This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. As of this date, this Preliminary Official Statement has been deemed "final" by the City for purposes of SEC Rule 15c2-12(b)(1) except for the omission of certain information permitted by SEC Rule 15c2-12(b)(1).

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 12, 2026

NEW ISSUE – Book-Entry-Only **S&P GLOBAL RATINGS†[1]: AA-**

In the opinion of Miller, Canfield, Paddock and Stone, P.L.C., Bond Counsel, under existing law, assuming compliance with certain covenants by the City, the interest on the Bonds is excludable from gross income for federal income tax purposes and the Bonds and interest thereon are exempt from all taxation by the State of Michigan or by any taxing authority within the State of Michigan, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. See "TAX MATTERS" and "Appendix D - FORM OF APPROVING OPINION" herein for a description of certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), which may affect the tax treatment of interest on the Bonds for certain Bondholders.

$11,795,000*
CITY OF BATTLE CREEK
County of Calhoun, State of Michigan
2026 REFUNDING BONDS
(Limited Tax General Obligation)

Dated: Date of Delivery **Due: As shown below**

The 2026 Refunding Bonds (Limited Tax General Obligation) (the "Bonds") are being issued by the City of Battle Creek, County of Calhoun, State of Michigan (the "City"), pursuant to Act 34, Public Acts of Michigan, 2001, as amended ("Act 34"), and a certain resolution adopted by the City Commission on June 16, 2026 (the "Resolution") for the purposes of (i) currently refunding certain outstanding bonds of the City, as more fully described under "PURPOSE OF THE BONDS" and "PLAN OF REFUNDING" herein, and (ii) paying the costs of issuing the Bonds. The City has pledged its limited tax full faith and credit for the prompt payment of the Bonds. The City shall each year budget the amount of the debt service coming due in the next fiscal year on the principal of and interest on the Bonds and shall advance as a first budget obligation from its general fund available therefor, or, if necessary, levy taxes upon all taxable property in the City, subject to applicable constitutional, statutory and charter tax rate limitations, such sums as may be necessary to pay such debt service in said fiscal year.

The Bonds are issuable only as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry-only form in the denomination of $5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Bonds (the "Beneficial Owners") will not receive certificates representing their beneficial interest in Bonds purchased. So long as Cede & Co. is the Bondholder, as nominee of DTC, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein.

Principal of and interest on the Bonds will be paid by the corporate trust office of U.S. Bank Trust Company, National Association, Detroit, Michigan (the "Transfer Agent"). So long as DTC or its nominee, Cede & Co., is the Bondholder, such payments will be made directly to such Bondholder. Disbursement of such payments to DTC's Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC's Direct Participants and Indirect Participants, as more fully described herein. Interest will be payable semiannually on June 1 and December 1, commencing June 1, 2027, to the Bondholders of record as of the applicable record dates as stated in the Bonds.

The City has applied for municipal bond insurance to insure the Bonds, but has not, as of the date hereof, received or accepted a commitment. See "POTENTIAL FOR BOND INSURANCE" herein.

(Base CUSIP§: 071365)

Maturity Date*	Amount*	Interest Rate	Yield	CUSIP§	Maturity Date*	Amount*	Interest Rate	Yield	CUSIP§
12/1/2027	$505,000				12/1/2034	$630,000			
12/1/2028	540,000				12/1/2035	665,000			
6/1/2029	835,000				12/1/2036	700,000			
12/1/2029	570,000				12/1/2037	735,000			
6/1/2030	880,000				12/1/2038	775,000			
12/1/2030	600,000				12/1/2039	810,000			
12/1/2031	620,000				12/1/2040	855,000			
12/1/2032	575,000				12/1/2041	900,000			
12/1/2033	600,000								

THE BONDS MATURING ON OR AFTER DECEMBER 1, 2037* ARE SUBJECT TO OPTIONAL REDEMPTION BEGINNING JUNE 1, 2036*, IN THE MANNER AND AT THE TIMES DESCRIBED HEREIN. See "THE BONDS – Optional Redemption" herein.

The Bonds will be offered when, as and if issued by the City and accepted by the Underwriter subject to the approving legal opinion of Miller, Canfield, Paddock and Stone, P.L.C., Detroit, Michigan, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by Varnum LLP, Grand Rapids, Michigan. It is expected that the Bonds will be available for delivery through DTC on or about September ___, 2026.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

RAYMOND JAMES®

The date of this Official Statement is August __, 2026.

† For an explanation of the rating, see "RATING" herein.

[1] As of the date of delivery.

§ CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. Copyright© 2026 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Underwriter or its agents or counsel assume responsibility for the accuracy of such numbers.

* Preliminary, subject to change.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than as contained in this Official Statement in connection with the offer made hereby and, if given or made, such other information or representation must not be relied upon as having been authorized by the City or the Underwriter. This Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may an offer to buy these securities be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

Information herein has been obtained from the City, The Depository Trust Company and other sources believed to be reliable. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information (except for information under the section captioned "UNDERWRITING" which was obtained from the Underwriter).

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity or agency will have passed upon the adequacy of this Official Statement, or, except for the City and the Department of Treasury of the State of Michigan, approved the Bonds for sale.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE INFORMATION PRESENTED IN THIS OFFICIAL STATEMENT CONCERNING THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CITY OF BATTLE CREEK
10 North Division Street
Battle Creek, MI 49014
269.966.3348
www.battlecreekmi.gov

CITY OF BATTLE CREEK OFFICIALS

Mayor	**Vice Mayor**
Mark Behnke	Sherry Sofia

City Commission

Jessica LaCosse, First Ward
Jenasia Morris, Second Ward
Patrick O'Donnell, Third Ward
Christopher Simmons, Fourth Ward
Jim Lance, Fifth Ward
Paige Katsarsky-Smith, At-Large
Carla Reynolds, At-Large

CITY ADMINISTRATION

Amanda Zimmerlin, City Manager
Aaron Kuhn, Revenue Services Director
Victoria Houser, City Clerk
Tammy Wolfersberger, City Treasurer
Aaron Powers, City Assessor
William Kim, City Attorney

BOND COUNSEL

Miller, Canfield, Paddock and Stone, P.L.C.
Detroit, Michigan

MUNICIPAL ADVISOR

PFM Financial Advisors LLC
Ann Arbor, Michigan

TRANSFER AGENT AND REGISTRAR

U.S. Bank Trust Company, National Association
Detroit, Michigan

TABLE OF CONTENTS

OFFICIAL STATEMENT
relating to

$11,795,000*
CITY OF BATTLE CREEK
County of Calhoun, State of Michigan
2026 REFUNDING BONDS
(Limited Tax General Obligation)

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices, is to furnish information in connection with the issuance and sale by the City of Battle Creek, County of Calhoun, State of Michigan (the "City") of its 2026 Refunding Bonds (Limited Tax General Obligation) (the "Bonds") in the principal amount of $11,795,000*.

PURPOSE OF THE BONDS

The proceeds of the Bonds shall be used for the purposes of currently refunding all or a portion of the City's outstanding General Obligation Limited Tax Refunding Bonds, Series 2016, dated April 14, 2016, which mature or are subject to mandatory redemption on June 1, 2027 through June 1, 2033, inclusive (the "2016 Bonds") and General Obligation Limited Tax Bonds, Series 2016C, dated December 28, 2016, which mature or are subject to mandatory redemption on December 1, 2027 through December 1, 2041, inclusive (the "2016C Bonds" together with the 2016 Bonds, the "Prior Bonds") and paying the costs of issuing the Bonds.

AUTHORITY AND SECURITY

The Bonds are being issued pursuant to the provisions of Act 34 of the Public Acts of Michigan of 2001, as amended ("Act 34") and a bond authorizing resolution (the "Resolution") adopted by the City Commission on June 16, 2026.

The City has pledged its limited tax full faith and credit for the prompt payment of the Bonds. The City shall each year budget the amount of the debt service coming due in the next fiscal year on the principal of and interest on the Bonds and shall advance as a first budget obligation from its general fund available therefor, or, if necessary, levy taxes upon all taxable property in the City, subject to applicable constitutional, statutory and charter tax rate limitations, such sums as may be necessary to pay such debt service in said fiscal year.

POTENTIAL FOR BOND INSURANCE

The City has applied for municipal bond insurance to insure the Bonds, but has not, as of the date hereof, received or accepted a commitment for such insurance. The City will, together with its financial advisor, evaluate any commitment that is received and determine whether it is cost effective to accept the commitment to insure the Bonds. If the Bonds are insured, information regarding the bond insurance, the bond insurer, and the effect of insurance on the ratings for the Bonds will be included in the final Official Statement.

PLAN OF REFUNDING

The proceeds of the Bonds, along with other available funds, will be used to establish an escrow fund (the "Escrow Fund") composed of cash and non-callable direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America or other obligations the principal of and interest on which are fully secured by the foregoing. The Escrow Fund will be held by the corporate trust office of U.S. Bank Trust Company, National Association, Detroit, Michigan, as escrow agent (the "Escrow Agent") and will be used to pay the principal of and interest on the Prior Bonds at call for redemption.

*Preliminary, subject to change

The Escrow Fund will be held by the Escrow Agent pursuant to an escrow agreement (the "Escrow Agreement") which irrevocably directs the Escrow Agent to make the payment of principal of and interest on the Prior Bonds at call for redemption. The Escrow Fund will be such that the cash and the principal of and interest payments received on investments will be sufficient, without reinvestment except as provided in the Escrow Agreement, to pay the principal of and interest on the Prior Bonds as they are called for early redemption, as set forth on the following table.

Principal of and Interest on the
Prior Bonds to be Paid from the Escrow Fund

Date	Principal*	Interest*	Total*
10/15/2026	$1,785,000	$26,576.67	$1,811,576.67
12/1/2026	10,800,000	252,925.00	11,052,925.00

The accuracy of the mathematical computations of the adequacy of the cash and certain obligations to be held in the Escrow Fund and used, together with earnings thereon, to pay the principal of and interest on the Prior Bonds at call for redemption supporting the conclusion of Bond Counsel that the interest on the Bonds is excluded from gross income for federal tax purposes as indicated under the caption "TAX MATTERS" herein, will be verified by Robert Thomas CPA. LLC, Overland Park, Kansas. Such verification of accuracy of the computations shall be based upon information supplied by Raymond James & Associates, Inc. (the "Underwriter") and the interpretations of Section 148 of the Internal Revenue Code of 1986, as amended, as provided by Bond Counsel.

ESTIMATED SOURCES AND USES OF FUNDS

SOURCES	
Par Amount of the Bonds	
[Net] Original Issue Premium	
Total Sources	
USES	
Deposit to Escrow Fund	
Underwriter's Discount	
Estimated Costs of Issuance	
Total Uses	

THE BONDS

Description and Form of the Bonds

The Bonds will be issued in book-entry-only form as one fully registered Bond per maturity, without coupons, in the aggregate principal amount for each maturity set forth on the cover page hereof and may be purchased in denominations of $5,000 or any integral multiple thereof. The Bonds will be dated as of and bear interest from the date of issuance. Interest on the Bonds shall be payable semiannually each June 1 and December 1 to maturity or earlier redemption, commencing June 1, 2027. Interest on the Bonds shall be computed using a 360-day year with twelve 30-day months, and the Bonds will mature on the dates and in the principal amounts and will bear interest at the rates as set forth on the cover of this Official Statement.

The corporate trust office of U.S. Bank Trust Company, National Association, Detroit, Michigan, or its successor, will serve as the bond registrar and transfer agent (the "Transfer Agent"). Interest on the Bonds shall be payable when due by check or draft to the person or entity who or which is, as of the fifteenth (15th) day of the month preceding each interest payment date, the registered owner of record, at the owner's registered address. For a description of payment of principal and interest, transfers and exchanges and notice of redemption on the Bonds, which are held in the book-entry-only system, see "Book-Entry-Only System" below. For a description of transfers and exchanges on the Bonds if the Bonds cease to be held in book-entry-only form, see "Transfer Outside Book-Entry-Only System" below.

*Preliminary, subject to change

Book-Entry-Only System

The information in this section has been furnished by The Depository Trust Company, New York, New York ("DTC"). No representation is made by the City, the Transfer Agent or the Underwriter as to the completeness or accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. No attempt has been made by the City, the Transfer Agent or the Underwriter to determine whether DTC is or will be financially or otherwise capable of fulfilling its obligations. Neither the City nor the Transfer Agent will have any responsibility or obligation to Direct Participants, Indirect Participants (both as defined below) or the persons for which they act as nominees with respect to the Bonds, or for any principal, premium, if any, or interest payment thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934 (the "Exchange Act"). DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission (the "Commission"). More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and interest and redemption amounts, if any, on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the City or the Transfer Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Transfer Agent, or the City, subject to any statutoryor regulatory requirements as may be in effect from time to time. Payments of principal, interest and redemption amounts, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the City or Transfer Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or Transfer Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered to DTC.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

Transfer Outside Book-Entry-Only System

In the event that the book-entry-only system is discontinued, the Transfer Agent shall keep the registration books for the Bonds (the "Bond Register") at its corporate trust office. Subject to the further conditions contained in the Resolution, the Bonds may be transferred or exchanged for one or more Bonds in different authorized denominations upon surrender thereof at the corporate trust office of the Transfer Agent by the registered owners or their duly authorized attorneys; upon surrender of any Bonds to be transferred or exchanged, the Transfer Agent shall record the transfer or exchange in the Bond Register and shall authenticate replacement bonds in authorized denominations; during the fifteen (15) days immediately preceding the date of mailing of any notice of redemption or any time following the mailing of any notice of redemption, the Transfer Agent shall not be required to effect or register any transfer or exchange of any Bond which has been selected for such redemption, except the Bonds properly surrendered for partial redemption may be exchanged for new Bonds in authorized denominations equal in the aggregate to the unredeemed portion; the City and the Transfer Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in the Bond Register as of the appropriate dates, as the owners of such Bonds for all purposes under the Resolution. No transfer or exchange made other than as described above and in the Resolution shall be valid or effective for any purposes under the Resolution.

Optional Redemption

The Bonds or portions of the Bonds in multiples of $5,000, maturing on or after December 1, 2037*, are subject to redemption prior to maturity at the option of the City in such order as the City may determine and by lot within any maturity, on any date occurring on or after June 1, 2036*, at par plus accrued interest to the date fixed for redemption.

Notice of Redemption and Manner of Selection

Notice of redemption shall be given to the registered owner of any bond or portion thereof called for redemption by mailing of such notice not less than thirty (30) days prior to the date fixed for redemption to the registered address of the registered owner of record. A bond or portion thereof so called for redemption shall not bear interest after the date fixed for redemption provided funds are on hand with the Transfer Agent to redeem said bond or portion thereof. In case less than the full amount of an outstanding bond is called for redemption, the Transfer Agent, upon presentation of the bond called for redemption, shall register, authenticate and deliver to the registered owner of record a new bond in the principal amount of the portion of the original bond not called for redemption.

If less than all of the Bonds of any maturity shall be called for redemption prior to maturity, unless otherwise provided, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by the Transfer Agent, in the principal amounts designated by the City. Any Bonds selected for redemption will cease to bear interest on the date fixed for redemption, whether presented for redemption, provided funds are on hand with the Transfer Agent to redeem said Bonds. Upon presentation and surrender of such Bonds at the corporate trust office of the Transfer Agent, such Bonds shall be paid and redeemed.

So long as the book-entry-only system remains in effect, in the event of a partial redemption the Transfer Agent will give notice to Cede & Co., as nominee of DTC, only, and only Cede & Co. will be deemed to be a holder of the Bonds. DTC is expected to reduce the credit balances of the applicable DTC Participants in respect of the Bonds and in turn the DTC Participants are expected to select those Beneficial Owners whose ownership interests are to be extinguished or reduced by such partial redemption, each by such method as DTC or such DTC Participants, as the case may be, deems fair and appropriate in its sole discretion.

LITIGATION

The City has not been served with any litigation, administrative action or proceeding, and to the knowledge of the appropriate officials of the City no litigation or administrative action or proceeding has been threatened, restraining or enjoining, or seeking to restrain or enjoin the issuance and delivery of the Bonds, or which questions (i) the proceedings under which the Bonds are to be issued, (ii) the validity of the Bonds, (iii) the pledge of any portion of the security for payment of the Bonds, (iv) the legal existence of the City, or (v) the ability of the City to operate, or which may materially affect the financial condition of the City. A certificate to such effect will be delivered to Raymond James & Associates, Inc. (the “Underwriter”) at the time of the original delivery of the Bonds.

*Preliminary, subject to change

TAX MATTERS

In the opinion of Miller, Canfield, Paddock and Stone, P.L.C., Bond Counsel, under existing law, the interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that, under existing law, the Bonds and the interest thereon are exempt from all taxation by the State of Michigan or by any taxing authority within the State of Michigan except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. Bond Counsel will express no opinion regarding any other federal or state tax consequences arising with respect to the Bonds and the interest thereon.

The opinions on federal and State of Michigan tax matters are based on the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the City contained in the transcript of proceedings and which are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excludable from gross income for federal and State of Michigan income tax purposes. The City has covenanted to take the actions required of it for the interest on the Bonds to be and to remain excludable from gross income for federal and State of Michigan income tax purposes, and not to take any actions that would adversely affect that exclusion. Bond Counsel's opinion assumes the accuracy of the City's certifications and representations and the continuing compliance with the City's covenants. Noncompliance with these covenants by the City may cause the interest on the Bonds to be included in gross income for federal and State of Michigan income tax purposes retroactively to the date of issuance of the Bonds. After the date of issuance of the Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the market prices of the Bonds.

The opinions of Bond Counsel are based on current legal authority and cover certain matters not directly addressed by such authority. They represent Bond Counsel's legal judgment as to the excludability of interest on the Bonds from gross income for federal and State of Michigan income tax purposes but are not a guarantee of that conclusion. The opinions are not binding on the Internal Revenue Service (“IRS”") or any court. Bond Counsel cannot give and has not given any opinion or assurance about the effect of future changes in the Internal Revenue Code of 1986, as amended (the “Code”), the applicable regulations, the interpretations thereof or the enforcement thereof by the IRS.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, corporations (as defined in Section 59(k) of the Code) subject to the alternative minimum tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Bonds. Bond Counsel will express no opinion regarding any such consequences.

Tax Treatment of Accruals on Original Issue Discount Bonds

Under existing law, if the initial public offering price to the public (excluding bond houses and brokers) of a Bond is less than the stated redemption price of such Bonds at maturity, then such Bond is considered to have "original issue discount" equal to the difference between such initial offering price and the amount payable at maturity (such Bonds are referred to as "OID Bonds"). Such discount is treated as interest excludable from federal gross income to the extent properly allocable to each registered owner thereof. The original issue discount accrues over the term to maturity of each such OID Bonds on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period) from the date of original issue with straight-line interpolations between compounding dates. The amount of original issue discount accruing during each period is added to the adjusted basis of such OID Bonds to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such OID Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of OID Bonds who purchase such OID Bonds after the initial offering of a substantial amount thereof. Owners who do not purchase such OID Bonds in the initial offering at the initial offering prices should consult their own tax advisors with respect to the tax consequences of ownership of such OID Bonds.

All holders of the OID Bonds should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition of an OID Bond to the extent such loss is attributable to accrued original issue discount.

Amortizable Bond Premium

For federal income tax purposes, the excess of the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold over the amount payable at maturity thereof constitutes for the original purchasers of such Bonds (collectively, the “Original Premium Bonds”) an amortizable bond premium. Bonds other than Original Premium Bonds may also be subject to an amortizable bond premium determined generally with regard to the taxpayer's basis (for purposes of determining loss on a sale or exchange) and the amount payable on maturity or, in certain cases, on an earlier call date (such bonds being referred to herein collectively with the Original Premium Bonds as the "Premium Bonds"). Such amortizable bond premium is not deductible from gross income. The amount of amortizable bond premium allocable to each taxable year is generally determined on the basis of the taxpayer's yield to maturity determined by using the taxpayer's basis (for purposes of determining loss on sale or exchange) of such Premium Bonds and compounding at the close of each six-month accrual period. The amount of amortizable bond premium allocable to each taxable year is deducted from the taxpayer's adjusted basis of such Premium Bonds to determine taxable gain upon disposition (including sale, redemption or payment at maturity) of such Premium Bonds.

All holders of the Premium Bonds should consult with their own tax advisors as to the amount and effect of the amortizable bond premium.

Market Discount

The “market discount rules” of the Code apply to the Bonds. Accordingly, holders acquiring their Bonds subsequent to the initial issuance of the Bonds will generally be required to treat market discount recognized under the provisions of the Code as ordinary taxable income (as opposed to capital gain income). Holders should consult their own tax advisors regarding the application of the market discount provisions of the Code and the advisability of making any of the elections relating to market discount allowed by the Code.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid after March 31, 2007, on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing the Bonds through a brokerage account has executed a Form W-9 in connection with the establishment of such account, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the IRS.

Future Developments

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds and, unless separately engaged, bond counsel is not obligated to defend the City in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the City as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit.

NO ASSURANCE CAN BE GIVEN THAT ANY FUTURE LEGISLATION OR CLARIFICATIONS OR AMENDMENTS TO THE CODE, IF ENACTED INTO LAW, WILL NOT CONTAIN PROPOSALS WHICH COULD CAUSE THE INTEREST ON THE BONDS TO BE SUBJECT DIRECTLY OR INDIRECTLY TO FEDERAL OR STATE OF MICHIGAN INCOME TAXATION, ADVERSELY AFFECT THE MARKET PRICE OR MARKETABILITY OF THE BONDS, OR OTHERWISE PREVENT THE HOLDERS FROM REALIZING THE FULL CURRENT BENEFIT OF THE STATUS OF THE INTEREST THEREON.

FURTHER, NO ASSURANCE CAN BE GIVEN THAT ANY ACTIONS OF THE INTERNAL REVENUE SERVICE, INCLUDING, BUT NOT LIMITED TO, SELECTION OF THE BONDS FOR AUDIT EXAMINATION, OR THE COURSE OR RESULT OF ANY EXAMINATION OF THE BONDS, OR OTHER BONDS WHICH PRESENT SIMILAR TAX ISSUES, WILL NOT AFFECT THE MARKET PRICE OF THE BONDS.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS, INCLUDING THE IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE OF MICHIGAN TAX LEGISLATION.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approval of Miller, Canfield, Paddock and Stone, P.L.C., Detroit, Michigan, Bond Counsel. A copy of the opinion of Bond Counsel will be provided with the Bonds, which opinion will be in substantially the form set forth in Appendix D. The legal fees of Bond Counsel in connection with the issuance of the Bonds are expected to be paid from Bond proceeds. Except to the extent necessary to issue its approving opinion as to the validity of the Bonds, Bond Counsel has not been retained to examine or review and has not examined or reviewed any financial documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Bonds, and accordingly will not express any opinion with respect to the accuracy or completeness of any such financial documents, statements or materials.

Certain legal matters will be passed upon for the Underwriter by its counsel, Varnum LLP, Grand Rapids, Michigan.

APPROVAL BY MICHIGAN DEPARTMENT OF TREASURY

The City has received a letter from the Michigan Department of Treasury stating that the City is in material compliance with the criteria identified in Act 34, Public Acts of Michigan, 2001, as amended for a municipality to be granted qualified status. The City may therefore proceed to issue the Bonds without further approval from the Michigan Department of Treasury.

RATING

S&P will assign, as of the date of delivery of the Bonds, its municipal bond rating of “AA-” to the Bonds.

No application has been made to any other ratings service for a rating on the Bonds. The City furnished to S&P certain materials and information in addition to that provided herein. Generally, the rating agencies base their rating on such information and materials, and on investigations, studies and assumptions. There is no assurance that such rating will prevail for any given period of time or that it will not be revised downward or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. Any rating assigned represents only the view of S&P. Further information is available upon request from S&P, 55 Water Street, New York, New York 10014, 212.438.1000.

UNDERWRITING

The Underwriter has agreed, subject to the terms of the Bond Purchase Agreement, to purchase the Bonds from the City. The Bond Purchase Agreement provides, in part, that the Underwriter, subject to certain conditions, will purchase from the City the aggregate principal amount of Bonds for a purchase price as set forth therein. The Underwriter has further agreed to offer the Bonds to the public at the approximate initial offering prices as set forth on the cover hereto. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the cover hereto. The offering prices may be changed from time to time by the Underwriter. The aggregate underwriting fee for the Bonds equals ______ percent of the aggregate principal amount of the Bonds.

The Bond Purchase Agreement provides that the obligations of the Underwriter are subject to certain conditions, including, among other things, that (i) no event has occurred which impairs or threatens to impair the validity of the Bonds or the status of the Bonds or the interest thereon as exempt from taxation in the State and interest on the Bonds is excluded from gross income for federal income tax purposes (except as described under the heading "TAX MATTERS" herein) and (ii) proceedings relating to the Bonds are not pending or threatened by the Commission.

The Bond Purchase Agreement further provides that the City will provide to the Underwriter within seven business days of the date of the Bond Purchase Agreement an electronic copy of the Official Statement to enable the Underwriter to comply with the requirements of Rule 15c2-12(b)(4) under the Exchange Act.

MUNICIPAL ADVISOR

The City has retained PFM Financial Advisors LLC, Ann Arbor, Michigan, as municipal financial advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. In preparing portions of the Official Statement, the Municipal Advisor has relied upon governmental officials and other sources which have access to relevant data, to provide accurate information for the Official Statement and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. To the best of the Municipal Advisor's knowledge and belief, the information contained in the Official Statement, which it assisted in preparing, while it may be summarized, is complete and accurate. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards.

