

City of Battle Creek, Michigan



**Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2011
Prepared by the Finance Department**

CITY OF BATTLE CREEK, MICHIGAN
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011

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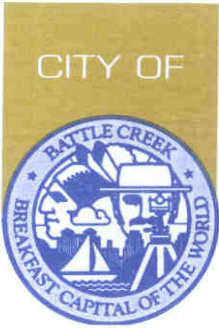
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INTRODUCTORY SECTION



BATTLE CREEK
CITY MANAGER

December 12, 2011

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

State law requires that all local governments, subject to certain size criteria, publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Battle Creek for the fiscal year ended June 30, 2011.

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

The City's financial statements have been audited by Rehmann Robson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2011 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2011 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

The City of Battle Creek, incorporated as a City in 1859 and as a Home Rule City in 1913, is located in southwest Michigan, approximately 115 miles west of Detroit and 160 miles northeast of Chicago. It is the largest city in Calhoun County, encompassing an area of 44 square miles, with a current estimated population of 52,347. The City is well known as the breakfast food capital of the world.

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

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

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

Factors Affecting Financial Condition

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

Local economy. The City's economy is diverse with industrial and commercial categories accounting for 52.2% of the 2010 taxable valuation. The remainder, primarily residential, provides area residents with convenient and affordable housing to take advantage of the City's industrial, commercial, cultural, educational and recreational opportunities. In addition to hosting breakfast food giants Kellogg Company, Post Division, Kraft Foods and Ralcorp, the City has been quite successful in attracting other major industrial corporations, who have invested in excess of \$780 million in plant expansions and renovations over the past several years.

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

Along with efforts to ensure a future growth in tax revenue, the City has developed a Capital Improvements Program to identify its long-term capital needs and ability to fund the program. Over the next six years, the City has identified over \$140 million in capital needs.

From an operational perspective, while the City enjoys a diverse, growing economy, as well as a growing property tax base, factors exist that may constrain the City's fiscal health. The increase in the assessed value of taxable property in the City continues to be constrained by the Headlee Amendment (which limits the annual increase in the State Equalized Value of real property) and the provisions of Proposal A (which limits increases in taxable property values to 5% or the rate of inflation, whichever is less). In addition, while the City has fared better than many other Michigan communities, unemployment and foreclosures have taken a toll on both income tax revenue and residential property values. Taken together, these fiscal factors create a trend of ever-tightening budgets under which the City must operate.

Finally, along with constrained resources, the City faces increasing financial challenges with escalating costs of employee benefits, especially for medical and prescription drug insurance. These issues impose increasing burdens on the City's fiscal structure and pose a possible peril to the long-term stability of City finances. Advances have been made in controlling costs and the City will continue to pursue ways to keep costs in line with revenues.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Battle Creek for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2010. This was the twelfth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

Kenneth H. Tsuchiyama
City Manager

James K. Ritsema
Assistant City Manager / Finance Director

[Signatures omitted for security purposes.]

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Battle Creek
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



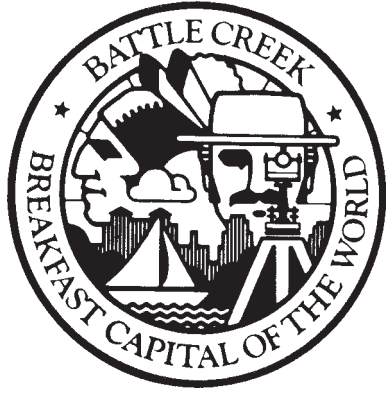
Linda C. Sandison

President

Jeffrey R. Emer

Executive Director

SLT - Strategic Leadership Team
Big - Big Group member



City Commission

City Attorney
Eileen Wicklund
SLT
Big

City Manager
Ken Tsuchiyama
SLT
Big

**Assistant City Manager/
Finance Director**
James Ritsema
SLT
Big

**Licensing & Compliance
Director** SLT
Susan Bedsole Big

City Clerk Dee Laser **Big**

Code Compliance Administrator Dennis McKinley **Big**
Community Development Supervisor Al Giguere **Big**
Neighborhood Services Manager Marcie Gillette **SLT Big**
Planning Supervisor Christine Hilton **Big**

