,759,128
Community development	3,258,213	5,321,021	6,589,947	4,907,271	3,019,449
Interest on long-term debt	746,334	830,920	826,922	745,018	1,206,989
Total governmental activities	62,840,709	64,405,290	62,519,681	62,778,386	61,340,653
Business-type activities:					
Water and wastewater	21,409,438	23,802,899	23,030,037	22,768,048	23,572,816
Public transit	3,968,197	4,498,411	4,705,296	4,924,554	4,814,924
Solid waste collection	2,753,730	2,741,558	2,865,831	2,940,000	3,004,407
Airport	2,552,763	2,634,483	2,662,373	2,511,613	2,485,677
Parking	1,155,113	1,252,970	1,406,230	1,509,283	1,549,455
Economic development	187,295	355,375	124,973	148,922	130,400
Total business-type activities	32,026,536	35,285,696	34,794,740	34,802,420	35,557,679
Total primary government expenses	94,867,245	99,690,986	97,314,421	97,580,806	96,898,332
Program revenues					
Governmental activities:					
Charges for services:					
General government	2,447,656	2,739,519	3,270,597	3,363,317	2,824,535
Public safety	1,820,299	1,161,679	1,148,538	960,535	907,128
Public works	142,714	323,374	98,263	84,207	201,493
Highways and streets	6,354	25,511	7,498	4,251	27,929
Recreation	3,194,147	3,516,153	3,735,452	3,635,347	3,250,950
Community development	-	54,440	607,631	830,898	277,924
Operating grants and contributions	11,450,771	15,277,402	21,767,295	12,618,453	10,289,625
Capital grants and contributions	-	-	-	-	-
Total governmental activities	19,061,941	23,098,078	30,635,274	21,497,008	17,779,584

continued...

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2015	2016	2017	2018	2019
Expenses					
Governmental activities:					
General government	\$ 8,841,596	\$ 13,522,067	\$ 13,804,561	\$ 12,298,063	\$ 13,560,047
Public safety	29,790,342	38,643,958	38,272,687	37,754,399	39,249,188
Public works	2,239,223	2,016,152	1,925,529	2,848,257	2,818,928
Highways and streets	14,960,926	11,759,289	12,962,951	14,614,111	14,773,886
Recreation	6,491,021	7,662,739	7,549,260	6,786,153	5,324,142
Community development	2,709,435	2,960,152	2,575,566	2,582,810	7,103,236
Interest on long-term debt	1,307,722	1,193,277	1,383,774	1,576,922	1,508,678
Total governmental activities	66,340,265	77,757,634	78,474,328	78,460,715	84,338,105
Business-type activities:					
Water and wastewater	23,714,281	25,024,426	29,865,464	27,208,769	26,135,213
Public transit	4,551,257	4,519,401	4,787,343	4,763,055	4,819,992
Solid waste collection	2,977,648	3,021,188	3,327,216	3,418,516	3,539,162
Airport	2,512,780	2,566,234	2,620,027	2,684,727	2,919,251
Parking	1,369,956	1,475,329	1,418,990	1,378,093	1,520,256
Economic development	124,121	183,616	296,334	593,984	698,406
Total business-type activities	35,250,043	36,790,194	42,315,374	40,047,144	39,632,280
Total primary government expenses	101,590,308	114,547,828	120,789,702	118,507,859	123,970,385
Program revenues					
Governmental activities:					
Charges for services:					
General government	3,442,117	3,598,573	3,188,666	4,404,461	4,661,434
Public safety	900,686	907,947	1,119,088	1,463,042	1,633,937
Public works	120,379	144,941	118,886	116,923	116,846
Highways and streets	13,953	6,932	4,559	2,494	749
Recreation	3,400,581	3,822,885	3,511,655	3,670,917	2,340,253
Community development	135,693	57,780	78,892	41,774	53,650
Operating grants and contributions	12,533,025	14,753,846	15,546,274	17,633,267	22,433,015
Capital grants and contributions	762,199	34,404	320,769	3,391,624	338,769
Total governmental activities	21,308,633	23,327,308	23,888,789	30,724,502	31,578,653

continued...

Changes in Net Position

Last Ten Fiscal Years
(accrual basis of accounting)

	2010	2011	2012	2013	2014
Business-type activities:					
Charges for services:					
Water and wastewater	21,615,168	21,159,499	23,093,486	24,221,426	25,051,611
Public transit	390,010	405,754	423,116	415,699	425,705
Solid waste collection	2,702,376	2,841,261	2,865,400	2,863,898	3,082,169
Airport	1,228,917	1,189,936	1,358,819	1,364,368	1,365,747
Parking	600,608	872,937	1,117,414	1,229,770	1,330,971
Economic development	479,652	139,425	163,229	37,639	91,571
Operating grants and contributions	3,459,262	6,021,711	4,197,347	5,060,638	3,571,072
Capital grants and contributions	2,319,601	-	-	-	-
Total business-type activities	<u>32,795,594</u>	<u>32,630,523</u>	<u>33,218,811</u>	<u>35,193,438</u>	<u>34,918,846</u>
Total primary government					
Program revenues	<u>51,857,535</u>	<u>55,728,601</u>	<u>63,854,085</u>	<u>56,690,446</u>	<u>52,698,430</u>
Net (expense)/revenue					
Government activities	(43,778,768)	(41,307,212)	(31,884,407)	(41,281,378)	(43,561,069)
Business-type activities	<u>769,058</u>	<u>(2,655,173)</u>	<u>(1,575,929)</u>	<u>391,018</u>	<u>(638,833)</u>
Total primary government net expense	<u>(43,009,710)</u>	<u>(43,962,385)</u>	<u>(33,460,336)</u>	<u>(40,890,360)</u>	<u>(44,199,902)</u>
General revenues					
Governmental activities:					
General revenues:					
Property taxes	17,414,875	16,711,960	16,542,171	15,809,783	16,258,935
Income taxes	14,328,097	13,548,759	15,009,421	16,234,540	16,093,707
Grants and contributions not restricted to specific programs	5,235,168	5,599,849	5,296,135	5,271,399	5,336,347
Unrestricted investment earnings	1,816,033	1,070,544	1,176,170	371,196	953,036
Transfers - internal activities	(533,894)	(562,941)	(23,829)	(349,082)	(396,516)
Total governmental activities	<u>38,260,279</u>	<u>36,368,171</u>	<u>38,000,068</u>	<u>37,337,836</u>	<u>38,245,509</u>
Business-type activities:					
General revenues:					
Property taxes	-	-	-	-	-
Unrestricted investment earnings (loss)	119,765	80,674	97,266	(63,487)	96,548
Rents and leases	-	-	-	-	-
Transfers - internal activities	533,894	562,941	23,829	349,082	396,516
Total business-type activities	<u>653,659</u>	<u>643,615</u>	<u>121,095</u>	<u>285,595</u>	<u>493,064</u>
Total primary government	<u>38,913,938</u>	<u>37,011,786</u>	<u>38,121,163</u>	<u>37,623,431</u>	<u>38,738,573</u>
Change in net position					
Government activities	(5,518,489)	(4,939,041)	6,115,661	(3,943,542)	(5,315,560)
Business-type activities	<u>1,422,717</u>	<u>(2,011,558)</u>	<u>(1,454,834)</u>	<u>676,613</u>	<u>(145,769)</u>
Total primary government	<u>\$ (4,095,772)</u>	<u>\$ (6,950,599)</u>	<u>\$ 4,660,827</u>	<u>\$ (3,266,929)</u>	<u>\$ (5,461,329)</u>

continued...

Changes in Net Position

Last Ten Fiscal Years
(accrual basis of accounting)

	2015	2016	2017	2018	2019
Business-type activities:					
Charges for services:					
Water and wastewater	26,556,368	28,161,891	26,479,609	25,613,729	26,192,910
Public transit	430,572	407,480	378,300	366,930	339,299
Solid waste collection	3,094,738	3,212,994	3,407,372	3,389,107	3,512,255
Airport	1,389,514	1,354,099	1,459,032	1,666,987	1,309,971
Parking	1,398,498	1,384,948	1,333,331	1,131,526	1,171,483
Economic development	55,703	7,636	6,270	-	-
Operating grants and contributions	3,987,451	4,336,403	3,698,755	4,664,524	9,873,639
Capital grants and contributions	-	-	-	-	-
Total business-type activities	<u>36,912,844</u>	<u>38,865,451</u>	<u>36,762,669</u>	<u>36,832,803</u>	<u>42,399,557</u>
Total primary government					
Program revenues	<u>58,221,477</u>	<u>62,192,759</u>	<u>60,651,458</u>	<u>67,557,305</u>	<u>73,978,210</u>
Net (expense)/revenue					
Government activities	(45,031,632)	(54,430,326)	(54,585,539)	(47,736,213)	(52,759,452)
Business-type activities	<u>1,662,801</u>	<u>2,075,257</u>	<u>(5,552,705)</u>	<u>(3,214,341)</u>	<u>2,767,277</u>
Total primary government net expense	<u>(43,368,831)</u>	<u>(52,355,069)</u>	<u>(60,138,244)</u>	<u>(50,950,554)</u>	<u>(49,992,175)</u>
General revenues					
Governmental activities:					
General revenues:					
Property taxes	16,028,806	16,189,320	16,457,014	17,109,789	16,993,111
Income taxes	16,475,837	16,414,572	16,581,118	16,718,592	17,664,804
Grants and contributions not restricted to specific programs	5,441,022	5,637,815	5,678,681	5,822,141	6,116,033
Unrestricted investment earnings	856,338	770,022	293,860	125,428	366,154
Transfers - internal activities	(453,061)	(600,945)	(439,951)	(631,231)	(734,424)
Total governmental activities	<u>38,348,942</u>	<u>38,410,784</u>	<u>38,570,722</u>	<u>39,144,719</u>	<u>40,405,678</u>
Business-type activities:					
General revenues:					
Property taxes	-	-	-	321,410	363,711
Unrestricted investment earnings (loss)	74,665	269,643	49,396	8,976	624,757
Rents and leases	-	246,507	197,807	213,253	-
Transfers - internal activities	453,061	600,945	439,951	631,231	734,424
Total business-type activities	<u>527,726</u>	<u>1,117,095</u>	<u>687,154</u>	<u>1,174,870</u>	<u>1,722,892</u>
Total primary government	<u>38,876,668</u>	<u>39,527,879</u>	<u>39,257,876</u>	<u>40,319,589</u>	<u>42,128,570</u>
Change in net position					
Government activities	(6,682,690)	(16,019,542)	(16,014,817)	(8,591,494)	(12,353,774)
Business-type activities	<u>2,190,527</u>	<u>3,192,352</u>	<u>(4,865,551)</u>	<u>(2,039,471)</u>	<u>4,490,169</u>
Total primary government	<u>\$ (4,492,163)</u>	<u>\$ (12,827,190)</u>	<u>\$ (20,880,368)</u>	<u>\$ (10,630,965)</u>	<u>\$ (7,863,605)</u>

concluded.

Source: City of Battle Creek Finance Department

Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2010	2011	2012	2013	2014
General fund					
Nonspendable	\$ -	\$ 499,983	\$ 865,127	\$ 448,287	\$ 484,653
Restricted	-	336,529	163,327	146,469	147,134
Committed	-	783,357	892,532	835,064	844,624
Assigned	-	1,489,087	1,064,255	68,152	91,720
Unassigned	-	4,682,496	4,895,117	6,171,173	6,580,891
Reserved	518,774	-	-	-	-
Unreserved	6,740,926	-	-	-	-
Total general fund	\$ 7,259,700	\$ 7,791,452	\$ 7,880,358	\$ 7,669,145	\$ 8,149,022
All other governmental funds					
Nonspendable	\$ -	\$ 1,120,738	\$ 964,756	\$ 1,012,623	\$ 1,016,652
Restricted	-	689,873	556,164	755,079	11,477,425
Committed	-	958,394	2,209,308	2,389,690	2,436,895
Assigned	-	649,881	599,288	1,329,963	739,577
Unassigned (deficit)	-	(512,389)	-	(179,235)	(131,387)
Reserved	1,121,697	-	-	-	-
Unreserved, reported in:					
Special revenue funds	664,720	-	-	-	-
Debt service funds	7,564	-	-	-	-
Capital projects funds	1,250,256	-	-	-	-
Permanent funds	1,157,171	-	-	-	-
Total all other governmental funds	\$ 4,201,408	\$ 2,906,497	\$ 4,329,516	\$ 5,308,120	\$ 15,539,162

continued...