The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds. PFM Financial Advisors LLC is registered with the Commission and the Municipal Securities Rulemaking Board as a municipal advisor.

Requests for information concerning the City should be addressed to PFM Financial Advisors LLC, 555 Briarwood Circle, Suite 333, Ann Arbor, Michigan 48108, telephone: 734.994.9700.

CONTINUING DISCLOSURE

Prior to delivery of the Bonds, the City will execute a Continuing Disclosure Undertaking (the "Undertaking") for the benefit of the Beneficial Owners (as defined in the Undertaking) of the Bonds to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and the other terms of the Undertaking, are set forth in “Appendix E – Form of Continuing Disclosure Undertaking,” to this Official Statement.

A failure by the City to comply with its Undertaking will not constitute an event of default under the Resolution and Beneficial Owners of the Bonds are limited to the remedies described in the Undertaking.

A failure by the City to comply with its Undertaking must be reported by the City in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Except as described below, the City has not failed to comply in the last five years, in any material respect, with any previous undertakings pursuant to the Rule. In the filing of its annual disclosure information for the fiscal years ended June 30, 2021 through June 30, 2025, the City did not include information regarding Projected Tax Increment Revenues and Debt Service Coverage for the Battle Creek Downtown Development Authority, as required by certain prior outstanding continuing disclosure undertakings. The City filed the missing information on August 15, 2025. In the filing of its annual disclosure information for the fiscal years ended June 30, 2021 through and including June 30, 2025, the City did not include certain projection information as required by prior outstanding continuing disclosure undertakings, as it was not the City’s intent to provide updates to forward-looking information. In the annual disclosure information for the fiscal year ended June 30, 2025, the City did not include the Tax Rate Limitations information or the Fiscal Year 2025-2026 General Fund Budget Summary as required by the City’s 2025 continuing disclosure undertaking. However, the information is included in the official statement for the bonds relating to such continuing disclosure undertaking which was filed and dated as of August 27, 2025. The City has established procedures to ensure compliance with future filing requirements.

OTHER MATTERS

All information contained in this Official Statement, in all respects, is subject to the complete body of information contained in the original sources thereof. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

The City certifies that to its best knowledge and belief, this Official Statement, insofar as it pertains to the City and its economic and financial condition, is true and correct as of the date of this Official Statement and does not contain, nor omit, any material facts or information which would make the statements contained herein misleading.

CITY OF BATTLE CREEK
COUNTY OF CALHOUN
STATE OF MICHIGAN

By: /s/ ____________________
Aaron Kuhn
Revenue Services Director

APPENDIX A*

CITY OF BATTLE CREEK

GENERAL FINANCIAL, ECONOMIC & STATISTICAL INFORMATION

LOCATION AND DESCRIPTION

The City covers an area of approximately 44 square miles. The City is located in the Southwest portion of Michigan's Lower Peninsula, 79 miles southeast of Grand Rapids, 26 miles east of Kalamazoo and 170 miles from Chicago. The City is primarily residential and commercial in nature with residential and commercial valuation accounting for 61.10% and 21.06%, respectively of the City's 2026 Taxable Value.

POPULATION

The U.S. Census reported and 2024 estimated populations for the City of Battle Creek and County of Calhoun are as follows:

	City of Battle Creek	% Change	County of Calhoun	% Change
2024 Estimate	52,374	-0.66%	133,778	-0.40%
2020 U.S. Census	52,721	0.71	134,310	-1.35
2010 U.S. Census	52,347	--	136,146	--

Source: U.S. Census Bureau via data.census.gov website

FISCAL YEAR

The City's fiscal year begins on July 1st and ends on June 30th.

FORM OF GOVERNMENT

The City was incorporated as a City in February 1859 and as a Home Rule City in April 1913. On April 11, 1961, the City instituted the Commission-Manager form of government. The City Commission is the legislative and governing body of the City. The Commission consists of nine City Commissioners. Four Commissioners are elected at large for two-year terms and five Commissioners are elected from the five wards in the City serving a two-year term of office. The Mayor is elected by popular vote for a two-year term and the Vice Mayor is selected by the City Commissioners from among themselves. The City Manager is the Chief Administrative Officer of the City and is appointed by the Commission and serves at its pleasure. With the exception of the City Attorney who is appointed by the City Commission, the City Manager is responsible for all other appointments of administrative and divisional heads. All City Commissioners are elected at elections held in November of even-numbered years.

PROPERTY VALUATIONS

Article IX, Section 3, of the Michigan Constitution provides that the proportion of true cash value at which property shall be assessed shall not exceed 50% of true cash value. The Michigan Legislature by statute has provided that property shall be assessed at 50% of its true cash value. The Michigan Legislature or the electorate may at some future time reduce the percentage below 50% of true cash value.

On March 15, 1994, the electors of the State approved an amendment to the Michigan Constitution permitting the Legislature to authorize ad valorem taxes on a non-uniform basis. The legislation implementing this constitutional amendment added a new measure of property value known as "Taxable Value". Since 1995, taxable property has had two valuations—State Equalized Value ("SEV") and Taxable Value. Property taxes are levied on Taxable Value. Generally, the Taxable Value of property is the lesser of: (a) the Taxable Value of property in the immediately preceding year, adjusted for losses, multiplied by the lesser of the net percentage change in the property's SEV from the preceding year to the current year, or the inflation rate, or 5%, plus additions, or (b) the property's current SEV. Under certain circumstances, therefore, the Taxable Value of property may be different from the same property's SEV.

*Information included in APPENDIX A of this Official Statement was obtained from the City unless otherwise noted.

This constitutional amendment and the implementing legislation base the Taxable Value of existing property for the year 1995 on the SEV of that property in 1994 and for the years 1996 and thereafter on the Taxable Value of the property in the preceding year. Beginning with the taxes levied in 1995, an increase, if any, in Taxable Value of the existing property is limited to the lesser of the net percentage change in SEV from the preceding year to the current year, 5% or the inflation rate. When property is sold or transferred, Taxable Value is adjusted to the SEV, which under existing law is 50% of the current true cash value. The Taxable Value of new construction is equal to current SEV. The Taxable Value and SEV of existing property are also adjusted annually for additions and losses.

Responsibility for assessing taxable property rests with the local assessing officer of each township and city. Any property owner may appeal the assessment to the local assessor, the local Board of Review and ultimately to the Michigan Tax Tribunal.

In addition to limiting the annual increase in Taxable Value, the Michigan Constitution mandates a system of equalization for assessments. Although the assessor for each local unit of government within a county is responsible for actually assessing at 50% of true cash value, adjusted for taxable value purposes, the final SEV and taxable value are arrived at through several steps. Assessments are established initially by the municipal assessor. Municipal assessments are then equalized to the 50% levels as determined by the County Department of Equalization. Thereafter, the State equalizes the various counties in relation to each other. SEV is important, aside from its use in determining Taxable Value for the purpose of levying ad valorem property taxes, because of its role in the spreading of taxes between overlapping jurisdictions, the distribution of various State aid programs, State revenue sharing and in the calculation of debt limits.

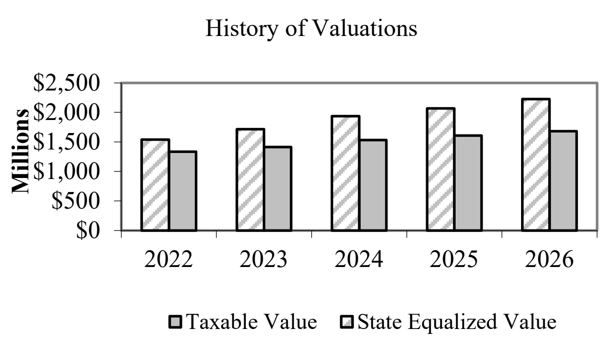
Property that is exempt from property taxes (churches, governmental property, public schools) is not included in the SEV or Taxable Value in this Official Statement. Property granted tax abatements under either Act 198, Public Acts of Michigan, 1974, as amended, or Act 255, Public Acts of Michigan 1998, as amended, is recorded on separate tax rolls while subject to tax abatement. The valuation of tax abated property is based upon SEV but is not included in either the SEV or Taxable Value in this Official Statement except as noted.

History of Valuations

A history of the property valuations in the City including Renaissance Zones is shown below:

Property Value as of 12/31	Levy/ Valuation Year	Total Taxable Value	Percent Change	State Equalized Value	Percent Change
2025	2026	$1,681,049,770	4.69%	$2,225,267,850	7.68%
2024	2025	1,605,772,118	4.92	2,066,474,579	6.76
2023	2024	1,530,507,436	8.36	1,935,661,742	12.98
2022	2023	1,412,489,803	5.96	1,713,211,643	11.37
2021	2022	1,333,011,772	----	1,538,237,252	----

Source: Calhoun County Equalization Department



Annual Equivalent Valuation

A summary of the 2026 valuation is as follows:

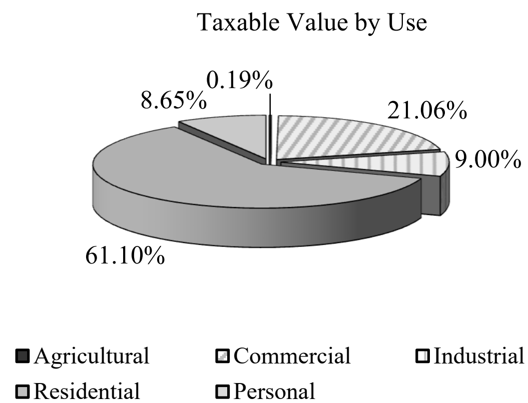
2026 Taxable Value	$1,681,049,770
Plus: 2026 Equivalent IFT Taxable Value[1]	8,192,563
Total 2026 Equivalent Taxable Value	$1,689,242,333
Less: 2026 Captured Taxable Value[2]	(279,670,505)
Less: 2026 Disabled Veterans Exemption Taxable Value[3]	(23,783,677)
Net 2026 Annual Equivalent Valuation	$1,385,788,151

[1]See “INDUSTRIAL FACILITY TAX ABATEMENTS” herein.
[2]See “TAX INCREMENT AUTHORITIES” herein.
[3]Represents value which is exempt from taxes pursuant to Michigan’s General Property Tax Act Section 7b, MCL 211.7b, which states real property used and owned as a homestead by either (1) a disabled veteran who was discharged from the United States armed forces under honorable conditions or (2) the disabled veteran’s un-remarried, surviving spouse is exempt from property taxes, subject to certain application requirements.
Source: Calhoun County Equalization Department

Valuation Composition

A breakdown of the City’s 2026 Taxable Value by class and use is as follows:

By Class:	2026 Taxable Value	Percent of Total
Real Property	$1,535,699,262	91.35%
Personal Property	145,350,508	8.65
TOTAL	$1,681,049,770	100.00%
By Use:		
Agricultural	$3,170,340	0.19%
Commercial	354,024,304	21.06
Industrial	151,295,356	9.00
Residential	1,027,209,262	61.10
Personal	145,350,508	8.65
TOTAL	$1,681,049,770	100.00%



Source: Calhoun County Equalization Department

INDUSTRIAL FACILITY TAX ABATEMENTS

Under the provisions of Act 198 of the Public Acts of Michigan, 1974, as amended (“Act 198”), plant rehabilitation districts and/or industrial development districts may be established. Businesses in these districts are offered certain property tax incentives to encourage restoration or replacement of obsolete facilities and to attract new facilities in the area. The industrial facilities tax (“IFT”) is paid, at a lesser effective rate and in lieu of ad valorem property taxes, in such facilities for a period of up to 12 years. Qualifying facilities are issued abatement certificates for this period.

After expiration of the abatement certificate, the then-current SEV of the facility is returned to the ad valorem tax roll. The owner of such facility may obtain a new certificate, provided it has complied with the provisions of Act 198.

The 2026 Taxable Value for the properties which have been granted IFT abatements within the City’s boundaries is $16,385,125, all of which is taxed at ½ rate. For purposes of computing “Equivalent” Taxable Value, it has been shown in the “History of Valuations” section as 50% of the Taxable Value.

Source: Calhoun County Equalization Department

RENAISSANCE ZONE

Act 376, Public Acts of Michigan, 1996 (“Act 376”) authorized the creation of six urban, three rural and two ex-military facilities for designation as “renaissance zones.” The purpose of a renaissance zone is to foster economic development and stimulate industrial, commercial and residential improvements by, in part, providing certain tax credits or exemptions within the zone. One of the subzones lies within the City’s boundaries. Property within this subzone has a 2026 Taxable Value of $23,811,193. The properties within the renaissance zone are exempt from all millages except debt millages, school sinking fund and intermediate school district enhancement millages.

TAX INCREMENT AUTHORITIES

Act 57 of the Public Acts of Michigan, 2018, as amended (the "Recodified Tax Increment Financing Act") and Act 381 of the Public Acts of Michigan, 1996, as amended (the "Brownfield Act") (together the "TIF Acts") authorize the designation of specific districts known as Tax Increment Finance Authority ("TIFA") Districts, Downtown Development Authority ("DDA") Districts, Local Development Finance Authority ("LDFA") Districts, Corridor Improvement Authority ("CIA") Districts or Brownfield Redevelopment Authority ("BRDA") Districts, which are authorized to formulate tax increment financing plans for public improvements, economic development, neighborhood revitalization, historic preservation and environmental cleanup within the district.

Tax increment financing permits the TIFA, DDA, LDFA, CIA or BRDA to capture tax revenues attributable to increases in value ("TIF Captured Value") of real and personal property located within an approved development area while any tax increment financing plans by an established district are in place. These captured revenues are used by the District and are not passed on to the local taxing jurisdictions.

The City has a TIFA, two DDA, and three LDFA Districts and multiple Brownfield Plans with a 2026 captured taxable value of $279,670,505.

Source: City of Battle Creek

MICHIGAN PROPERTY TAX REFORM

Between 2012 and 2020, the Michigan Legislature enacted a series of statutes reforming personal property taxation in Michigan. Initial legislation passed in 2012 was amended and replaced by a package of bills enacted in 2013 and 2014, both of which were contingent on the passage of a ballot proposition in August 2014. That ballot proposition, which Michigan voters approved, authorized a new municipal entity, the Local Community Stabilization Authority ("LCSA"). Additional legislation since 2014 has refined the reimbursement framework, adjusted reporting requirements, and modified calculation methods for tax reimbursements.

The legislation includes two categories of exemptions from the personal property tax. Under the small taxpayer exemption, commercial and industrial personal property owned by taxpayers with a combined true cash value below $180,000 in a local tax collecting unit is exempt from ad valorem taxes. Under the eligible manufacturing personal property exemption, personal property used more than 50% of the time in industrial processing or direct integrated support is exempt from taxation provided it meets other statutory eligibility requirements.

The LCSA is a municipal entity created by voter approval in August 2014. The LCSA is authorized to levy a local component of the statewide use tax and distribute that revenue to qualifying local units of government—including school districts, intermediate school districts, counties, cities, villages, townships, community colleges, and tax increment finance authorities—to offset revenue losses caused by the personal property tax exemptions. The LCSA administers the personal property tax reimbursement process, including calculating and distributing reimbursement payments, managing reporting deadlines, processing correction requests, and distributing fire protection services payments. The Michigan Department of Treasury works in coordination with the LCSA to administer these functions.

The legislation provides for reimbursement to cities for revenue losses resulting from the personal property tax exemptions. For the 2025 tax year, the City received reimbursement of $514,720 from the LCSA, representing 100% of the revenues lost from personal property tax exemptions. The Legislature may in the future change the funding formulas for the types and amounts to be reimbursed. The ultimate nature, extent and impact of any other future amendments to Michigan's property tax laws on the City's finances cannot be predicted.

PERSONAL PROPERTY TAX ASSESSMENTS AND APPEALS

Since the 1960's, Michigan personal property tax assessments have been based on the use of one or more of several different multiplier tables, formulated by the State Tax Commission, against taxpayer-reported original cost, depending upon the assessor's view of the average life of the personal property. The State Tax Commission has approved revisions to the state's personal property tax tables which became effective for the year 2000 and which may reduce overall personal property tax revenues in some jurisdictions. The State Tax Tribunal has informally indicated that it may allow the new multipliers to be applied retroactively in pending personal property tax appeals. In anticipation of the new multipliers, many personal property taxpayers filed appeals of their existing tax assessments. In an unpublished, non-precedential opinion, the Michigan Court of Appeals, in *Valassis Communications v. City of Livonia*, affirmed a decision of the State Tax Tribunal that the personal property multipliers, which became effective in 2000, could be retroactively applied and used to determine the true cash value of the subject property for the 1999 tax year. In its unpublished opinion, the court held that the controlling factor is whether the method used most accurately reflects the property's true cash value. The court in *Valassis* determined that based upon the facts of the case, the old multipliers (in effect for the 1999 tax year) did not accurately reflect the property's true cash value and that the 2000 multipliers more accurately reflected the property's true cash value. In January 2004, the Michigan Court of Appeals, in *County of Wayne v. Michigan State Tax Commission*, affirmed the use of at least one of the revised multiplier tables by the State Tax Tribunal in determining personal property tax appeals. The Court of Appeals upheld a recent Tax Tribunal ruling authorizing the use of the revised multiplier developed by the State Tax Commission to determine the true cash value of public utility electric transmission and distribution property on the grounds that the multiplier tables, as finalized, did not violate the State constitutional requirements for personal property tax valuation.

MAJOR TAXPAYERS

The City's top ten taxpayers and their 2026 Taxable Value are as follows:

Taxpayer	Product/Service	2026 Taxable Value
Consumers Energy	Electric utility	$58,908,560
Semco Energy	Natural gas utility	17,446,864
Kellogg Company	Breakfast foods	15,946,316
Denso Manufacturing MI Inc	Automotive parts	12,529,858
Arbors of Battle Creek	Real estate	11,890,100
Post Foods LLC	Breakfast foods	10,963,596
BCHQ Real Estate LLC (Kellogg HQ)	Breakfast foods	9,303,283
Teal Run Apartments LLC	Real estate	9,048,200
Edward Rose Development Co	Real estate	8,001,730
Redwood Battle Creek	Real estate	7,957,700
TOTALS		$161,996,207
Total 2026 Taxable Value		$1,681,049,770
Top 10 Taxpayers as a % of 2026 Total Taxable Value		9.64%

NOTE: In September of 2025, The Ferrero Group announced the successful completion of its acquisition of WK Kellogg Corporation. A large portion of the taxable value of that property was placed in a renaissance zone. The 2026 taxable value of that property is no longer shown in the table above and can be found under "RENAISSANCE ZONE" herein.
Source: City of Battle Creek

CONSTITUTIONAL ROLLBACK AND ASSESSMENT CAPS

Article IX, Section 31 of the Michigan Constitution requires that if the total value of existing taxable property in a local taxing unit, exclusive of new construction and improvements, increases faster than the U.S. Consumer Price Index from one year to the next, the maximum authorized tax rate for that local taxing unit must be reduced through a Millage Reduction Fraction unless reversed by a vote of the electorate of the local taxing unit.

TAX RATES - (Per $1,000 of Valuation)

The following table shows the total City tax rates for the past four years and current year.

Taxing Jurisdiction	2026	2025	2024	2023	2022
Operating millage					
General Operating	9.1130	7.9870	7.9870	7.9870	7.9870
Capital Projects	0.5000	0.5000	0.5000	0.5000	0.5000
Streets/Drainage	0.0000	1.1260	1.5000	1.5000	1.5000
Police & Fire Pension millage	5.2870	5.5830	5.6780	5.7710	5.5160
City Total	14.9000	15.1960	15.6650	15.7580	15.5030

Source: Calhoun County Equalization Department & City of Battle Creek

TAX RATE LIMITATIONS

The City's current tax rate limitations are as follows:

Purpose	Millage Authorized	2026 Maximum Allowable Millage after Rollback	2026 Millage Levied	2026 Tax Rate Margin	Expiration Date of Levy
Operating	11.6000	11.2578	9.6130	1.6448	N/A
Police & Fire Pension	Unlimited	Unlimited	5.2870	--	N/A

The City may levy taxes in excess of the above limitations pursuant to state law for the following purposes:

Purpose	Authority	Rate per $1,000 of Taxable Value
Refuse Collection and Disposal	Act 298, P.A. of Michigan 1917, as amended	$3.00
Police & Fire Pension Requirements	Act 345, P.A. of Michigan 1937, as amended	Amount required to make contribution

On November 7, 1978, Article IX, Section 6, of the 1963 Michigan Constitution was amended placing certain limitations on increases of taxes. The amendment did not, and will not, limit the levy of taxes for the payment of principal and interest on bonds or other evidences of indebtedness outstanding at the time the amendment became effective, nor will the amendment limit taxes imposed for the payment of bonds or other indebtedness issued, or incurred, after their effective date if said bonds, or other indebtedness, have been approved by the voters.

Additionally, Article IX, Section 6, of the 1963 Michigan Constitution, as amended, permits the levy of millage in excess of the above for:

1. All debt service on tax supported issues which have been approved by the voters.
2. Operating purposes for a specific period of time provided that said increase is approved by a majority of the qualified electors of the local unit.
3. Payment of valid judgments levied in accordance with the State law.

OTHER JURISDICTIONS' TAX RATES - (Per $1,000 of Valuation)

The following table provides the 2025 and 2024 tax rates for the municipal units of government that are located within the City boundaries.

Taxing Jurisdiction	2025	2024
County of Calhoun	7.6410	7.6406
Battle Creek Public Schools		
Non- Principal Residence	25.4992	25.5000
Principal Residence	7.4992	7.5000
State Education Tax	6.0000	6.0000
Calhoun ISD	6.1919	6.1919
Willard Public Library	1.9958	1.9986
Kellogg Community College	3.6109	3.6109
Transportation Authority	2.6600	2.6600

Source: Calhoun County Equalization Department

TAX LEVIES AND COLLECTIONS

The City's property taxes are due July 1 of each year and are payable without penalty or interest on or before the following August 20. All real property taxes remaining unpaid on March 1 of the year following the levy are turned over to the County Treasurer for collection. Calhoun County annually pays from its Delinquent Tax Revolving Fund delinquent taxes on real property to all taxing units in the County including the City's, shortly after the date delinquent taxes are returned to the County Treasurer for collection. The payments from this fund have resulted in collections of taxes approaching 100% for all taxing units. Delinquent personal property taxes are negligible. A history of tax levies and collections for the City is as follows:

Levy Year	Total Tax Levy	Collections to March 1, Following Year	
2026	$24,497,485*	N/A	
2025	23,919,896	$23,766,836	99.36%
2024	23,512,786	23,497,054	99.93
2023	22,424,789	22,403,599	99.91
2022	20,817,430	20,800,842	99.92
2021	20,243,933	20,226,792	99.92

**Estimated*
Source: City of Battle Creek

REVENUES FROM THE STATE OF MICHIGAN

The City receives revenue sharing payments from the State of Michigan under the State Constitution and the State Revenue Sharing Act of 1971, as amended. The revenue sharing payments are composed of two components – a constitutional distribution and a statutory distribution.

The constitutional distribution is mandated by the State Constitution and distributed on a per capita basis to townships, cities and villages. The amount of the constitutionally mandated revenue sharing component distributed to the City can vary depending on the population of the City and the receipt of sales tax revenues by the State.

The statutory distribution is authorized by legislative action and distribution is subject to annual State appropriation by the State Legislature. Statutory distributions may be reduced or delayed by Executive Order during any State fiscal year in which the Governor, with the approval of the State Legislature's appropriations committees, determines that actual revenues will be less than the revenue estimates on which appropriations were based.

On October 7, 2025, Governor Whitmer signed into law the budget for fiscal year 2026. The budget includes a constitutional revenue sharing distribution to cities, villages and townships of approximately $1.010 billion. An additional $333.5 million has been appropriated for revenue sharing distributions, of which $299.1 million will be distributed pursuant to the State Revenue Sharing Act and $34.4 million will be distributed in 1/3 increments to cities, villages, and townships: (i) according to a statutory formula based on the per capita taxable valuation of each city, village, or township in proportion to the State-wide per capita taxable valuation; (ii) to each unit type according to its population; and (iii) pursuant to a formula that provides a yield equalization payment to each unit that is sufficient to provide the guaranteed tax base for a local tax effort, not to exceed 0.02.

Any portion of the CVTRS payment that the City would be eligible to receive would be subject to certain benchmarks that the City would need to meet, and there can be no assurance what amount, if any, the City would receive under the CVTRS program.

Purchasers of the Bonds should be alerted to further modifications to revenue sharing payments to Michigan local governmental units, to potential consequent impact on the City's general fund condition, and to the potential impact upon the market price or marketability of the Bonds resulting from changes in revenues received by the City from the State.

The following table sets forth the annual revenue sharing payments and other money received by the City for the City's fiscal years ended June 30, 2022 through June 30, 2025 and the estimated revenue sharing payments for the State's fiscal year ending June 30, 2026.