Employee Relations Director
Russ Claggett SLT
Big

Human Resources Manager Paul Engels **Big**
Risk Manager Rick Hensley **SLT Big**

Fire Chief
Larry Hausman SLT
Big

Admin. Battalion Chiefs Bill Woodward & Howard Holt **Big**
Fire Inspection & Prevention Ralph Britton
Training Officer Mark Koch

Police Chief
Jackie Hampton SLT
Big

Lt. John Chrenenko (PD Patrol) **Big**
Lt. Todd Madsen (PD Patrol) **Big**

Deputy Police Chief
Jim Saylor **Big**

Internal Affairs Inspector
David Draper **Big**
Maria Alonso Dep Insp
Big

Police Management Services Supervisor Shawnette Spicer **Big**

**Parks & Recreation
Director** SLT
Jeff Hovarter Big

Binder Park Golf Course Manager Ron Osborne **Big**
P&R Revenue Services Manager Kevin Smith **Big**

Deputy City Attorney
Jill Steele Big

Assistant City Attorney Bert Schultz
Assistant City Attorney Ian Wright

Chief Information Officer
Dan Ryan SLT
Big

Systems Administrator Mike Nofs **Big**
GIS Administrator Sarah VanWormer **Big**
Special Projects Task Leader Marcia Wentworth **Big**

City Engineer
Chris Dopp SLT
Big

Parking Systems Contractor: AMPCO
Traffic Engineering Mgr Greg Rickmar **Big**

Streets and Parks Superintendent
Todd Gerber **Big**

Fleet Services
Manager Steve
Siemen

**Assistant Finance/Revenue
Services Director**
Linda Morrison Big

Asst. Budget Officer Brad Waite **Big**
Budget Officer/Prop Tax Spec
Tracy Hovarter **Big**

City Treasurer
Gail Budrow-Bradstreet **Big**

Utility Billing
Coordinator
Karen Diver

Assistant Income Tax Administrator Lovette Wright **Big**
Purchasing Agent Christine Huff **Big**

Graphic Communications
Manager Sue McBride **Big**

City Assessor
Steve Hudson Big

Deputy Assessor
Ken Buckelew **Big**

Utilities Director
Ken Kohs SLT
Big

DPW Records Manager Andrew Michalowski **Big**
Water Div Superintendent Perry Hart
Wastewater Superintendent Rich Beardsley **Big**
Environmental Program Coordinator
Christine Kosmowski

**Transportation Director/
Airport Manager**
Larry Bowron Big

Transit Manager Rich Werner **Big**
Airport Operations Manager
James Candors **Big**

CITY OF BATTLE CREEK, MICHIGAN

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011
List of Principal City Officials

Elected Officials

City Commission:

Susan Baldwin, Mayor
Christopher Simmons, Vice Mayor

Elizabeth Fulton
Lynn Ward Gray
Dave Walters
Bill Morris
Laurie Sullivan
Diane Thompson
Andrew Yankama

Administration

Kenneth H. Tsuchiyama
City Manager

Eileen Wicklund
City Attorney

James K. Ritsema
Assistant City Manager/Finance Director

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

December 12, 2011

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***City of Battle Creek, Michigan***, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Battle Creek's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Battle Creek, Michigan, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the General Fund and Community Development Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2011, on our consideration of the City of Battle Creek, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, in a separately issued single audit report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3-11, the Police and Fire Retirement System information on page 70, the Municipal Employees Retirement System of Michigan information on page 71 and the other postemployment benefit information on page 72 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Battle Creek's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Lehmann Johnson".

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, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-iv of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$347,663,816 (*net assets*). Of this amount, \$40,866,236 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$6,950,599.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,697,949, a decrease of \$763,159 in comparison with the prior year. The categories of fund balance are labeled differently in 2011 versus 2010; the nonexpendable portion (which is comparable to reserved fund balance in 2010) of fund balance has increased from \$1,272,407 to \$1,620,721.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,682,496 or 10.6% of total budgeted general fund operating revenues.
- The City's total bonded debt decreased by \$3,890,000 during the current fiscal year; \$12,770,000 of refunding bonds were issued during the year.