Fund Balances - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2015	2016	2017	2018	2019
General fund					
Nonspendable	\$ 455,414	\$ 508,342	\$ 376,049	\$ 457,410	\$ 183,770
Restricted	103,499	384,726	241,186	229,368	234,490
Committed	891,241	936,502	1,313,835	1,347,241	1,383,226
Assigned	101,236	61,973	96,131	130,763	117,019
Unassigned	6,417,328	6,181,573	5,958,796	5,958,796	6,221,349
Reserved	-	-	-	-	-
Unreserved	-	-	-	-	-
Total general fund	\$ 7,968,718	\$ 8,073,116	\$ 7,985,997	\$ 8,123,578	\$ 8,139,854
All other governmental funds					
Nonspendable	\$ 1,011,593	\$ 1,019,048	\$ 1,024,394	\$ 932,537	\$ 879,909
Restricted	6,468,777	4,791,668	16,317,974	7,278,525	6,033,641
Committed	2,418,119	1,727,350	2,504,157	805,359	2,848,023
Assigned	454,581	354,092	248,647	282,439	473,038
Unassigned (deficit)	(9,922)	-	-	-	-
Reserved	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Permanent funds	-	-	-	-	-
Total all other governmental funds	\$ 10,343,148	\$ 7,892,158	\$ 20,095,172	\$ 9,298,860	\$ 10,234,611

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)

	2010	2011	2012	2013	2014
Revenues					
Income taxes	\$ 14,328,097	\$ 13,548,759	\$ 15,009,421	\$ 16,234,540	\$ 16,093,707
Property taxes	17,414,875	16,711,960	16,542,171	15,809,783	16,258,935
Licenses and permits	1,038,089	1,198,154	813,942	832,745	922,738
Intergovernmental	15,867,905	19,635,529	25,974,924	17,729,297	15,443,105
Charges for services	4,833,110	4,479,740	5,235,921	5,058,388	4,520,247
Fines and forfeitures	217,119	138,191	151,470	143,710	134,497
Investment income	985,996	756,002	648,835	110,735	559,839
Other	2,903,858	3,511,690	5,225,127	3,441,665	2,968,516
Total revenues	57,589,049	59,980,025	69,601,811	59,360,863	56,901,584
Expenditures					
General government	7,970,982	9,025,067	10,840,690	8,324,868	13,218,040
Public safety	27,096,596	26,296,938	25,721,232	25,856,822	25,587,422
Public works	1,906,614	2,739,101	2,422,655	1,801,123	2,152,726
Highway and streets	8,270,729	9,674,093	13,336,410	10,504,607	9,261,973
Recreation	5,791,915	5,613,072	5,396,641	5,404,433	4,784,815
Community development	3,040,116	4,371,354	5,871,937	3,729,026	1,725,369
Inspections	537,689	1,080,883	400,956	432,009	438,325
Unallocated	267,009	-	1,230,028	1,789,974	1,272,866
Debt service:					
Principal retirement	2,103,669	2,363,469	1,843,730	1,439,473	1,960,721
Interest	927,124	895,686	723,652	748,414	1,183,898
Bond issuance costs	83,095	153,331	-	-	312,339
Total expenditures	57,995,538	62,212,994	67,787,931	60,030,749	61,898,494
Revenues over (under) expenditures	(406,489)	(2,232,969)	1,813,880	(669,886)	(4,996,910)
Other financing sources (uses)					
Issuance of bonds and notes	2,240,000	6,725,000	-	-	15,370,000
Premium (discount) on bonds	5,220	250,294	-	-	383,666
Payment to refunding bond escrow agent	(2,162,125)	(6,818,624)	-	-	-
Proceeds from sales of capital assets	974,036	1,029,881	-	-	-
Transfers in	10,851,446	7,706,637	5,629,173	6,035,359	5,400,117
Transfers out	(11,331,409)	(7,423,378)	(5,931,128)	(4,598,082)	(5,445,954)
Total other financing sources (uses)	577,168	1,469,810	(301,955)	1,437,277	15,707,829
Net changes in fund balances	\$ 170,679	\$ (763,159)	\$ 1,511,925	\$ 767,391	\$ 10,710,919
Debt services as a percentage of noncapital expenditures	5.7%	6.0%	4.7%	4.2%	6.0%

continued...

Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2015	2016	2017	2018	2019
Revenues					
Income taxes	\$ 16,475,837	\$ 16,414,572	\$ 16,581,118	\$ 16,718,592	\$ 17,664,804
Property taxes	16,028,806	16,189,320	16,457,014	17,109,789	16,993,111
Licenses and permits	965,987	1,029,815	1,019,433	1,057,206	1,197,941
Intergovernmental	17,614,000	20,026,447	21,084,486	21,598,338	22,537,392
Charges for services	4,778,052	5,082,714	4,879,599	5,448,749	4,479,349
Fines and forfeitures	127,535	129,805	125,194	116,581	118,908
Investment income	555,685	501,922	157,485	3,800	750,741
Other	2,026,275	1,914,836	1,972,148	4,479,724	1,800,126
Total revenues	58,572,177	61,289,431	62,276,477	66,532,779	65,542,372
Expenditures					
General government	8,934,304	9,999,068	13,203,880	9,706,024	8,671,057
Public safety	26,469,518	27,427,085	29,417,044	41,320,776	35,080,658
Public works	2,103,888	2,571,981	2,463,778	2,873,537	2,817,820
Highway and streets	14,242,456	10,667,566	9,568,383	9,569,149	9,312,518
Recreation	5,438,183	5,495,002	5,012,445	5,220,992	3,424,227
Community development	1,452,582	1,853,905	1,126,055	1,987,820	7,707,306
Inspections	580,355	616,610	625,830	673,614	725,683
Unallocated	1,350,777	1,286,389	1,330,575	1,323,813	1,211,464
Debt service:					
Principal retirement	2,342,497	2,539,826	2,072,734	2,701,249	2,690,397
Interest	1,346,762	1,207,672	1,367,461	1,649,639	1,508,685
Bond issuance costs	-	-	-	-	-
Total expenditures	64,261,322	63,665,104	66,188,185	77,026,613	73,149,815
Revenues over (under) expenditures	(5,689,145)	(2,375,673)	(3,911,708)	(10,493,834)	(7,607,443)
Other financing sources (uses)					
Issuance of bonds and notes	-	12,605,000	15,265,000	-	8,620,963
Premium (discount) on bonds	-	860,638	1,489,463	-	-
Payment to refunding bond escrow agent	-	(13,548,312)	-	-	-
Proceeds from sales of capital assets	-	-	-	-	-
Transfers in	6,559,688	5,406,192	6,588,752	5,240,901	5,693,706
Transfers out	(6,246,861)	(5,294,437)	(7,315,611)	(5,405,798)	(5,755,199)
Total other financing sources (uses)	312,827	29,081	16,027,604	(164,897)	8,559,470
Net changes in fund balances	\$ (5,376,318)	\$ (2,346,592)	\$ 12,115,896	\$ (10,658,731)	\$ 952,027
Debt services as a percentage of noncapital expenditures	6.8%	6.5%	5.9%	7.1%	6.3%

concluded.

Source: City of Battle Creek Finance Department

Changes in Fund Balances - General Fund

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2010	2011	2012	2013	2014
Revenues					
Income taxes	\$ 14,328,097	\$ 13,548,759	\$ 15,009,421	\$ 16,234,540	\$ 16,093,707
Property taxes	17,414,875	16,711,960	14,909,932	14,227,428	14,683,943
Licenses and permits	1,038,089	1,160,839	698,145	696,355	744,302
Intergovernmental	7,121,712	6,731,957	6,353,111	6,595,260	6,659,514
Charges for services	2,305,552	2,142,591	2,228,868	2,026,494	1,981,271
Fines and forfeitures	217,119	138,191	151,470	143,710	134,497
Investment earnings (loss)	793,498	687,076	577,687	146,653	511,395
Contributions	-	-	-	-	-
Rents and leases	-	-	-	-	-
Other	1,545,510	2,142,638	3,167,419	1,833,188	1,965,686
Total revenues	44,764,452	43,264,011	43,096,053	41,903,628	42,774,315
Expenditures					
General government	7,707,358	7,521,606	7,082,687	7,268,561	7,225,082
Public safety	26,452,872	25,607,110	24,741,135	25,021,620	25,303,386
Public works	1,906,614	2,739,101	2,422,655	1,801,123	2,152,726
Recreation	3,390,286	3,284,606	3,017,352	2,887,026	2,708,291
Community development	-	-	-	-	-
Non-departmental	364,755	1,053,986	1,230,028	1,789,974	1,272,866
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	39,821,885	40,206,409	38,493,857	38,768,304	38,662,351
Revenues over (under) expenditures	4,942,567	3,057,602	4,602,196	3,135,324	4,111,964
Other financing sources (uses)					
Transfers in	1,820,222	888,345	167,792	1,056	16,600
Sale of land and other assets	917,847	973,692	-	-	-
Transfers out	(7,838,862)	(5,767,462)	(4,681,082)	(3,347,593)	(3,648,687)
Total other financing sources (uses)	(5,100,793)	(3,905,425)	(4,513,290)	(3,346,537)	(3,632,087)
Net changes in fund balances	\$ (158,226)	\$ (847,823)	\$ 88,906	\$ (211,213)	\$ 479,877

continued...

Changes in Fund Balances - General Fund

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2015	2016	2017	2018	2019
Revenues					
Income taxes	\$ 16,475,837	\$ 16,414,572	\$ 16,581,118	\$ 16,718,592	\$ 17,664,804
Property taxes	14,504,834	14,668,381	14,950,795	15,657,346	15,437,292
Licenses and permits	868,181	1,021,229	1,019,433	1,057,206	1,197,941
Intergovernmental	6,809,508	8,698,540	11,717,251	10,361,118	8,538,406
Charges for services	2,040,194	2,378,225	2,482,779	4,310,766	3,774,648
Fines and forfeitures	127,535	129,805	125,194	116,581	118,908
Investment earnings (loss)	516,880	426,096	145,145	(4,463)	596,605
Contributions	-	-	-	3,407	2,878
Rents and leases	-	-	-	213,991	160,897
Other	872,559	1,034,513	928,761	1,601,274	445,622
Total revenues	42,215,528	44,771,361	47,950,476	50,035,818	47,938,001
Expenditures					
General government	6,371,999	6,772,153	6,648,823	6,757,373	5,353,716
Public safety	25,835,041	27,204,080	29,009,596	30,488,624	31,208,161
Public works	2,103,888	2,571,981	2,463,778	2,873,537	2,817,820
Recreation	3,001,790	3,301,833	3,036,624	4,322,645	3,353,181
Community development	-	-	-	607,252	686,024
Non-departmental	1,350,777	1,286,389	1,330,575	1,323,813	1,211,464
Debt service:					
Principal	-	-	-	345,000	180,000
Interest	-	-	-	98,183	57,514
Total expenditures	38,663,495	41,136,436	42,489,396	46,816,427	44,867,880
Revenues over (under) expenditures	3,552,033	3,634,925	5,461,080	3,219,391	3,070,121
Other financing sources (uses)					
Transfers in	-	106,731	21,113	201,565	-
Sale of land and other assets	-	-	-	-	-
Transfers out	(3,732,337)	(3,637,258)	(5,569,312)	(3,283,375)	(3,053,845)
Total other financing sources (uses)	(3,732,337)	(3,530,527)	(5,548,199)	(3,081,810)	(3,053,845)
Net changes in fund balances	\$ (180,304)	\$ 104,398	\$ (87,119)	\$ 137,581	\$ 16,276

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
2019	2018	2017	\$ 1,257,426,739	\$ 1,076,813,647	\$ 155,035,548
2018	2017	2016	1,394,675,388	1,063,247,903	150,132,197
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

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		
2019	\$ 51,542,516	\$ 40,104	\$ 1,283,431,815	\$ 2,514,853,478	15.7490
2018	58,777,497	52,084	1,272,209,681	2,789,350,776	15.7490
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

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			
2019	2018	9.8460	0.5000	5.4030	15.7490	24.0000	6.0000
2018	2017	10.2400	0.5000	5.0090	15.7490	24.0000	6.0000
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

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)
2019	6.2057	3.6136	2.0000	6.4713	64.0396	46.0396
2018	6.2057	3.6136	2.0000	6.4713	64.0396	46.0396
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

- (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	2010		
	Taxable Value	Rank	Percentage of Total City Taxable Value
Kellogg Company	\$137,332,761	1	7.75%
Consumer Energy	22,567,607	4	1.27%
Musashi Auto Parts-Michigan Inc.	9,285,175	9	0.52%
Denso Manufacturing MI Inc.	53,235,834	2	3.01%
Semco Energy Inc.	14,336,280	6	0.81%
Post Foods LLC	50,367,553	3	2.84%
TRMI Inc.	9,736,637	8	0.55%
Il Stanley Co. Inc.	-	-	0.00%
Lakeview Square LLC	13,799,301	7	0.78%
Edward Rose Development Co.	-	-	0.00%
Conagra Foods Inc.	15,142,181	5	0.86%
Pacific Coast Packaging Corporation	9,093,263	10	0.51%
	<u>\$ 334,896,592</u>		<u>18.91%</u>

continued...

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2019		
	Taxable Value	Rank	Percentage of Total City Taxable Value
Kellogg Company	\$59,147,425	1	4.61%
Consumer Energy	39,650,037	2	3.09%
Musashi Auto Parts-Michigan Inc.	29,350,491	3	2.29%
Denso Manufacturing MI Inc.	22,695,936	4	1.77%
Semco Energy Inc.	15,315,700	5	1.19%
Post Foods LLC	13,334,999	6	1.04%
TRMI Inc.	7,792,740	7	0.61%
Il Stanley Co. Inc.	7,259,827	8	0.57%
Lakeview Square LLC	6,913,458	9	0.54%
Edward Rose Development Co.	6,271,394	10	0.49%
Conagra Foods Inc.	-	-	0.00%
Pacific Coast Packaging Corporation	-	-	0.00%
	<u>\$ 207,732,007</u>		<u>16.19%</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
2019	\$ 19,568,359	\$ 19,528,723	99.80%	\$ 2,090	\$ 19,530,813	99.81%
2018	19,173,957	19,127,382	99.76%	580	19,127,962	99.76%
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%

Source: City of Battle Creek Treasurer's Office

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

Type of User	2010	2011	2012	2013	2014
In-City					
Residential	14,467	14,318	14,430	14,814	14,791
Commercial (1)	1,575	1,557	1,557	1,622	1,628
Industrial	126	124	128	129	132
	<u>16,168</u>	<u>15,999</u>	<u>16,115</u>	<u>16,565</u>	<u>16,551</u>
Outside City					
Emmett Township	668	648	649	669	669
Bedford Township	421	418	430	438	430
Springfield City	Bulk	Bulk	Bulk	Bulk	Bulk
Pennfield Township	Bulk	Bulk	Bulk	Bulk	Bulk
	<u>1,089</u>	<u>1,066</u>	<u>1,079</u>	<u>1,107</u>	<u>1,099</u>
Totals	<u><u>17,257</u></u>	<u><u>17,065</u></u>	<u><u>17,194</u></u>	<u><u>17,672</u></u>	<u><u>17,650</u></u>

continued...