	Fiscal Years Ended or Ending June 30				
	2026[1]	2025	2024	2023	2022
Constitutional	$5,405,816	$6,292,440	$5,712,615	$5,657,431	$5,597,381
Statutory/CVTRS	1,885,839	1,310,407	1,730,521	1,635,263	1,542,701
Total State Shared Revenues	$7,291,655	$7,602,847	$7,443,136	$7,292,694	$7,140,082

[1]Estimated.
Source: Department of Treasury via website at www.michigan.gov/treasury

AMERICAN RESCUE PLAN ACT OF 2021

On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021 ("ARPA"), which provides a total of $350 billion in assistance to states, counties, municipalities, territories and tribal governments to cover expenses, make up for lost revenue and ease the overall economic impact from the COVID-19 pandemic.

ARPA funds may be used to address the economic effects of COVID-19, including through aid to households, small businesses, nonprofits, and impacted industries such as tourism and hospitality. State and local governments may also use ARPA funds to provide premium pay (up to $13 per hour or $25,000 per worker) to essential employees or make grants to the employers of essential employees. State and local governments may also use ARPA funds to make investments in water, sewer and broadband infrastructure, and to provide government services to the extent of any revenue reduction resulting from COVID-19. They may not use ARPA funds to make pension payments or to offset revenue losses resulting from any tax cut, tax delay or tax rebate enacted after March 3, 2021.

Michigan received a total allocation of $10.6 billion in state and local relief under ARPA, of which the City received $30,545,339. All ARPA funds must be obligated and spent on costs incurred on or before December 31, 2024 and must be expended on or before December 31, 2026. The City has obligated all ARPA funds and spent all but approximately $1.4 Million.

LABOR FORCE

A breakdown of the number of employees of the City and their affiliation with organized groups follows:

Employee Group	No. of Employees	Exp. Date of Contract
Police Officers Labor Council (POLC) - Non-Supervisory	90	06/30/27
Police Officers Labor Council (POLC) - Sergeants	17	06/30/27
Police Officers Labor Council (POLC) - Lieutenants	5	06/30/27
American Federation of State, County & Municipal Employees (AFSCME)	135	06/30/27
International Association of Firefighters (IAFF)	77	06/30/28
Organization of Supervisory Personnel (OSP) - Fire	5	06/30/29
Battle Creek Supervisors Association (BCSA)	24	06/30/28
Service Employees International Union (SEIU)	89	06/30/27
Non-Union (Non-Affiliated)	72	N/A
TOTAL	514	

The City has not experienced a strike by any of its bargaining units within the past ten years.

PENSION FUND

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 20 – Postemployment Benefits in the Notes to the Financial Statements of the City's Annual Comprehensive Financial Statements in APPENDIX C herein. 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.

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Employer Contributions
2025	$6,319,619
2024	6,140,034
2023	6,323,009
2022	6,368,077
2021	6,353,070

For additional information, please see Note 19 – Defined Benefit Pension Plans in the Notes to the Financial Statements of the City's Annual Comprehensive Financial Statements in APPENDIX C herein.

Municipal Employees Retirement System of Michigan

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.

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Employer Contributions
2025	$8,755,344
2024	7,819,830
2023	8,111,998
2022	6,811,550
2021	6,267,154

For additional information, please see Note 19 – Defined Benefit Pension Plans in the Notes to the Financial Statements of the City's Annual Comprehensive Financial Statements in APPENDIX C herein.

Source: Audited Financial Statements

OTHER POST-EMPLOYMENT BENEFITS

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.

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Employer Contributions
2025	$1,652,359
2024	1,592,016
2023	1,249,439
2022	1,605,523
2021	1,334,149

For additional information, please see Note 20 – Postemployment Benefits in the Notes to the Financial Statements of the City's Annual Comprehensive Financial Statements in APPENDIX C herein.

Source: Audited Financial Statements

DEBT STATEMENT* - (As of 08/12/26 – including the Bonds described herein)

DIRECT DEBT:

Dated Date	Purpose	Bond Type	Final Maturity	Principal Outstanding before Refunding	Refunding (Refunded) Bonds	Principal Outstanding after Refunding	Total Outstanding
General Obligation Bonds							
04/14/16	2016 GOLT Refunding Bonds	LTGO	06/01/33	$6,370,000	($1,785,000)*	$4,585,000	
12/28/16	2016 GOLT Bonds, Series 2016C	LTGO	12/01/31	11,335,000	(10,800,000)*	535,000	
09/16/25	Capital Improvement Bonds	LTGO	05/01/50	26,540,000	0	26,540,000	
__/__/26	2026 GOLT Refunding Bonds	LTGO	12/01/41	0	11,795,000*	11,795,000*	$43,455,000*
Revenue Bonds							
12/28/16	2016A Water and Wastewater	REV	06/01/36	4,595,000	0	4,595,000	
12/28/16	2016B Water and Wastewater (QECB)	REV	06/01/36	4,555,000	0	4,555,000	
06/20/23	2023 Water and Wastewater	REV	06/01/43	9,635,000	0	9,635,000	
03/31/25	2025 Water and Wastewater	REV	10/01/49	19,660,000	0	19,660,000	38,445,000
TIFA Bonds**							
12/29/21	2021 TIFA Refunding	LTGO	12/01/28	775,000	0	775,000	
01/13/22	2022 TIFA Refunding	LTGO	06/01/30	755,000	0	755,000	
11/16/22	2022 TIFA Bonds (Taxable)	LTGO	06/01/37	2,010,000	0	2,010,000	3,540,000
DDA Bonds**							
03/21/17	2017 DDA Refunding (Taxable)	LTGO	05/01/34	18,530,000	0	18,530,000	18,530,000
TOTAL DIRECT DEBT							$103,970,000*
	Less: Self-Supporting Bonds**						($22,070,000)
	Revenue Bonds						($38,445,000)
NET DIRECT DEBT							$43,455,000*

OVERLAPPING DEBT:

Percent Share	Municipality	Net Debt	City's Share
73.22%	Battle Creek Public Schools	$113,210,000	$82,892,362
3.50	Climax-Scotts Community Schools	25,089,275	878,125
1.44	Harper Creek Community Schools	40,724,611	586,434
100.00	Lakeview School District	89,070,925	89,070,925
5.68	Pennfield Schools	44,938,870	2,552,528
33.64	Calhoun County	113,310,000	38,117,484
30.69	Calhoun ISD	0	0
0.06	Kalamazoo Valley RESA	0	0
0.05	Kalamazoo Valley Community College	3,060,000	1,530
32.75	Kellogg Community College	3,080,000	1,008,700
56.31	Willard Public Library	0	0

TOTAL OVERLAPPING DEBT	215,108,088
NET DIRECT AND OVERLAPPING DEBT	$258,563,088*

*Preliminary, subject to change.
**Self Supporting debt.
Source: Municipal Advisory Council of Michigan

DEBT RATIOS*

City's Estimated Population	52,374
2026 Taxable Value	$1,681,049,770
2026 State Equalized Value (SEV)	$2,225,267,850
2026 True Cash Value (TCV)	$4,450,535,700
Per Capita 2026 Taxable Value	$32,097.03
Per Capita 2026 State Equalized Value	$42,488.03
Per Capita 2026 True Cash Value	$84,976.05
Per Capita Net Direct Debt	$829.71
Per Capita Net Direct and Overlapping Debt	$4,936.86
Percent of Net Direct Debt of 2026 Taxable Value	2.58%
Percent of Net Direct and Overlapping Debt of 2026 Taxable Value	15.38%
Percent of Net Direct Debt of 2026 SEV	1.95%
Percent of Net Direct and Overlapping Debt of 2026 SEV	11.62%
Percent of Net Direct Debt of 2026 TCV	0.98%
Percent of Net Direct and Overlapping Debt of 2026 TCV	5.81%

*Preliminary, subject to change.

LEGAL DEBT MARGIN* - (As of 08/12/26 – including the Bonds described herein)

2026 State Equalized Value		$2,225,267,850
Legal Debt Limit - 10% of SEV		$222,526,785
Total Bonded Debt Outstanding	$103,970,000	
Less: Revenue Bonds	(38,445,000)	
Net Amount Subject to Legal Debt Limit		65,525,000
LEGAL DEBT MARGIN AVAILABLE		$157,001,785

*Preliminary, subject to change.

OTHER BORROWING

The City has no short-term borrowing outstanding.

DEBT HISTORY

The City has no record of default on its obligations.

FUTURE FINANCING

The City does not have plans for additional capital financings in the next 12 months.

SCHEDULE OF BOND MATURITIES* - (As of 08/12/26 – including the Bonds described herein)

Year	General Obligation Bonds	Revenue Bonds	TIFA Bonds	DDA Bonds	TOTAL	Percent Repaid
2026	$535,000	$0	$255,000	$0	$790,000	
2027	1,675,000	940,000	585,000	2,040,000	5,240,000	
2028	1,750,000	965,000	595,000	2,110,000	5,420,000	
2029	1,760,000	990,000	345,000	2,180,000	5,275,000	
2030	1,840,000	1,830,000	360,000	2,260,000	6,290,000	22%
2031	1,930,000	1,875,000	170,000	2,345,000	6,320,000	
2032	1,930,000	1,925,000	180,000	2,435,000	6,470,000	
2033	2,075,000	1,980,000	190,000	2,530,000	6,775,000	
2034	1,630,000	2,030,000	200,000	2,630,000	6,490,000	
2035	1,715,000	2,085,000	210,000	0	4,010,000	51%
2036	1,800,000	2,135,000	220,000	0	4,155,000	
2037	1,890,000	1,950,000	230,000	0	4,070,000	
2038	1,985,000	2,010,000	0	0	3,995,000	
2039	2,080,000	2,075,000	0	0	4,155,000	
2040	2,190,000	2,130,000	0	0	4,320,000	71%
2041	2,300,000	2,195,000	0	0	4,495,000	
2042	1,470,000	2,260,000	0	0	3,730,000	
2043	1,410,000	2,335,000	0	0	3,745,000	
2044	1,460,000	1,065,000	0	0	2,525,000	
2045	1,530,000	1,090,000	0	0	2,620,000	87%
2046	1,605,000	1,110,000	0	0	2,715,000	
2047	1,685,000	1,135,000	0	0	2,820,000	
2048	1,735,000	1,155,000	0	0	2,890,000	
2049	1,735,000	1,180,000	0	0	2,915,000	
2050	1,740,000	0	0	0	1,740,000	100%
	$43,455,000*	$38,445,000	$3,540,000	$18,530,000	$103,970,000*	

*Preliminary, subject to change.

LARGEST EMPLOYERS

Listed below are the largest employers that are located within the City of Battle Creek and County of Calhoun:

Employer	Product or Service	Approx. No. of Employees
Within the municipality (600 + employees)		
Denso Manufacturing Michigan, Inc.	Thermal Manufacturing	2,500
Firekeepers Casino	Casino/Hotel	1,999
Veterans Administration Medical Center	Healthcare	1,589
Hart-Doyle-Inouye Federal Center	Federal Services	1,500
Bronson Battle Creek	Healthcare	1,360
Michigan National Guard	Military Base & Training Center	1,000
Kellogg Company*	Food Manufacturing	850
Duncan Aviation	Aircraft Maintenance	800
Kellogg Community College	Education	753
Calhoun County Government	Government	682
Musashi Auto Parts	Camshafts	650
Mars, Incorporated**	Food Manufacturing	600
Major Employers within Calhoun County, excluding employers noted above (650 + employees)		
Oaklawn Hospital	Healthcare	800
Tenneco, Inc	Exhaust Systems	750
Albion College	Higher Education	664
Meijer, Inc.	Retail	650

*In September of 2025, The Ferrero Group announced the successful completion of its acquisition of WK Kellogg Corporation
** In December of 2025, Mars, Incorporated acquired Kellanova. Mars indicated a plan to move office employees to Chicago with production to remain in Battle Creek.

Source: 2025 Michigan Manufacturers Directory, Michigan Economic Development Corporation via michiganbusiness.org and individual employers.

EMPLOYMENT BREAKDOWN

The U.S. Census Bureau, 2020-2024 American Community Survey reports the occupational breakdown of persons 16 years and over for the City of Battle Creek and the County of Calhoun as follows:

	City of Battle Creek		Calhoun County	
	Number	Percent	Number	Percent
PERSONS BY OCCUPATION	23,447	100.00%	59,462	100.00%
Management, Business, Science & Arts	7,553	32.21	19,892	33.45
Service	4,685	19.98	10,601	17.83
Sales & Office	4,440	18.94	10,831	18.21
Natural Resources, Construction & Maintenance	1,417	6.04	4,970	8.36
Production, Transportation & Material Moving	5,352	22.83	13,168	22.15

The U.S. Census Bureau, 2020-2024 American Community Survey reports the breakdown by industry for persons 16 years and over for the City of Battle Creek and the County of Calhoun as follows:

	City of Battle Creek		Calhoun County	
	Number	Percent	Number	Percent
PERSONS BY INDUSTRY	23,447	100.00%	59,462	100.00%
Agriculture, Forestry, Fishing, Hunting & Mining	486	2.07	1,322	2.22
Construction	796	3.39	2,986	5.02
Manufacturing	4,912	20.95	12,755	21.45
Wholesale Trade	287	1.22	622	1.05
Retail Trade	2,811	11.99	7,022	11.81
Transportation	1,021	4.35	3,005	5.05
Information	121	0.52	541	0.91
Finance, Insurance & Real Estate	646	2.76	1,814	3.05
Professional & Management Services	1,998	8.52	4,368	7.35
Educational, Health & Social Services	5,652	24.11	13,886	23.35
Arts, Entertainment, Recreation & Food Services	2,600	11.09	5,505	9.26
Other Professional & Related Services	1,220	5.20	2,842	4.78
Public Administration	897	3.83	2,794	4.70

UNEMPLOYMENT RATES

The U.S. Department of Labor, Bureau of Labor Statistics reports unemployment averages for the City of Battle Creek and County of Calhoun as compared to the State of Michigan as follows:

Annual Average	City of Battle Creek	County of Calhoun	State of Michigan
June, 2026	5.6%	5.1%	5.1%
2025	6.3	5.7	5.2
2024	5.7	5.2	4.7
2023	4.8	4.3	3.9
2022	5.2	4.7	4.2

POPULATION BY AGE

The U.S. Census Bureau, 2020-2024 American Community Survey reports the breakdown of population by age for the City of Battle Creek and the County of Calhoun as follows:

	City of Battle Creek		Calhoun County	
	Number	Percent	Number	Percent
Total Population	52,374	100.00%	133,778	100.00%
0 through 19 years	14,046	26.82	33,923	25.36
20 through 64 years	29,524	56.37	74,928	56.01
65 years and over	8,804	16.81	24,927	18.63
Median Age	38.0 years		40.2 years	

INCOME

The U.S. Census Bureau, 2020-2024 American Community Survey reports the breakdown of household income for the City of Battle Creek and the County of Calhoun as follows:

	City of Battle Creek		Calhoun County	
	Number	Percent	Number	Percent
HOUSEHOLDS BY INCOME	21,128	100.00%	53,333	100.00%
Less than $ 10,000	1,078	5.10	2,063	3.87
$ 10,000 to $ 14,999	1,640	7.76	2,695	5.05
$ 15,000 to $ 24,999	1,770	8.38	4,267	8.00
$ 25,000 to $ 34,999	2,093	9.91	4,914	9.21
$ 35,000 to $ 49,999	3,262	15.44	7,273	13.64
$ 50,000 to $ 74,999	3,819	18.07	9,870	18.50
$ 75,000 to $ 99,999	2,648	12.53	7,525	14.11
$100,000 to $149,999	2,719	12.87	7,971	14.95
$150,000 to $199,999	1,047	4.96	3,611	6.77
$200,000 or MORE	1,052	4.98	3,144	5.90
Median Income	$55,693		$63,177	

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

GENERAL FUND BUDGET SUMMARIES AND COMPARATIVE FINANCIAL STATEMENTS

City of Battle Creek
General Fund Budget Summaries

	As Final 2025/26	As Adopted 2026/27
Revenues		
Revenue	$54,571,755	$57,404,683
City Manager	500,000	--
City Hall	1,000	1,000
Finance	84,176	81,676
Clerk	15,895	3,395
Treasurer	200	200
Assessor	1,100	1,100
Elections	--	2,650
Attorney	41,100	60,000
Police	2,920,077	2,672,281
Fire	5,700	6,908
Building Inspections	27,665	25,000
Animal Control	4,000	4,000
Streets	1,136,473	1,210,842
Engineering	105,000	105,000
Planning	282,100	270,500
Recreation	2,338,287	2,761,849
Cable Access TV	467,000	467,000
Total Revenue	$62,501,528	$65,078,084
Expenditures		
Expenditure	$2,834,353	$278,441
City Commission	200,804	230,639
City Manager	1,715,157	1,983,941
City Hall	1,158,725	1,200,293
Finance	1,629,151	1,438,334
Clerk	338,904	359,201
Income Tax	873,318	887,124
Purchasing	425,624	349,733
Treasurer	436,480	425,976
Assessor	736,469	741,054
Elections	196,955	688,754
Attorney	1,295,274	1,426,717
Labor Relations	53,796	135,796
Civil Service	133,501	187,625
Human Resources	656,149	806,273
Police	24,444,102	26,364,301
Dispatch	327,553	346,084
Fire	16,113,658	17,239,091
Building Inspections	472,674	427,033
Animal Control	722,526	754,035
Streets	3,752,196	3,887,062
Engineering	100,000	100,000
BCATS	33,123	33,123
Planning	764,679	779,481
Community Services	488,440	451,940
Recreation	4,280,960	3,929,560
Cable Access TV	271,200	271,200
Total Expenditures	$64,455,771	$65,722,811
Excess of Expenditures (over) under Revenues	($1,954,243)	($644,727)
Fund Balance - July 1	$15,841,821	$13,887,578
Projected Fund Balance - June 30	$13,887,578	$13,242,851

Source: City of Battle Creek

City of Battle Creek
General Fund

Comparative Balance Sheet

	For Fiscal Years Ended June 30		
	2023	2024	2025
Assets			
Pooled Cash and Investments	$14,208,555	$15,053,753	$17,607,063
Receivables:			
Interest	1,255	187	--
Accounts	1,722,318	2,426,206	2,630,012
Special Assessments	365,994	281,185	208,987
Due from Other Governments	1,165,195	1,379,136	1,282,502
Taxes	337,307	338,843	261,666
Leases	308,517	217,692	360,072
Inventories	136,061	154,885	129,400
Prepaid Items	234,152	164,061	15,940
Interfund Receivables	2,133,200	2,288,585	2,205,611
Total Assets	$20,612,554	$22,304,533	$24,701,253
Liabilities			
Accounts Payable	$1,420,776	$2,340,438	$3,438,211
Accrued Payroll	2,771,668	2,921,545	3,865,612
Unearned Revenue	16,866	14,315	30,087
Total Liabilities	$4,209,310	$5,276,298	$7,333,910
Deferred Inflows of Resources:			
Unavailable Revenue			
Special Assessments	$265,094	$213,440	$144,897
Deferred Lease Amounts	308,517	217,692	360,072
Opioid settlement	395,146	804,019	758,887
Income Taxes	--	338,843	261,666
Total Deferred Inflows of Resources:	$968,757	$1,573,994	$1,525,522
Fund Balances			
Nonspendable	$370,213	$318,946	$145,340
Restricted	572,386	903,007	941,299
Committed	1,425,626	1,436,975	1,481,092
Assigned	199,525	200,156	799,823
Unassigned	12,866,737	12,595,157	12,474,267
Total Fund Balances	$15,434,487	$15,454,241	$15,841,821
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$20,612,554	$22,304,533	$24,701,253

Source: Audited Financial Statements

City of Battle Creek
General Fund

Comparative Statement of Revenues, Expenditures and Changes in Fund Balance

	For Fiscal Years Ended June 30		
	2023	2024	2025
Revenues			
Taxes	$34,900,799	$37,391,365	$39,552,506
Licenses and Permits	1,105,180	986,968	898,358
Intergovernmental:			
Federal	15,230	86,191	17,181
State	8,554,923	10,479,213	9,173,139
Local	2,469,912	2,924,746	3,323,808
Charges for Services	3,781,871	3,930,557	4,041,747
Fines and Forfeitures	64,408	98,359	74,733
Investment Earnings (loss)	940,518	1,277,048	1,393,572
Contributions	2,650	42,931	1,350
Rents and Leases	35,425	36,841	39,798
Other	597,574	1,033,259	1,000,764
Total Revenues	$52,468,490	$58,287,478	$59,516,956
Expenditures			
Current:			
General Government	$5,311,372	$7,184,845	$7,503,354
Public Safety	35,672,263	36,596,277	39,169,160
Public Works	2,649,249	3,415,685	3,614,664
Recreation	3,012,761	3,488,238	3,630,698
Community Development	703,216	879,930	874,780
Non-departmental	978,126	437,440	557,577
Debt Service:			
Principal	357,460	367,460	611,842
Interest	27,635	19,235	10,160
Total Expenditures	$48,712,082	$52,389,110	$55,972,235
Excess of Revenue Over (Under) Expenditures	$3,756,408	$5,898,368	$3,544,721
Other Financing Sources (Uses)			
Operating Transfers In	$100,528	$574,000	$3,461,518
Operating Transfers Out	(4,218,730)	(6,452,614)	(7,671,801)
SBITA proceeds	--	--	1,053,142
Total Other Financing Sources (Uses)	($4,118,202)	($5,878,614)	($3,157,141)
Net Change in Fund Balance	($361,794)	$19,754	$387,580
Fund Balance - Beginning	$15,796,281	$15,434,487	$15,454,241
Fund Balance - Ending	$15,434,487	$15,454,241	$15,841,821

Source: Audited Financial Statements

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

AUDITED FINANCIAL STATEMENTS

The auditor was not requested to examine or review and therefore has not examined or reviewed any financial documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Bonds and accordingly has not conducted any post-audit review procedures and will not express any opinion with respect to the accuracy or completeness of such financial documents, statements or materials.

[THIS PAGE INTENTIONALLY LEFT BLANK]

Rehmann

INDEPENDENT AUDITORS' REPOR

December 22, 2025

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparisons for the general fund and each major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards,* we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is 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. The 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.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory section, the statistical sections, and the continuing disclosure filing but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued, under separate cover, our report dated December 22, 2025, on our consideration of the City'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

Rehmann Robson LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2025. 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	$ 203,325,492
· Change in total net position	23,003,899
· Fund balances, governmental funds	32,098,893
· Change in fund balances, governmental funds	301,996
· Unassigned fund balance, general fund	12,474,267
· Change in fund balance, general fund	387,580
· General obligation and revenue bonds outstanding	39,140,000
· Change in general obligation and revenue bonds outstanding	(2,815,000)

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 on 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, economic development, and intermodal facility.

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 Battle Creek Downtown Development Authority, the Lakeview Downtown Development Authority, the Battle Creek Tax Increment 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.

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 system, Battle Creek Transit System, and Battle Creek Executive 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 $203,325,492 at the close of the most recent fiscal year.

By far the largest portion of the City's net position reflects its investment in capital assets (e.g., land, construction in progress, land improvements, buildings, vehicles, equipment, systems, infrastructure, and subscription assets), 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	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	$ 65,700,102	$ 69,581,878	$ 60,565,177	$ 59,647,323	$ 126,265,279	$ 129,229,201
Capital assets, net	207,698,560	206,031,685	106,861,311	99,534,675	314,559,871	305,566,360
Total assets	273,398,662	275,613,563	167,426,488	159,181,998	440,825,150	434,795,561
Deferred outflows of resources	6,683,987	13,021,340	3,626,190	4,927,172	10,310,177	17,948,512
Liabilities						
Long-term liabilities	126,726,538	151,270,626	55,490,297	59,517,135	182,216,835	210,787,761
Other liabilities	27,326,921	34,027,978	5,083,855	3,326,102	32,410,776	37,354,080
Total liabilities	154,053,459	185,298,604	60,574,152	62,843,237	214,627,611	248,141,841
Deferred inflows of resources	26,906,621	17,021,604	6,275,603	7,259,035	33,182,224	24,280,639
Net position						
Net investment in capital assets	185,783,255	182,545,424	86,574,663	78,304,443	272,357,918	260,849,867
Restricted	10,481,813	10,418,139	-	-	10,481,813	10,418,139
Unrestricted (deficit)	(97,142,499)	(106,648,868)	17,628,260	15,702,455	(79,514,239)	(90,946,413)
Total net position	$ 99,122,569	$ 86,314,695	$ 104,202,923	$ 94,006,898	$ 203,325,492	$ 180,321,593

An additional portion of the City's net position (5.2 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.

The City's net position increased by $23,003,899 from the prior year net position. This is an increase from the prior year's $10,661,179 increase. Compared to the prior year, the current year change can be attributed to a decrease of $9.1 million in expense and an increase of $3.2 million in revenue. Revenue increased due to the continued upward trajectory for two of the City's three major revenue sources: income tax and property tax. Also contributing to the rise in revenue was an increase to utility rates. The increase in investment earnings was a result of a continued strong interest rate environment as well a more proactive approach to investing. Expense decreases in general government are reflective of a decrease in both the net pension liability and the net OPEB liability. There was nearly $14.2 million in capital asset additions for governmental activities which included: retaining wall replacement, various renovations throughout City Hall, Claude Evans park improvements, and renovations to fire facilities. All combining to result in a total net position increase of $23.0 million. More detailed descriptions of changes are in the following sections.