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

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

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

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. 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.

The government-wide financial statements can be found on pages 12-14 of this report.

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 23 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 and the community development special revenue fund, which are considered to be major funds. Data from the other 21 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.

The basic governmental fund financial statements can be found on pages 15-25 of this report.

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 maintenance, self-insurance, information management services and printing/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 wastewater and water system fund and economic development fund, 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.

The basic proprietary fund financial statements can be found on pages 26-29 of 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.

The basic fiduciary fund financial statements can be found on page 30 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-69 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This includes three schedules concerning the City’s progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found on pages 70-72 of this report.

The combining statements referred to earlier in connection with nonmajor, internal service and fiduciary funds are presented immediately following the required supplementary information. Combining and individual fund financial statements and schedules can be found on pages 73-101 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City of Battle Creek, assets exceeded liabilities by \$347,662,068 at the close of the most recent fiscal year.

By far the largest portion of the City’s net assets (87.5 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, systems and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Battle Creek’s Net Assets

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 44,342,424	\$ 46,931,850	\$ 21,730,385	\$ 24,592,974	\$ 66,072,809	\$ 71,524,824
Capital assets	231,566,290	231,425,948	110,568,249	114,420,119	342,134,539	345,846,067
Total assets	<u>275,908,714</u>	<u>278,357,798</u>	<u>132,298,634</u>	<u>139,013,093</u>	<u>408,207,348</u>	<u>417,370,891</u>
Long-term liabilities outstanding	24,964,190	27,267,613	16,540,079	17,772,075	41,504,269	45,039,688
Other liabilities	17,134,300	12,340,920	1,904,963	5,375,868	19,039,263	17,716,788
Total liabilities	<u>42,098,490</u>	<u>39,608,533</u>	<u>18,445,042</u>	<u>23,147,943</u>	<u>60,543,532</u>	<u>62,756,476</u>
Net assets:						
Invested in capital assets, net						
of related debt	209,845,426	207,342,367	94,517,336	96,648,044	304,362,762	303,990,411
Restricted	2,434,818	2,150,046	-	-	2,434,818	2,150,046
Unrestricted	<u>21,529,980</u>	<u>29,256,852</u>	<u>19,336,256</u>	<u>19,217,106</u>	<u>40,866,236</u>	<u>48,473,958</u>
Total net assets	<u>\$ 233,810,224</u>	<u>\$ 238,749,265</u>	<u>\$ 113,853,592</u>	<u>\$ 115,865,150</u>	<u>\$ 347,663,816</u>	<u>\$ 354,614,415</u>

An additional portion of the City's net assets (0.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (11.8 percent or \$40,866,236) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its governmental and business-type activities; the same held true for the prior fiscal year.

The City's net assets decreased by \$6,950,599 during the current year as compared to a prior year decrease of \$4,095,773. The change in the amount of the decrease between the current and prior year was \$2,854,826; there are a variety of offsetting increases and decreases in the revenues and expenses and between the governmental and business-type activities, which are discussed in the succeeding sections.