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

Type of User	2015	2016	2017	2018	2019
In-City					
Residential	14,765	14,757	14,771	14,754	14,791
Commercial (1)	1,617	1,619	1,634	1,646	1,671
Industrial	131	130	126	126	124
	<u>16,513</u>	<u>16,506</u>	<u>16,531</u>	<u>16,526</u>	<u>16,586</u>
Outside City					
Emmett Township	668	675	699	708	714
Bedford Township	426	420	428	428	429
Springfield City	Bulk	Bulk	Bulk	Bulk	Bulk
Pennfield Township	Bulk	Bulk	Bulk	Bulk	Bulk
	<u>1,094</u>	<u>1,095</u>	<u>1,127</u>	<u>1,136</u>	<u>1,143</u>
Totals	<u><u>17,607</u></u>	<u><u>17,601</u></u>	<u><u>17,658</u></u>	<u><u>17,662</u></u>	<u><u>17,729</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	2010	2011	2012	2013	2014
In-City					
Residential	83.83%	83.90%	83.92%	83.83%	83.80%
Commercial	9.13%	9.12%	9.06%	9.18%	9.22%
Industrial	0.73%	0.73%	0.74%	0.72%	0.75%
	<u>93.69%</u>	<u>93.75%</u>	<u>93.72%</u>	<u>93.73%</u>	<u>93.77%</u>
Outside City					
Emmett Township	3.87%	3.80%	3.78%	3.79%	3.79%
Bedford Township	2.44%	2.45%	2.50%	2.48%	2.44%
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>6.31%</u>	<u>6.25%</u>	<u>6.28%</u>	<u>6.27%</u>	<u>6.23%</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	2015	2016	2017	2018	2019
In-City					
Residential	83.86%	83.84%	83.65%	83.54%	83.43%
Commercial	9.18%	9.20%	9.25%	9.32%	9.43%
Industrial	0.74%	0.74%	0.71%	0.71%	0.70%
	<u>93.79%</u>	<u>93.78%</u>	<u>93.62%</u>	<u>93.57%</u>	<u>93.55%</u>
Outside City					
Emmett Township	3.79%	3.84%	3.96%	4.01%	4.03%
Bedford Township	2.42%	2.39%	2.42%	2.42%	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>6.21%</u>	<u>6.22%</u>	<u>6.38%</u>	<u>6.43%</u>	<u>6.45%</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	2010	2011	2012	2013	2014
In-City					
Residential	\$ 3,013,516	\$ 2,973,697	\$ 3,197,288	\$ 3,410,041	\$ 3,403,962
Commercial (1)	2,036,886	1,683,483	1,886,236	2,099,206	2,092,311
Industrial	1,865,248	1,750,581	2,047,362	2,005,796	2,133,970
	<u>6,915,650</u>	<u>6,407,761</u>	<u>7,130,886</u>	<u>7,515,043</u>	<u>7,630,243</u>
Outside City					
Emmett Township	157,258	518,833	568,638	495,823	610,684
Bedford Township	45,160	97,724	90,044	101,866	92,695
East Leroy Township	6,162	14,230	23,539	34,188	19,460
Springfield City	278,047	208,408	252,402	275,733	333,441
Pennfield Township	26,304	66,760	28,274	55,498	29,619
	<u>512,931</u>	<u>905,956</u>	<u>962,897</u>	<u>963,108</u>	<u>1,085,899</u>
Totals	<u>\$ 7,428,581</u>	<u>\$ 7,313,717</u>	<u>\$ 8,093,783</u>	<u>\$ 8,478,151</u>	<u>\$ 8,716,142</u>

continued...

Water System Revenues by User Class
Last Ten Fiscal Years

Type of User	2015	2016	2017	2018	2019
In-City					
Residential	\$ 3,478,565	\$ 3,575,598	\$ 3,724,145	\$ 3,826,075	\$ 3,871,053
Commercial (1)	2,028,652	2,243,876	2,124,857	2,102,968	2,150,138
Industrial	2,179,161	2,367,369	1,939,402	1,579,649	1,651,605
	<u>7,686,378</u>	<u>8,186,843</u>	<u>7,788,404</u>	<u>7,508,692</u>	<u>7,672,796</u>
Outside City					
Emmett Township	626,495	689,318	695,064	709,973	742,075
Bedford Township	98,325	100,731	99,809	105,058	107,763
East Leroy Township	12,481	13,024	11,817	11,156	12,989
Springfield City	272,671	266,165	290,922	224,405	228,116
Pennfield Township	27,805	29,562	35,524	44,202	46,033
	<u>1,037,776</u>	<u>1,098,800</u>	<u>1,133,136</u>	<u>1,094,794</u>	<u>1,136,976</u>
Totals	<u>\$ 8,724,154</u>	<u>\$ 9,285,643</u>	<u>\$ 8,921,540</u>	<u>\$ 8,603,486</u>	<u>\$ 8,809,772</u>

concluded.

(1) This class includes commercial and governmental users.

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	2010	2011	2012	2013	2014
In-City					
Residential	40.57%	40.66%	39.50%	40.22%	39.05%
Commercial (1)	27.42%	23.02%	23.30%	24.76%	24.01%
Industrial	25.11%	23.94%	25.30%	23.66%	24.48%
	<u>93.10%</u>	<u>87.61%</u>	<u>88.10%</u>	<u>88.64%</u>	<u>87.54%</u>
Outside City					
Emmett Township	2.12%	7.09%	7.03%	5.85%	7.01%
Bedford Township	0.61%	1.34%	1.11%	1.20%	1.06%
East Leroy Township	0.08%	0.19%	0.29%	0.40%	0.22%
Springfield City	3.74%	2.85%	3.12%	3.25%	3.83%
Pennfield Township	0.35%	0.91%	0.35%	0.66%	0.34%
	<u>6.90%</u>	<u>12.39%</u>	<u>11.90%</u>	<u>11.36%</u>	<u>12.46%</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	2015	2016	2017	2018	2019
In-City					
Residential	39.87%	38.51%	41.74%	44.47%	43.94%
Commercial (1)	23.25%	24.17%	23.82%	24.44%	24.41%
Industrial	24.98%	25.49%	21.74%	18.36%	18.75%
	<u>88.10%</u>	<u>88.17%</u>	<u>87.30%</u>	<u>87.27%</u>	<u>87.09%</u>
Outside City					
Emmett Township	7.18%	7.42%	7.79%	8.25%	8.42%
Bedford Township	1.13%	1.08%	1.12%	1.22%	1.22%
East Leroy Township	0.14%	0.14%	0.13%	0.13%	0.15%
Springfield City	3.13%	2.87%	3.26%	2.61%	2.59%
Pennfield Township	0.32%	0.32%	0.40%	0.51%	0.52%
	<u>11.90%</u>	<u>11.83%</u>	<u>12.70%</u>	<u>12.73%</u>	<u>12.91%</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 System Sales Volume by User Class (Cubic Feet)
Last Ten Fiscal Years

Type of User	2010	2011	2012	2013	2014
In-City					
Residential	126,426,959	125,730,875	110,428,535	128,321,154	113,821,573
Commercial (1)	104,709,987	103,704,045	94,180,609	108,996,437	101,258,848
Industrial	113,482,354	108,505,973	135,043,271	130,981,050	131,575,143
	<u>344,619,300</u>	<u>337,940,893</u>	<u>339,652,415</u>	<u>368,298,641</u>	<u>346,655,564</u>
Outside City					
Emmett Township	19,058,356	22,469,497	20,989,946	22,861,381	25,097,179
Bedford Township	3,513,561	3,357,542	3,387,117	3,989,779	3,281,149
Springfield City	18,041,171	20,371,021	20,084,605	20,452,628	18,474,474
Pennfield Township	2,368,300	2,532,700	2,506,600	2,238,500	2,223,900
	<u>42,981,388</u>	<u>48,730,760</u>	<u>46,968,268</u>	<u>49,542,288</u>	<u>49,076,702</u>
Totals	<u><u>387,600,688</u></u>	<u><u>386,671,653</u></u>	<u><u>386,620,683</u></u>	<u><u>417,840,929</u></u>	<u><u>395,732,266</u></u>

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

Type of User	2015 (2)	2016 (2)	2017	2018	2019
In-City					
Residential	105,232,458	96,499,847	109,281,509	106,630,876	103,873,324
Commercial (1)	91,052,374	95,356,781	90,252,021	89,941,367	85,985,666
Industrial	127,625,133	127,002,299	113,625,946	102,822,926	104,534,592
	<u>323,909,965</u>	<u>318,858,927</u>	<u>313,159,476</u>	<u>299,395,169</u>	<u>294,393,582</u>
Outside City					
Emmett Township	23,111,371	23,441,862	25,738,764	27,512,531	29,987,370
Bedford Township	3,127,698	2,888,704	2,820,489	3,110,360	3,090,877
Springfield City	16,888,944	16,888,943	17,389,269	17,243,502	16,925,328
Pennfield Township	2,123,500	2,164,000	2,199,500	2,255,800	2,218,600
	<u>45,251,513</u>	<u>45,383,509</u>	<u>48,148,022</u>	<u>50,122,193</u>	<u>52,222,175</u>
Totals	<u><u>369,161,478</u></u>	<u><u>364,242,436</u></u>	<u><u>361,307,498</u></u>	<u><u>349,517,362</u></u>	<u><u>346,615,757</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

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

Type of User	2010	2011	2012	2013	2014
In-City					
Residential	32.62%	32.52%	28.56%	30.71%	28.76%
Commercial (1)	27.01%	26.82%	24.36%	26.09%	25.59%
Industrial	29.28%	28.06%	34.93%	31.35%	33.25%
	<u>88.91%</u>	<u>87.40%</u>	<u>87.85%</u>	<u>88.15%</u>	<u>87.60%</u>
Outside City					
Emmett Township	4.92%	5.81%	5.43%	5.47%	6.34%
Bedford Township	0.91%	0.87%	0.88%	0.95%	0.83%
Springfield City	4.65%	5.27%	5.19%	4.89%	4.67%
Pennfield Township	0.61%	0.66%	0.65%	0.54%	0.56%
	<u>11.09%</u>	<u>12.60%</u>	<u>12.15%</u>	<u>11.85%</u>	<u>12.40%</u>
Totals	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

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

Type of User	2015	2016	2017	2018	2019
In-City					
Residential	28.51%	26.49%	30.25%	30.51%	29.97%
Commercial (1)	24.66%	26.18%	24.98%	25.73%	24.81%
Industrial	34.57%	34.87%	31.45%	29.42%	30.16%
	<u>87.74%</u>	<u>87.54%</u>	<u>86.67%</u>	<u>85.66%</u>	<u>84.93%</u>
Outside City					
Emmett Township	6.26%	6.44%	7.12%	7.87%	8.65%
Bedford Township	0.85%	0.79%	0.78%	0.89%	0.89%
Springfield City	4.57%	4.64%	4.81%	4.93%	4.88%
Pennfield Township	0.58%	0.59%	0.61%	0.65%	0.64%
	<u>12.26%</u>	<u>12.46%</u>	<u>13.33%</u>	<u>14.34%</u>	<u>15.07%</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
2019	421,137,701	-7.23%	346,615,757	-0.83%	82.30%
2018	453,945,187	-0.51%	349,517,362	-3.26%	77.00%
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%

Source: City of Battle Creek Treasurer's Office

Water Revenues and Usage - Major Customers

Fiscal Year Ended June 30, 2019

Company	Product or Service	Consumption (Cu. Ft.)	% of Total	Revenue	% of Total
Post Foods	Breakfast Foods	30,459,100	8.79%	\$ 404,272	4.59%
Kellogg Company - Plant	Breakfast Foods	26,480,533	7.64%	341,616	3.88%
Fire Keepers Casino	Gambling/Entertainment	10,927,100	3.15%	556,641	6.32%
Graphic Packaging/MI Paperboard	Paper Mill	8,589,900	2.48%	121,349	1.38%
Prairie Farms Dairy	Dairy Processing	6,788,688	1.96%	99,291	1.13%
Denso Mfg - Michigan	Automotive Parts	5,701,350	1.64%	104,392	1.18%
Adient (fka Johnson Controls)	Heating & Venting	5,162,163	1.49%	72,153	0.82%
VA Medical Center - Hospital	Medical Services	4,348,174	1.25%	101,122	1.15%
Bronson Battle Creek	Medical Services	4,264,300	1.23%	78,519	0.89%
Rock-Tenn/Waldorf Corp	Paperboard	3,588,286	1.04%	62,412	0.71%
City of Battle Creek - WWTP	Government	2,561,900	0.74%	37,690	0.43%
Calhoun County Justice Center	Government-Jails/Courts	2,504,979	0.72%	37,614	0.43%
Rolling Hills MHS	Mobile Home Community	2,452,800	0.71%	32,913	0.37%
Treehouse Private Brands	Breakfast Foods	1,994,200	0.58%	19,195	0.22%
Gallagher Laundry	Laundry	1,976,306	0.57%	29,465	0.33%
Ft Custer Trng Ctr-Milt&Vet Affrs	Government	1,931,492	0.56%	25,905	0.29%
Musashi Auto Parts Inc	Automotive Parts	1,655,600	0.48%	38,664	0.44%
Pedcor Investments (Teal Run Apts)	Apartment Complex	1,642,700	0.47%	22,319	0.25%
Kellogg Company - Research	Food Research	1,466,344	0.42%	31,417	0.36%
Kellogg Company - Headquarters	Breakfast Foods	1,296,875	0.37%	25,485	0.29%
Totals		<u>125,792,790</u>	<u>36.29%</u>	<u>\$ 2,242,434</u>	<u>25.45%</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)				
	2010	2011	2012	2013	2014
Inside City					
0 to 4,410,000	\$ 1.29	\$ 1.32	\$ 1.39	\$ 1.46	\$ 1.53
4,410,001 to 11,000,000	0.63	0.64	0.07	0.71	0.74
Over 11,000,000	0.95	0.97	1.02	1.07	1.12
Outside City (bulk rate)					
Pennfield Township	0.93	0.95	1.01	1.06	1.11
Springfield City	1.29	1.32	1.39	1.46	1.53

	Monthly Readiness-to-Serve Charge (2)				
	(Fiscal Year Ending June 30)				
	2010	2011	2012	2013	2014
Inside City					
5/8"	\$ 7.41	\$ 7.59	\$ 7.97	\$ 8.37	\$ 8.79
3/4" or less	9.30	9.52	10.00	10.50	11.02
1"	13.07	13.37	14.04	14.74	15.48
1.5"	22.49	22.99	24.14	25.35	26.61
2"	33.80	34.54	36.27	38.08	39.98
3"	60.19	61.49	64.56	67.79	71.18
4"	97.89	99.99	104.99	110.24	115.75
6"	192.14	196.24	206.05	216.35	227.17
8"	305.24	311.74	327.33	343.69	360.88
10"	437.19	446.49	468.81	492.26	516.87