	Changes in Net Position					
	Governmental activities		Business-type activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues:						
Charges for services	$ 9,260,375	$ 10,136,088	$ 41,360,423	$ 39,150,727	$ 50,620,798	$ 49,286,815
Grants and contributions - Operating	23,005,300	25,385,838	11,432,469	10,435,802	34,437,769	35,821,640
General revenues:						
Property taxes	20,979,948	20,172,115	320,000	320,000	21,299,948	20,492,115
Income taxes	20,621,878	19,571,637	-	-	20,621,878	19,571,637
Grants and contributions not restricted to specific programs	15,072,828	13,982,508	-	-	15,072,828	13,982,508
Unrestricted investment earnings	2,958,579	3,030,658	1,668,211	1,267,504	4,626,790	4,298,162
Total revenues	91,898,908	92,278,844	54,781,103	51,174,033	146,680,011	143,452,877
Expenses						
General government	10,296,122	13,838,843	-	-	10,296,122	13,838,843
Public safety	33,944,676	40,144,690	-	-	33,944,676	40,144,690
Public works	2,908,702	2,028,257	-	-	2,908,702	2,028,257
Highways and streets	20,564,348	18,390,465	-	-	20,564,348	18,390,465
Recreation	4,173,375	4,150,773	-	-	4,173,375	4,150,773
Community development	4,264,598	5,382,916	-	-	4,264,598	5,382,916
Interest on long-term debt	1,049,674	1,079,092	-	-	1,049,674	1,079,092
Water and wastewater	-	-	31,297,935	33,079,786	31,297,935	33,079,786
Public transit	-	-	4,725,362	4,436,174	4,725,362	4,436,174
Solid waste collection	-	-	4,802,490	4,432,603	4,802,490	4,432,603
Airport	-	-	2,828,065	3,282,257	2,828,065	3,282,257
Parking	-	-	1,716,205	1,397,152	1,716,205	1,397,152
Economic development	-	-	941,690	984,394	941,690	984,394
Intermodal facility	-	-	162,870	164,296	162,870	164,296
Total expenses	77,201,495	85,015,036	46,474,617	47,776,662	123,676,112	132,791,698
Change in net position, before transfers	14,697,413	7,263,808	8,306,486	3,397,371	23,003,899	10,661,179
Transfers	(1,889,539)	(2,110,874)	1,889,539	2,110,874	-	-
Change in net position	12,807,874	5,152,934	10,196,025	5,508,245	23,003,899	10,661,179
Net position, beginning of year	86,314,695	81,161,761	94,006,898	88,498,653	180,321,593	169,660,414
Net position, end of year	$ 99,122,569	$ 86,314,695	$ 104,202,923	$ 94,006,898	$ 203,325,492	$ 180,321,593

Governmental activities. Governmental activities increased the City's net position by $12,807,874 (as compared to a prior year increase of $5,152,934). Key elements of this increase and the change from the prior year include:

The total revenue decrease of $379,936 is primarily due to a decline in charges for services revenue. Additionally, there was a substantial decrease in grant revenue received in the current year. On the expense side, the decrease of $7,813,541 is primarily the result of decreases to the net pension liability and related deferral adjustments as well as depreciation expense decreases for the recreation function.

Business-type activities. Business-type activities increased the City's net position by $10,196,025 as compared to an increase of $5,508,245 in the prior year. Key elements of this change from the prior year include:

Charges for services revenues increased $2,209,696, primarily in the water and wastewater fund. This was the result of an increase in rates. Year five of a five year rate study was in effect which included rate increases with a long term view of capital improvement coverage. Expenses decreased during the year for the water and wastewater fund as a result of a decrease to the net pension and OPEB liabilities and related deferral adjustments.

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 $32,098,893 an increase of $301,996. The nonspendable portion of fund balance decreased from $1,198,855 to $1,025,249. 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 items ($145,340).

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 $12,474,267, while total fund balance was $15,841,821. In accordance with the City's adopted fund balance policy, the minimum unassigned fund balance in the general fund of no less than 17% of current year budgeted operating revenue has been met. The percent as of June 30, 2025 is 21.2%.

The fund balance of the City's general fund increased by $387,580 during the current fiscal year compared to an increase of $19,754 in the prior year. This fluctuation is primarily the result of two of the City's major revenue sources outperforming expectations. Income tax has rebounded to pre-pandemic levels, increasing to nearly $20.7 million for the year ended June 30, 2025. Property tax revenue experienced modest growth, a trend which is expected to continue with rising inflation. Police department revenue continues to rise with a 25.8% increase from the prior year. On the expenditure side, police and fire department expenditures continue to rise ($2.6 million increase) due to successful staffing initiatives to fill vacant positions.

The major street and trunkline maintenance special revenue fund had a fund balance of $4,227,327 at year end. The fund is used to account for the repair and maintenance of streets and sidewalks. The fund experienced a decrease of $129,291 in fund balance in the current year. This decrease was a result of the continued $2.0 million in support to the local street fund. Revenues increased year over year by $155,883 due to a 0.4% increase to Act 51 revenues and $65,000 positive swing in investment earnings.

The special grants special revenue fund was created to account for various grants received by the City and has a total fund balance of $669,861 at year end. The committed fund balance of $669,861 is comprised of promissory note proceeds in excess of expenditures for the Milton Tower economic development project (primarily in prior years). This multi-year project has been funded through the W.K. Kellogg Foundation and the excess promissory note proceeds are being held for future expenditures. The fund balance increased $223,968 primarily due to several grants received from the W.K. Kellogg Foundation during the year.

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 $10,230,224. The fund had an increase in total net position for the year of $5,293,563. 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 $2,021,881. The fund reported an increase in net position of $3,590,115. The net position increase is primarily a result of the change in the net pension liability, net other postemployment benefit liability and related deferred outflows/inflows.

The Battle Creek Executive Airport / FAA fund reported a net position of $9,948,493. The fund reported a decrease in net position of $37,588. The net position decrease is a result of depreciation on capital assets ($734,080), of which there were $795,001 in asset additions during the year.

General Fund Budgetary Highlights

The general fund ended the year with a positive net change in fund balance of $387,580. This is a positive change compared to the general fund original adopted budget with expenditures in excess of revenues and a use of fund balance of $549,601. The City had budget adjustments totaling $28,160 which resulted in a final budgeted decrease to fund balance in the amount of $577,761. The original adopted budget maintained a very conservative approach to income tax revenues due to the unknown continued impact from remote work situations; actual results for city income tax revenue exceeded the original budget by $1,018,555. Local intergovernmental revenues exceeded expectations with actual results exceeding the original budget by $304,864 as a result of better than expected revenue that was passed through from the Lakeview Downtown Development Authority. Actual interest income exceeded the original adopted budget by nearly $650,000 due to continued strong investment performance. A transfer from the ARPA fund for lost revenue in the amount of $2,126,000 was included in the original budget. The General Fund budget additionally included a $1,000,000 budgeted transfer from the ARPA fund for interest earned on the ARPA funds. Continued diligence by departments for expenditure control, compounded by difficulty retaining and recruiting staff, is reflected in the addition of $387,580 to fund balance for the fiscal year.

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, 2025, amounted to $314,559,871 (net of accumulated depreciation/amortization). This investment in capital assets includes land and land improvements, construction in progress, buildings, vehicles, equipment, infrastructure, subscription assets, and systems. Net capital assets for governmental activities increased by 0.8%, and for business-type activities increased by 7.4%.

	City of Battle Creek's Capital Assets (Net of Depreciation/Amortization)					
	Governmental activities		Business-type activities		Total	
	2025	2024	2025	2024	2025	2024
Land and land improvements	$ 7,209,633	$ 6,708,884	$ 4,771,734	$ 4,869,764	$ 11,981,367	$ 11,578,648
Construction in progress	4,404,949	2,876,522	15,079,743	12,206,132	19,484,692	15,082,654
Buildings	36,489,863	35,628,550	31,720,926	32,240,887	68,210,789	67,869,437
Vehicles	11,509,438	9,907,820	4,507,319	839,908	16,016,757	10,747,728
Equipment	3,076,436	3,312,071	721,873	803,226	3,798,309	4,115,297
Infrastructure	143,231,859	146,372,813	-	-	143,231,859	146,372,813
Subscription assets	1,776,382	1,225,025	-	-	1,776,382	1,225,025
Systems	-	-	50,059,716	48,574,758	50,059,716	48,574,758
Total	$ 207,698,560	$ 206,031,685	$ 106,861,311	$ 99,534,675	$ 314,559,871	$ 305,566,360

Major capital asset events during the current fiscal year included:

- Vehicle additions in the current year included multiple police cars, multiple dump truck chassis, a street sweeper, and two fire trucks. Work continues on improvements at the Verona wellfield. The City continues to work aggressively toward water main and lead service line replacement using the Drinking Water State Revolving Fund as a funding source.
- Major improvements were underway to replace various infrastructure on Columbia Avenue and Watkins Road. Additionally, $3.2 million was invested into the repair and replacement of major and local streets. Work is nearing completion on the Edgebrook pumping station improvements at a cost of $5.4 million.

Additional information on the City's capital assets can be found in Note 9 to the financial statements.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $39,140,000. Of this amount, $19,440,000 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	
	2025	2024	2025	2024	2025	2024
General obligation bonds	$ 19,440,000	$ 21,360,000	$ -	$ -	$ 19,440,000	$ 21,360,000
Revenue bonds	-	-	19,700,000	20,595,000	19,700,000	20,595,000
Total	$ 19,440,000	$ 21,360,000	$ 19,700,000	$ 20,595,000	$ 39,140,000	$ 41,955,000

The City's total bonded debt decreased by $2,815,000 (7 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	AA-	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 $196,370,173.

Additional information on the City's long-term debt can be found in Note 12 to the financial statements.

Economic Factors

One of the biggest economic challenges facing the City is inflation. As the cost of doing business continues to rise, this will put constraints on the City's already tight budget. City staff continue to monitor for long-term impacts to income tax revenue as it relates to remote work.

Management's Discussion and Analysis

Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2025/26 fiscal year:

- Continuing the conservative approach to budgeting, the fiscal year 2026 adopted budget included anticipated use of fund balance in the amount of $799,823. The budget includes a $500,000 transfer from the ARPA fund for interest earned on that funding. A mid-year adjustment is anticipated as the City works to realize staffing and operational efficiencies. Administration continues to search for budgetary savings using the priority based budgeting model.
- Efforts continue to fund pension and other postemployment benefit liabilities with strategies recommended by the Legacy Cost Committee. The current investment climate has had a positive effect on both pension plans.
- The property tax millage rate was decreased for the second consecutive year, with a 0.095 increase in the police and fire pension component and a 0.374 decrease in the street maintenance component.
- City administration is continually looking to make positive improvements to maximize investment returns on City funds.

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 Revenue Services Director, P.O. Box 1717, Battle Creek, Michigan 49016-1717.

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position

June 30, 2025

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Pooled cash and investments	$ 48,834,654	$ 33,439,721	$ 82,274,375	$ 15,899,392
Receivables, net	22,227,169	18,336,284	40,563,453	3,268,546
Internal balances	(6,060,043)	6,060,043	-	-
Inventories and prepaid items	698,322	2,729,129	3,427,451	57,873
Capital assets not being depreciated/amortized	6,744,160	18,640,197	25,384,357	14,291,356
Capital assets being depreciated/amortized, net	200,954,400	88,221,114	289,175,514	9,294,473
Total assets	273,398,662	167,426,488	440,825,150	42,811,640
Deferred outflows of resources				
Deferred charge on refunding	439,516	-	439,516	619,581
Deferred pension amounts	6,006,021	3,508,213	9,514,234	-
Deferred other postemployment benefit amounts	238,450	117,977	356,427	-
Total deferred outflows of resources	6,683,987	3,626,190	10,310,177	619,581
Liabilities				
Accounts payable and accrued liabilities	10,373,620	4,659,757	15,033,377	4,405,220
Unearned revenue	16,953,301	424,098	17,377,399	64,110
Bonds, notes and other long-term liabilities:				
Due within one year	5,165,379	1,551,664	6,717,043	2,540,000
Due in more than one year	29,213,859	19,383,498	48,597,357	24,678,113
Net pension liability (due in more than one year)	82,837,462	29,849,970	112,687,432	-
Net other postemployment benefit liability (due in more than one year)	9,509,838	4,705,165	14,215,003	-
Total liabilities	154,053,459	60,574,152	214,627,611	31,687,443
Deferred inflows of resources				
Deferred lease amounts	737,455	1,597,885	2,335,340	177,717
Deferred pension amounts	17,828,874	551,205	18,380,079	-
Deferred other postemployment benefit amounts	8,340,292	4,126,513	12,466,805	-
Total deferred inflows of resources	26,906,621	6,275,603	33,182,224	177,717
Net position				
Net investment in capital assets	185,783,255	86,574,663	272,357,918	23,585,829
Restricted for:				
Major streets	4,227,327	-	4,227,327	-
Local streets	1,702,465	-	1,702,465	-
Michigan justice training	52,207	-	52,207	-
Narcotics forfeiture	548,911	-	548,911	-
Building inspection	1,201,685	-	1,201,685	-
Special projects	810,318	-	810,318	-
Endowment - nonexpendable	879,909	-	879,909	-
Endowment - expendable	169,123	-	169,123	-
Opioid settlement	889,868	-	889,868	-
Loan commitments and lending activity	-	-	-	1,144,134
Unrestricted (deficit)	(97,142,499)	17,628,260	(79,514,239)	(13,163,902)
Total net position	$ 99,122,569	$ 104,202,923	$ 203,325,492	$ 11,566,061

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

Statement of Activities

For the Year Ended June 30, 2025

		Program Revenues			
Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenues
Primary government					
Governmental activities:					
General government	$ 10,296,122	$ 4,626,944	$ 6,607,997	$ -	$ 938,819
Public safety	33,944,676	2,045,034	727,931	-	(31,171,711)
Public works	2,908,702	96,812	107,100	-	(2,704,790)
Highways and streets	20,564,348	15,968	11,566,717	-	(8,981,663)
Recreation	4,173,375	2,473,110	-	-	(1,700,265)
Community development	4,264,598	2,507	3,995,555	-	(266,536)
Interest on long-term debt	1,049,674	-	-	-	(1,049,674)
Total governmental activities	77,201,495	9,260,375	23,005,300	-	(44,935,820)
Business-type activities:					
Water and wastewater	31,297,935	35,478,087	858,877	-	5,039,029
Public transit	4,725,362	234,875	7,861,092	-	3,370,605
Solid waste collection	4,802,490	4,530,701	3,892	-	(267,897)
Airport	2,828,065	210,182	1,870,487	-	(747,396)
Parking	1,716,205	876,076	-	-	(840,129)
Economic development	941,690	-	705,516	-	(236,174)
Intermodal facility	162,870	30,502	132,605	-	237
Total business-type activities	46,474,617	41,360,423	11,432,469	-	6,318,275
Total primary government	$ 123,676,112	$ 50,620,798	$ 34,437,769	$ -	$ (38,617,545)
Component units					
Community development	$ 11,228,533	$ 1,916,741	$ 3,287,772	$ 1,270,434	$ (4,753,586)

continued…

CITY OF BATTLE CREEK, MICHIGAN

Statement of Activities
For the Year Ended June 30, 2025

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in net position				
Net (expense) revenues	$ (44,935,820)	$ 6,318,275	$ (38,617,545)	$ (4,753,586)
General revenues:				
Property taxes	20,979,948	320,000	21,299,948	7,789,481
Income taxes	20,621,878	-	20,621,878	-
Grants and contributions not restricted to specific programs	15,072,828	-	15,072,828	-
Unrestricted investment earnings	2,958,579	1,668,211	4,626,790	1,123,421
Transfers	(1,889,539)	1,889,539	-	-
Total general revenues and transfers	57,743,694	3,877,750	61,621,444	8,912,902
Change in net position	12,807,874	10,196,025	23,003,899	4,159,316
Net position, beginning of year	86,314,695	94,006,898	180,321,593	7,406,745
Net position, end of year	$ 99,122,569	$ 104,202,923	$ 203,325,492	$ 11,566,061

concluded.

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

This page intentionally left blank.

FUND FINANCIAL STATEMENTS

CITY OF BATTLE CREEK, MICHIGAN

Balance Sheet
Governmental Funds
June 30, 2025

	General	Major Street and Trunkline Maintenance	Special Grants	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Pooled cash and investments	$ 17,607,063	$ 3,003,764	$ -	$ 16,012,253	$ 36,623,080
Receivables:					
Accounts, net	2,630,012	2,649	-	257,087	2,889,748
Special assessments	208,987	-	-	136,008	344,995
Due from other governments	1,282,502	1,326,509	1,280,312	1,400,390	5,289,713
Taxes, net	261,666	-	-	-	261,666
Leases, current portion	62,904	17,644	-	34,318	114,866
Leases, long-term portion	297,168	145,325	-	180,096	622,589
Loans, long-term portion	-	-	9,561,693	2,669,582	12,231,275
Inventories	129,400	-	-	-	129,400
Prepaid items	15,940	-	-	-	15,940
Interfund receivable	2,205,611	-	-	-	2,205,611
Total assets	$ 24,701,253	$ 4,495,891	$ 10,842,005	$ 20,689,734	$ 60,728,883
Liabilities					
Accounts payable	$ 3,438,211	$ 92,556	$ 280,205	$ 788,834	$ 4,599,806
Accrued payroll	3,865,612	11,077	-	9,704	3,886,393
Retentions, deposits and other liabilities	-	-	-	223,646	223,646
Interfund payable	-	-	283,846	816,272	1,100,118
Unearned revenue	30,087	1,962	9,608,093	7,140,972	16,781,114
Total liabilities	7,333,910	105,595	10,172,144	8,979,428	26,591,077
Deferred inflows of resources					
Unavailable revenue:					
Opioid settlement	758,887	-	-	-	758,887
Special assessments	144,897	-	-	136,008	280,905
Income taxes	261,666	-	-	-	261,666
Deferred lease amounts	360,072	162,969	-	214,414	737,455
Total deferred inflows of resources	1,525,522	162,969	-	350,422	2,038,913
Fund balances					
Nonspendable	145,340	-	-	879,909	1,025,249
Restricted	941,299	4,227,327	-	3,674,391	8,843,017
Committed	1,481,092	-	669,861	4,316,061	6,467,014
Assigned	799,823	-	-	2,489,523	3,289,346
Unassigned	12,474,267	-	-	-	12,474,267
Total fund balances	15,841,821	4,227,327	669,861	11,359,884	32,098,893
Total liabilities, deferred inflows of resources and fund balances	$ 24,701,253	$ 4,495,891	$ 10,842,005	$ 20,689,734	$ 60,728,883

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

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2025

Fund balances - total governmental funds	$ 32,098,893
Amounts reported for *governmental activities* 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/amortized	6,744,160
Capital assets being depreciated/amortized, net	200,954,400
Less: capital assets being accounted for in internal service funds	(12,405,534)
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	21,771,105
Portion of internal service funds cumulative net operating income attributed to business-type funds	(6,060,043)
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 opioid settlement receivable	758,887
Unavailable special assessments	280,905
Unavailable income taxes receivable	261,666
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	439,516
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 related premiums/discounts, notes and other long-term liabilities	(30,557,317)
Accrued interest on long-term debt	(71,765)
Net pension liability	(82,837,462)
Deferred outflows of resources related to the net pension liability	6,006,021
Deferred inflows of resources related to the net pension liability	(17,828,874)
Net other postemployment benefit liability	(9,509,838)
Deferred outflows of resources related to the net other postemployment benefit liability	238,450
Deferred inflows of resources related to the net other postemployment benefit liability	(8,340,292)
Compensated absences	(2,820,309)
Net position of governmental activities	$ 99,122,569

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

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds
For the Year Ended June 30, 2025

	General	Major Street and Trunkline Maintenance	Special Grants	*(Formerly Major Fund)* ARPA	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 39,552,506	$ -	$ -		$ 2,126,497	$ 41,679,003
Licenses and permits	898,358	-	-		-	898,358
Intergovernmental:						
Federal	17,181	-	2,230,962		9,514,921	11,763,064
State	9,173,139	9,090,732	535,773		2,653,718	21,453,362
Local	3,323,808	-	-		180,888	3,504,696
Charges for services	4,041,747	-	-		892,735	4,934,482
Fines and forfeitures	74,733	-	-		-	74,733
Investment earnings	1,393,572	175,762	-		965,331	2,534,665
Contributions	1,350	-	1,218,399		-	1,219,749
Rents and leases	39,798	24,254	-		43,933	107,985
Other	1,000,764	66,133	147,828		18,679	1,233,404
Total revenues	59,516,956	9,356,881	4,132,962		16,396,702	89,403,501
Expenditures						
Current expenditures:						
General government	7,503,354	-	830,511		6,928,326	15,262,191
Public safety	39,169,160	-	1,202,469		110,992	40,482,621
Public works	3,614,664	-	-		-	3,614,664
Highway and streets	-	6,986,172	-		7,690,599	14,676,771
Recreation	3,630,698	-	-		-	3,630,698
Community development	874,780	-	2,295,851		2,197,305	5,367,936
Inspections	-	-	-		1,087,263	1,087,263
Non-departmental	557,577	-	-		-	557,577
Debt service:						
Principal	611,842	-	129,968		1,690,000	2,431,810
Interest and other fiscal charges	10,160	-	7,101		858,031	875,292
Total expenditures	55,972,235	6,986,172	4,465,900		20,562,516	87,986,823
Revenue over (under) expenditures	3,544,721	2,370,709	(332,938)		(4,165,814)	1,416,678
Other financing sources (uses)						
Issuance of other long-term liabilities	1,053,142	-	-		-	1,053,142
Transfers in	3,461,518	-	556,906		10,042,713	14,061,137
Transfers out	(7,671,801)	(2,500,000)	-		(6,057,160)	(16,228,961)
Total other financing sources (uses)	(3,157,141)	(2,500,000)	556,906		3,985,553	(1,114,682)
Net change in fund balances	387,580	(129,291)	223,968		(180,261)	301,996
Fund balances, beginning of year, as previously reported	15,454,241	4,356,618	445,893	$ 933,542	10,606,603	31,796,897
Changes within financial reporting entity	-	-	-	(933,542)	933,542	-
Fund balances, beginning of year, as adjusted	15,454,241	4,356,618	445,893	$ -	11,540,145	31,796,897
Fund balances, end of year	$ 15,841,821	$ 4,227,327	$ 669,861		$ 11,359,884	$ 32,098,893

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, 2025

Net change in fund balances - total governmental funds	$ 301,996
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/amortization expense.	
Acquisition/construction of capital assets	14,233,460
Less: acquisition/construction of capital assets being accounted for in internal service funds	(4,370,844)
Depreciation/amortization expense	(12,540,398)
Less: depreciation/amortization expense being accounted for in internal service funds	2,924,340
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 unavailable revenues related to opioid settlement receivables	(45,132)
Change in long-term special assessments receivable	(116,206)
Change in unavailable revenues related to income taxes receivable	(77,177)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Issuance of other long-term liabilities	(1,053,142)
Principal payments on bonds, notes and other long-term liabilities	2,431,810
Amortization of bond premium	130,573
Amortization of bond discount	(6,169)
Amortization of deferred charge on refunding	(75,228)
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 loss from governmental activities in internal service funds	4,057,833
Less: net operating loss from business-type activities in internal service funds	(1,389,561)
Interest earnings from governmental internal service funds	423,914
Interest expense from governmental internal service funds	(35,218)
Loss on disposal of capital assets from governmental internal service funds	(26,187)
Transfers received in governmental internal service funds	959,614
Transfers made from governmental internal services funds	(681,329)
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 long-term debt	1,070,506
Change in the net pension liability and related deferred amounts	2,528,635
Change in net other postemployment benefit liability and related deferred amounts	3,531,216
Change in the accrual for compensated absences	630,568
Change in net position of governmental activities	$ 12,807,874

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, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes:				
City income	$ 19,680,500	$ 20,140,900	$ 20,699,055	$ 558,155
Real estate	16,131,012	15,933,412	15,758,553	(174,859)
Personal property	2,318,986	2,100,386	2,108,832	8,446
Administration fees	861,751	907,251	908,707	1,456
Other	68,374	68,374	77,359	8,985
Total taxes	39,060,623	39,150,323	39,552,506	402,183
Licenses and permits	834,175	834,175	898,358	64,183
Intergovernmental:				
Federal	40,000	40,000	17,181	(22,819)
State	9,281,392	9,233,792	9,173,139	(60,653)
Local	3,018,944	3,018,944	3,323,808	304,864
Total intergovernmental	12,340,336	12,292,736	12,514,128	221,392
Charges for services:				
Recreation	2,585,012	2,474,412	2,421,868	(52,544)
Police services	2,000,000	1,793,000	1,619,879	(173,121)
Total charges for services	4,585,012	4,267,412	4,041,747	(225,665)
Fines and forfeitures	100,000	74,000	74,733	733
Investment earnings	750,000	1,364,800	1,393,572	28,772
Contributions	200	200	1,350	1,150
Rent and leases	50,000	40,000	39,798	(202)
Other	268,700	855,314	1,000,764	145,450
Total revenues	57,989,046	58,878,960	59,516,956	637,996

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, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures				
Current:				
General government:				
Administration:				
Mayor and city commission	$ 271,386	$ 224,023	$ 189,900	$ (34,123)
City clerk and elections	1,682,796	792,151	744,796	(47,355)
City manager	1,729,728	1,664,854	1,475,943	(188,911)
Neighborhood code compliance	423,661	438,661	439,180	519
Labor relations	210,297	81,697	77,409	(4,288)
Human resources	651,640	611,790	560,395	(51,395)
Legal department	1,286,066	1,256,711	1,252,148	(4,563)
Civil service	177,869	177,869	116,224	(61,645)
Administrative reimbursements	(2,307,310)	(2,307,310)	(2,310,008)	(2,698)
Total administration	4,126,133	2,940,446	2,545,987	(394,459)
Revenue services:				
Finance	1,382,126	1,544,126	1,517,905	(26,221)
Purchasing	395,337	395,337	386,239	(9,098)
Treasurer's office	489,895	489,895	455,157	(34,738)
Assessing	687,300	692,300	689,274	(3,026)
City hall maintenance	1,095,906	1,190,756	1,129,563	(61,193)
Income tax division	697,587	797,587	779,229	(18,358)
Total revenue services	4,748,151	5,110,001	4,957,367	(152,634)
Total general government	8,874,284	8,050,447	7,503,354	(547,093)
Public safety:				
Police department	25,707,963	24,809,098	24,951,690	142,592
Fire department	14,977,006	14,462,212	13,893,440	(568,772)
Dispatch	322,855	324,055	324,030	(25)
Total public safety	41,007,824	39,595,365	39,169,160	(426,205)

continued...