City of Battle Creek's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue:						
Program revenue:						
Charges for services	\$ 7,820,676	\$ 7,611,170	\$ 26,608,812	\$ 27,016,731	\$ 34,429,488	\$ 34,627,901
Grants and contributions -						
Operating	15,277,402	11,450,771	6,021,711	3,459,262	21,299,113	14,910,033
Capital	-	-	-	2,319,601	-	2,319,601
General revenue:						
Property taxes	16,711,960	17,414,875	-	-	16,711,960	17,414,875
Income taxes	13,548,759	14,328,097	-	-	13,548,759	14,328,097
Unrestricted grants and contributions	5,599,849	5,235,168	-	-	5,599,849	5,235,168
Other	1,070,544	1,816,033	80,674	119,765	1,151,218	1,935,798
Total revenue	60,029,190	57,856,114	32,711,197	32,915,359	92,740,387	90,771,473
Expenses:						
General government	10,303,586	8,669,931	-	-	10,303,586	8,669,931
Public safety	29,053,426	31,461,276	-	-	29,053,426	31,461,276
Public works	2,803,968	1,839,732	-	-	2,803,968	1,839,732
Highways and streets	9,426,798	9,761,195	-	-	9,426,798	9,761,195
Parks and recreation	6,665,571	7,104,029	-	-	6,665,571	7,104,029
Community development	5,321,021	3,258,213	-	-	5,321,021	3,258,213
Interest on long-term debt	830,920	746,334	-	-	830,920	746,334
Sewer	-	-	15,444,292	14,132,718	15,444,292	14,132,718
Water	-	-	8,358,607	7,276,720	8,358,607	7,276,720
Transit system	-	-	4,498,411	3,968,197	4,498,411	3,968,197
Solid waste collection	-	-	2,741,558	2,753,730	2,741,558	2,753,730
Airport	-	-	2,634,483	2,552,763	2,634,483	2,552,763
Parking	-	-	1,252,970	1,155,113	1,252,970	1,155,113
Economic development	-	-	355,375	187,295	355,375	187,295
Total expenses	64,405,290	62,840,710	35,285,696	32,026,536	99,690,986	94,867,246
Decrease in net assets						
before transfers	(4,376,100)	(4,984,596)	(2,574,499)	888,823	(6,950,599)	(4,095,773)
Transfers	(562,941)	(533,894)	562,941	533,894	-	-
Change in net assets	(4,939,041)	(5,518,490)	(2,011,558)	1,422,717	(6,950,599)	(4,095,773)
Net assets, beginning of year, as restated	238,749,265	244,267,755	115,865,150	114,442,433	354,614,415	358,710,188
Net assets, end of year	\$ 233,810,224	\$ 238,749,265	\$ 113,853,592	\$ 115,865,150	\$ 347,663,816	\$ 354,614,415

Governmental activities. Governmental activities decreased the City's net assets by \$4,939,041 (as compared to a prior year decrease of \$5,518,490). Key elements of this decrease and the change from the prior year include:

- Total revenue increased by \$2.1 million primarily as a result of a \$3.8 million increase in grants and contributions (\$1.3 in community development) offset by a \$1.5 million decrease in property and income taxes as well as a \$.75 million decrease in investment earnings.
- Total expenses increased by approximately \$1.6 million with a decrease in public safety expenses of \$2.4 million (primarily attributable to the disposal or contribution of the City's central dispatch equipment to a new regional authority), an increase in community development expenses of \$2.1 million (because of activities related to the federal Neighborhood Stabilization Program (NSP) grant) and an increase of \$.96 million in public works (mostly due to a major storm cleanup effort).

Business-type activities. Business-type activities decreased the City's net assets by \$2,011,558 as compared to an increase of \$1,422,717 the prior year. Key elements of this decrease and the change from the prior year include:

- Airport capital grants and contributions decreased \$2.3 million due to capital projects completions in the prior year.
- Sewer expenses increased approximately \$1.3 million due substantially to a \$1.1 million increase in internal service fund charges, particularly for self-insurance.

Financial Analysis of the Government's 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 \$10,697,949, a decrease of \$763,159 in comparison with the prior year. The categories of fund balance are labeled differently in 2011 versus 2010; the nonspendable portion (which is comparable to reserved fund balance in 2010) of fund balance has increased from \$1,272,407 to \$1,620,721. 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 (\$985,311); and
- for inventories, prepaid expenditures and encumbrances (\$778,329).

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 \$4,682,496, while total fund balance was \$7,791,452. In accordance with the City's adopted fund balance policy, the minimum unassigned fund balance in the general fund of no less than 8 percent of current year budgeted operating revenue has been met. The percent as of June 30, 2011 is 10.6%.

The fund balance of the City's general fund decreased by \$847,823 during the current fiscal year. This was favorable as compared to the final budgeted decrease in fund balance of \$1,042,724.

The community development fund has no fund balance, which is the same as the previous year, since this is a reimbursement-driven grant fund. Original budget estimates anticipated a greater level of activity than actually occurred; however, community development grant funds may be carried over to subsequent years.