	Monthly Fire Sprinkler Charges (3)				
	(Fiscal Year Ending June 30)				
	2010	2011	2012	2013	2014
Inside City					
2"	\$ 5.53	\$ 5.67	\$ 5.95	\$ 6.25	\$ 6.56
3"	10.36	10.62	11.15	11.71	12.29
4"	17.28	17.72	18.61	19.54	20.51
6"	34.55	35.41	37.18	39.04	40.99
8"	55.30	56.68	59.51	62.49	65.61
10"	79.50	81.48	85.55	89.83	94.32

(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)				
(Fiscal Year Ending June 30)				
2015	2016	2017 (4)	2018	2019
\$ 1.60	\$ 1.68	\$ 1.16	\$ 1.20	\$ 1.24
0.78	0.82	1.16	1.20	1.24
1.18	1.24	1.16	1.20	1.24
1.17	1.23	1.78	1.78	1.78
1.60	1.68	1.16	1.20	1.24

Monthly Readiness-to-Serve Charge (2)				
(Fiscal Year Ending June 30)				
2015	2016	2017 (4)	2018	2019
\$ 9.23	\$ 9.69	\$ 12.19	\$ 12.51	\$ 12.51
11.57	12.15	16.94	17.35	17.76
16.25	17.06	26.43	27.02	27.62
27.94	29.34	50.15	51.22	52.28
41.98	44.08	78.63	80.25	81.87
74.74	78.48	145.06	147.99	150.92
121.54	127.62	239.97	244.77	249.56
238.53	250.46	477.25	486.71	496.16
378.92	397.87	761.98	777.03	792.08
542.71	569.85	1,094.16	1,115.74	1,137.32

Monthly Fire Sprinkler Charges (3)				
(Fiscal Year Ending June 30)				
2015	2016	2017 (4)	2018	2019
\$ 6.89	\$ 7.24	\$ 7.60	\$ 7.98	\$ 8.38
12.91	13.55	14.23	14.94	15.69
21.54	22.62	23.75	24.94	26.19
43.04	45.19	47.45	49.82	52.31
68.89	72.34	75.96	79.75	83.74
99.04	103.99	109.19	114.65	120.38

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

Type of User	2010	2011	2012	2013	2014
In-City					
Residential	15,490	15,287	15,304	15,812	15,785
Commercial (1)	1,563	1,518	1,500	1,570	1,576
Industrial	116	116	119	119	122
	<u>17,169</u>	<u>16,921</u>	<u>16,923</u>	<u>17,501</u>	<u>17,483</u>
Outside City					
Emmett Township	1,665	1,631	1,690	1,660	1,683
Bedford Township	545	540	553	563	553
Springfield City	Bulk	Bulk	Bulk	Bulk	Bulk
Pennfield Township	Bulk	Bulk	Bulk	Bulk	Bulk
	<u>2,210</u>	<u>2,171</u>	<u>2,243</u>	<u>2,223</u>	<u>2,236</u>
Totals	<u>19,379</u>	<u>19,092</u>	<u>19,166</u>	<u>19,724</u>	<u>19,719</u>

continued...

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

Type of User	2015	2016	2017	2018	2019
In-City					
Residential	15,745	15,734	15,740	15,707	15,735
Commercial (1)	1,570	1,580	1,583	1,613	1,631
Industrial	121	120	117	118	116
	<u>17,436</u>	<u>17,434</u>	<u>17,440</u>	<u>17,438</u>	<u>17,482</u>
Outside City					
Emmett Township	1,681	1,685	1,688	1,686	1,690
Bedford Township	549	543	551	551	554
Springfield City	Bulk	Bulk	Bulk	Bulk	Bulk
Pennfield Township	Bulk	Bulk	Bulk	Bulk	Bulk
	<u>2,230</u>	<u>2,228</u>	<u>2,239</u>	<u>2,237</u>	<u>2,244</u>
Totals	<u><u>19,666</u></u>	<u><u>19,662</u></u>	<u><u>19,679</u></u>	<u><u>19,675</u></u>	<u><u>19,726</u></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, 2019

Type of User	2010	2011	2012	2013	2014
In-City					
Residential	79.93%	80.07%	79.85%	80.17%	80.05%
Commercial (1)	8.07%	7.95%	7.83%	7.96%	7.99%
Industrial	0.60%	0.61%	0.62%	0.60%	0.62%
	<u>88.60%</u>	<u>88.63%</u>	<u>88.30%</u>	<u>88.73%</u>	<u>88.66%</u>
Outside City					
Emmett Township	8.59%	8.54%	8.82%	8.42%	8.53%
Bedford Township	2.81%	2.83%	2.88%	2.85%	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>11.40%</u>	<u>11.37%</u>	<u>11.70%</u>	<u>11.27%</u>	<u>11.34%</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, 2019

Type of User	2015	2016	2017	2018	2019
In-City					
Residential	80.06%	80.02%	79.98%	79.83%	79.77%
Commercial (1)	7.98%	8.04%	8.04%	8.20%	8.27%
Industrial	0.62%	0.61%	0.59%	0.60%	0.59%
	<u>88.66%</u>	<u>88.67%</u>	<u>88.62%</u>	<u>88.63%</u>	<u>88.62%</u>
Outside City					
Emmett Township	8.55%	8.57%	8.58%	8.57%	8.57%
Bedford Township	2.79%	2.76%	2.80%	2.80%	2.81%
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>11.34%</u>	<u>11.33%</u>	<u>11.38%</u>	<u>11.37%</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	2010	2011	2012	2013	2014
In-City					
Residential	\$ 4,012,982	\$ 4,145,313	\$ 4,323,322	\$ 4,450,077	\$ 4,764,798
Commercial (1)	2,219,711	2,169,252	2,340,662	2,385,212	2,592,433
Industrial	5,235,533	4,732,896	5,220,780	5,815,387	5,564,090
	<u>11,468,226</u>	<u>11,047,461</u>	<u>11,884,764</u>	<u>12,650,676</u>	<u>12,921,321</u>
Outside City					
Emmett Township	855,357	858,298	852,108	905,189	1,087,836
Bedford Township	177,108	193,916	236,027	130,388	228,892
East Leroy Township	426	12,961	24,345	35,571	16,971
Springfield City	536,289	482,238	536,885	557,175	586,192
Pennfield Township	496,588	447,255	519,595	545,549	551,887
	<u>2,065,768</u>	<u>1,994,668</u>	<u>2,168,960</u>	<u>2,173,872</u>	<u>2,471,778</u>
Totals	<u>\$ 13,533,994</u>	<u>\$ 13,042,129</u>	<u>\$ 14,053,724</u>	<u>\$ 14,824,548</u>	<u>\$ 15,393,099</u>

continued...

Wastewater System Revenues by User Class
Last Ten Fiscal Years

Type of User	2015	2016	2017	2018	2019
In-City					
Residential	\$ 4,941,109	\$ 5,139,653	\$ 5,148,865	\$ 5,432,302	\$ 5,637,868
Commercial (1)	2,576,867	2,771,042	2,841,250	3,132,960	2,961,203
Industrial	6,810,953	7,429,068	6,115,683	5,908,955	5,833,930
	<u>14,328,929</u>	<u>15,339,763</u>	<u>14,105,798</u>	<u>14,474,217</u>	<u>14,433,001</u>
Outside City					
Emmett Township	1,137,984	1,221,559	1,090,616	1,026,430	1,081,177
Bedford Township	241,437	248,684	211,904	190,646	229,160
East Leroy Township	11,468	11,988	11,036	11,085	13,613
Springfield City	595,998	582,021	696,193	487,718	573,952
Pennfield Township	570,497	621,812	550,298	489,705	557,253
	<u>2,557,384</u>	<u>2,686,064</u>	<u>2,560,047</u>	<u>2,205,584</u>	<u>2,455,155</u>
Totals	<u>\$ 16,886,313</u>	<u>\$ 18,025,827</u>	<u>\$ 16,665,845</u>	<u>\$ 16,679,801</u>	<u>\$ 16,888,156</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	2010	2011	2012	2013	2014
In-City					
Residential	29.65%	31.78%	30.76%	30.02%	30.95%
Commercial (1)	16.40%	16.63%	16.66%	16.09%	16.84%
Industrial	38.68%	36.29%	37.15%	39.23%	36.15%
	<u>84.74%</u>	<u>84.71%</u>	<u>84.57%</u>	<u>85.34%</u>	<u>83.94%</u>
Outside City					
Emmett Township	6.32%	6.58%	6.06%	6.11%	7.07%
Bedford Township	1.31%	1.49%	1.68%	0.88%	1.49%
East Leroy Township	0.00%	0.10%	0.17%	0.24%	0.11%
Springfield City	3.96%	3.70%	3.82%	3.76%	3.81%
Pennfield Township	3.67%	3.43%	3.70%	3.68%	3.59%
	<u>15.26%</u>	<u>15.29%</u>	<u>15.43%</u>	<u>14.66%</u>	<u>16.06%</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	2015	2016	2017	2018	2019
In-City					
Residential	29.26%	28.51%	30.89%	32.57%	33.38%
Commercial (1)	15.26%	15.37%	17.05%	18.78%	17.53%
Industrial	40.33%	41.21%	36.70%	35.43%	34.54%
	<u>84.86%</u>	<u>85.10%</u>	<u>84.64%</u>	<u>86.78%</u>	<u>85.46%</u>
Outside City					
Emmett Township	6.74%	6.78%	6.54%	6.15%	6.40%
Bedford Township	1.43%	1.38%	1.27%	1.14%	1.36%
East Leroy Township	0.07%	0.07%	0.07%	0.07%	0.08%
Springfield City	3.53%	3.23%	4.18%	2.92%	3.40%
Pennfield Township	3.38%	3.45%	3.30%	2.94%	3.30%
	<u>15.14%</u>	<u>14.90%</u>	<u>15.36%</u>	<u>13.22%</u>	<u>14.54%</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

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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)
2019	19,726	2,205	3,164
2018	19,675	2,182	3,237
2017	19,679	2,200	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

Source: City of Battle Creek Treasurer's Office

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

Type of User	2010	2011	2012	2013	2014
In-City					
Residential	118,720,421	119,253,007	115,628,965	121,420,791	118,523,455
Commercial (1)	83,527,632	79,250,599	76,113,173	79,329,661	80,966,406
Industrial	42,917,747	44,410,403	45,466,669	43,565,656	37,475,733
	<u>245,165,800</u>	<u>242,914,009</u>	<u>237,208,807</u>	<u>244,316,108</u>	<u>236,965,594</u>
Outside City					
Emmett Township	28,623,502	30,339,592	28,112,337	32,937,121	32,620,458
Bedford Township	6,339,386	5,409,186	5,798,143	5,866,583	5,462,014
Springfield City	16,043,919	16,990,491	17,028,636	16,822,846	16,791,021
Pennfield Township	14,309,350	15,813,350	16,344,800	14,984,100	14,855,300
	<u>65,316,157</u>	<u>68,552,619</u>	<u>67,283,916</u>	<u>70,610,650</u>	<u>69,728,793</u>
Totals	<u>310,481,957</u>	<u>311,466,628</u>	<u>304,492,723</u>	<u>314,926,758</u>	<u>306,694,387</u>

continued...

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

Type of User	2015 (2)	2016 (2)	2017	2018	2019
In-City					
Residential	111,516,777	109,037,746	114,331,877	112,157,156	109,764,654
Commercial (1)	74,033,282	80,135,131	76,958,752	75,611,297	75,207,462
Industrial	43,364,117	41,786,764	33,223,800	33,052,416	38,215,999
	<u>228,914,176</u>	<u>230,959,641</u>	<u>224,514,429</u>	<u>220,820,869</u>	<u>223,188,115</u>
Outside City					
Emmett Township	30,937,747	31,523,803	32,901,531	33,767,468	35,373,893
Bedford Township	5,251,629	5,014,441	6,382,474	6,543,986	6,883,023
Springfield City	16,858,507	16,326,066	15,711,208	15,892,464	14,779,666
Pennfield Township	15,111,650	15,230,642	14,531,008	14,724,732	14,576,875
	<u>68,159,533</u>	<u>68,094,952</u>	<u>69,526,221</u>	<u>70,928,650</u>	<u>71,613,457</u>
Totals	<u>297,073,709</u>	<u>299,054,593</u>	<u>294,040,650</u>	<u>291,749,519</u>	<u>294,801,572</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, 2019

Type of User	2010	2011	2012	2013	2014
In-City					
Residential	38.24%	38.29%	37.97%	38.56%	38.65%
Commercial (1)	26.90%	25.44%	25.00%	25.19%	26.40%
Industrial	13.82%	14.26%	14.93%	13.83%	12.22%
	<u>78.96%</u>	<u>77.99%</u>	<u>77.90%</u>	<u>77.58%</u>	<u>77.26%</u>
Outside City					
Emmett Township	9.22%	9.74%	9.23%	10.46%	10.64%
Bedford Township	2.04%	1.74%	1.90%	1.86%	1.78%
Springfield City	5.17%	5.45%	5.60%	5.34%	5.47%
Pennfield Township	4.61%	5.08%	5.37%	4.76%	4.84%
	<u>21.04%</u>	<u>22.01%</u>	<u>22.10%</u>	<u>22.42%</u>	<u>22.74%</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, 2019