Statement of Revenues, Expenditures and Change in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (continued)				
Public works -				
Street and storm sewers	$ 3,466,671	$ 3,890,321	$ 3,614,664	$ (275,657)
Recreation	3,315,628	3,815,828	3,630,698	(185,130)
Community development	1,076,150	1,089,080	874,780	(214,300)
Non-departmental:				
Special projects	105,169	134,783	176,508	41,725
AccessVision	257,250	257,250	196,573	(60,677)
Retiree health contributions	147,597	147,597	184,496	36,899
Total non-departmental	510,016	539,630	557,577	17,947
Debt service:				
Principal	230,000	230,000	611,842	381,842
Interest and other fiscal charges	10,160	10,160	10,160	-
Total debt service	240,160	240,160	622,002	381,842
Total expenditures	58,490,733	57,220,831	55,972,235	(1,248,596)
Revenue over (under) expenditures	(501,687)	1,658,129	3,544,721	1,886,592
Other financing sources (uses)				
Issuance of other long-term liabilities	-	-	1,053,142	1,053,142
Transfers in	3,458,000	3,388,024	3,461,518	73,494
Transfers out	(3,505,914)	(5,623,914)	(7,671,801)	2,047,887
Total other financing sources (uses)	(47,914)	(2,235,890)	(3,157,141)	(921,251)
Net change in fund balance	(549,601)	(577,761)	387,580	965,341
Fund balance, beginning of year	15,454,241	15,454,241	15,454,241	-
Fund balance, end of year	$ 14,904,640	$ 14,876,480	$ 15,841,821	$ 965,341

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 Special Revenue Fund
For the Year Ended June 30, 2025

	Budget (Original and Final)	Actual	Actual Over (Under) Final Budget
Revenues			
Intergovernmental - state	$ 9,656,072	$ 9,090,732	$ (565,340)
Investment earnings	-	175,762	175,762
Rents and leases	24,000	24,254	254
Other	-	66,133	66,133
Total revenues	9,680,072	9,356,881	(323,191)
Expenditures			
Current -			
Highways and streets	11,160,222	6,986,172	(4,174,050)
Revenues over (under) expenditures	(1,480,150)	2,370,709	3,850,859
Other financing uses			
Transfers out	(2,500,000)	(2,500,000)	-
Net change in fund balance	(3,980,150)	(129,291)	3,850,859
Fund balance, beginning of year	4,356,618	4,356,618	-
Fund balance, end of year	$ 376,468	$ 4,227,327	$ 3,850,859

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 - Special Grants Special Revenue Fund
For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental:				
Federal	$ -	$ 5,672,843	$ 2,230,962	$ (3,441,881)
State	-	2,711,104	535,773	(2,175,331)
Contributions	-	1,405,157	1,218,399	(186,758)
Other	-	45,555	147,828	102,273
Total revenues	-	9,834,659	4,132,962	(5,701,697)
Expenditures				
Current:				
General government	-	3,552,356	830,511	(2,721,845)
Public safety	-	3,352,883	1,202,469	(2,150,414)
Recreation	-	291,632	-	(291,632)
Community development	-	3,689,775	2,295,851	(1,393,924)
Debt service:				
Principal	-	-	129,968	129,968
Interest and other fiscal charges	-	-	7,101	7,101
Total expenditures	-	10,886,646	4,465,900	(6,420,746)
Revenues over (under) expenditures	-	(1,051,987)	(332,938)	719,049
Other financing sources				
Transfers in	-	1,051,987	556,906	(495,081)
Net change in fund balance	-	-	223,968	223,968
Fund balance, beginning of year	445,893	445,893	445,893	-
Fund balance, end of year	$ 445,893	$ 445,893	$ 669,861	$ 223,968

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

CITY OF BATTLE CREEK, MICHIGAN

Statement of Net Position

Proprietary Funds
June 30, 2025

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water and Wastewater System	Battle Creek Transit System	Battle Creek Executive Airport / FAA	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets						
Current assets:						
Pooled cash and investments	$ 29,211,840	$ -	$ 824,509	$ 4,508,865	$ 34,545,214	$ 11,106,081
Receivables:						
Interest	-	-	-	23,338	23,338	-
Accounts, net	5,531,262	38,302	102,808	1,492,539	7,164,911	472,317
Special assessments	552,846	-	-	-	552,846	-
Due from other governments	-	3,419,844	-	-	3,419,844	-
Leases, current portion	198,184	-	-	-	198,184	-
Loans, current portion	-	-	-	110,800	110,800	-
Inventories	2,665,036	57,093	-	-	2,722,129	552,982
Prepaid items	-	7,000	-	-	7,000	-
Total current assets	38,159,168	3,522,239	927,317	6,135,542	48,744,266	12,131,380
Noncurrent assets:						
Leases receivable	1,399,701	-	-	-	1,399,701	-
Loans receivable	-	-	-	5,466,660	5,466,660	-
Capital assets not being depreciated/amortized	15,153,567	66,499	1,915,006	1,505,125	18,640,197	48,823
Capital assets being depreciated/amortized, net	72,849,637	4,652,728	10,043,125	675,624	88,221,114	12,356,711
Total noncurrent assets	88,003,204	4,719,227	11,958,131	7,647,409	112,327,971	12,405,534
Total assets	127,562,073	8,241,466	12,885,448	13,782,951	162,471,938	24,536,914
Deferred outflows of resources						
Deferred pension amounts	2,432,704	776,757	264,609	34,143	3,508,213	-
Deferred other postemployment benefit amounts	86,255	24,950	6,772	-	117,977	-
Total deferred outflows of resources	2,518,959	801,707	271,381	34,143	3,626,190	-
Liabilities						
Current liabilities:						
Accounts payable and accrued liabilities	1,817,904	1,448,163	214,015	754,046	4,234,128	412,426
Retentions, deposits and other liabilities	254,370	-	-	98,937	353,307	-
Accrued interest payable	72,322	-	-	-	72,322	-
Interfund payable	-	745,698	-	359,795	1,105,493	-
Unearned revenue	110,737	202,053	105,808	5,500	424,098	172,187
Compensated absences, current portion	413,763	63,706	80,276	30,335	588,080	261,264
Claims payable, current portion	-	-	-	-	-	852,492
Installment obligations payable, current portion	-	-	-	-	-	18,546
Subscription liability, current portion	-	-	-	-	-	253,398
Bonds payable, current portion	963,584	-	-	-	963,584	-
Total current liabilities	3,632,680	2,459,620	400,099	1,248,613	7,741,012	1,970,313
Noncurrent liabilities:						
Compensated absences	42,520	6,547	8,250	3,117	60,434	26,849
Claims payable	-	-	-	-	-	327,092
Subscription liability	-	-	-	-	-	441,555
Bonds payable	19,323,064	-	-	-	19,323,064	-
Net pension liability	20,698,884	6,609,117	2,251,458	290,511	29,849,970	-
Net other postemployment benefit liability	3,440,030	995,050	270,085	-	4,705,165	-
Total noncurrent liabilities	43,504,498	7,610,714	2,529,793	293,628	53,938,633	795,496
Total liabilities	47,137,178	10,070,334	2,929,892	1,542,241	61,679,645	2,765,809
Deferred inflows of resources						
Deferred lease amounts	1,597,885	-	-	-	1,597,885	-
Deferred pension amounts	382,222	122,043	41,575	5,365	551,205	-
Deferred other postemployment benefit amounts	3,016,967	872,677	236,869	-	4,126,513	-
Total deferred inflows of resources	4,997,074	994,720	278,444	5,365	6,275,603	-
Net position						
Net investment in capital assets	67,716,556	4,719,227	11,958,131	2,180,749	86,574,663	11,692,035
Unrestricted (deficit)	10,230,224	(6,741,108)	(2,009,638)	10,088,739	11,568,217	10,079,070
Total net position (deficit)	$ 77,946,780	$ (2,021,881)	$ 9,948,493	$ 12,269,488	$ 98,142,880	$ 21,771,105

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

This page intentionally left blank.

Reconciliation

Net Position of Enterprise Funds
to Net Position of Business-type Activities
June 30, 2025

Net position - total enterprise funds	$ 98,142,880
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.	6,060,043
Net position of business-type activities	$ 104,202,923

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

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds
For the Year Ended June 30, 2025

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water and Wastewater System	Battle Creek Transit System	Battle Creek Executive Airport / FAA	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenues						
Charges for services	$ 35,478,087	$ 234,875	$ 210,182	$ 5,437,279	$ 41,360,423	$ 22,156,573
Rents and leases	226,880	-	1,515,888	124,105	1,866,873	1,829,000
Other	583,134	24,263	290,706	152,590	1,050,693	4,981,660
Total operating revenues	36,288,101	259,138	2,016,776	5,713,974	44,277,989	28,967,233
Operating expenses						
Personnel services	10,883,313	3,066,795	1,137,447	971,134	16,058,689	4,650,493
Materials and supplies	2,763,513	510,232	110,787	61,314	3,445,846	2,546,447
Contractual and other	11,739,559	685,188	883,248	6,231,155	19,539,150	14,788,120
Depreciation/amortization	6,111,273	582,447	734,080	370,949	7,798,749	2,924,340
Total operating expenses	31,497,658	4,844,662	2,865,562	7,634,552	46,842,434	24,909,400
Operating income (loss)	4,790,443	(4,585,524)	(848,786)	(1,920,578)	(2,564,445)	4,057,833
Nonoperating revenues (expenses)						
Property taxes	-	-	-	320,000	320,000	-
Intergovernmental subsidies:						
Federal	6,142	4,836,990	-	-	4,843,132	-
State	42,721	2,828,435	-	435,318	3,306,474	-
Local	-	171,404	63,893	130,000	365,297	-
Investment earnings	1,478,951	-	22,305	166,955	1,668,211	423,914
Interest expense	(767,110)	-	-	-	(767,110)	(35,218)
Loss on disposal of capital assets	(254,634)	-	-	-	(254,634)	(26,187)
Total nonoperating revenues (expenses)	506,070	7,836,829	86,198	1,052,273	9,481,370	362,509
Income (loss) before transfers	5,296,513	3,251,305	(762,588)	(868,305)	6,916,925	4,420,342
Transfers in	-	338,810	725,000	828,679	1,892,489	959,614
Transfers out	(2,950)	-	-	-	(2,950)	(681,329)
Change in net position	5,293,563	3,590,115	(37,588)	(39,626)	8,806,464	4,698,627
Net position (deficit), beginning of year	72,653,217	(5,611,996)	9,986,081	12,309,114	89,336,416	17,072,478
Net position (deficit), end of year	$ 77,946,780	$ (2,021,881)	$ 9,948,493	$ 12,269,488	$ 98,142,880	$ 21,771,105

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

Reconciliation

Change in Net Position of Enterprise Funds
to Change in Net Position of Business-type Activities
For the Year Ended June 30, 2025

Change in net position - total enterprise funds	$ 8,806,464
Amounts reported for *business-type activities* 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 loss of the internal service funds are allocated to governmental and business-type activities.	1,389,561
Change in net position of business-type activities	$ 10,196,025

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

Statement of Cash Flows

Proprietary Funds
For the Year Ended June 30, 2025

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water and Wastewater System	Battle Creek Transit System	Battle Creek Executive Airport / FAA	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities						
Receipts from customers and users	$ 36,048,802	$ 1,859,738	$ 1,971,131	$ 5,537,707	$ 45,417,378	$ -
Loans collected from borrowers	-	-	-	722,973	722,973	-
Receipts from interfund services	-	-	-	-	-	28,967,233
Payments to suppliers and contractors	(16,057,552)	(1,301,087)	(932,924)	(6,340,656)	(24,632,219)	(17,319,414)
Payments to employees	(12,721,639)	(3,518,211)	(1,292,037)	(1,198,900)	(18,730,787)	(4,630,673)
Receipts for interfund services	1,221,467	119,300	37,497	11,297	1,389,561	-
Net cash provided by (used in) operating activities	8,491,078	(2,840,260)	(216,333)	(1,267,579)	4,166,906	7,017,146
Cash flows from noncapital financing activities						
Transfers in	-	338,810	725,000	828,679	1,892,489	959,614
Transfers out	(2,950)	-	-	-	(2,950)	(681,329)
Property taxes	-	-	-	320,000	320,000	-
Intergovernmental subsidies	48,863	6,477,713	63,893	565,318	7,155,787	-
Net cash provided by noncapital financing activities	45,913	6,816,523	788,893	1,713,997	9,365,326	278,285
Cash flows from capital and related financing activities						
Principal and interest paid on debt	(1,713,578)	-	-	-	(1,713,578)	-
Principal paid on installment obligations payable	-	-	-	-	-	(31,027)
Principal and interest paid on subscription liability	-	-	-	-	-	(277,271)
Purchase of capital assets	(10,608,755)	(3,976,263)	(795,001)	-	(15,380,019)	(4,370,844)
Net cash used in capital and related financing activities	(12,322,333)	(3,976,263)	(795,001)	-	(17,093,597)	(4,679,142)
Cash flows from investing activities						
Investment earnings	1,478,951	-	37,724	166,391	1,683,066	509,362
Net change in pooled cash and investments	(2,306,391)	-	(184,717)	612,809	(1,878,299)	3,125,651
Pooled cash and investments, beginning of year	31,518,231	-	1,009,226	3,896,056	36,423,513	7,980,430
Pooled cash and investments, end of year	$ 29,211,840	$ -	$ 824,509	$ 4,508,865	$ 34,545,214	$ 11,106,081

continued...

CITY OF BATTLE CREEK, MICHIGAN

Statement of Cash Flows

Proprietary Funds
For the Year Ended June 30, 2025

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water and Wastewater System	Battle Creek Transit System	Battle Creek Executive Airport / FAA	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities						
Operating income (loss)	$ 4,790,443	$ (4,585,524)	$ (848,786)	$ (1,920,578)	$ (2,564,445)	$ 4,057,833
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation/amortization	6,111,273	582,447	734,080	370,949	7,798,749	2,924,340
Changes in assets and liabilities:						
Accounts receivable	(209,813)	17,528	(58,368)	(176,267)	(426,920)	49,574
Special assessments receivable	(17,371)	-	-	-	(17,371)	-
Due from other governments	9,288	-	-	-	9,288	-
Leases receivable	229,246	-	-	-	229,246	-
Loans receivable	-	-	-	722,973	722,973	-
Inventories	(400,425)	48,843	-	-	(351,582)	16,920
Prepaid items	-	(2,725)	-	-	(2,725)	250
Accounts payable and accrued liabilities	63,127	1,387,572	98,608	20,544	1,569,851	(104,464)
Retentions, deposits and other liabilities	4,285	-	-	(319)	3,966	-
Compensated absences	(196,354)	(14,430)	(14,644)	(38,091)	(263,519)	19,820
Claims payable	-	-	-	-	-	26,805
Interfund payable	-	16,434	-	(241,674)	(225,240)	-
Unearned revenue	(21,403)	195,500	12,723	-	186,820	26,068
Deferred lease amounts	(229,246)	-	-	-	(229,246)	-
Net pension liability	(1,236,939)	(394,953)	(134,544)	(17,360)	(1,783,796)	-
Deferred outflows related to the net pension liability	531,169	169,602	57,778	7,455	766,004	-
Deferred inflows related to the net pension liability	341,158	108,931	37,109	4,789	491,987	-
Net other postemployment benefit liability	(757,393)	(219,081)	(59,465)	-	(1,035,939)	-
Deferred outflows related to the net other postemployment benefit liability	391,132	113,137	30,709	-	534,978	-
Deferred inflows related to the net other postemployment benefit liability	(911,099)	(263,541)	(71,533)	-	(1,246,173)	-
Net cash provided by (used in) operating activities	$ 8,491,078	$ (2,840,260)	$ (216,333)	$ (1,267,579)	$ 4,166,906	$ 7,017,146
Noncash capital and related financing activities						
Transfer of capital assets	$ -	$ (78,750)	$ -	$ 78,750	$ -	$ -

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, 2025

	Pension and Other Employee Benefit Trust Funds	Custodial Funds
Assets		
Pooled cash and investments	$ -	$ 765,553
Cash and cash equivalents	2,335,573	-
Investments:		
Fixed income:		
Corporate bonds	10,404,089	-
Foreign bonds	1,504,451	-
U.S. government securities	21,111,180	-
Asset backed securities	1,512,163	-
Collateralized mortgage obligations	2,744,328	-
Mortgage backed securities	8,830,463	-
Mutual funds	151,825,798	-
MERS total market portfolio	11,552,417	-
Interest receivable	417,290	-
Pension contributions receivable	1,230,110	-
Delinquent taxes receivable	-	543,132
Total assets	213,467,862	1,308,685
Liabilities		
Due to other governments	242,836	-
Undistributed receipts	-	1,073,037
Total liabilities	242,836	1,073,037
Net position		
Restricted for:		
Pension	201,672,609	-
Other postemployment healthcare benefits	11,552,417	-
Individuals, organizations, and other governments	-	235,648
Total net position	$ 213,225,026	$ 235,648

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

CITY OF BATTLE CREEK, MICHIGAN

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2025

	Pension and Other Employee Benefit Trust Funds	Custodial Funds
Additions		
Investment income:		
Net change in fair value of investments	$ 16,809,269	$ -
Interest and dividends	5,288,301	-
Less investment expenses	(142,028)	-
Total net investment income	21,955,542	-
Contributions:		
Employer	7,971,978	-
Employee	2,563,860	-
Total contributions	10,535,838	-
Fire insurance collections	-	92,910
Taxes collected for other governments	-	88,184,029
Total additions	32,491,380	88,276,939
Deductions		
Benefit payments and refunds	15,449,122	-
Administrative expenses	244,480	-
Fire insurance distributions	-	66,065
Payments of taxes to other governments	-	88,184,029
Total deductions	15,693,602	88,250,094
Change in net position	16,797,778	26,845
Net position, beginning of year	196,427,248	208,803
Net position, end of year	$ 213,225,026	$ 235,648

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

This page intentionally left blank.

COMPONENT UNITS FINANCIAL STATEMENTS

Combining Statement of Net Position
Component Units
June 30, 2025

	Battle Creek Downtown Development Authority	Lakeview Downtown Development Authority	Battle Creek Tax Increment Financing Authority	Brownfield Redevelopment Authority
Assets				
Pooled cash and investments	$ 3,781,730	$ 1,577,886	$ 7,805,103	$ 2,300,145
Receivables, net	74,253	-	-	-
Inventories	-	-	-	-
Prepaid items	-	-	-	-
Leases receivable:				
Due within one year	-	22,322	26,692	-
Due in more than one year	-	72,249	56,454	-
Loans receivable:				
Due within one year	254,275	-	-	-
Due in more than one year	91,027	-	2,608,113	-
Capital assets not being depreciated	-	-	14,291,356	-
Capital assets being depreciated, net	-	-	9,285,571	-
Total assets	4,201,285	1,672,457	34,073,289	2,300,145
Deferred outflows of resources				
Deferred charge on refunding	602,648	-	16,933	-
Liabilities				
Accounts payable and accrued liabilities	15,507	1,046,396	2,808,466	247,144
Accrued interest payable	127,117	-	11,203	-
Unearned revenue	900	-	-	-
Long-term liabilities:				
Due within one year	1,970,000	-	570,000	-
Due in more than one year	18,530,000	-	3,540,000	1,708,113
Total liabilities	20,643,524	1,046,396	6,929,669	1,955,257
Deferred inflows of resources				
Deferred lease amounts	-	94,571	83,146	-
Net position				
Investment in capital assets	-	-	23,576,927	-
Restricted for loan commitments and lending activity	1,144,134	-	-	-
Unrestricted (deficit)	(16,983,725)	531,490	3,500,480	344,888
Total net position (deficit)	$ (15,839,591)	$ 531,490	$ 27,077,407	$ 344,888

continued...

Combining Statement of Net Position

Component Units
June 30, 2025

	Local Development Finance Authority	Cereal City Development Corporation	Total
Assets			
Pooled cash and investments	$ 283,712	$ 150,816	$ 15,899,392
Receivables, net	-	63,161	137,414
Inventories	-	13,203	13,203
Prepaid items	-	44,670	44,670
Leases receivable:			
Due within one year	-	-	49,014
Due in more than one year	-	-	128,703
Loans receivable:			
Due within one year	-	-	254,275
Due in more than one year	-	-	2,699,140
Capital assets not being depreciated	-	-	14,291,356
Capital assets being depreciated, net	-	8,902	9,294,473
Total assets	283,712	280,752	42,811,640
Deferred outflows of resources			
Deferred charge on refunding	-	-	619,581
Liabilities			
Accounts payable and accrued liabilities	60,210	89,177	4,266,900
Accrued interest payable	-	-	138,320
Unearned revenue	-	63,210	64,110
Long-term liabilities:			
Due within one year	-	-	2,540,000
Due in more than one year	900,000	-	24,678,113
Total liabilities	960,210	152,387	31,687,443
Deferred inflows of resources			
Deferred lease amounts	-	-	177,717
Net position			
Investment in capital assets	-	8,902	23,585,829
Restricted for loan commitments and lending activity	-	-	1,144,134
Unrestricted (deficit)	(676,498)	119,463	(13,163,902)
Total net position (deficit)	$ (676,498)	$ 128,365	$ 11,566,061

concluded.

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

Combining Statement of Activities

Component Units
For the Year Ended June 30, 2025

	Battle Creek Downtown Development Authority	Lakeview Downtown Development Authority	Battle Creek Tax Increment Financing Authority	Brownfield Redevelopment Authority
Expenses				
Community development	$ 3,052,052	$ 2,890,536	$ 3,005,887	$ 330,533
Program revenues				
Charges for services	35,572	25,000	573,455	-
Operating grants and contributions	2,748,816	-	-	86,819
Capital grants and contributions	-	-	1,270,434	-
Total program revenues	2,784,388	25,000	1,843,889	86,819
Net program expenses	(267,664)	(2,865,536)	(1,161,998)	(243,714)
General revenues				
Property taxes	2,208,511	3,069,853	1,364,839	728,371
Unrestricted investment earnings	405,020	108,830	429,554	144,478
Total general revenues	2,613,531	3,178,683	1,794,393	872,849
Change in net position	2,345,867	313,147	632,395	629,135
Net position (deficit), beginning of year	(18,185,458)	218,343	26,445,012	(284,247)
Net position (deficit), end of year	$ (15,839,591)	$ 531,490	$ 27,077,407	$ 344,888

continued...

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Activities
Component Units
For the Year Ended June 30, 2025

	Local Development Finance Authority	Cereal City Development Corporation	Total
Expenses			
Community development	$ 129,626	$ 1,819,899	$ 11,228,533
Program revenues			
Charges for services	-	1,282,714	1,916,741
Operating grants and contributions	-	452,137	3,287,772
Capital grants and contributions	-	-	1,270,434
Total program revenues	-	1,734,851	6,474,947
Net program expenses	(129,626)	(85,048)	(4,753,586)
General revenues			
Property taxes	417,907	-	7,789,481
Unrestricted investment earnings	35,539	-	1,123,421
Total general revenues	453,446	-	8,912,902
Change in net position	323,820	(85,048)	4,159,316
Net position (deficit), beginning of year	(1,000,318)	213,413	7,406,745
Net position (deficit), end of year	$ (676,498)	$ 128,365	$ 11,566,061

concluded.

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

This page intentionally left blank.

NOTES TO FINANCIAL STATEMENTS

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
Battle Creek 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
Battle Creek 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

Fiduciary Component Units

The *City of Battle Creek, Michigan Police and Fire Retirement System* (the "System") is a single-employer defined benefit contributory pension plan which provides retirement, disability and death benefits to, and contributes toward postemployment healthcare benefits for, plan members and their beneficiaries in accordance with the City's pension ordinance. The System is included as a fiduciary component unit of the City because (1) the System is a legally separate entity; (2) the City Commission appoints a voting majority of the Board of Trustees; and (3) the City makes contributions to the System on behalf of its participants. Plan amendments are under the authority of the City. Changes in required contributions are subject to collective bargaining agreements and approval by the City Commission.