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 assets of the water and wastewater system fund at the end of the year amounted to \$6,497,664. The fund had a decrease in total net assets for the year of \$7,696. Factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

The economic development fund had total net assets at the end of the year of \$9,972,679, all of which was unrestricted. For the year, the fund had a decrease in net assets of \$215,950. The W.K. Kellogg Airport fund had total net assets of \$12,315,274 of which \$718,244 was restricted; the fund had a decrease in nets of \$177,690 for the year.

General Fund Budgetary Highlights

Differences between the original and final amended budgets for expenditures were relatively minor except for an increase in expenditures of \$750,000 to cover costs related to the Memorial Day storm cleanup charged to street and storm sewers. Transfers out increased by over \$600,000 which was the budget stabilization fund's transfer to cover storm damage costs.

For the year, general fund budgetary estimates for revenues exceeded actual, while actual expenditures were less than budget and other financing sources and uses exceeded the budgetary estimate. As a result, the net decrease in fund balance was \$194,901 less than anticipated in the final amended budget. Much of this change is due to broad-based cost control measures in the City.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2011, amounted to \$342,134,539 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, systems, vehicles and equipment, park facilities, roads, highways, and bridges. Net capital assets for governmental activities increased less than .1%, and for business-type activities decreased by 3.4%. Overall, total net capital assets for the City decreased by 1.1%.

Major capital asset events during the current fiscal year included the following:

- Water and wastewater system improvements totaling \$3,174,975.
- Fleet operation purchases of equipment for \$657,697.
- Infrastructure additions for the Downtown Transformation project of \$1,760,620 (including construction in progress of \$1,286,187).

City of Battle Creek's Capital Assets
(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Land and land improvements	\$ 9,135,991	\$ 7,745,877	\$ 4,302,801	\$ 4,390,193	\$ 13,438,792	\$ 12,136,070
Buildings	28,375,263	29,378,459	23,258,904	23,977,353	51,634,167	53,355,812
Vehicles	2,572,620	2,677,185	1,109,906	1,183,071	3,682,526	3,860,256
Equipment	3,540,655	3,845,530	3,734,027	4,251,346	7,274,682	8,096,876
Systems	-	-	78,162,611	80,618,156	78,162,611	80,618,156
Infrastructure	187,941,761	187,778,897	-	-	187,941,761	187,778,897
Total	\$ 231,566,290	\$ 231,425,948	\$ 110,568,249	\$ 114,420,119	\$ 342,134,539	\$ 345,846,067

Additional information on the City's capital assets can be found in Note 3-D. on pages 50-51 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$32,715,000. Of this amount, \$18,195,000 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.

City of Battle Creek's Outstanding Debt
General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 17,945,000	\$ 19,880,000	\$ 250,000	\$ 485,000	\$ 18,195,000	\$ 20,365,000
Revenue bonds	-	-	14,520,000	16,240,000	14,520,000	16,240,000
Total	\$ 17,945,000	\$ 19,880,000	\$ 14,770,000	\$ 16,725,000	\$ 32,715,000	\$ 36,605,000

The City's total bonded debt decreased by \$3,890,000 (10.6 percent) during the current fiscal year; \$6,725,000 of general obligation refunding bonds were issued during the year, and \$6,045,000 of revenue refunding bonds were issued during the year.

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

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total state equalized valuation. The current debt limitation for the City is \$182,892,843 which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 3-G. on pages 53-59 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2011-12 fiscal years:

- Developed the budget within the context of the forecasted revenues and expenditures.
- No growth in the City's income tax; the elimination of statutory state shared revenues, and a 1.35% decrease in property taxes.
- 3.3% decrease in total controlled revenues.
- Inflationary trends in the region are comparable to national indices.
- Annual funding (in the amount of \$600,000) of a budget stabilization fund.

During the current fiscal year, unassigned fund balance in the general fund decreased to \$4,682,496. The City has not appropriated any general fund unassigned fund balance for spending in the 2011-12 fiscal year budget.