Type of User	2015	2016	2017	2018	2019
In-City					
Residential	37.54%	36.46%	38.88%	38.44%	37.23%
Commercial (1)	24.92%	26.80%	26.17%	25.92%	25.51%
Industrial	14.60%	13.97%	11.30%	11.33%	12.96%
	<u>77.06%</u>	<u>77.23%</u>	<u>76.35%</u>	<u>75.69%</u>	<u>75.71%</u>
Outside City					
Emmett Township	10.41%	10.54%	11.19%	11.57%	12.00%
Bedford Township	1.77%	1.68%	2.17%	2.24%	2.33%
Springfield City	5.67%	5.46%	5.34%	5.45%	5.01%
Pennfield Township	5.09%	5.09%	4.94%	5.05%	4.94%
	<u>22.94%</u>	<u>22.77%</u>	<u>23.65%</u>	<u>24.31%</u>	<u>24.29%</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, 2019

Company	Product or Service	Consumption (Cu. Ft.)	% of Total	Revenue	% of Total
Kellogg Company - Plant	Breakfast Foods	20,057,298	6.80%	\$ 972,760	5.76%
Graphic Packaging/MI Paperboard	Paper Mill	19,787,487	6.71%	1,575,543	9.33%
Post Foods	Breakfast Foods	17,557,283	5.96%	982,794	5.82%
Rock-Tenn/Waldorf Corp	Paperboard	15,220,869	5.16%	1,127,811	6.68%
Fire Keepers Casino	Gambling/Entertainment	9,979,500	3.39%	356,782	2.11%
Prairie Farms Dairy	Dairy Processing	6,788,688	2.30%	227,483	1.35%
Denso Manufacturing	Automotive Parts	5,701,350	1.93%	193,969	1.15%
Adient (fka Johnson Controls)	Heating & Venting	5,162,163	1.75%	170,272	1.01%
VA Medical Center - Hospital	Medical Services	4,348,174	1.47%	180,764	1.07%
Bronson Battle Creek Health Sys.	Medical Services	3,843,000	1.30%	133,526	0.79%
Calhoun County Justice Center	Government-Jails/Courts	2,504,979	0.85%	85,886	0.51%
Rolling Hills Mobile Home Comm	Mobile Home Community	2,373,700	0.81%	76,353	0.45%
Treehouse Private Brands	Breakfast Foods	1,994,200	0.68%	77,435	0.46%
Ft Custer Training Center	Govt-Military Training	1,931,492	0.66%	62,500	0.37%
Gallagher Laundry	Laundry Services	1,927,006	0.65%	64,425	0.38%
Pedcor Investments (Teal Run)	Apartment Complex	1,642,700	0.56%	53,267	0.32%
Musashi Auto Parts Inc	Automotive Parts	1,421,200	0.48%	47,542	0.28%
River Oaks Apts	Apartment Complex	1,261,000	0.43%	41,119	0.24%
Kellogg Company - Research	Food Research	1,161,944	0.39%	43,857	0.26%
VA Medical Center - Laundry	Laundry Services	1,049,300	0.36%	36,571	0.22%
Totals		<u>125,713,333</u>	<u>42.64%</u>	<u>\$ 6,510,659</u>	<u>38.55%</u>

(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, 2019

Fiscal Year Ended June 30,	Kellogg Company - Plant		Graphic Packaging/ MI Paperboard		Post Foods	
	Consumption	Revenue	Consumption	Revenue	Consumption	Revenue
2019	20,057,298	\$ 972,760	19,787,487	\$ 1,575,543	17,557,283	\$ 982,794
2018	26,335,561	1,298,942	15,354,074	1,198,843	15,226,777	940,847
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

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, 2019

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
July 1, 2017 - June 30, 2018	\$3.040
July 1, 2018 - June 30, 2019	\$3.190

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
July 1, 2017 - June 30, 2018	\$184.78
July 1, 2018 - June 30, 2019	\$193.53

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	July 1, 2013 to June 30, 2014
5/8"	\$11.75	\$10.15	\$10.15	\$10.66	\$11.19	\$11.75
3/4"	\$15.50	\$13.39	\$13.39	\$14.06	\$14.76	\$15.50
1"	\$23.00	\$19.87	\$19.87	\$20.86	\$21.91	\$23.00
1.5"	\$41.76	\$36.07	\$36.07	\$37.87	\$39.77	\$41.76
2"	\$64.26	\$55.51	\$55.51	\$58.29	\$61.20	\$64.26
3"	\$116.77	\$100.87	\$100.87	\$105.91	\$111.21	\$116.77
4"	\$191.78	\$165.67	\$165.67	\$173.95	\$182.65	\$191.78
6"	\$379.32	\$327.67	\$327.67	\$344.05	\$361.26	\$379.32
8"	\$604.36	\$522.07	\$522.07	\$548.17	\$575.58	\$604.36
10"	\$866.91	\$748.87	\$748.87	\$786.31	\$825.63	\$866.91

Meter Size	Current	July 1, 2014 to June 30, 2015	July 1, 2015 to Dec 31, 2016	January 1, 2017 to June 30, 2017	July 1, 2017 to June 30, 2018	July 1, 2018 to June 30, 2019
5/8"	\$11.75	\$12.34	\$12.95	\$11.32	\$11.89	\$12.46
3/4"	\$15.50	\$16.28	\$17.08	\$16.01	\$16.83	\$17.65
1"	\$23.00	\$24.15	\$25.36	\$25.38	\$26.70	\$28.02
1.5"	\$41.76	\$43.84	\$46.04	\$48.80	\$51.37	\$53.94
2"	\$64.26	\$67.47	\$70.85	\$76.91	\$80.98	\$85.05
3"	\$116.77	\$122.61	\$128.74	\$142.50	\$150.07	\$157.64
4"	\$191.78	\$201.37	\$211.44	\$236.20	\$248.77	\$261.34
6"	\$379.32	\$398.28	\$418.20	\$470.45	\$495.52	\$520.59
8"	\$604.36	\$634.58	\$666.31	\$751.55	\$791.62	\$831.69
10"	\$866.91	\$910.26	\$955.77	\$1,079.50	\$1,137.07	\$1,194.64

continued...

Source: City of Battle Creek Finance Department

CITY OF BATTLE CREEK, MICHIGAN

Current Wastewater Rates

From July 1, 2009 to June 30, 2019

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
July 1, 2017 - June 30, 2018	\$0.1919	0.2313
July 1, 2018 - June 30, 2019	\$0.1996	0.2413

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
July 1, 2017 - June 30, 2018	\$0.00
July 1, 2018 - June 30, 2019	\$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	July 1, 2013 to June 30, 2014
5/8"	\$7.50	\$6.48	\$6.48	\$6.80	\$7.14	\$7.50
3/4"	\$11.25	\$9.72	\$9.72	\$10.21	\$10.72	\$11.25
1"	\$18.75	\$16.20	\$16.20	\$17.01	\$17.86	\$18.75
1.5"	\$37.51	\$32.40	\$32.40	\$34.02	\$35.72	\$37.51
2"	\$60.01	\$51.84	\$51.84	\$54.43	\$57.15	\$60.01
3"	\$112.52	\$97.20	\$97.20	\$102.06	\$107.16	\$112.52
4"	\$187.54	\$162.00	\$162.00	\$170.10	\$178.61	\$187.54
6"	\$375.07	\$324.00	\$324.00	\$340.20	\$357.21	\$375.07
8"	\$600.11	\$518.40	\$518.40	\$544.32	\$571.54	\$600.11
10"	\$862.66	\$745.20	\$745.20	\$782.46	\$821.58	\$862.66

Meter Size	Current	July 1, 2014 to June 30, 2015	July 1, 2015 to Dec. 31, 2016	January 1, 2016 to June	July 1, 2017 to June 30, 2018	July 1, 2018 to June 30, 2019
5/8"	\$7.50	\$7.88	\$8.27	n/a	n/a	n/a
3/4"	\$11.25	\$11.81	\$12.41	n/a	n/a	n/a
1"	\$18.75	\$19.69	\$20.68	n/a	n/a	n/a
1.5"	\$37.51	\$39.38	\$41.35	n/a	n/a	n/a
2"	\$60.01	\$63.01	\$66.16	n/a	n/a	n/a
3"	\$112.52	\$118.15	\$124.05	n/a	n/a	n/a
4"	\$187.54	\$196.91	\$206.76	n/a	n/a	n/a
6"	\$375.07	\$393.82	\$413.52	n/a	n/a	n/a
8"	\$600.11	\$630.12	\$661.62	n/a	n/a	n/a
10"	\$862.66	\$905.80	\$951.09	n/a	n/a	n/a

concluded.

Source: City of Battle Creek Finance Department

CITY OF BATTLE CREEK, MICHIGAN

Ratios of Total Outstanding Debt Last Ten Fiscal Years

Year	Governmental Activities				Business-type Activities		
	General Obligation Bonds	Installment Obligations	Promissory Note	Capital Leases	General Obligation Bonds	Revenue Bonds (1)	Capital Leases
2019	\$35,594,034	\$ 1,444,746	\$ 8,620,963	\$ -	\$ -	\$17,181,120	\$ -
2018	38,090,950	1,870,522	-	-	-	18,579,589	42,626
2017	40,612,866	2,281,561	-	-	-	19,943,058	83,072
2016	25,687,717	2,183,807	-	-	-	5,545,073	185,573
2015	27,208,801	2,404,545	-	-	-	7,650,827	323,650
2014	29,329,373	2,667,042	-	-	-	9,718,581	494,130
2013	15,326,278	3,084,762	-	-	-	11,533,335	656,732
2012	16,545,805	3,479,235	-	-	-	12,865,000	855,100
2011	17,945,000	3,857,965	-	-	250,000	14,520,000	1,082,294
2010	19,880,000	4,221,434	-	8,491	485,000	16,240,000	1,299,151

(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

Schedule 29a
Unaudited

Total Primary Government	% of Personal Income	Per Capita
\$ 62,840,863	1.21%	\$ 1,226.23
58,583,687	1.14%	1,142.29
62,920,557	1.27%	1,220.95
33,602,170	0.71%	651.34
37,587,823	0.76%	725.17
42,209,126	0.88%	814.09
30,601,107	0.64%	590.21
33,745,140	0.70%	650.20
37,655,259	0.81%	723.19
42,134,076	0.93%	804.90

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Year	General Bonded Debt Outstanding				% of Personal Income	% of Actual Taxable Value of Property	Per Capita
	Governmental Activities		Business-type Activities	Net General Bonded Debt			
	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	General Obligation Bonds				
2019	\$35,594,034	\$ (7,388)	\$ -	\$35,586,646	0.69%	2.77%	\$ 694.56
2018	38,090,950	(510,217)	-	37,580,733	0.74%	2.95%	742.72
2017	40,612,866	(8,950)	-	40,603,916	0.82%	3.15%	788.08
2016	25,687,717	(9,160)	-	25,678,557	0.54%	1.67%	497.93
2015	27,208,801	(104,025)	-	27,104,776	0.55%	1.76%	524.93
2014	29,329,373	(17,300)	-	29,312,073	0.61%	1.88%	565.68
2013	15,326,278	(9,300)	-	15,316,978	0.32%	0.95%	295.60
2012	16,545,805	(9,300)	-	16,536,505	0.34%	1.01%	318.80
2011	17,945,000	(5,972)	250,000	18,189,028	0.39%	1.07%	344.65
2010	19,880,000	(6,209)	485,000	20,358,791	0.45%	1.15%	379.77

Source: City of Battle Creek Finance Department

Computation of Net Direct and Overlapping Debt

As of June 30, 2019

	(1) Net Debt Outstanding	Percentage Applicable to City of Battle Creek	Amount Applicable to City of Battle Creek
Direct:			
City issued bonded debt (2)	\$ 35,594,034	100.00%	\$ 35,594,034
Installment obligations	1,444,746	100.00%	1,444,746
Promissory note	8,620,963	100.00%	8,620,963
			<u>45,659,743</u>
Overlapping: (3)			
Lakeview School District	63,030,970	100.00%	63,030,970
Battle Creek Public Schools	46,180,000	70.45%	32,533,810
Calhoun County	68,294,400	33.99%	23,213,267
Kellogg Community College	13,715,000	33.87%	4,645,271
Pennfield School District	29,680,135	4.46%	1,323,734
Harper Creek School District	11,980,365	3.94%	472,026
Climax-Scotts School District	58,308,853	0.25%	145,772
Kalamazoo RESA	5,375,000	0.06%	3,225
Kalamazoo Valley Community College	7,620,000	0.06%	4,572
			<u>125,372,647</u>
Total direct and overlapping debt			<u><u>\$ 171,032,390</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		\$ 1,360,775,843
State Equalized Value - tax abated property:		
Industrial Facilities		51,707,400
Neighborhood Enterprise Zone		<u>40,104</u>
Total State Equalized Value (SEV)		<u><u>\$ 1,412,523,347</u></u>
Legal debt limit (10% of SEV)		\$ 141,252,335
Outstanding debt subject to limitation	\$ 84,150,000	
Less exempt obligations	<u>(7,565,000)</u>	
		<u>76,585,000</u>
Legal debt margin		<u><u>\$ 64,667,335</u></u>
Debt subject to limitation as a percent of SEV		<u><u>5.42%</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
2019	\$ 141,252,335	\$ 76,585,000	\$ 64,667,335	54.22%
2018	139,467,539	81,970,000	57,497,539	58.77%
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%

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
2019	\$ 27,303,704	\$ 20,547,371	\$ 6,756,333	\$ 2,039,538	3.31
2018	26,424,364	19,585,368	6,838,996	2,048,609	3.34
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

(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

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Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population	(a) Personal Income (thousands of dollars)	(a) Per Capita Personal Income	Unemployment Rate
2019	51,247	\$ 5,188,500	\$ 38,683	4.60%
2018	51,286	5,118,164	38,086	4.50%
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%

(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	2010		
	Employees	Rank	% of Total City Employment
Denso Manufacturing Michigan, Inc.	1,700	3	7.48%
Kellogg Company	2,000	1	8.80%
Veterans Administration Med Center	1,150	5	5.06%
Hart-Doyle-Inouye Federal Center	1,991	2	8.76%
Bronson Battle Creek	1,500	4	6.60%
Battle Creek Public Schools	1,089	6	4.79%
Fort Custer Training Center	-	-	0.00%
TRMI	-	-	-
Il Stanley Company, Inc.	690	11	3.03%
Musashi Auto Parts Inc.	-	-	-
Michigan Air National Guard	950	7	4.18%
Kellogg Community College	900	8	3.96%
ASMO Manufacturing	700	9	3.08%
Felpausch Food Centers	700	9	3.08%
	<u>13,370</u>		<u>58.82%</u>

continued...