The *Single-Employer Other Postemployment Benefit Plan* (the "Plan") is a single-employer defined benefit postemployment healthcare plan provides health care benefits 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 Plan is included as a fiduciary component unit of the City because: (1) the Plan is a legally separate entity; (2) the City Commission appoints a voting majority of the trustees; and (3) the City makes contributions to the Plan on behalf of its participants. The Plan provisions are established and may be amended by the City Commission, subject to the City's various collective bargaining agreements.

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. This fund is used to control the expenditures of motor fuel taxes which are earmarked by law for major street and highway purposes.

Special grants special revenue fund. This fund is 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 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.

Battle Creek executive 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.

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.

Custodial funds. These funds account for assets held for other governments in a custodial capacity, including property tax collections and fire insurance escrows held for third-parties.

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 custodial 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.

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 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.

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.*

Leases Receivable

The City is a lessor for several noncancellable leases related to buildings, a billboard, cell towers, and a baseball stadium. The City recognizes a lease receivable and a deferred inflow of resources in the statement of net position and governmental funds financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for prepaid lease payments received at lease inception. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The City uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subscription-Based Information Technology Arrangements (SBITA)

The City has noncancellable subscription-based information technology arrangements. The City recognizes a subscription liability and an intangible right-to-use subscription asset in the government-wide financial statements. The City recognizes subscription liabilities with an initial, individual value of $5,000 or more.

At the commencement of a subscription, the City initially measures the subscription liability at the present value of payments expected to be made during the SBITA term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to subscriptions include how the City determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) subscription term, and (3) subscription payments. The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs. The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price (if applicable) that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and subscription liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded using the consumption method and include the cost of inventory in fund balance.

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 City 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.

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

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.

Capital assets of the primary government are depreciated/amortized 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

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 assets 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 and other postemployment benefit liabilities. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, three types of leave qualify for liability recognition for compensated absences - compensatory, vacation, and sick. The liability for compensated absences is reported as incurred in the government-wide 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 and retirements. The liability for compensated absences includes salary-related benefits, where applicable.

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 straight-line 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 assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under the modified accrual basis of accounting, from opioid settlement, special assessments and income taxes. 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. The City also reports a deferred inflow related to leases receivable.

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 City incurs expenditures for purposes for which various fund balance classifications can be used, it is the City'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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City utilizes various investment instruments which are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

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.

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, 2025, 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 -			
Administration -			
Neighborhood code compliance	$ 438,661	$ 439,180	$ 519
Public safety -			
Police department	24,809,098	24,951,690	142,592
Non-departmental:			
Special projects	134,783	176,508	41,725
Retiree health contributions	147,597	184,496	36,899
Debt service -			
Principal	230,000	611,842	381,842
Transfers out	5,623,914	7,671,801	2,047,887
Special grants fund			
Debt service:			
Principal	-	129,968	129,968
Interest and other fiscal charges	-	7,101	7,101
ARPA fund			
Transfers out	4,083,000	5,341,787	1,258,787

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, 2025:

	Primary Government	Component Units	Total
Statement of net position			
Pooled cash and investments	$ 82,274,375	$ 15,899,392	$ 98,173,767
Statement of fiduciary net position			
Pooled cash and investments -			
Custodial funds	765,553	-	765,553
Cash and cash equivalents - pension	2,335,573	-	2,335,573
Investments	209,484,889	-	209,484,889
Total	$ 294,860,390	$ 15,899,392	$ 310,759,782

Deposits and investments:	
Bank deposits:	
Checking and savings	$ 7,113,115
Certificates of deposit	258,283
Portfolio cash - pension	2,335,573
Investments in securities, mutual funds and similar vehicles:	
Pool	91,064,463
Pension	197,932,472
Other postemployment benefits	11,552,417
Cash on deposit with third party	488,254
Cash on hand	15,205
Total	$ 310,759,782

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, 2025, $6,509,230 of the City's total bank balance of $7,168,329 (total book balance was $7,371,398) was exposed to custodial credit risk as it was uninsured and uncollateralized.

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

Custodial Credit Risk – Investments. Following is a summary of the City's pooled investments as of June 30, 2025:

U.S. treasury notes, bonds, and bills	$ 36,949,206
U.S. agencies	16,073,199
Commercial paper	1,435,095
Money market funds	36,606,963
Total investments	$ 91,064,463

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, 2025, 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. Statutes and various bond indentures authorized the City to invest in obligations of the U.S. treasury, governmental agencies and instrumentalities, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services, bankers' acceptances of U.S. banks, U.S. government or federal agency obligation repurchase agreements, obligations of the State of Michigan or any of its political subdivisions rated as investment grade by not less than one standard rating service, and mutual funds composed of the types of investment vehicles named previously.

The City's investments were rated by Standard & Poor's (S&P) and Moody's as follows:

Rating		
S&P	**Moody's**	**Amount**
AA+	Aa1	$ 52,197,079
AA+	Not rated	825,326
A1	P1	1,435,095
		$ 54,457,500

Concentration of Credit Risk. At June 30, 2025, the investment portfolio was concentrated as follows:

	% of portfolio
U.S. agencies	
Federal Farm Credit Banks	19.1%
Federal Home Loan Bank	5.7%

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

CITY OF BATTLE CREEK, MICHIGAN

Notes to Financial Statements

Interest Rate Risk. As of June 30, 2025, maturities of the City's investments in the debt securities were as follows:

		Investment Maturities (fair value by years)			
	Fair Value	**Less Than 1 Year**	**1-5 Years**	**6-10 Years**	**More Than 10 Years**
U.S. treasury notes, bonds, and bills	$ 36,949,206	$ 4,251,281	$ 32,697,925	$ -	$ -
U.S. agencies	16,073,199	5,865,239	9,382,634	50,775	774,551
Commercial paper	1,435,095	1,435,095	-	-	-
	$ 54,457,500	$ 11,551,615	$ 42,080,559	$ 50,775	$ 774,551

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

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

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, 2025 for its investments in the money market funds are valued using quoted prices in active markets (Level 1 inputs). U.S. treasury notes, bonds, and bills, U.S. agencies, and commercial paper 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 fund 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.

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	$ 10,404,089
Foreign bonds	1,504,451
U.S. government securities	21,111,180
Asset backed securities	1,512,163
Collateralized mortgage obligations	2,744,328
Mortgage backed securities	8,830,463
	46,106,674
Mutual funds	151,825,798
Total investments	$ 197,932,472

In addition to the above, the System and the other employee benefits trust funds had short-term investments of $2,335,573 held in money market accounts as of June 30, 2025. Also, the other postemployment benefit plan trust fund had $11,552,417 held in the MERS total market portfolio 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 fixed income securities were rated by Moody's as follows:

	Rating
Aaa	$ 13,432,942
Aa1	70,393
A1	482,329
A2	45,063
A3	191,364
Baa1 and below	1,598,422
Not rated	30,286,161
Totals	$ 46,106,674

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. At June 30, 2025, the System's investment portfolio was concentrated as follows:

	% of portfolio
Fidelity - mutual funds	40.4%
John Hancock - mutual funds	8.7%
Europac growth - mutual funds	8.1%
United States Treasury	7.0%
PIMCO - mutual funds	6.9%

Interest Rate Risk. As of June 30, 2025, maturities of the System's fixed income securities were as follows:

		Investment Maturities (fair value by years)			
	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Corporate bonds	$ 10,404,089	$ 284,494	$ 5,049,867	$ 3,680,396	$ 1,389,332
Foreign bonds	1,504,451	75,209	880,482	504,535	44,225
U.S. government securities	21,111,180	-	12,075,553	2,136,678	6,898,949
Asset backed securities	1,512,163	-	1,350,428	161,735	-
Collateralized mortgage obligations	2,744,328	-	-	127,031	2,617,297
Mortgage backed securities	8,830,463	-	384,089	60,123	8,386,251
	$ 46,106,674	$ 359,703	$ 19,740,419	$ 6,670,498	$ 19,336,054

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, 2025, the actual weighted average maturity was 13.07 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 foreign bonds of $1,504,451; these holdings are primarily in common and preferred stocks of Canadian (dollars) and European (euros) companies along with various other global companies.

Rate of return. For the year ended June 30, 2025, the annual money-weighted rate of return on plan investments, net of investment expenses, was 11.45%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 and reported amounts for lent securities, 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.

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, 2025:

	Level 1	Level 2	Level 3	Total
Fixed income:				
Corporate bonds	$ -	$ 10,404,089	$ -	$ 10,404,089
Foreign bonds	-	1,504,451	-	1,504,451
U.S. government securities	21,111,180	-	-	21,111,180
Asset backed securities	-	1,512,163	-	1,512,163
Collateralized mortgage obligations	-	2,744,328	-	2,744,328
Mortgage backed securities	-	8,830,463	-	8,830,463
Mutual funds	151,825,798	-	-	151,825,798
	$ 172,936,978	$ 24,995,494	$ -	$ 197,932,472

The City's recurring fair value measurements as of June 30, 2025 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, 2025 were related to its investments in the MERS total market portfolio. These investments were valued using quoted prices in active markets for identical assets (Level 1 inputs).

6. RECEIVABLES

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

	Governmental Activities	Business-type Activities
Interest	$ -	$ 23,338
Accounts	3,398,415	9,084,897
Special assessments, due within one year	344,995	552,846
Due from other governments	5,289,713	3,419,844
Taxes	1,226,666	-
Leases, due within one year	114,866	198,184
Loans, due within a year	-	110,800
Allowance for uncollectible accounts	(1,001,350)	(1,919,986)
Subtotal	9,373,305	11,469,923
Leases, long-term portion	622,589	1,399,701
Loans, long-term portion	12,231,275	5,466,660
	$ 22,227,169	$ 18,336,284

At year end, the City's governmental activities reported accounts receivable of $3,398,415 of which $673,573 is not expected to be collected in one year.

7. LEASES

The City and its component units are involved in 25 agreements as a lessor that qualify as long-term lease agreements. Below is a summary of the agreements. The agreements qualify as long-term lease agreements as the City will not surrender control of the assets at the end of the term and the noncancelable term of the agreements surpasses one year. Total lease revenue for the year ended June 30, 2025 was $409,647.

	Remaining Term of Agreements
Asset Type	
Buildings	4 years
Billboard	4 years
Baseball stadium	7 years
Cell towers	4-13 years

Regulated lease agreements - In accordance with GASB No. 87, the City's Airport (the "Airport") does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g. the U.S. Department of Transportation and the Federal Aviation Administration, regulated aviation leases between airports and aeronautical users. The leasing operations of the Airport consist principally of the leasing of land, hangars, and office space. The Airport has six lease agreements that consist of noncancelable agreements and permit the Airport to periodically adjust rents and maximize operational flexibility. Leased land and buildings are leased on an exclusive basis.

Asset Type	Remaining Terms of Agreements
Land	12-50 years
Buildings	5-20 years

Minimum future rentals under such noncancelable regulated lease agreements as of June 30, 2025 are as follows:

Year Ended June 30,	Amount
2026	$ 1,535,443
2027	1,715,753
2028	1,738,011
2029	1,760,937
2030	1,330,051
2031-2035	6,452,989
2036-2040	5,617,677
2041-2045	3,480,380
2046-2050	2,809,186
2051-2055	3,256,616
2056-2060	3,775,310
2061-2065	4,376,620
2066-2070	5,073,702
2071-2075	5,881,811
	$ 48,804,486

The Airport recognized $1,225,014 of rental income for the year ended June 30, 2025.

8. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The City is involved in three arrangements that qualify as long-term subscription-based information technology arrangements ("SBITA"). Below is a summary of the nature of these arrangements. The arrangements qualify as an intangible, right-to-use subscription asset as the City has the control of the right to use another party's IT software and the noncancelable term of the arrangements surpass one year.

Asset Type	Remaining Term of Arrangements
Subscription assets	1-4 years

The right-to-use asset and the related activity are included in Note 9, Capital Assets. The subscription liability and related activity are presented in Note 12, Bonds, Notes, and Other Long-term Liabilities.

The net present value of future minimum payments as of June 30, 2025, were as follows:

Year Ended June 30,	Principal	Interest
2026	$ 443,360	$ 69,779
2027	415,750	49,764
2028	434,699	30,815
2029	219,904	10,995
Total	$ 1,513,713	$ 161,353

9. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets not being depreciated/amortized:					
Land	$ 2,339,211	$ -	$ -	$ -	$ 2,339,211
Construction in progress	2,876,522	4,244,322	-	(2,715,895)	4,404,949
	5,215,733	4,244,322	-	(2,715,895)	6,744,160
Capital assets being depreciated/amortized:					
Land improvements	26,462,553	1,068	-	1,330,673	27,794,294
Buildings	77,012,290	986,822	-	1,385,222	79,384,334
Vehicles	26,401,582	4,121,157	(999,938)	-	29,522,801
Equipment	30,853,861	624,052	(63,707)	-	31,414,206
Infrastructure	315,591,123	3,202,897	-	-	318,794,020
Subscription assets (Note 8)	1,241,825	1,053,142	-	-	2,294,967
	477,563,234	9,989,138	(1,063,645)	2,715,895	489,204,622
Less accumulated depreciation/amortization for:					
Land improvements	(22,092,880)	(830,992)	-	-	(22,923,872)
Buildings	(41,383,740)	(1,510,731)	-	-	(42,894,471)
Vehicles	(16,493,762)	(2,504,093)	984,492	-	(18,013,363)
Equipment	(27,541,790)	(848,946)	52,966	-	(28,337,770)
Infrastructure	(169,218,310)	(6,343,851)	-	-	(175,562,161)
Subscription assets (Note 8)	(16,800)	(501,785)	-	-	(518,585)
	(276,747,282)	(12,540,398)	1,037,458	-	(288,250,222)
Total capital assets being depreciated/amortized, net	200,815,952	(2,551,260)	(26,187)	2,715,895	200,954,400
Governmental activities capital assets, net	$ 206,031,685	$ 1,693,062	$ (26,187)	$ -	$ 207,698,560

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

Governmental activities:	
General government	$ 650,202
Public safety	1,327,458
Public works, including depreciation of general infrastructure assets	6,867,727
Recreation	770,671
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	2,924,340
Total depreciation/amortization expense - governmental activities	$ 12,540,398

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type activities					
Capital assets not being depreciated:					
Land	$ 3,560,454	$ -	$ -	$ -	$ 3,560,454
Construction in progress	12,206,132	9,361,565	(254,634)	(6,233,320)	15,079,743
	15,766,586	9,361,565	(254,634)	(6,233,320)	18,640,197
Capital assets being depreciated:					
Land improvements	6,964,812	-	-	-	6,964,812
Buildings	97,327,315	1,019,830	-	392,383	98,739,528
Vehicles	3,628,443	4,143,491	(45,210)	-	7,726,724
Equipment	14,467,528	113,204	-	-	14,580,732
Systems	213,827,984	741,929	(601,058)	5,840,937	219,809,792
	336,216,082	6,018,454	(646,268)	6,233,320	347,821,588
Less accumulated depreciation for:					
Land improvements	(5,655,502)	(98,030)	-	-	(5,753,532)
Buildings	(65,086,428)	(1,932,174)	-	-	(67,018,602)
Vehicles	(2,788,535)	(476,080)	45,210	-	(3,219,405)
Equipment	(13,664,302)	(194,557)	-	-	(13,858,859)
Systems	(165,253,226)	(5,097,908)	601,058	-	(169,750,076)
	(252,447,993)	(7,798,749)	646,268	-	(259,600,474)
Total capital assets being depreciated, net	83,768,089	(1,780,295)	-	6,233,320	88,221,114
Business-type activities capital assets, net	$ 99,534,675	$ 7,581,270	$ (254,634)	$ -	$ 106,861,311

Business-type activities:	
Wastewater	$ 4,433,030
Water	1,678,243
Public transit	582,447
Airport	734,080
Parking	330,475
Intermodal facility	40,474
Total depreciation expense - business-type activities	$ 7,798,749

At June 30, 2025, the City had outstanding commitments through construction contracts of approximately $28.1 million in relation to the various building, street and equipment improvements.

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Component unit - TIFA					
Capital assets not being depreciated:					
Land	$ 12,954,051	$ -	$ -	$ -	$ 12,954,051
Construction in progress	1,328,806	57,224	-	(48,725)	1,337,305
	14,282,857	57,224	-	(48,725)	14,291,356
Capital assets being depreciated:					
Land improvements	10,641,428	-	-	48,725	10,690,153
Equipment	388,323	-	-	-	388,323
	11,029,751	-	-	48,725	11,078,476
Less accumulated depreciation for:					
Land improvements	(1,194,346)	(215,130)	-	-	(1,409,476)
Equipment	(373,641)	(9,788)	-	-	(383,429)
	(1,567,987)	(224,918)	-	-	(1,792,905)
Total capital assets being depreciated, net	9,461,764	(224,918)	-	48,725	9,285,571
TIFA capital assets, net	$ 23,744,621	$ (167,694)	$ -	$ -	$ 23,576,927

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Component unit - CCDC					
Capital assets being depreciated - Equipment	$ 58,234	$ -	$ -	$ -	$ 58,234
Less accumulated depreciation for - Equipment	(43,169)	(6,163)	-	-	(49,332)
CCDC capital assets, net	$ 15,065	$ (6,163)	$ -	$ -	$ 8,902

10. 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	$ 5,012,232	$ 4,234,128
Accrued interest payable	71,765	72,322
Accrued payroll	3,886,393	-
Retentions, deposits and other liabilities	223,646	353,307
Claims payable, current portion	852,492	-
Claims payable, long-term portion	327,092	-
	$ 10,373,620	$ 4,659,757

11. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2025, the following interfund balances were outstanding:

	Payable Funds				
Receivable Fund	Special Grants Fund	Nonmajor Governmental Funds	Battle Creek Transit System Fund	Nonmajor Enterprise Funds	Total
General fund	$ 283,846	$ 816,272	$ 745,698	$ 359,795	$ 2,205,611

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, 2025, interfund transfers consisted of the following:

	Transfers In				
Transfers Out	General Fund	Special Grants Fund	Nonmajor Governmental Funds	Battle Creek Transit System	Battle Creek Executive Airport / FAA
General fund	$ -	$ 496,326	$ 5,411,665	$ 338,810	$ 725,000
Major street and trunkline maintenance fund	-	-	2,500,000	-	-
Nonmajor governmental funds	3,461,518	57,630	1,678,398	-	-
Water and wastewater fund	-	2,950	-	-	-
Internal service funds	-	-	452,650	-	-
	$ 3,461,518	$ 556,906	$ 10,042,713	$ 338,810	$ 725,000

Transfers Out	Transfers In: Nonmajor Enterprise Funds	Internal Service Funds	Total
General fund	$ -	$ 700,000	$ 7,671,801
Major street and trunkline maintenance fund	-	-	2,500,000
Nonmajor governmental funds	625,000	234,614	6,057,160
Water and wastewater fund	-	-	2,950
Internal service funds	203,679	25,000	681,329
	$ 828,679	$ 959,614	$ 16,913,240

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.

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

12. BONDS, NOTES AND OTHER LONG-TERM LIABILITIES

General obligation bonds. The City 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 five 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				
2011 building authority limited tax refunding	2026	3.000% - 4.125%	6,725,000	$ 440,000
2016 capital improvement - refunding	2033	2.500% - 4.000%	12,605,000	7,155,000
2016 general obligation limited tax bonds	2042	4.000% - 5.000%	15,265,000	11,845,000
Total governmental activities				$ 19,440,000
Discretely presented component units				
2021 tax increment - refunding airport	2029	1.350%	$ 1,765,000	$ 1,030,000
2022 tax increment - refunding airport hangar	2030	1.500%	1,560,000	935,000
2022 tax increment - airport hangar	2037	4.980%	2,500,000	2,145,000
Total component units				$ 4,110,000

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

Year Ended June 30,	Governmental Activities Principal	Governmental Activities Interest	Component Units Principal	Component Units Interest
2026	$ 1,735,000	$ 787,456	$ 570,000	$ 132,759
2027	1,345,000	723,406	580,000	119,970
2028	1,400,000	676,031	595,000	106,824
2029	1,465,000	625,219	605,000	93,147
2030	1,530,000	559,969	360,000	80,862
2031-2035	6,225,000	1,890,319	950,000	258,960
2036-2040	3,895,000	951,725	450,000	33,864
2041-2042	1,845,000	93,375	-	-
	$ 19,440,000	$ 6,307,500	$ 4,110,000	$ 826,386

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				
2016A water and wastewater system	2036	4.000% - 5.000%	$ 7,725,000	$ 4,945,000
2016B water and wastewater system	2036	1.660% - 4.460%	8,890,000	4,985,000
2023 water and wastewater system	2043	4.000% - 5.000%	10,000,000	9,770,000
Total business-type activities				$ 19,700,000
Discretely presented component units				
2017 downtown development refunding	2034	2.836% - 3.984%	$ 22,260,000	$ 20,500,000

Revenue bond debt service requirements to maturity are as follows:

Year Ended June 30,	Business-type Activities Principal	Business-type Activities Interest	Component Units Principal	Component Units Interest
2026	$ 915,000	$ 867,861	$ 1,970,000	$ 762,703
2027	940,000	827,830	2,040,000	697,023
2028	965,000	786,181	2,110,000	626,969
2029	990,000	742,903	2,180,000	552,402
2030	1,020,000	698,155	2,260,000	473,181
2031-2035	5,600,000	2,743,572	9,940,000	996,765
2036-2040	5,555,000	1,439,451	-	-
2041-2043	3,715,000	310,613	-	-
	$ 19,700,000	$ 8,416,566	$ 20,500,000	$ 4,109,043

The City has pledged future water and wastewater customer revenues, net of specified operating expenses, to repay $16,615,000 in water and wastewater system revenue bonds issued December 2016 and $10,000,000 in water and wastewater system revenue bonds issued May 2023. 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 2043. Annual principal and interest payments on the bonds are expected to require approximately 20% of net revenues. The total principal and interest remaining to be paid on the bonds is $28,116,566. Principal and interest paid for the current year and total customer net revenues were $1,797,467 and $10,950,579, respectively.

Notes from direct borrowings and direct placements - installment obligations. The City has entered into various long-term installment payment agreements.

	Year of Maturity	Interest Rates	Original Amount	Amount
Governmental activities				
2021 city hall copiers	2026	2.500%	149,882	$ 18,546

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

	Governmental Activities	
Year Ended June 30,	**Principal**	**Interest**
2026	$ 18,546	$ 229

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, 2025, the Brownfield Redevelopment Authority had drawn a total of $2,560,708 on the authorized amount, and there was no balance outstanding. 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, 2025, a total of $2,749,862 had been drawn on the authorized amount and $1,708,113 of this amount 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 3% per annum.

During the year ended June 30, 2022, the Local Development Finance Authority entered into a loan with the Battle Creek Tax Increment Finance Authority (both component units of the City of Battle Creek) to borrow $1,700,000 for the Watkins Road Improvement Project. As of June 30, 2025, $900,000 is outstanding. Accordingly, this balance is reported as long-term liabilities in the statement of net position; no amount is presently reported as due within one year since repayment is based on the future collection of incremental tax revenues. The repayment obligation includes interest at 3% 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	$ 1,708,113
Local development finance loan	n/a	3.000%	1,700,000	900,000
Total component units				$ 2,608,113

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 (WKKF) to borrow up to $9,200,000 to fund the redevelopment of the Milton Building. Proceeds received under the WKKF promissory note were passed through to Heritage Tower, LLC to finance the redevelopment project. Concurrently, during the year ended June 30, 2019, the City entered into promissory note agreements with Heritage Tower, LLC for the repayment of the redevelopment funds advanced by the City. These agreements are recorded as receivables in the City's financial statements.

Under the terms of the WKKF promissory note, the parties intend that the City will repay interest and principal on the loan exclusively from proceeds actually received by the City from its investment in the project, including returns of principal, interest, released reserves or collateral, and other related amounts. The WKKF promissory note does not require repayment from the City's general revenues or taxing power. The City's corresponding agreements with Heritage Tower, LLC include a promissory note in the amount of $833,333, bearing interest at 1%, payable on an amortization basis. The remaining amounts advanced to Heritage Tower, LLC are repayable to the City based on the project's cash flow and/or upon a sale or refinancing event, pursuant to a percentage-based formula. Under these agreements, the City is entitled to receive 29.0704% of available cash flow proceeds and 13.5875% of proceeds from a sale or refinancing event. Amounts received by the City under these agreements are intended to be passed through to WKKF in satisfaction of the City's obligations under the WKKF promissory note. The portion of the promissory note that is based on future cash flows is recorded as a long-term liability.

As of June 30, 2025, the City had drawn a total of $9,045,963 of the authorized borrowing under the WKKF promissory note. The outstanding balance of the WKKF promissory note, and the corresponding receivable recorded by the City related to the Heritage Tower, LLC agreements, was $8,915,995.