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 web site: www.battlecreekmi.gov. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Director, P.O. Box 1717, Battle Creek, Michigan 49016-1717.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BATTLE CREEK, MICHIGAN
Statement of Net Assets
June 30, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Pooled cash and investments	\$ 22,401,205	\$ 13,092,239	\$ 35,493,444	\$ 25,416,894
Receivables	15,817,181	5,065,566	20,882,747	3,591,647
Receivables, long term portion	5,350,000	363,618	5,713,618	4,675,760
Internal balances	(1,301,893)	1,301,893	-	-
Inventories, prepaid items and other assets	2,075,931	1,907,069	3,983,000	3,722,452
Capital assets not being depreciated	3,610,220	2,307,559	5,917,779	12,675,578
Capital assets being depreciated, net	227,956,070	108,260,690	336,216,760	892,906
Total assets	275,908,714	132,298,634	408,207,348	50,975,237
Liabilities				
Accounts payable and accrued expenses	10,269,594	1,770,887	12,040,481	1,623,419
Accrued interest payable	154,750	-	154,750	450,198
Unearned revenue	1,697,538	134,076	1,831,614	2,532,245
Long-term liabilities:				
Due within one year	3,615,393	2,621,360	6,236,753	5,170,733
Due in more than one year	21,348,797	13,918,719	35,267,516	57,895,793
Other noncurrent liability - net other postemployment benefit liability	5,012,418	-	5,012,418	-
Total liabilities	42,098,490	18,445,042	60,543,532	67,672,388
Net assets				
Invested in capital assets, net of related debt	209,845,426	94,517,336	304,362,762	12,695,134
Restricted for:				
Debt service	14,734	-	14,734	10,336
Capital projects	1,318,328	-	1,318,328	12,993,089
Endowment - nonexpendable	985,311	-	985,311	-
Endowment - expendable	116,445	-	116,445	-
Other purposes	-	-	-	1,357,488
Unrestricted (deficit)	21,529,980	19,336,256	40,866,236	(43,753,198)
Total net assets (deficit)	\$ 233,810,224	\$ 113,853,592	\$ 347,663,816	\$ (16,697,151)

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

CITY OF BATTLE CREEK, MICHIGAN
Statement of Activities
For the Year Ended June 30, 2011

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental activities:					
General government	\$ 10,303,586	\$ 2,739,519	\$ 2,153,170	\$ -	\$ (5,410,897)
Public safety	29,053,426	1,161,679	1,391,334	-	(26,500,413)
Public works	2,803,968	323,374	109,983	-	(2,370,611)
Highways and streets	9,426,798	25,511	6,650,753	-	(2,750,534)
Parks and recreation	6,665,571	3,516,153	91,515	-	(3,057,903)
Community development	5,321,021	54,440	4,190,421	-	(1,076,160)
Interest on long-term debt	830,920	-	690,226	-	(140,694)
Total governmental activities	64,405,290	7,820,676	15,277,402	-	(41,307,212)
Business-type activities:					
Wastewater	15,444,292	13,204,301	-	-	(2,239,991)
Water	8,358,607	7,955,198	1,833,052	-	1,429,643
Public transit	4,498,411	405,754	2,905,413	-	(1,187,244)
Solid waste collection	2,741,558	2,841,261	-	-	99,703
Airport	2,634,483	1,189,936	1,283,246	-	(161,301)
Parking	1,252,970	872,937	-	-	(380,033)
Economic development	355,375	139,425	-	-	(215,950)
Total business-type activities	35,285,696	26,608,812	6,021,711	-	(2,655,173)
Total primary government	\$ 99,690,986	\$ 34,429,488	\$ 21,299,113	\$ -	\$ (43,962,385)
Component units					
Community development	\$ 16,622,211	\$ 332,167	\$ -	\$ 1,600,000	\$ (14,690,044)

Continued...