CITY OF BATTLE CREEK, MICHIGAN

Schedule 34
Unaudited

Principal Employers
Current Year and Nine Years Ago

Employer	2019		
	Employees	Rank	% of Total City Employment
Denso Manufacturing Michigan, Inc.	3,300	1	14.91%
Kellogg Company	2,000	2	9.03%
Veterans Administration Med Center	1,676	3	7.57%
Hart-Doyle-Inouye Federal Center	1,500	4	6.78%
Bronson Battle Creek	1,388	5	6.27%
Battle Creek Public Schools	1,089	6	4.92%
Fort Custer Training Center	825	7	3.73%
TRMI	790	8	3.57%
Il Stanley Company, Inc.	750	9	3.39%
Musashi Auto Parts Inc.	649	10	2.93%
Michigan Air National Guard	-	-	-
Kellogg Community College	-	-	-
ASMO Manufacturing	-	-	-
Felpausch Food Centers	-	-	-
	<u>13,967</u>		<u>63.09%</u>

concluded.

Source: City of Battle Creek Finance Department

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

Function/Program	2010	2011	2012	2013	2014
General Fund and Special Revenue Funds					
Administration	24	24	18	20	18
Community development	27	24	25	26	28
Finance	23	22	23	21	22
Police department	131	133	123	119	122
Fire department	98	82	79	77	78
Public works	56	54	54	57	60
Recreation	6	6	6	6	10
	<u>365</u>	<u>345</u>	<u>328</u>	<u>326</u>	<u>338</u>
Enterprise Funds					
W.K. Kellogg airport	10	10	10	10	10
Battle Creek transit system	39	38	40	39	36
Sewer and wastewater plant	60	57	59	55	56
Water	43	40	37	38	38
	<u>152</u>	<u>145</u>	<u>146</u>	<u>142</u>	<u>140</u>
Internal Service Funds					
Information systems	11	11	10	9	13
Equipment center	16	15	15	14	14
Self insurance	4	3	3	3	3
Reproduction and stores	3	3	3	3	3
	<u>34</u>	<u>32</u>	<u>31</u>	<u>29</u>	<u>33</u>
Total	<u>550</u>	<u>522</u>	<u>505</u>	<u>497</u>	<u>511</u>

continued...

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

Function/Program	2015	2016	2017	2018	2019
General Fund and Special Revenue Funds					
Administration	18	21	19	20	20
Community development	29	29	27	32	33
Finance	23	23	23	24	24
Police department	126	123	127	128	127
Fire department	80	83	81	79	79
Public works	59	58	60	59	62
Recreation	10	8	9	9	7
	<u>345</u>	<u>345</u>	<u>346</u>	<u>351</u>	<u>352</u>
Enterprise Funds					
W.K. Kellogg airport	10	8	10	10	11
Battle Creek transit system	37	36	35	43	38
Sewer and wastewater plant	55	55	56	52	58
Water	39	38	39	38	39
	<u>141</u>	<u>137</u>	<u>140</u>	<u>143</u>	<u>146</u>
Internal Service Funds					
Information systems	13	11	11	9	8
Equipment center	14	15	15	15	15
Self insurance	3	2	3	2	2
Reproduction and stores	3	3	3	3	3
	<u>33</u>	<u>31</u>	<u>32</u>	<u>29</u>	<u>28</u>
Total	<u>519</u>	<u>513</u>	<u>518</u>	<u>523</u>	<u>526</u>

concluded.

Source: City of Battle Creek Finance Department

Operating Indicators by Function/Program
 Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013	2014
Public Safety					
Police					
Number of incidents	50,210	58,529	58,741	56,276	44,599
Number of crash reports	1,781	1,755	1,703	1,802	2,004
Fire					
Number of incidents	5,341	5,701	5,258	6,071	6,441
Number of medical calls	3,453	2,547	3,800	3,958	4,149
Number of structural fires	95	65	78	60	48
Public Works					
Major street miles maintained	90	90	90	90	90
Local street miles maintained	205	204	204	204	205
Culture & Recreation					
Participation:					
Softball	1,686	1,711	1,789	732	840
Soccer	708	712	745	817	735
Baseball	1,214	2,003	2,097	1,242	1,019
Basketball	237	134	73	34	54
Floor hockey	479	566	795	732	608
Football	96	115	134	136	149
Tennis	-	-	-	-	106
Volleyball	-	-	-	-	91
Other	879	1,132	708	493	814
Aquatic center participation	20,357	23,003	28,321	23,217	24,796
Rounds of golf	51,000	48,350	49,583	43,016	40,935
Parks maintained	29	29	24	24	24
Number of linear park trail miles	26	25	25	25	25
Building Permits					
Commercial and Industrial					
Number of permits	205	138	204	188	177
Dollar value	\$ 77,741,692	\$ 17,807,968	\$ 25,353,933	\$ 23,102,086	\$ 12,174,483
Residential					
Number of permits	450	680	986	865	740
Dollar value	\$ 3,366,900	\$ 6,052,107	\$ 7,566,696	\$ 7,342,332	\$ 9,863,788
Totals					
Number of permits	655	818	1,190	1,052	917
Dollar value	\$ 81,108,592	\$ 23,860,075	\$ 32,920,629	\$ 30,444,418	\$ 22,038,271

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Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2015	2016	2017	2018	2019
Public Safety					
Police					
Number of incidents	44,686	54,569	56,688	59,736	53,668
Number of crash reports	1,980	1,903	1,886	1,911	1,778
Fire					
Number of incidents	6,940	7,086	7,222	7,271	7,578
Number of medical calls	4,847	5,197	5,308	4,871	5,002
Number of structural fires	47	61	68	67	69
Public Works					
Major street miles maintained	90	89	89	89	89
Local street miles maintained	205	205	205	205	205
Culture & Recreation					
Participation:					
Softball	734	624	1,020	1,080	1,212
Soccer	948	951	873	1,012	859
Baseball	1,265	1,132	1,359	709	758
Basketball	198	202	345	172	162
Floor hockey	655	641	852	1,022	961
Football	223	160	164	180	194
Tennis	56	58	55	44	-
Volleyball	78	119	76	97	68
Other	891	1,001	2,072	2,185	2,296
Aquatic center participation	27,919	30,397	26,944	28,059	31,621
Rounds of golf	41,684	36,430	37,512	40,257	43,479
Parks maintained	24	29	29	29	29
Number of linear park trail miles	25	25	25	25	25
Building Permits					
Commercial and Industrial					
Number of permits	236	233	137	98	221
Dollar value	\$ 15,739,032	\$ 4,967,026	\$ 4,539,512	\$ 3,938,030	\$ 45,737,925
Residential					
Number of permits	634	797	802	799	858
Dollar value	\$ 4,151,057	\$ 7,277,474	\$ 6,995,271	\$ 6,655,015	\$ 7,388,726
Totals					
Number of permits	870	1,030	939	897	1,079
Dollar value	\$ 19,890,089	\$ 12,244,500	\$ 11,534,783	\$ 10,593,045	\$ 53,126,651

concluded.

Source: City of Battle Creek Finance Department

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013	2014
Police - vehicle patrol units					
Police patrol	48	44	43	43	40
Detective	18	17	17	18	20
Other	14	21	23	24	21
SIU	7	7	7	7	10
Fire					
Fire vehicle units:					
Trucks	2	2	2	2	2
Engines	8	8	8	8	8
Other	11	10	11	11	11
Fire stations	5	5	5	5	5
Administrative facilities	1	1	1	1	1
Storage facilities	-	-	-	-	-
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	12	16	16	25	25
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	90.14	90.11	90.11	90.11	90.11
Local street miles maintained	204.79	204.49	204.49	204.44	204.52
Vehicles:					
Dump trucks	41	44	45	46	46
Heavy equipment	20	37	31	32	28
Other	224	201	205	207	211

continued...

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	2015	2016	2017	2018	2019
Police - vehicle patrol units					
Police patrol	40	40	39	41	46
Detective	20	20	22	25	26
Other	21	31	33	32	25
SIU	10	8	8	9	8
Fire					
Fire vehicle units:					
Trucks	2	2	1	2	1
Engines	8	7	8	10	10
Other	11	14	15	15	15
Fire stations	5	5	5	5	5
Administrative facilities	1	1	1	1	1
Storage facilities	-	-	-	2	2
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	29	30	30	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	89.46	89.28	89.28	89.28
Local street miles maintained	204.52	204.52	204.55	204.55	204.55
Vehicles:					
Dump trucks	46	44	47	50	49
Heavy equipment	28	33	34	34	35
Other	211	208	203	210	222

concluded.

Source: City of Battle Creek Finance Department

CITY OF BATTLE CREEK, MICHIGAN

Schedule 38
Unaudited

Schedule of Insurance
As of June 30, 2019

Type of Coverage Name of Company	Policy Expiration Date	Premium	Description
Airport Liability	7/1/20	\$16,706	\$60,000,000 CSL each occ.; \$1,000 ded. per occ./\$10,000 agg., \$60,000,000 per aircraft/occ Hangar Keepers liability. Terrorism declined.
Auto Liability	7/1/20	\$137,567	First dollar coverage for MI no-fault benefits and uninsured/underinsured claims. \$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 vehicles except Fire Protection Vehicles which are covered at replacement cost.
Crime Coverage	7/1/20	\$5,837	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	7/1/20	Included in Liability Insurance	\$5 million aggregate/\$25 million all members - Data Breach and Privacy Liability/\$25,000 deductible.
Fiduciary (Designated Benefit Plan)	7/1/20	\$7,790	Coverage for Self Funded Health Plan. \$2,000,000.00 limit. \$25,000 SIR
Liquor Liability Binder Park Golf	3/8/20	\$1,159 (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/City of Battle Creek. (excludes Terrorism).

continued...

Schedule of Insurance
As of June 30, 2019

Type of Coverage Name of Company	Policy Expiration Date	Premium	Description
Property/Liability Insurance	7/1/20	\$403,440	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 Volunteer-MMRMA will pay up to \$25,000 per occurrence for medical expenses only to a volunteer. No member deductible of SIR applies. Emergency first aid - \$2,000 Limit, no member deductible or retention.
Pollution Liability	N/A	N/A	Note: Finance department files for self- insured authority with State, for UST liability. \$500,000 aggregate
Public Officials	7/1/20	Included in Liability Insurance	See Excess Liability , for losses above \$1 million SIR.
Worker's Comp. (Primary)	7/1/20	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)	7/1/20	\$46,855	Statutory limit, \$1,000,000 Employers Liability, Specific Excess subject to \$650,000 per accident or disease. No agg. limit on S.I.R. per year.
Inland Marine	7/1/20	\$2,904	Coverage for employee tools Limit \$500,000 per occurrence, \$10,000 per item. \$1,000 deductible

concluded.

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CONTINUING DISCLOSURES (UNAUDITED)

**City of Battle Creek
Total Taxable Value
Fiscal Years Ended or Ending June 30, 2015 Through 2019**

<u>Assessed Value as of December 31</u>	<u>Year of State Equalization And Tax Levy</u>	<u>City's Fiscal Year Ended or Ending June 30</u>	<u>Ad Valorem Taxable Value</u>	<u>Equivalent Taxable Value of Property Granted Tax Abatement Under Act 198 (1)</u>	<u>Total Taxable Value</u>	<u>Percent Increase Over Prior Year</u>
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)
2016	2017	2018	1,201,286,395	29,388,749	1,230,675,144	(0.76)
2017	2018	2019	1,220,014,593	25,771,258	1,245,785,851	(1.23)

Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2019 (2)..... \$ 23,798.61

(1) See "Tax Abatement" herein. Does not include the value of property located within the City's 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, 2019, the Taxable Value of property located in the Zone totaled \$1,475,419. 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, 2019 the Taxable Value of the property located in the NEZ totaled \$40,104.

(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, 2015 Through 2019**

<u>Use</u>	<u>Fiscal Year Ended or Ending June 30</u>				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Agricultural	0.14 %	0.14 %	0.19 %	0.19 %	0.19 %
Commercial	21.72	21.12	24.36	24.82	24.64
Industrial	28.66	29.44	17.56	15.70	15.36
Residential	47.04	46.80	54.74	55.81	56.27
Utility	<u>2.44</u>	<u>2.50</u>	<u>3.16</u>	<u>3.48</u>	<u>3.54</u>
Total	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>Class</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Real Property	73.53 %	72.82 %	85.03 %	86.26 %	86.16 %
Personal Property	<u>26.47</u>	<u>27.18</u>	<u>14.97</u>	<u>13.74</u>	<u>13.84</u>
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, 2015 Through 2019**

Assessed Value as of <u>December 31</u>	Year of State Equalization and Tax Levy	City's Fiscal Year Ended or Ending <u>June 30</u>	Ad Valorem <u>SEV</u>	SEV of Property		Percent Increase Over <u>Prior Year</u>
				Granted Tax Abatement Under <u>Act 198 (1)</u>	Total <u>SEV</u>	
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)
2016	2017	2018	1,322,119,981	59,201,289	1,381,321,270	1.52
2017	2018	2019	1,348,307,734	51,707,400	1,400,015,134	1.35

Per Capita Total SEV for the Fiscal Year Ending June 30, 2019 (2).....\$ 26,744.90

(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, 2019, the SEV of property located in the Zone totaled \$2,975,023. 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, 2019 the Taxable Value of the property located in the NEZ totaled \$40,104.