	Year of Maturity	Interest Rate	Original Amount	Amount
Governmental Activities				
2019 W.K. Kellogg Foundation note (amortization basis)	2029	1.00%	$ 833,333	$ 696,553
2019 W.K. Kellogg Foundation note (dependent on future cash flows)	2032	n/a	8,366,667	8,219,442
				$ 8,915,995

Annual debt service requirements to maturity for the promissory note portion that will be paid on an amortization are as follows:

Year Ended June 30,	Governmental Activities Principal	Interest
2026	$ 25,314	$ 6,850
2027	25,569	6,595
2028	25,825	6,339
2029	619,845	2,565
	$ 696,553	$ 22,349

Changes in bonds, notes and other long-term liabilities. Bonds, notes and other long-term liability activity for fiscal year 2025 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Primary government					
Governmental activities					
General obligation bonds	$ 21,360,000	$ -	$ (1,920,000)	$ 19,440,000	$ 1,735,000
Notes from direct borrowings and direct placements:					
Installment obligations	197,033	-	(178,487)	18,546	18,546
Promissory note	9,045,963	-	(129,968)	8,915,995	25,314
Subscription liability (Note 8)	937,006	1,053,142	(476,435)	1,513,713	443,360
Compensated absences*	3,719,168	-	(610,746)	3,108,422	2,818,755
Deferred amounts:					
For issuance premiums	1,562,493	-	(130,573)	1,431,920	130,573
For issuance discounts	(55,527)	-	6,169	(49,358)	(6,169)
Total governmental activities	$ 36,766,136	$ 1,053,142	$ (3,440,040)	$ 34,379,238	$ 5,165,379
Business-type activities					
Revenue bonds	$ 20,595,000	$ -	$ (895,000)	$ 19,700,000	$ 915,000
Compensated absences*	912,033	-	(263,519)	648,514	588,080
Deferred amounts - For issuance premiums	635,232	-	(48,584)	586,648	48,584
Total business-type activities	$ 22,142,265	$ -	$ (1,207,103)	$ 20,935,162	$ 1,551,664

* The change in compensated absences above is a net change for the year.

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Component units					
DDA					
Revenue bonds	$ 22,260,000	$ -	$ (1,760,000)	$ 20,500,000	$ 1,970,000
Deferred amounts - For issuance premiums	119,484	-	(119,484)	-	-
Total DDA	$ 22,379,484	$ -	$ (1,879,484)	$ 20,500,000	$ 1,970,000
TIFA					
General obligation bonds	$ 4,665,000	$ -	$ (555,000)	$ 4,110,000	$ 570,000
Brownfield					
Loans payable	$ 2,749,862	$ -	$ (1,041,749)	$ 1,708,113	$ -
LDFA					
Loans payable	$ 1,400,000	$ -	$ (500,000)	$ 900,000	$ -

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The current debt limitation for the City is $196.4 million, which significantly exceeds the City's outstanding general obligation debt subject to limitation of $59.0 million.

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

13. 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.

14. ENDOWMENTS

Youth Center Endowment Permanent Trust Fund. For the year ended June 30, 2025, the net earnings on investments of donor-restricted endowments was $13,981. 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 $31,935 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, 2025, the net earnings on investments of donor-restricted endowments was $37,280. 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 $137,188 is reported in restricted fund balance/net position; the nonspendable endowment balance is $623,533.

15. 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 City 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 City. 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, 2025, the balance of the City's member retention fund was $488,254.

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:

	2025	2024
Estimated liability, beginning of year	$ 1,152,779	$ 1,396,603
Estimated claims incurred, including changes in estimates	6,716,209	6,603,678
Claim payments	(6,689,404)	(6,847,502)
Estimated liability, end of year	$ 1,179,584	$ 1,152,779

16. 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 2024 levy, including industrial facilities and neighborhood enterprise zone properties, but net of renaissance zones, was $1,528,430,374. The government's general operating tax rate for fiscal 2024-25 was 9.487 mills with an additional 5.678 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.

17. TAX ABATEMENTS

The City received reduced property tax revenues during 2025 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 $76,340 in reduced City tax revenues for 2025.

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 $226,044 in reduced City tax revenues for 2025.

18. CONTINGENT LIABILITIES

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

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

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

The City is currently involved in various tax appeals pending before the Michigan Tax Tribunal. The appeals cover various commercial and industrial properties for 2025. 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 $3.4 million in taxable value. The City is vigorously defending all litigation.

19. 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 20. 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, 2024, the date of the latest actuarial valuation, plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	300
Terminated employees entitled to but not yet receiving benefits	10
Vested and non-vested active participants	176
Total membership	486

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 10.00% and 13.54% 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, 2025 represented 42.61% of the annual covered payroll.

Rate of Return. For the year ended June 30, 2025, the annual money-weighted rate of return on plan investments, net of investment expenses, was 11.45%. 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
2025	$ 2,475,364	$ 1,209,545	$ 62,350	$ 255,383	$ 3,491,876

Net Pension Liability of the City. The City's net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2024 (rolled forward to June 30, 2025). The components of the net pension liability of the City were as follows:

Total pension liability	$ 241,732,379
Plan fiduciary net position	(201,672,609)
City's net pension liability	$ 40,059,770
Plan fiduciary net position as percentage of total pension liability	83.43%

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.50%
Salary increases	3.50 to 15.75%, including inflation
Investment rate of return	6.25%
Retirement age	Age and service-based tables of rates that are specific to the type of eligibility condition. Last updated for the 2022 valuation.

PubS-2010 Mortality Tables with projected mortality improvements using scale MP-2021.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2021. 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, 2025 (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	32.00%	1.90%	0.61%
Domestic corporate securities	38.00%	4.95%	1.88%
Domestic equities	11.50%	4.93%	0.57%
American depositary receipts	3.00%	0.90%	0.03%
International equities	15.50%	4.05%	0.63%
	100.00%		
Inflation			2.30%
Administrative expenses netted above			0.23%
Investment rate of return			6.25%

Discount Rate. A single discount rate of 6.25% 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 6.25%. 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.

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 6.25% 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 (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
City's net pension liability	$ 69,615,273	$ 40,059,770	$ 15,337,095

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, 2024	$ 243,806,548	$ 186,239,714	$ 57,566,834
Changes for the year:			
Service cost	4,562,487	-	4,562,487
Interest on total pension liability	14,959,093	-	14,959,093
Differences between expected and actual experience	(8,111,142)	-	(8,111,142)
Employer contributions	-	6,319,619	(6,319,619)
Employee contributions	-	2,114,089	(2,114,089)
Net investment income	-	20,945,130	(20,945,130)
Benefit payments	(13,484,607)	(13,484,607)	-
Administrative expense	-	(221,800)	221,800
Medical insurance premiums	-	(239,536)	239,536
Net changes	(2,074,169)	15,432,895	(17,507,064)
Balances at June 30, 2025	$ 241,732,379	$ 201,672,609	$ 40,059,770

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2025, the City recognized pension expense of $4,701,529. At June 30, 2025, 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	$ 978,434	$ 6,235,950	$ (5,257,516)
Net difference between projected and actual earnings on pension plan investments	-	10,803,002	(10,803,002)
Total	$ 978,434	$ 17,038,952	$ (16,060,518)

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
2026	$ 38,940
2027	(7,426,927)
2028	(6,178,799)
2029	(2,493,732)
Total	$ (16,060,518)

Municipal Employees Retirement System of Michigan

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

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

Contributions. The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions range from 0.00% to 403.56% of annual payroll, or monthly amounts ranging from $7,010 to $159,675 depending on division/bargaining unit.

Net Pension Liability. The City's net pension liability was measured as of December 31, 2024, 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	$ 174,512,686
Plan fiduciary net position	(101,885,024)
City's net pension liability	$ 72,627,662
Plan fiduciary net position as percentage of total pension liability	58.38%

Actuarial Assumptions. The total pension liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	6.93%, net of investment and administrative expense including inflation

The base mortality tables used are constructed as described below and are based on are amount weighted sex distinct rates:

- Pre-retirement mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 100% of PubG-2010 Employee Mortality Tables for Ages 18-80, and 100% of PubG-2010 Healthy Retiree Tables for ages 81-120
- Non-disabled retired plan members and beneficiaries mortality based on 106% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 106% of PubG-2010 Employee Mortality Tables for Ages 18-49, and 106% of PubG-2010 Healthy Retiree Tables for ages 50-120
- Disables retired plan members mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, and 100% of PubNS-2010 Disabled Retiree Tables for ages 18-120

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of the most recent actuarial experience study of 2019-2023.

Employees Covered by Benefit Terms. At the December 31, 2024 valuation date, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	455
Inactive employees entitled to but not yet receiving benefits	192
Active employees	335
Total membership	982

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	60.0%	4.50%	2.70%
Global fixed income	20.0%	2.00%	0.40%
Private investments	20.0%	7.00%	1.40%
	100.0%		
Inflation			2.50%
Dedicated gains adjustment			-0.07%
Administrative expenses netted above			0.25%
Investment rate of return			7.18%

In February 2022, the MERS Retirement Board adopted a Dedicated Gains Policy. The purpose of the Policy is to automatically reduce the assumed rate of investment return for annual actuarial valuation purposes if the plan year's market value of investment income exceeds the expected investment income.

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2024 was 7.18%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2023	$ 174,512,030	$ 97,544,230	$ 76,967,800
Changes for the year:			
Service cost	2,399,517	-	2,399,517
Interest	12,165,464	-	12,165,464
Differences between expected and actual experience	(1,140,641)	-	(1,140,641)
Changes in assumptions	(871,050)	-	(871,050)
Employer contributions	-	8,265,616	(8,265,616)
Employee contributions	-	1,441,588	(1,441,588)
Net investment income	-	7,399,712	(7,399,712)
Benefit payments, including refunds of employee contributions	(12,552,634)	(12,552,634)	-
Administrative expense	-	(213,488)	213,488
Net changes	656	4,340,794	(4,340,138)
Balances at December 31, 2024	$ 174,512,686	$ 101,885,024	$ 72,627,662

Changes in assumptions. A 5-year experience study analyzing historical experience from 2019 through 2023 was completed in February 2025. The experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, and termination rates.

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 7.18%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.18%) or 1% higher (8.18%) than the current rate:

	1% Decrease (6.18%)	Current Discount Rate (7.18%)	1% Increase (8.18%)
Net pension liability	$ 91,119,493	$ 72,627,662	$ 56,980,077

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

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2025, the City recognized pension expense of $7,228,354. The City reported deferred outflows/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	$ 479,014	$ 760,427	$ (281,413)
Changes in assumptions	396,773	580,700	(183,927)
Net difference between projected and actual earnings on pension plan investments	3,376,671	-	3,376,671
	4,252,458	1,341,127	2,911,331
Contributions subsequent to the measurement date	4,283,342	-	4,283,342
Total	$ 8,535,800	$ 1,341,127	$ 7,194,673

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, 2026. Other amounts reported as deferred outflows/inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2026	$ 1,749,407
2027	2,040,890
2028	(777,796)
2029	(101,170)
Total	$ 2,911,331

Payable to the Pension Plan. At June 30, 2025, the City had $1,804,614 payable for contributions to the pension plan.

Summary of Pension Plans

	MERS	Police and Fire Retirement System	Total
Net pension liability (NPL)	$ 72,627,662	$ 40,059,770	$ 112,687,432
Deferred outflows of resources related to the NPL	8,535,800	978,434	9,514,234
Deferred inflows of resources related to the NPL	1,341,127	17,038,952	18,380,079
Pension expense	7,228,354	4,701,529	11,929,883

20. 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 $239,536 of health care costs of the then current retirees. Police personnel retiring on or after July 1, 2007 and fire personnel retiring on or after July 1, 2021 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 fire personnel, retired between July 1, 2004 and July 1, 2021, the City contributes between $200 and $700 per month, but no more than the cost of insurance, on a pay-as-you-go basis towards the purchased of retiree health care. 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, 2024, the date of the latest actuarial valuation:

Retirees and beneficiaries currently receiving benefits	302
Vested and non-vested active participants	313
Total membership	615

Contributions. The City contributes 3% of pay during active employment for the police members. 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 1% to 3.75% of annual pay. For the year ended June 30, 2025, plan participant and City contributions towards the cost of benefits and funding the plan were $449,771 and $1,652,359, respectively.

The components of the net OPEB liability of the City at June 30, 2025, were as follows:

Total OPEB liability	$ 25,767,420
Plan fiduciary net position	11,552,417
Net OPEB liability	$ 14,215,003
Plan fiduciary net position as a percentage of the total OPEB liability	44.83%

Actuarial Assumptions. The City's net OPEB liability was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2024 using the following actuarial assumptions, applied consistently to all periods included in the measurement:

Actuarial cost method	Entry Age Normal (level percentage of compensation)
Actuarial assumptions:	
Inflation	2.50%
Salary increases	4.00%
Investment rate of return	6.93%, including inflation
20-year Aa municipal bond rate	4.81%
Mortality	2016 Public General Employees and Healthy Retirees, Headcount weighted with IRS 2024 Adjusted Scale MP-2021
Health care trend rates	Pre-Medicare: 7.50% graded down to 4.50% by 0.25% per year; Post-Medicare: 5.50% graded down to 4.50% by 0.25% per year.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study completed in June 2024.

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, 2025, the annual money-weighted rate of return on investments, net of investment expense, was 9.58%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Long-term Expected Rate of Return. 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, 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Money-Weighted Rate of Return
Global equity	60.00%	4.50%	2.70%
Global fixed income	20.00%	2.16%	0.43%
Private assets	20.00%	6.50%	1.30%
	100.00%		4.43%
Inflation			2.50%
Investment rate of return			6.93%

Discount Rate. A single discount rate of 6.93% was used to measure the total OPEB liability. This was an increase over the single discount rate of 6.02% at June 30, 2024. This single discount rate was based on an expected rate of return on OPEB plan investments of 6.93% and a municipal bond rate of 4.81%. The projection of cash flows used to determine the discount rate included reported, projected contributions while assets are drawn down to pay retiree benefits. Based on these assumptions, the retirement plan's fiduciary net position was projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB liability.

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, 2024	$ 27,532,260	$ 10,187,534	$ 17,344,726
Changes for the year:			
Service cost	510,353	-	510,353
Interest	1,636,243	-	1,636,243
Differences between expected and actual experience	(23,221)	-	(23,221)
Changes in assumptions	(2,163,236)	-	(2,163,236)
Employer contributions	-	1,652,359	(1,652,359)
Employee contributions	-	449,771	(449,771)
Net investment income	-	1,010,412	(1,010,412)
Benefit payments, including refunds of employee contributions	(1,724,979)	(1,724,979)	-
Administrative expense	-	(22,680)	22,680
Net changes	(1,764,840)	1,364,883	(3,129,723)
Balances at June 30, 2025	$ 25,767,420	$ 11,552,417	$ 14,215,003

Changes in assumptions. In 2025, amounts reported as changes of assumptions resulted from the mortality tables changed from public general and public safety 2010 employee and healthy retiree, medical trend updated such that second-year trend increases by 0.25% rather than decreasing by the anticipated 0.25%, and discount rate updated from 6.02% to 6.93%.

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 6.93%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (5.93%) or 1% higher (7.93%) than the current rate:

	1% Decrease (5.93%)	Current Discount Rate (6.93%)	1% Increase (7.93%)
Net OPEB liability	$ 16,941,630	$ 14,215,003	$ 11,926,435

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 (6.50% graded down to 3.50%)	Current Healthcare Cost Trend Rate (7.50% graded down to 4.50%)	1% Increase (8.50% graded down to 5.50%)
Net OPEB liability	$ 13,659,931	$ 14,215,003	$ 14,721,375

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

For the year ended June 30, 2025, the City recognized OPEB expense of $(3,625,991). 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	$ -	$ 5,792,351	$ (5,792,351)
Changes in assumptions	356,427	6,516,168	(6,159,741)
Net difference between projected and actual earnings on OPEB plan investments	-	158,286	(158,286)
Total	$ 356,427	$ 12,466,805	$ (12,110,378)

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
2026	$ (5,799,119)
2027	(4,873,062)
2028	(949,968)
2029	(488,229)
Total	$ (12,110,378)

21. 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	
Investments -	
MERS total market portfolio	$ 11,552,417
Net position	
Restricted for postemployment healthcare benefits	$ 11,552,417

Statement of Changes in Fiduciary Net Position

	Other Postemployment Benefit Plan Trust
Additions	
Investment income -	
Investment earnings and dividends	$ 1,010,412
Contributions:	
Employer	1,652,359
Employee	449,771
Total contributions	2,102,130
Total additions	3,112,542
Deductions	
Benefit payments	1,724,979
Administrative expenses	22,680
Total deductions	1,747,659
Net change to net position	1,364,883
Net position, beginning of year	10,187,534
Net position, end of year	$ 11,552,417

22. 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/amortized	$ 6,744,160	$ 18,640,197
Capital assets being depreciated/amortized	200,954,400	88,221,114
	207,698,560	106,861,311
Long-term debt related to capital assets:		
General obligation bonds	19,440,000	-
Revenue bonds	-	19,700,000
Notes from direct borrowings and direct placements	18,546	-
Subscription liability	1,513,713	-
Deferred amounts:		
For issuance premiums	1,431,920	586,648
For issuance discounts	(49,358)	-
Deferred charge on refunding	(439,516)	-
Net long-term debt related to capital assets	21,915,305	20,286,648
Net investment in capital assets	$ 185,783,255	$ 86,574,663

23. OPIOID SETTLEMENT

The City is part of various nationwide Opioid settlements reached by states and local political subdivisions against pharmaceutical distributors, manufacturers, and pharmacies. The terms of the settlements vary by entity; however, the City received installments beginning in 2023 and expects to receive future installments through 2030. The City currently expects the total amount of the settlement to be $1,260,771. Settlement payments received during the year ended June 30, 2025 were $71,970. The total receivable for all of the settlement agreements was recorded at the net present value, using a discount rate for payments to be received subsequent to 2025 of 3%. The net present value of the combined settlement payments to be received as of June 30, 2025 is $758,887.

Additional settlements with other pharmacies and manufacturers may be forthcoming as well. However, as of June 30, 2025, the amounts to be allocated to and collected by the City were not able to be determined, and as such, no amounts have been reported related to these settlements in the financial statements.

24. SUBSEQUENT EVENTS

Bond Issuance

On September 16, 2025, the City issued limited tax general obligation bonds in the amount of $26,900,000. The bonds are due in annual installments of $360,000 to $1,740,000 through 2050 at an interest rate of 5.00%.

Support Services Agreement with the Transportation Authority of Calhoun County ("TACC")

On October 1, 2025, the City entered into a Support Services Agreement with the TACC, also known as Ride Calhoun, to facilitate the planned transition of public transportation services from the Battle Creek Transit System, an enterprise fund of the City, to TACC.

Under the agreement, which remains in effect through June 30, 2026, the City continues to own all public transit assets during the transition period and provides administrative, managerial, operational, maintenance, financial, information technology, and other support services to TACC using City-controlled employees and contracted providers. TACC will be responsible for reimbursing the City for actual costs of services provided during the transition period.

25. ADJUSTMENTS TO BEGINNING FUND BALANCE

For the year ended June 30, 2025, the City had the following adjustments to beginning fund balance.

	ARPA	Nonmajor Governmental Funds
Fund balances, beginning of year, as previously reported	$ 933,542	$ 10,606,603
Change within the financial reporting entity - Change from major to nonmajor fund	(933,542)	933,542
Fund balances, beginning of year, adjusted	$ -	$ 11,540,145

The City previously reported the ARPA special revenue fund as major. The ARPA special revenue fund no longer meets the quantitative threshold for major funds in accordance with GAAP for the year ended June 30, 2025.

26. FUND BALANCES - GOVERNMENTAL FUNDS

	General	Major Street and Trunkline Maintenance	Special Grants	Nonmajor Governmental Funds	Total Governmental
Nonspendable:					
Inventories	$ 129,400	$ -	$ -	$ -	$ 129,400
Prepaid items	15,940	-	-	-	15,940
Endowments	-	-	-	879,909	879,909
	145,340	-	-	879,909	1,025,249
Restricted for:					
Major streets	-	4,227,327	-	-	4,227,327
Local streets	-	-	-	1,702,465	1,702,465
Michigan justice training	-	-	-	52,207	52,207
Narcotics forfeiture	-	-	-	548,911	548,911
Building inspection	-	-	-	1,201,685	1,201,685
Youth center	-	-	-	31,935	31,935
Kellogg arena	-	-	-	137,188	137,188
Special projects	810,318	-	-	-	810,318
Opioid settlement	130,981	-	-	-	130,981
	941,299	4,227,327	-	3,674,391	8,843,017
Committed for:					
Special grants	-	-	669,861	-	669,861
Debt service	-	-	-	68,419	68,419
Capital projects	-	-	-	3,732,319	3,732,319
Special projects	1,481,092	-	-	515,323	1,996,415
	1,481,092	-	669,861	4,316,061	6,467,014
Assigned for:					
Departmental appropriations	-	-	-	2,489,523	2,489,523
Capital outlay and projects (encumbrances)	799,823	-	-	-	799,823
	799,823	-	-	2,489,523	3,289,346
Unassigned	12,474,267	-	-	-	12,474,267
Total fund balances, governmental funds	$ 15,841,821	$ 4,227,327	$ 669,861	$ 11,359,884	$ 32,098,893

■ ■ ■ ■ ■

This page intentionally left blank.

REQUIRED SUPPLEMENTARY INFORMATION

[THIS PAGE INTENTIONALLY LEFT BLANK]

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,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability										
Service cost	$ 4,562,487	$ 5,015,797	$ 4,315,718	$ 4,153,430	$ 3,784,164	$ 4,041,341	$ 4,068,824	$ 4,070,388	$ 3,637,644	$ 3,649,198
Interest on total pension liability	14,959,093	14,524,313	14,082,332	13,460,908	12,950,656	12,839,189	12,286,062	11,769,474	11,630,004	11,317,045
Benefit changes	-	-	(33,713)	(26,483)	(23,512)	(108,003)	405,223	1,505,727	1,062,436	704,651
Difference between expected and actual experience	(8,111,142)	1,022,782	1,780,898	676,786	(2,568,605)	(3,167,079)	2,789,999	1,955,535	(5,040,576)	(119,463)
Assumption changes	-	-	-	12,871,400	5,687,254	(336,475)	-	6,224,926	-	4,988,871
Benefit payments	(13,484,607)	(13,274,908)	(13,572,258)	(12,409,271)	(11,919,837)	(10,931,209)	(10,617,625)	(10,066,683)	(10,375,906)	(9,444,578)
Net change in total pension liability	(2,074,169)	7,287,984	6,572,977	18,726,770	7,910,120	2,337,764	8,932,483	15,459,367	913,602	11,095,724
Total pension liability, beginning of year	243,806,548	236,518,564	229,945,587	211,218,817	203,308,697	200,970,933	192,038,450	176,579,083	175,665,481	164,569,757
Total pension liability, end of year	241,732,379	243,806,548	236,518,564	229,945,587	211,218,817	203,308,697	200,970,933	192,038,450	176,579,083	175,665,481
Plan fiduciary net position										
Employer contributions	6,319,619	6,140,034	6,323,009	6,368,077	6,353,070	5,869,972	5,544,586	5,180,487	4,746,323	4,664,957
Employee contributions	2,114,089	1,965,479	1,922,364	1,725,254	1,593,679	1,580,109	1,473,592	1,478,257	1,215,059	1,077,632
Net investment income (loss)	20,945,130	23,030,283	16,666,426	(23,240,398)	35,530,257	8,960,637	9,782,101	10,201,971	11,593,876	2,617,277
Benefit payments and refunds	(13,484,607)	(13,274,908)	(13,572,258)	(12,409,271)	(11,919,837)	(10,931,209)	(10,617,625)	(10,066,683)	(10,375,906)	(9,444,578)
Administrative expense	(221,800)	(217,278)	(196,493)	(231,962)	(164,187)	(203,023)	(177,368)	(214,905)	(219,010)	(216,729)
Medical insurance premiums	(239,536)	(202,528)	(271,367)	(304,595)	(331,308)	(428,009)	(484,052)	(500,000)	(500,000)	(500,000)
Net change in plan fiduciary net position	15,432,895	17,441,082	10,871,681	(28,092,895)	31,061,674	4,848,477	5,521,234	6,079,127	6,460,342	(1,801,441)
Plan fiduciary net position, beginning of year	186,239,714	168,798,632	157,926,951	186,019,846	154,958,172	150,109,695	144,588,461	138,509,334	132,048,992	133,850,433
Plan fiduciary net position, end of year	201,672,609	186,239,714	168,798,632	157,926,951	186,019,846	154,958,172	150,109,695	144,588,461	138,509,334	132,048,992
Net pension liability	$ 40,059,770	$ 57,566,834	$ 67,719,932	$ 72,018,636	$ 25,198,971	$ 48,350,525	$ 50,861,238	$ 47,449,989	$ 38,069,749	$ 43,616,489
Plan fiduciary net position as a percentage of total pension liability	83.43%	76.39%	71.37%	68.68%	88.07%	76.22%	74.69%	75.29%	78.44%	75.17%
Covered payroll	$ 14,832,522	$ 16,381,903	$ 14,045,794	$ 13,766,610	$ 14,616,125	$ 14,766,506	$ 14,897,135	$ 14,718,606	$ 14,043,138	$ 14,069,533
Net pension liability as a percentage of covered payroll	270.08%	351.41%	482.14%	523.14%	172.41%	327.43%	341.42%	322.38%	271.09%	310.01%

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
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%
2020	5,869,972	5,869,972	-	14,766,506	39.75%
2021	6,353,070	6,353,070	-	14,616,125	43.47%
2022	6,368,077	6,368,077	-	13,766,610	46.26%
2023	6,323,009	6,323,009	-	14,045,794	45.02%
2024	6,140,034	6,140,034	-	16,381,903	37.48%
2025	6,319,619	6,319,619	-	14,832,522	42.61%

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]
2016	15.82%
2017	9.02%
2018	6.89%
2019	6.81%
2020	6.17%
2021	23.22%
2022	-12.76%
2023	11.06%
2024	13.92%
2025	11.45%

[1] Annual money-weighted rate of return, net of investment expenses.