CITY OF BATTLE CREEK, MICHIGAN
Statement of Activities (Concluded)
For the Year Ended June 30, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net assets				
Net expense	\$ (41,307,212)	\$ (2,655,173)	\$ (43,962,385)	\$ (14,690,044)
General revenues:				
Property taxes	16,711,960	-	16,711,960	17,265,618
Income taxes	13,548,759	-	13,548,759	-
Grants and contributions not restricted to specific programs	5,599,849	-	5,599,849	-
Unrestricted investment earnings	1,070,544	80,674	1,151,218	794,084
Transfers - internal activities	(562,941)	562,941	-	-
 Total general revenues and transfers	 36,368,171	 643,615	 37,011,786	 18,059,702
 Change in net assets	 (4,939,041)	 (2,011,558)	 (6,950,599)	 3,369,658
Net assets (deficit), beginning of year	238,749,265	115,865,150	354,614,415	(20,066,809)
Net assets (deficit), end of year	\$ 233,810,224	\$ 113,853,592	\$ 347,663,816	\$ (16,697,151)

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

FUND FINANCIAL STATEMENTS

CITY OF BATTLE CREEK, MICHIGAN
Balance Sheet
Governmental Funds
June 30, 2011

	General	Community Development	Nonmajor Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Assets	-			
Pooled cash and investments	\$ 3,830,595	\$ -	\$ 3,740,706	\$ 7,571,301
Receivables:				
Interest	200,534	-	35,375	235,909
Accounts	2,738,431	415,025	1,707,257	4,860,713
Special assessments	98,498	-	284,333	382,831
Grants	25,273	1,587,096	551,531	2,163,900
Loans	3,359,941	2,973,272	-	6,333,213
Inventories	8,719	-	102,713	111,432
Prepaid items	491,264	-	32,714	523,978
Assets held for resale	-	460,975	-	460,975
Interfund receivable	4,136,970	-	-	4,136,970
	<u>\$ 14,890,225</u>	<u>\$ 5,436,368</u>	<u>\$ 6,454,629</u>	<u>\$ 26,781,222</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ 998,516	\$ 333,861	\$ 823,178	\$ 2,155,555
Accrued payroll	2,099,591	-	-	2,099,591
Accrued interest payable	-	2,585	-	2,585
Retentions, deposits and other liabilities	116	-	136,278	136,394
Interfund payable	-	1,665,675	1,816,302	3,481,977
Deferred revenue	4,000,550	3,434,247	772,374	8,207,171
Total liabilities	<u>7,098,773</u>	<u>5,436,368</u>	<u>3,548,132</u>	<u>16,083,273</u>
Fund balances (deficits)				
Nonspendable for:				
Inventories	8,719	-	102,713	111,432
Prepaid items	491,264	-	32,714	523,978
Endowments	-	-	985,311	985,311
Restricted for:				
Michigan justice training	-	-	21,222	21,222
Narcotics forfeiture	-	-	200,855	200,855
Public safety communication	-	-	351,351	351,351
Youth center	-	-	53,038	53,038
Kellogg arena	-	-	63,407	63,407
Special projects	336,529	-	-	336,529
Committed for:				
Major and local streets	-	-	238,390	238,390
Special grants	-	-	8,689	8,689
Kellogg arena operations	-	-	28,134	28,134
Debt service	-	-	14,734	14,734
Capital projects	-	-	668,447	668,447
Budget stabilization	46,548	-	-	46,548
Special projects	736,809	-	-	736,809
Assigned for:				
Departmental appropriations	507,875	-	649,881	1,157,756
Capital outlay and projects	981,212	-	-	981,212
Unassigned (deficit)	4,682,496	-	(512,389)	4,170,107
Total fund balances	<u>7,791,452</u>	<u>-</u>	<u>2,906,497</u>	<u>10,697,949</u>
	<u>\$ 14,890,225</u>	<u>\$ 5,436,368</u>	<u>\$ 6,454,629</u>	<u>\$ 26,781,222</u>

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

CITY OF BATTLE CREEK, MICHIGAN
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2011

Fund balances - total governmental funds \$ 10,697,949

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	357,417,575
Deduct - accumulated depreciation	(129,510,024)

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 assets.

Add - net assets of governmental internal service funds	13,264,559
Deduct - portion of internal service funds net operating income attributed to business-type funds	(1,301,893)

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 revenues in the governmental funds and, therefore, not included in fund balance.