(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, 2015 Through 2019**

Levy <u>July 1</u>	Fiscal Year Ended or <u>June 30</u>	Operating (1)				Police & Fire <u>Pension (2)</u>	Total
		General <u>Operating</u>	Capital <u>Projects</u>	Streets/ <u>Drainage</u>			
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	
2017	2018	8.7400	0.5000	1.5000	5.0090	15.7490	
2018	2019	8.3460	0.5000	1.5000	5.4030	15.7490	

(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, 2015 Through 2019**

<u>Governmental Unit</u>	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
City of Battle Creek.....	14.7360	14.7360	15.4190	15.7490	15.7490
County of Calhoun	6.4713	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).....	6.6000	6.3200	6.0000	6.0000	6.0000
Calhoun ISD	6.2057	6.2057	6.2057	6.2057	6.2057
Kellogg Community College.....	3.6136	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>45.6266</u>	<u>45.3646</u>	<u>45.7096</u>	<u>46.0396</u>	<u>46.0396</u>

**City of Battle Creek
Non-Homestead (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended or Ending June 30, 2015 Through 2019**

<u>Governmental Unit</u>	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019 (3)</u>
City of Battle Creek.....	14.7360	14.7360	15.4190	15.7490	15.7490
County of Calhoun	6.4713	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).....	24.6000	24.3200	24.0000	24.0000	24.0000
Calhoun ISD	6.2057	6.2057	6.2057	6.2057	6.2057
Kellogg Community College.....	3.6136	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>63.6266</u>	<u>63.3466</u>	<u>63.7096</u>	<u>64.0396</u>	<u>64.0396</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, 2019 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, 2015 Through 2019**

Levy <u>July 1</u>	Fiscal Year Ended <u>June 30</u>	Tax <u>Levy</u>	Collections to March <u>Following Levy</u>	Percent <u>Collected</u>
2014	2015	\$ 20,686,120	\$ 20,672,222	99.93%
2015	2016	20,813,769	20,779,353	99.83
2016	2017	18,905,774	18,872,333	99.82
2017	2018	19,173,957	19,127,382	99.76
2018	2019	19,568,359	19,528,723	99.80

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
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
2018	18,827,058	2,108,467	16,718,591	0.8
2019	19,454,034	1,789,230	17,664,804	5.7

**City of Battle Creek
State Shared Revenues
Fiscal Years Ended or Ending June 30, 2015 Through 2019**

	Fiscal Years Ended or Ending June 30				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Constitutional	\$ 3,966,694	\$ 3,962,883	\$ 4,191,285	\$ 4,301,987	\$ 4,498,185
Statutory/CVTRS	<u>1,436,386</u>	<u>1,436,386</u>	<u>1,436,386</u>	<u>1,478,658</u>	<u>1,478,448</u>
Total State Shared Revenues	<u>\$ 5,403,080</u>	<u>\$ 5,399,269</u>	<u>\$ 5,627,671</u>	<u>\$ 5,780,645</u>	<u>\$ 5,976,633</u>

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, 2019.

Debt Limit (1).....		\$ 140,001,513
Debt Outstanding (2).....	\$85,594,746	
Less: Exempt Debt (3).....	<u>14,330,000</u>	<u>71,264,746</u>
Legal Debt Margin		<u>\$ 68,736,767</u>

- (1) 10% of \$1,400,015,134 which is the City's Total SEV for the fiscal year ending June 30, 2019. 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, 2019, 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).....	\$ 1,240,000	\$ 1,240,000	\$ -0-
Dated February 28, 2008 (LT).....	<u>2,185,000</u>	<u>2,185,000</u>	<u>-0-</u>
Subtotal	<u>\$ 3,425,000</u>	<u>\$ 3,425,000</u>	<u>\$ -0-</u>
Downtown Development Authority Bonds:			
Dated February 27, 2018 (LT).....	\$ 7,870,000	\$ 7,870,000	\$ -0-
Dated March 21, 2017 (LT).....	<u>22,260,000</u>	<u>22,260,000</u>	<u>-0-</u>
Subtotal	<u>\$ 30,130,000</u>	<u>\$ 30,130,000</u>	<u>\$ -0-</u>
Tax Increment Finance Authority Bonds:			
Dated March 31, 2010 (LT).....	\$ 1,835,000	\$ 1,835,000	\$ -0-
Dated January 20, 2009 (LT).....	<u>2,310,000</u>	<u>2,310,000</u>	<u>-0-</u>
Subtotal	<u>\$ 4,145,000</u>	<u>\$ 4,145,000</u>	<u>\$ -0-</u>
Water and Wastewater Revenue Bonds: Dated			
Dated December 28, 2016, Series A (1)	\$ 6,765,000	\$ 6,765,000	\$ -0-
Dated December 28, 2016, Series B (1)	<u>7,565,000</u>	<u>7,565,000</u>	<u>-0-</u>
Subtotal	<u>\$ 14,330,000</u>	<u>\$ 14,330,000</u>	<u>\$ -0-</u>
General Obligation Bonds:			
Dated December 28, 2016 C (LT) (1).....	\$ 14,510,000	\$ -0-	\$ 14,510,000
Dated April 14, 2016 (LT)	11,895,000	-0-	11,895,000
Dated June 29, 2011 (LT)	<u>5,715,000</u>	<u>2,070,000</u>	<u>3,645,000</u>
Subtotal.....	<u>\$ 31,120,000</u>	<u>\$ 2,070,000</u>	<u>\$ 30,050,000</u>
Installment & Capital Purchase Contracts:			
Energy Savings Equipment	\$ 1,225,338	\$ -0-	\$ 1,225,338
City Hall Copiers	21,518	-0-	21,518
Telephone Equipment	197,890	-0-	197,890
Airport Snow Blowers Lease.....	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Subtotal.....	<u>\$ 1,444,746</u>	<u>\$ -0-</u>	<u>\$ 1,444,746</u>
Total Direct Debt.....	<u>\$ 85,594,746</u>	<u>\$ 54,100,000</u>	<u>\$ 31,494,746</u>
Per Capita Net City Direct Debt (2)			\$601.65
Percent of Net Direct Debt to Total SEV (3).....			2.25%

<u>Overlapping Debt (4)</u>	<u>Gross</u>	<u>Percent of Gross</u>	<u>City Share</u>
Battle Creek School District	\$ 46,180,000	70.45	\$ 32,533,810
Climax-Scotts School District.....	11,980,365	3.94	472,026
Harper Creek School District	58,308,853	0.25	145,772
Lakeview Calhoun School District.....	63,030,970	100.00	63,030,970
Pennfield School District	29,680,135	4.46	1,323,734
Calhoun Intermediate School District	0	31.63	0
Kalamazoo Valley Intermediate School District...	5,375,000	0.06	3,225
Kalamazoo Valley Community College.....	7,620,000	0.06	4,572
Kellogg Community College	13,715,000	33.87	4,645,271
Willard Public Library	0	56.31	0
Calhoun County	68,294,400	33.99	23,213,267
Total Overlapping Debt	<u>\$ 304,184,723</u>		<u>\$ 125,372,647</u>
 Total Net Direct and Overlapping Debt	 <u>\$ 393,022,871</u>		 <u>\$ 157,060,795</u>

Per Capita Net Overlapping Debt (2)	\$2,395.03
Percent of Net Overlapping Debt to Total SEV (3)	8.96%
 Per Capita Net Direct and Overlapping Debt (2).....	 \$3,000.38
Percent of Net Direct and Overlapping Debt to Total SEV (3).....	11.22%

- (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 \$1,400,015,134 which is the City’s Total SEV for the fiscal year ending June 30, 2019. 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 of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 (rolled forward to June 30, 2019). The components of the net pension liability of the City were as follows:

Total pension liability	\$200,970,933
Plan Fiduciary net position	<u>(150,109,695)</u>
City’s net pension liability	<u>\$ 50,861,238</u>
 Plan fiduciary net position as percentage of total pension liability	 74.69%

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, 2018	\$ 192,038,450	\$ 144,588,461	\$ 47,449,989
Changes for the Year			
Service cost.....	4,068,824	-	4,068,824
Interest on total pension liability.....	12,270,179	-	12,270,179
Benefit changes	405,223	-	405,223
Differences between expected and actual experience	2,789,999	-	2,789,999
Assumption change.....	-	-	-
Employer contributions	-	5,544,586	(5,544,586)
Employee contribution	-	1,473,592	(1,473,592)
Net investment income.....	-	9,782,101	(9,782,101)
Benefit payments.....	(10,601,742)	(10,617,625)	15,883
Administrative expense.....	-	(177,368)	177,368
Other	-	(484,052)	484,052
Net changes	\$ 8,932,483	\$ 5,521,234	\$ 3,411,249
Balance at June 30, 2019	\$ 200,970,933	\$ 150,109,695	\$ 50,861,238

Pension Plans: Municipal Employees Retirement System of Michigan

The City’s net pension liability was measured as of December 31, 2018, 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	\$147,621,824
Plan fiduciary net position	<u>(79,774,729)</u>
City’s net pension liability	<u>\$ 67,847,095</u>
-Plan fiduciary net position as percentage of total pension liability	54.04%

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, 2017	\$ 144,360,278	\$ 87,450,657	\$ 56,909,621
Changes for the Year			
Service cost.....	2,056,135	-	2,056,135
Interest.....	11,210,574	-	11,210,574
Changes in benefits	(25,969)	-	(25,969)
Differences between expected and actual experience	533,140	-	533,140
Changes in assumptions	-	-	-
Contributions: employer.....	-	5,598,951	(5,598,951)
Contributions: employee.....	-	701,481	(701,481)
Net investment loss.....	-	(3,297,646)	3,297,646
Benefit payments, including refunds	(10,512,334)	(10,512,334)	-
Administrative expense	-	(166,380)	166,380
Net changes	\$ 3,261,546	\$ (7,675,928)	\$ 10,937,474
Balances at December 31, 2018	\$ 147,621,824	\$ 79,774,729	\$ 67,847,095

For the year ended June 30, 2019, the City recognized pension expense of \$9,962,793.

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, 2015 through 2019

	Fiscal Year Ended June 30				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>City Customers</u>					
Residential	14,765	14,757	14,771	14,754	14,791
Commercial (1).....	1,617	1,619	1,634	1,646	1,671
Industrial.....	<u>131</u>	<u>130</u>	<u>126</u>	<u>126</u>	<u>124</u>
Sub-total.....	16,513	16,513	16,531	16,526	16,586
<u>Customer Communities</u>					
Emmett	668	675	699	708	714
Bedford.....	426	420	428	428	429
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>1,094</u>	<u>1,095</u>	<u>1,127</u>	<u>1,136</u>	<u>1,143</u>
Total Customers	<u><u>17,607</u></u>	<u><u>17,601</u></u>	<u><u>17,658</u></u>	<u><u>17,662</u></u>	<u><u>17,729</u></u>

- (1) Includes governmental and tax-exempt customers.
(2) Leroy has one water customer.
(3) Pennfield 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, 2015 through 2019

	Fiscal Year Ended June 30				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>City Customers (1)</u>					
Residential	15,745	15,734	15,740	15,707	15,735
Commercial (2)	1,570	1,580	1,583	1,613	1,631
Industrial.....	<u>121</u>	<u>120</u>	<u>117</u>	<u>118</u>	<u>116</u>
Sub-total.....	17,436	17,434	17,440	17,438	17,482
<u>Customer Communities</u>					
Emmett (3).....	1,681	1,685	1,688	1,686	1,690
Bedford (4)	549	543	551	551	554
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>2,230</u>	<u>2,228</u>	<u>2,239</u>	<u>2,237</u>	<u>2,244</u>
Total Customers	<u><u>19,666</u></u>	<u><u>19,662</u></u>	<u><u>19,679</u></u>	<u><u>19,675</u></u>	<u><u>19,726</u></u>

- (1) Includes approximately 1,062 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 1,005 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, 2015 through 2019**

	Fiscal Year Ended June 30				
<u>City Customers</u>	<u>2015(3)</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Residential.....	105,232,458	96,499,847	109,281,509	106,630,876	103,873,324
Commercial (2)	91,052,374	95,356,781	90,252,021	89,941,367	85,985,666
Industrial	<u>127,625,133</u>	<u>127,002,299</u>	<u>113,625,946</u>	<u>102,822,926</u>	<u>104,534,592</u>
Sub-total	323,909,965	318,858,927	313,159,476	299,395,169	294,393,582
<u>Customer Communities</u>					
Emmett Township	23,111,371	23,441,862	25,738,764	27,512,531	29,987,370
Bedford Township.....	3,127,698	2,888,704	2,820,489	3,110,360	3,090,877
Springfield City	16,888,944	16,888,943	17,389,269	17,243,502	16,925,328
Pennfield Township.....	<u>2,123,500</u>	<u>2,164,000</u>	<u>2,199,500</u>	<u>2,255,800</u>	<u>2,218,600</u>
Sub-total	<u>45,251,513</u>	<u>45,383,509</u>	<u>48,148,022</u>	<u>50,122,193</u>	<u>52,222,175</u>
Total Water Billed.....	<u>369,161,478</u>	<u>364,242,436</u>	<u>361,307,498</u>	<u>349,517,362</u>	<u>346,615,757</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, 2015 Through 2019**

	Fiscal Year Ended June 30				
<u>City Customers</u>	<u>2015(3)</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Residential.....	111,516,777	109,037,746	114,331,877	112,157,156	109,764,654
Commercial (2)	74,033,282	80,135,131	76,958,752	75,611,297	75,207,462
Industrial	<u>43,364,117</u>	<u>41,786,764</u>	<u>33,223,800</u>	<u>33,052,416</u>	<u>38,215,999</u>
Sub-total	228,914,176	230,959,641	224,514,429	220,820,869	223,188,115
<u>Customer Communities</u>					
Emmett Township	30,937,747	31,523,803	32,901,531	33,767,468	35,373,893
Bedford Township.....	5,251,629	5,014,441	6,382,474	6,543,986	6,883,023
Springfield City	16,858,507	16,326,066	15,711,208	15,892,464	14,779,666
Pennfield Township.....	<u>15,111,650</u>	<u>15,230,642</u>	<u>14,531,008</u>	<u>14,724,732</u>	<u>14,576,875</u>
Sub-total	<u>68,159,533</u>	<u>68,094,952</u>	<u>69,526,221</u>	<u>70,928,650</u>	<u>71,613,457</u>
Total Wastewater Billed.....	<u>297,073,709</u>	<u>299,054,593</u>	<u>294,040,650</u>	<u>291,749,519</u>	<u>294,801,572</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, 2015 Through 2019**