Required Supplementary Information

Municipal Employees Retirement System of Michigan
Schedule of Changes in Net Pension Liability and Related Ratios

	Fiscal Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability										
Service cost	$ 2,399,517	$ 2,300,754	$ 2,126,033	$ 1,902,272	$ 2,020,330	$ 2,050,623	$ 2,056,135	$ 1,998,171	$ 1,934,782	$ 1,843,040
Interest on total pension liability	12,165,464	11,966,730	11,855,263	11,899,966	11,338,841	11,458,164	11,210,574	10,978,431	10,808,541	10,393,511
Benefit changes	-	(139,098)	(60,553)	(145,429)	(95,157)	(47,708)	(25,969)	(17,297)	(2,988)	(11,965)
Difference between expected and actual experience	(1,140,641)	1,437,040	(432,249)	(852,912)	154,694	(829,069)	533,140	194,046	(833,627)	(626,575)
Assumption changes	(871,050)	1,190,317	-	5,647,905	5,342,989	4,356,282	-	-	-	6,823,847
Benefit payments and refunds	(12,552,634)	(12,303,367)	(11,773,359)	(11,469,313)	(11,169,576)	(10,840,207)	(10,512,334)	(10,048,722)	(9,580,787)	(9,105,154)
Net change in total pension liability	656	4,452,376	1,715,135	6,982,489	7,592,121	6,148,085	3,261,546	3,104,629	2,325,921	9,316,704
Total pension liability, beginning of year	174,512,030	170,059,654	168,344,519	161,362,030	153,769,909	147,621,824	144,360,278	141,255,649	138,929,728	129,613,024
Total pension liability, end of year	174,512,686	174,512,030	170,059,654	168,344,519	161,362,030	153,769,909	147,621,824	144,360,278	141,255,649	138,929,728
Plan fiduciary net position										
Employer contributions	8,265,616	12,785,652	6,978,264	6,632,649	5,881,291	5,530,584	5,598,951	5,382,451	4,375,156	4,104,291
Employee contributions	1,441,588	1,296,678	1,125,745	1,053,757	828,777	999,077	701,481	546,534	521,222	495,986
Net investment income (loss)	7,399,712	9,695,071	(10,304,735)	12,656,350	10,450,840	10,596,861	(3,297,646)	10,481,265	8,589,468	(1,203,250)
Benefit payments and refunds	(12,552,634)	(12,303,367)	(11,773,359)	(11,469,313)	(11,169,576)	(10,840,207)	(10,512,334)	(10,048,722)	(9,580,787)	(9,105,154)
Administrative expense	(213,488)	(203,161)	(181,752)	(145,187)	(169,019)	(182,419)	(166,380)	(166,302)	(169,762)	(178,504)
Net change in plan fiduciary net position	4,340,794	11,270,873	(14,155,837)	8,728,256	5,822,313	6,103,896	(7,675,928)	6,195,226	3,735,297	(5,886,631)
Plan fiduciary net position, beginning of year	97,544,230	86,273,357	100,429,194	91,700,938	85,878,625	79,774,729	87,450,657	81,255,431	77,520,134	83,406,765
Plan fiduciary net position, end of year	101,885,024	97,544,230	86,273,357	100,429,194	91,700,938	85,878,625	79,774,729	87,450,657	81,255,431	77,520,134
Net pension liability	$ 72,627,662	$ 76,967,800	$ 83,786,297	$ 67,915,325	$ 69,661,092	$ 67,891,284	$ 67,847,095	$ 56,909,621	$ 60,000,218	$ 61,409,594
Plan fiduciary net position as a percentage of total pension liability	58.38%	55.90%	50.73%	59.66%	56.83%	55.85%	54.04%	60.58%	57.52%	55.80%
Covered payroll	$ 21,776,822	$ 21,720,998	$ 20,097,332	$ 19,426,766	$ 19,314,680	$ 19,515,143	$ 19,275,745	$ 18,317,097	$ 17,452,775	$ 17,263,618
Net pension liability as a percentage of covered payroll	333.51%	354.35%	416.90%	349.60%	360.66%	347.89%	351.98%	310.69%	343.79%	355.72%

This page intentionally left blank.

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
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%
2020	5,607,397	5,607,397	-	18,071,110	31.03%
2021	6,267,154	6,267,154	-	18,788,375	33.36%
2022	6,811,550	6,811,550	-	18,138,900	37.55%
2023	7,630,946	8,111,998	(481,052)	20,491,941	39.59%
2024	7,224,995	7,819,830	(594,835)	20,749,303	37.69%
2025	7,806,430	8,755,344	(948,914)	21,830,885	40.11%

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,								
	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability									
Service cost	$ 510,353	$ 464,214	$ 508,405	$ 1,763,720	$ 1,624,371	$ 1,217,385	$ 1,519,101	$ 2,444,926	$ 2,866,687
Interest on total OPEB liability	1,636,243	1,606,606	1,553,798	1,703,634	1,903,031	2,024,859	2,087,663	2,752,781	2,366,860
Benefit changes	-	-	-	(17,240,898)	-	-	-	-	-
Difference between expected and actual experience	(23,221)	(2,012,347)	(314,481)	(14,402,629)	(190,185)	(271,616)	-	(1,747,090)	-
Assumption changes	(2,163,236)	582,013	(1,022,209)	(14,205,569)	2,464,152	5,092,881	4,524,282	(21,345,849)	(8,351,874)
Benefit payments	(1,724,979)	(1,660,153)	(1,307,876)	(1,582,598)	(1,572,949)	(1,875,778)	(1,920,528)	(2,178,985)	(1,600,811)
Net change in total OPEB liability	(1,764,840)	(1,019,667)	(582,363)	(43,964,340)	4,228,420	6,187,731	6,210,518	(20,074,217)	(4,719,138)
Total OPEB liability, beginning of year	27,532,260	28,551,927	29,134,290	73,098,630	68,870,210	62,682,479	56,471,961	76,546,178	81,265,316
Total OPEB liability, end of year	25,767,420	27,532,260	28,551,927	29,134,290	73,098,630	68,870,210	62,682,479	56,471,961	76,546,178
Plan fiduciary net position									
Employer contributions	1,652,359	1,592,016	1,249,439	1,605,523	1,334,149	1,410,390	1,446,699	1,734,099	1,204,642
Employee contributions	449,771	435,673	431,617	437,388	370,676	390,550	318,750	439,777	228,042
Net investment income (loss)	1,010,412	935,716	608,612	(710,476)	1,772,773	147,822	177,435	365,451	807,558
Benefit payments and refunds	(1,724,979)	(1,660,153)	(1,307,876)	(1,582,598)	(1,572,949)	(1,875,778)	(1,920,528)	(2,178,985)	(1,600,811)
Administrative expense	(22,680)	(19,905)	(15,313)	(15,160)	(13,816)	(11,266)	(12,876)	(14,677)	(10,920)
Net change in plan fiduciary net position	1,364,883	1,283,347	966,479	(265,323)	1,890,833	61,718	9,480	345,665	628,511
Plan fiduciary net position, beginning of year	10,187,534	8,904,187	7,937,708	8,203,031	6,312,198	6,250,480	6,241,000	5,895,335	5,266,824
Plan fiduciary net position, end of year	11,552,417	10,187,534	8,904,187	7,937,708	8,203,031	6,312,198	6,250,480	6,241,000	5,895,335
Net OPEB liability	$ 14,215,003	$ 17,344,726	$ 19,647,740	$ 21,196,582	$ 64,895,599	$ 62,558,012	$ 56,431,999	$ 50,230,961	$ 70,650,843
Plan fiduciary net position as a percentage of total OPEB liability	44.83%	37.00%	31.19%	27.25%	11.22%	9.17%	9.97%	11.05%	7.70%
Covered payroll	$ 28,381,778	$ 26,690,539	$ 27,665,341	$ 25,809,821	$ 25,614,713	$ 25,494,729	$ 29,984,686	$ 28,970,711	$ 30,761,954
Net OPEB liability as a percentage of covered payroll	50.08%	64.98%	71.02%	82.13%	253.35%	245.38%	188.20%	173.39%	229.67%

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%
2020	5,676,569	1,410,390	4,266,179	25,494,729	5.53%
2021	7,295,382	1,334,149	5,961,233	25,614,713	5.21%
2022	8,100,160	1,605,523	6,494,637	25,809,821	6.22%
2023	2,700,340	1,249,439	1,450,901	27,665,341	4.52%
2024	2,722,211	1,592,016	1,130,195	26,690,539	5.96%
2025	2,543,184	1,652,359	890,825	28,381,778	5.82%

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%
2020	2.15%
2021	28.17%
2022	-8.67%
2023	3.95%
2024	10.12%
2025	9.58%

[1] Annual money-weighted rate of return, net of investment expenses

Notes to Required Supplementary Information

Pension Information

Police and Fire Retirement System

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 the wage inflation, decrease in salary increases and decrease in the investment rate of return.

Assumption Changes 2020: The only change was the mortality rates were updated using a projection scale MIP-2019.

Assumption Changes 2021: The only change is the wage inflation rate was lowered from 4.0% to 3.5%.

Assumption Changes 2022: Changes include a decrease in the investment return assumption from 6.50% to 6.25%, increase in the merit and longevity pay assumption, increase in rates of retirement, increase in rate of withdrawal for police groups, increase in rates of disability retirements, and update in the amortization method periods of the unfunded actuarial accrued liability.

Benefit Changes 2016: Non-Represented members; in particular, a 1% multiplier after 25 years of service for Police members and the exclusion of vacation payouts from final average compensation.

Benefit Changes 2017: Member Contribution Rate for Fire Supervisory: 10.00% as of 4/1/15. Member Contribution Rate for Police: 8.00% as of 7/1/16, 8.25% as of 7/1/17. Member Contribution Rate for Police Sergeants: 11.72% as of 7/1/16. Police Sergeants: 3 Years in Final Average Compensation effective 7/1/16. Fire OSP: 3 Years in Final Average Compensation effective 7/1/16.

Benefit Changes 2018: Member Contribution Rate for Fire IAFF: 11.04% as of 7/1/17. Fire IAFF: 3 Years in Final Average Compensation effective 7/1/17. Fire IAFF: Deferred Retirement Option Plan (DROP) adopted and effective 7/1/16.

Benefit Changes 2019: Police Lieutenants: Deferred Retirement Option Plan (DROP) adopted and effective 7/1/16.

Benefit Changes 2020: For Non-Represented Command Police Personnel, a Deferred Retirement Option Plan (DROP) was adopted effective July 1, 2020.

Benefit Changes 2021: For Non-Represented Fire, a Deferred Retirement Option Plan (DROP) was adopted effective July 1, 2021. For Police Sergeants, the employee contribution rate was changed to 12.22%. For Police Non-Supervisory, the employee contribution rate was changed to 9.25%. For Firefighters, the employee contribution rate was changed to 11.54%.

Benefit Changes 2022: For Police Sergeants, the employee contribution rate was changed from 12.22% to 12.72%. For Police Non-Supervisory, the employee contribution rate was changed from 9.25% to 9.75%. For Firefighters, the employee contribution rate was changed from 11.54% to 12.04%. For Non-represented command, the employee contribution rate was changed from 10.00% to 11.00%.

Notes to Required Supplementary Information

Benefit Changes 2023: For Police Sergeants, a Deferred Retirement Option Plan (DROP) was adopted effective July 1, 2022 and expiring June 30, 2024. For Police Sergeants, the employee contribution rate was changed from 12.72% to 13.22%. For Police Lieutenants, the employee contribution rate was changed from 11.00% to 12.50%. For Police Non-Supervisory, the employee contribution rate was changed from 9.75% to 10.75%. For Firefighters, the employee contribution rate was changed from 12.04% to 13.04%. For Non-represented command, the employee contribution rate was changed from 11.00% to 10.00%.

Notes to Schedule of Contributions

Valuation date	June 30, 2023
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
Remaining amortization period	Closed 15 years for benefit changes
	Closed 20 years for assumption changes, method changes, and experience deviations
	Closed 25 years for all other liabilities
Asset valuation method	5-year smoothed fair value, with 20% corridor
Inflation	3.50%
Salary increases	4.25%-15.75%, including inflation
Investment rate of return	6.25%
Retirement age	Age and service-based tables of rates that are specific to the type of eligibility condition. Last updated for the 2022 valuation.
Mortality rates	PubS-2010 Standard Mortality Tables with generation mortality improvement using projection scale MP-2021.

Notes to Required Supplementary Information

Municipal Employees Retirement System of Michigan

Note: The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

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.

Assumption Changes 2020: Amounts reported as changes of assumptions resulted primarily from a decrease in the assumed rate of return from 7.75% to 7.35%, and a decrease in the assumed rate of wage inflation from 3.75% to 3.00%.

Assumption Changes 2021: Amounts reported as changes of assumptions resulted primarily from updates to demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates.

Assumption Changes 2022: Amounts reported as changes of assumptions resulted from a decrease in the assumed rate of return from 7.35% to 7.00%.

Assumption Changes 2024: Amounts reported as changes in assumptions resulted from a decrease in the assumed rate of return from 7.00% to 6.93%.

Assumption Changes 2025: Amounts reported as changes in assumptions related to updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, and termination rates.

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 (2025, based on the 12/31/2022 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, open
Remaining amortization period	9-14 years, depending on division
Asset valuation method	5-year smoothed fair value
Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.00%, net of investment and administrative expense including inflation
Normal retirement age	Age 60
Mortality	• Pre-retirement mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 100% of PubG-2010 Employee Mortality Tables for Ages 18-80, and 100% of PubG-2010 Healthy Retiree Tables for ages 81-120 • Non-disabled retired plan members and beneficiaries mortality based on 106% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 106% of PubG-2010 Employee Mortality Tables for Ages 18-49, and 106% of PubG-2010 Healthy Retiree Tables for ages 50-120 • Disabled retired plan members mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, and 100% of PubNS-2010 Disabled Retiree Tables for ages 18-120

CITY OF BATTLE CREEK, MICHIGAN

Notes to Required Supplementary Information

OPEB Information

Single-Employer Other Postemployment Benefit Plan

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.

Assumption Changes 2020: Changes include updating the mortality tables from RP-2014 with MP-2014 improvement scale to Public employer tables with MP-2019 improvements scale, an increase in the medical trend rates, and lowering the discount rate from 3.22% to 2.73%.

Assumption Changes 2021: Changes include a decrease in the medical trend rates, and lowering the discount rate from 2.73% to 2.30%.

Assumption Changes 2022: Changes include an increase in the discount rate from 2.30% to 5.36%, an increase in the salary scale from 3.50% to 4.00%, and an update to the mortality improvement scale from MP-2019 to MP-2021.

Assumption Changes 2023: Changes include trend rates were updated to those prescribed by PA 202 for year 2023 and discount rate was increased from 5.36% to 5.70%.

Assumption Changes 2024: Changes include mortality improvement scale updated from MP-2021 to the IRS 2024 Adjusted Scale MP-2021, retirement rates updated based on analysis results completed for the actuarial experience study, initial trend rate kept at same level as prior year instead of decreasing by 0.25% as initially scheduled, and discount rate updated from 5.70% to 6.02%.

Assumption Changes 2025: Changes include mortality tables changed from public general and public safety 2010 employee and healthy retiree, medical trend updated such that second-year trend increases by 0.25% rather than decreasing by the anticipated 0.25%, and discount rate updated from 6.02% to 6.93%.

Notes to Required Supplementary Information

Notes to Schedule of Contributions

Actuarial valuation date	June 30, 2024
Actuarial cost method	Entry Age Normal (level percentage of compensation)
Remaining amortization period	10 years
Asset valuation method	Market value
Inflation	2.50%
Salary increases	4.00%
Investment rate of return	6.93% (including inflation)
Discount rate	6.02% for 2025 contribution; 6.93% for June 30, 2025 liability and 2026 contribution
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition.
Marital assumption	70% of active employees will have a covered spouse at retirement with females 3 years younger than males; Actual spouse data used for retirees.
Mortality	2016 Public General and Public Safety Employees and Healthy Retirees, Headcount weighted, IRS 2024 Adjusted Scale MP-2021; Disabled lives version used for disability contingency.
Health care trend rates	Pre-Medicare: 7.25%, then 7.50% graded down to 4.50% by 0.25% per year; Post-Medicare: 5.50%, then 5.75% graded down to 4.50% by 0.25% per year.
Utilization	90% of eligible employees will elect same retiree plan as active plan at retirement; Actual coverage used for non-active

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

FORM OF APPROVING OPINION

[THIS PAGE INTENTIONALLY LEFT BLANK]

Founded in 1852
by Sidney Davy Miller

MILLER CANFIELD

Miller, Canfield, Paddock and Stone, P.L.C.
150 West Jefferson, Suite 2500
Detroit, Michigan 48226
TEL (313) 963-6420
FAX (313) 496-7500
www.millercanfield.com

MICHIGAN
ILLINOIS
NEW YORK
OHIO
WASHINGTON, D.C.
CALIFORNIA
CANADA
MEXICO
POLAND
UKRAINE
QATAR

Form of Approving Opinion

City of Battle Creek
County of Calhoun
State of Michigan

We have acted as bond counsel to the City of Battle Creek, County of Calhoun, State of Michigan (the "Issuer") in connection with the issuance by the Issuer of bonds in the aggregate principal sum of $________, designated 2026 Refunding Bonds (Limited Tax General Obligation) (the "Bonds"). In such capacity, we have examined such law and the transcript of proceedings relating to the issuance of the Bonds and such other proceedings, certifications and documents as we have deemed necessary to render this opinion.

The Bonds are in fully-registered form in the denomination of $5,000 each or multiples thereof, numbered in order of registration, bearing original issue date of September __, 2026, payable as to principal and interest as provided in the Bonds, with the option of redemption prior to maturity in the manner, at the times and at the prices specified in the Bonds.

As to questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been duly authorized and executed by the Issuer and are valid and binding obligations of the Issuer.

2. The Issuer has pledged its limited tax full faith and credit for the payment of the Bonds and, in order to make such payment, the Issuer is obligated to provide, as a first budget obligation, sufficient general fund moneys in its annual budget and, if necessary, to levy sufficient ad valorem taxes upon all taxable property within its boundaries, subject to applicable constitutional, statutory and charter tax rate limitations.

3. The interest on the Bonds (a) is excludable from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax. Further, the Bonds and the interest thereon are exempt from all taxation by the State of Michigan or by any taxing authority within the State of Michigan except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. The opinions set forth in this paragraph are subject to the condition that the Issuer comply with all requirements of the Internal

Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal and State of Michigan income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds.

Except as stated in paragraph 3 above, we express no opinion regarding other federal or state tax consequences arising with respect to the Bonds and the interest thereon.

The rights or remedies of bondholders may be affected by bankruptcy, insolvency, fraudulent conveyance or other laws affecting creditors' rights generally, now existing or hereafter enacted, and by the application of general principles of equity, including those relating to equitable subordination.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

APPENDIX E

FORM OF CONTINUING DISCLOSURE UNDERTAKING

[THIS PAGE INTENTIONALLY LEFT BLANK]

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Undertaking") is executed and delivered by the City of Battle Creek, County of Calhoun, State of Michigan (the "City"), in connection with the issuance of its 2026 Refunding Bonds (Limited Tax General Obligation) (the "Bonds"). The City covenants and agrees for the benefit of the Bondholders, as hereinafter defined, as follows:

(a) *Definitions*. The following terms used herein shall have the following meanings:

"Audited Financial Statements" means the annual audited financial statement pertaining to the City prepared by an individual or firm of independent certified public accountants as required by Act 2, Public Acts of Michigan, 1968, as amended, which presently requires preparation in accordance with generally accepted accounting principles.

"Bondholders" shall mean the registered owner of any Bond or any person (a) with the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including any person holding a Bond through a nominee, depository or other intermediary) or (b) treated as the owner of any Bond for federal income tax purposes.

"EMMA" shall mean the MSRB's Electronic Municipal Market Access system, or such other system, internet web site, or repository hereafter prescribed by the MSRB for the submission of electronic filings pursuant to the Rule.

"Financial Obligation" means "financial obligation" as such term is defined in the Rule.

"MSRB" means the Municipal Securities Rulemaking Board.

"Rule" means Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended, as in effect on the date of this Undertaking, including any official interpretations thereof issued either before or after the date of this Undertaking which are applicable to this Undertaking.

"SEC" means the United States Securities and Exchange Commission.

(b) *Continuing Disclosure.* The City hereby agrees, in accordance with the provisions of the Rule, to provide or cause to be provided to the MSRB through EMMA, on or before the last day of the sixth month after the end of the fiscal year of the City, the following annual financial information and operating data, commencing with the fiscal year ended June 30, 2026, in an electronic format as prescribed by the MSRB:

(1) Updates of the numerical financial information and operating data included in the official statement of the City relating to the Bonds (the "Official

Statement") appearing in the tables or under the headings in the Official Statement as described below:

a. History of Valuations;
b. Valuation Composition - By Class and By Use;
c. Major Taxpayers;
d. Tax Rates - (Per $1,000 of Valuation);
e. Tax Rate Limitations;
f. Tax Levies and Collections;
g. Revenues from the State of Michigan;
h. Pension Fund;
i. Other Post-Employment Benefits;
j. Debt Statement;
k. Legal Debt Margin; and
l. General Fund Budget Summary.

(2) Audited Financial Statements, or in the event audited financial statements are not available, the City agrees to provide unaudited financial statements and to provide audited financial statements immediately after they become available.

(3) Such additional financial information or operating data as may be determined by the City and its advisors as desirable or necessary to comply with the Rule.

Such annual financial information and operating data described above are expected to be provided directly by the City or by specific reference to documents available to the public through EMMA or filed with the SEC.

If the fiscal year of the City is changed, the City shall send a notice of such change to the MSRB through EMMA, prior to the earlier of the ending date of the fiscal year prior to such change or the ending date of the fiscal year as changed.

(c) *Notice of Failure to Disclose*. The City agrees to provide or cause to be provided, in a timely manner, to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, notice of a failure by the City to provide the annual financial information with respect to the City described in subsection (b) above on or prior to the dates set forth in subsection (b) above.

(d) *Occurrence of Events*. The City agrees to provide or cause to be provided to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events listed in (b)(5)(i)(C) of the Rule with respect to the Bonds:

(1) principal and interest payment delinquencies;
(2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;
(5) substitution of credit or liquidity providers, or their failure to perform;
(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
(7) modifications to rights of holders of the Bonds, if material;
(8) bond calls, if material, and tender offers;
(9) defeasances;
(10) release, substitution, or sale of property securing repayment of the Bonds, if material;
(11) rating changes;
(12) bankruptcy, insolvency, receivership or similar event of the City, which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City;
(13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
(14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
(15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; or
(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

(e) *Materiality Determined Under Federal Securities Laws*. The City agrees that its determination of whether any event listed in subsection (d) is material shall be made in accordance with federal securities laws.

(f) *Identifying Information*. All documents provided to the MSRB through EMMA shall be accompanied by the identifying information prescribed by the MSRB.

(g) *Termination of Reporting Obligation*. The obligation of the City to provide annual financial information and notices of material events, as set forth above, shall be terminated if and when the City no longer remains an "obligated person" with respect to the Bonds within the meaning of the Rule, including upon legal defeasance of all Bonds.

(h) *Benefit of Bondholders*. The City agrees that its undertaking pursuant to the Rule set forth in this Undertaking is intended to be for the benefit of the Bondholders and shall be enforceable by any Bondholder; provided that, the right to enforce the provisions of this Undertaking shall be limited to a right to obtain specific enforcement of the City's obligations hereunder and any failure by the City to comply with the provisions of this Undertaking shall not constitute a default or an event of default with respect to the Bonds.

(i) *Amendments to the Undertaking*. Amendments may be made in the specific types of information provided or the format of the presentation of such information to the extent deemed necessary or appropriate in the judgment of the City, provided that the City agrees that any such amendment will be adopted procedurally and substantively in a manner consistent with the Rule, including any interpretations thereof by the SEC, which, to the extent applicable, are incorporated herein by reference. Such interpretations currently include the requirements that (a) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City or the type of activities conducted thereby, (b) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (c) the amendment does not materially impair the interests of Bondholders, as determined by parties unaffiliated with the City (such as independent legal counsel), but such interpretations may be changed in the future. If the accounting principles to be followed by the City in the preparing of the Audited Financial Statements are modified, the annual financial information for the year in which the change is made shall present a comparison between the financial statements as prepared on the prior basis and the statements as prepared on the new basis, and otherwise shall comply with the requirements of the Rule, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. A notice of the change in accounting principles shall be sent to the MSRB through EMMA.

IN WITNESS WHEREOF, the City has caused this Undertaking to be executed by its authorized officer.

CITY OF BATTLE CREEK
County of Calhoun, State of Michigan

By ____
Aaron B. Kuhn
Its: Revenue Services Director

Dated: September __, 2026

[THIS PAGE INTENTIONALLY LEFT BLANK]

BATTLE CREEK

BREAKFAST CAPITAL OF THE WORLD

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

Printed by: ImageMaster, LLC
www.imagemaster.com