	Fiscal Year Ended June 30				
<u>City Customers</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Residential.....	\$ 3,478,565	\$ 3,575,598	\$ 3,724,145	\$ 3,826,075	\$ 3,871,053
Commercial (1)	2,028,652	2,243,876	2,124,857	2,102,968	2,150,138
Industrial	<u>2,179,161</u>	<u>2,367,369</u>	<u>1,939,402</u>	<u>1,579,649</u>	<u>1,651,605</u>
Sub-total	7,686,378	8,186,843	7,788,404	7,508,692	7,672,796
<u>Customer Communities</u>					
Emmett Township	626,495	689,318	695,064	709,973	742,075
Bedford Township.....	98,325	100,731	99,809	105,058	107,763
Leroy Township	12,481	13,024	11,817	11,156	12,989
Springfield City	272,671	266,165	290,922	224,405	228,116
Pennfield Township.....	<u>27,805</u>	<u>29,562</u>	<u>35,524</u>	<u>44,202</u>	<u>46,033</u>
Sub-total	<u>1,037,776</u>	<u>1,098,800</u>	<u>1,133,136</u>	<u>1,094,794</u>	<u>1,136,976</u>
Total Water Revenue.....	<u>\$ 8,724,154</u>	<u>\$ 9,285,643</u>	<u>\$ 8,921,540</u>	<u>\$ 8,603,486</u>	<u>\$ 8,809,772</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, 2015 Through 2019**

	Fiscal Year Ended June 30				
<u>City Customers</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Residential.....	\$ 4,941,109	\$ 5,139,653	\$ 5,148,865	\$ 5,432,302	\$ 5,637,868
Commercial (1)	2,576,867	2,771,042	2,841,250	3,132,960	2,961,203
Industrial	<u>6,810,953</u>	<u>7,429,068</u>	<u>6,115,683</u>	<u>5,908,955</u>	<u>5,833,930</u>
Sub-total	14,328,929	15,339,763	14,105,798	14,474,217	14,433,001
<u>Customer Communities</u>					
Emmett Township	1,137,984	1,221,559	1,090,616	1,026,430	1,081,177
Bedford Township.....	241,437	248,684	211,904	190,646	229,160
Leroy Township	11,468	11,988	11,306	11,085	13,613
Springfield City	595,998	582,021	696,193	487,718	573,952
Pennfield Township.....	<u>570,497</u>	<u>621,812</u>	<u>550,298</u>	<u>489,705</u>	<u>557,253</u>
Sub-total	<u>2,557,384</u>	<u>2,686,064</u>	<u>2,560,047</u>	<u>2,205,584</u>	<u>2,455,155</u>
Total Wastewater Revenue	<u>\$ 16,886,313</u>	<u>\$ 18,025,827</u>	<u>\$ 16,665,845</u>	<u>\$ 16,679,801</u>	<u>\$ 16,888,156</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, 2019**

<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>
Post Foods	Breakfast Foods	30,459,100	8.79%	\$404,272	4.59%
Kellogg Company-Plant.....	Breakfast Foods ...	26,480,533	7.64	341,616	3.88
Fire Keepers Casino.....	Gambling.....	10,927,100	3.15	556,641	6.32
Graphic Packaging.....	Paper Mill.....	8,589,900	2.48	121,349	1.38
Prairie Farms Dairy.....	Dairy Processing ...	6,788,688	1.96	99,291	1.13
Denso Mfg - Michigan	Automotive Parts ..	5,701,350	1.64	104,392	1.18
Adient (fka Johnson Controls)..	Heating & Venting	5,162,163	1.49	72,153	0.82
VA Medical Center.....	Medical Services ...	4,348,174	1.25	101,122	1.15
Bronson Battle Creek Health	Medical Services ...	4,264,300	1.23	78,519	0.89
Rock-Tenn/Waldorf Corp	Paperboard	<u>3,588,286</u>	<u>1.04</u>	<u>62,412</u>	<u>0.71</u>
	Total	<u>106,309,954</u>	<u>30.67%</u>	<u>\$1,941,767</u>	<u>22.05%</u>

(1) Based on water volume of 346,615,757 for the fiscal year ended June 30, 2019.

(2) Based on water revenue of \$8,809,772 for the fiscal year ended June 30, 2019.

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, 2019**

<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	20,057,298	6.80%	\$972,760	5.76%
Graphic Packaging	Paper Mill	19,787,487	6.71	1,575,543	9.33
Post Foods.....	Breakfast Foods	17,557,283	5.96	982,794	5.82
Rock-Tenn/Waldorf Corp	Paperboard.....	15,220,869	5.16	1,127,811	6.68
Fire Keepers Casino.....	Gambling	9,979,500	3.39	356,782	2.11
Prairie Farms Dairy	Dairy Processing ...	6,788,688	2.30	227,483	1.35
Denso Manufacturing	Automotive Parts ...	5,701,350	1.93	193,969	1.15
Adient (fka Johnson Controls)	Heating & Venting .	5,162,163	1.75	170,272	1.01
VA Medical Center-Hospital	Medical Services	4,348,174	1.47	180,764	1.07
Bronson Battle Creek Health	Medical Services	<u>3,843,000</u>	<u>1.30</u>	<u>133,526</u>	<u>0.79</u>
	Total	<u>108,445,812</u>	<u>36.77%</u>	<u>\$5,921,704</u>	<u>35.07%</u>

(1) Based on treated wastewater volume of 294,801,572 for the fiscal year ended June 30, 2019.

(2) Based on wastewater revenue of \$16,888,156 for the fiscal year ended June 30, 2019.

Source: City of Battle Creek

City of Battle Creek, Michigan

Historical and Projected Water and Wastewater System Operating Cash Flow and Debt Service Coverage
Fiscal Years Ended or Ending June 30, 2014 Through 2023

	2014	(1)	2015	(1)	2016	(1)	2017	(1)	2018	(1)	2019	(1)	Budgeted 2020	(2)	Projected 2021	(3)	Projected 2022	(3)	Projected 2023	(3)
Operating Revenues	\$ 24,385,474	\$ 25,841,894	\$ 27,570,117	\$ 25,925,301	\$ 25,613,729	\$ 25,955,170	\$ 23,740	\$ 237,740	\$ 1,078,593	\$ 27,271,303	\$ 28,608,800	\$ 28,608,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	195,993	246,507	197,807	213,253	237,740	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rent and Leases	666,137	518,481	591,774	554,308	586,991	1,078,593	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	\$ 25,051,611	\$ 26,556,368	\$ 28,408,398	\$ 26,677,416	\$ 26,413,973	\$ 27,271,303	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating Revenues													\$ 28,608,800	\$ 28,608,800	\$ 28,608,800	\$ 28,608,800	\$ 28,608,800	\$ 28,608,800	\$ 28,608,800	\$ 28,608,800
Operating Expenses (4)	\$ 16,432,935	\$ 17,019,384	\$ 18,478,024	\$ 19,371,198	\$ 19,585,368	\$ 20,547,371	\$ 6,220,151	\$ 5,917,458	\$ 23,502,826	\$ 26,415,384	\$ 26,415,384	\$ 21,926,953	\$ 21,926,953	\$ 23,262,304	\$ 22,584,762	\$ 23,262,304	\$ 23,262,304	\$ 23,960,174	\$ 23,960,174	\$ 23,960,174
Operating costs and expenses	6,475,680	6,248,164	6,196,554	6,220,151	5,917,458	5,868,013	6,220,151	5,917,458	23,502,826	26,415,384	26,415,384	21,926,953	21,926,953	23,262,304	22,584,762	23,262,304	23,262,304	23,960,174	23,960,174	23,960,174
Depreciation	\$ 22,908,615	\$ 23,267,548	\$ 24,674,578	\$ 25,591,349	\$ 25,502,826	\$ 26,415,384	\$ 25,591,349	\$ 25,502,826	\$ 23,502,826	\$ 26,415,384	\$ 26,415,384	\$ 21,926,953	\$ 21,926,953	\$ 23,262,304	\$ 22,584,762	\$ 23,262,304	\$ 23,262,304	\$ 23,960,174	\$ 23,960,174	\$ 23,960,174
Total Operating Expenses	\$ 2,142,996	\$ 3,288,820	\$ 3,733,820	\$ 1,086,067	\$ 911,147	\$ 855,919	\$ 1,086,067	\$ 911,147	\$ 911,147	\$ 855,919	\$ 855,919	\$ 6,681,847	\$ 6,681,847	\$ 5,346,496	\$ 6,024,038	\$ 5,346,496	\$ 5,346,496	\$ 4,648,626	\$ 4,648,626	\$ 4,648,626
Operating Income (Loss)																				
Non-Operating Revenues (Expenses) (5)	\$ 71,912	\$ 59,350	\$ 215,329	\$ (6,297)	\$ (23,975)	\$ 533,023	\$ (6,297)	\$ (23,975)	\$ (23,975)	\$ 533,023	\$ 533,023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Income	\$ 50,627	\$ 38,043	\$ 23,427	\$ 25,860	\$ 10,391	\$ 32,401	\$ 25,860	\$ 10,391	\$ 10,391	\$ 32,401	\$ 32,401	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental Subsidies	(14,318)			(3,996,528)		(36,461)	(3,996,528)			(36,461)	(36,461)									
Loss on Disposal of Capital Assets	6,475,680	6,248,164	6,196,554	6,220,151	5,917,458	5,868,013	6,220,151	5,917,458	23,502,826	26,415,384	26,415,384	21,926,953	21,926,953	23,262,304	22,584,762	23,262,304	23,262,304	23,960,174	23,960,174	23,960,174
Depreciation	\$ 6,583,901	\$ 6,345,557	\$ 6,435,310	\$ 2,243,186	\$ 5,903,874	\$ 6,396,976	\$ 2,243,186	\$ 5,903,874	\$ 5,903,874	\$ 6,396,976	\$ 6,396,976	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Non-Operating Revenues (Expenses)																				
Operating Transfers																				
Operating transfers in	(485,527)	(361,592)	(395,993)	(481,376)	(301,999)	(212,806)	(481,376)	(301,999)	(301,999)	(212,806)	(212,806)	(219,190)	(219,190)	(225,766)	(225,766)	(232,539)	(232,539)	(239,515)	(239,515)	(239,515)
Operating transfers out	\$ (485,527)	\$ (361,592)	\$ (395,993)	\$ (481,376)	\$ (301,999)	\$ (212,806)	\$ (481,376)	\$ (301,999)	\$ (301,999)	\$ (212,806)	\$ (212,806)	\$ (219,190)	\$ (219,190)	\$ (225,766)	\$ (225,766)	\$ (232,539)	\$ (232,539)	\$ (239,515)	\$ (239,515)	\$ (239,515)
Net Operating Transfers	\$ 8,241,370	\$ 9,272,785	\$ 9,773,137	\$ 2,847,877	\$ 6,513,022	\$ 7,040,089	\$ 2,847,877	\$ 6,513,022	\$ 6,513,022	\$ 7,040,089	\$ 7,040,089	\$ 6,462,657	\$ 6,462,657	\$ 5,113,957	\$ 5,798,273	\$ 5,113,957	\$ 5,113,957	\$ 4,409,111	\$ 4,409,111	\$ 4,409,111
NET INCOME AVAILABLE FOR DEBT SERVICE																				
Debt Service Requirements																				
2016 QECB (Revenue Bonds)(7)	\$ -	\$ -	\$ -	\$ 474,061	\$ 474,850	\$ 489,691	\$ 474,061	\$ 474,850	\$ 474,850	\$ 489,691	\$ 489,691	\$ 474,850	\$ 474,850	\$ 474,850	\$ 474,849	\$ 474,850	\$ 474,850	\$ 474,850	\$ 474,850	\$ 474,850
2016 Tax-Exempt (Revenue Bonds)	-	-	-	592,341	595,850	595,650	592,341	595,850	595,850	595,650	595,650	595,650	595,650	592,650	594,050	592,650	592,650	592,650	592,650	592,650
2011 GO Bonds (6)	732,725	731,325	724,225	731,225	727,225	728,913	731,225	727,225	727,225	728,913	728,913	729,600	729,600	734,400	732,600	734,400	734,400	734,400	734,400	734,400
2013 Revenue Refunding Bonds	1,532,625	1,541,500	1,551,500	1,547,750	1,547,750	1,547,750	1,547,750	1,547,750	1,547,750	1,547,750	1,547,750	1,547,750	1,547,750	1,547,750	1,547,750	1,547,750	1,547,750	1,547,750	1,547,750	1,547,750
Total	\$ 2,265,350	\$ 2,272,825	\$ 2,275,725	\$ 3,345,377	\$ 1,797,925	\$ 1,814,254	\$ 3,345,377	\$ 1,797,925	\$ 1,797,925	\$ 1,814,254	\$ 1,814,254	\$ 1,799,500	\$ 1,799,500	\$ 1,801,900	\$ 1,801,499	\$ 1,801,900	\$ 1,801,900	\$ 1,801,900	\$ 1,801,900	\$ 1,801,900
Coverage Ratio Including the GO Bonds	3.64x	4.08x	4.29x	0.85x	3.62x	3.88x	0.85x	3.62x	3.62x	3.88x	3.88x	3.59x	3.59x	2.84x	3.22x	2.84x	2.84x	2.84x	2.84x	2.84x
Coverage Ratio Revenue Only Bonds	5.38x	6.02x	6.30x	1.09x	6.08x	6.49x	1.09x	6.08x	6.08x	6.49x	6.49x	6.04x	6.04x	4.79x	5.42x	4.79x	4.79x	4.79x	4.79x	4.79x

(1) Actual.

(2) Adopted Budget.

(3) Operating revenues for the fiscal years ending June 30, 2021 and thereafter are not assumed to change.

(4) Operating expenditures, excluding depreciation, as projected for the fiscal year ending June 30, 2020 and thereafter are assumed to grow 3% annually.

(5) For the fiscal year ending June 30, 2020 and thereafter, non-operating revenues are not assumed to change.

(6) Represents the portion of the 2011 LTGO Refunding Bonds paid from the System.

(7) Net debt service. Includes Refundable Credit.

Source: City of Battle Creek