Add - deferred special assessments	286,915
Add - loans receivable related to the sale of capital assets	3,359,941
Add - other loans receivable	2,973,272

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds, installment contracts and loans payable	(21,248,864)
Add - unamortized bond issuance costs	394,834
Add - receivables from other entities for their share of debt	5,750,000
Deduct - accrued interest on bonds, loans and leases payable	(154,750)
Deduct - net other postemployment benefits obligation	(5,012,418)
Deduct - compensated absences	(3,106,872)

Net assets of governmental activities \$ 233,810,224

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

CITY OF BATTLE CREEK, MICHIGAN
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	<u>General</u>	<u>Community Development</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenue				
Taxes	\$ 30,260,719	\$ -	\$ -	\$ 30,260,719
Licenses and permits	1,160,839	37,315	-	1,198,154
Intergovernmental	6,731,957	3,604,778	9,298,794	19,635,529
Charges for services	2,142,591	-	2,337,149	4,479,740
Fines and forfeitures	138,191	-	-	138,191
Investment income	687,076	334	68,592	756,002
Other	2,142,638	17,125	1,351,927	3,511,690
Total revenue	<u>43,264,011</u>	<u>3,659,552</u>	<u>13,056,462</u>	<u>59,980,025</u>
Expenditures				
Current expenditures:				
General government	7,521,606	-	1,503,461	9,025,067
Public safety	25,607,110	-	689,828	26,296,938
Public works	2,739,101	-	-	2,739,101
Highway and streets	-	-	9,674,093	9,674,093
Parks and recreation	3,284,606	-	2,328,466	5,613,072
Community development	-	3,657,257	714,097	4,371,354
Unallocated	1,053,986	-	26,897	1,080,883
Debt service:				
Principal retirement	-	-	2,363,469	2,363,469
Interest	-	-	895,686	895,686
Bond issuance costs	-	-	153,331	153,331
Total expenditures	<u>40,206,409</u>	<u>3,657,257</u>	<u>18,349,328</u>	<u>62,212,994</u>
Revenue over (under) expenditures	<u>3,057,602</u>	<u>2,295</u>	<u>(5,292,866)</u>	<u>(2,232,969)</u>
Other financing sources (uses)				
Issuance of debt	-	-	6,725,000	6,725,000
Premium on refunding bonds	-	-	250,294	250,294
Payment to refunding bond escrow agent	-	-	(6,818,624)	(6,818,624)
Transfers in	888,345	-	6,818,292	7,706,637
Transfers out	(5,767,462)	(2,295)	(1,653,621)	(7,423,378)
Proceeds from sales of capital assets	973,692	-	56,189	1,029,881
Total other financing sources (uses)	<u>(3,905,425)</u>	<u>(2,295)</u>	<u>5,377,530</u>	<u>1,469,810</u>
Net change in fund balances	(847,823)	-	84,664	(763,159)
Fund balances, beginning of year	<u>8,639,275</u>	<u>-</u>	<u>2,821,833</u>	<u>11,461,108</u>
Fund balances, end of year	<u><u>\$ 7,791,452</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,906,497</u></u>	<u><u>\$ 10,697,949</u></u>

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

CITY OF BATTLE CREEK, MICHIGAN
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ (763,159)

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

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

Add - capital outlay	7,712,478
Deduct - depreciation expense	(7,335,655)

Revenues in the statement of activities that do not provide current resources are not reported as revenues in the funds, but rather are deferred to subsequent fiscal years.

Deduct - decrease in special assessments	(169,228)
Deduct - collections on land contracts related to the sale of capital assets	(973,692)
Deduct - decrease in deferred revenues related to loans receivable	(121,322)

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 assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	2,363,469
Deduct - amount received from other entities for their share of debt principal	(390,000)
Deduct - proceeds of long-term refunding debt issuance	(6,725,000)
Deduct - original issuance premium on refunding bonds	(250,294)
Add - payment to refunding bond escrow agent	6,818,624
Add - refunding bond issuance costs	153,331

Internal service funds are used by management to charge the costs of certain equipment usage to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Deduct - net operating loss from governmental activities in internal service funds	(2,982,543)
Add - intergovernmental subsidies in governmental internal service funds	364,622
Add - interest revenue from governmental internal service funds	184,582
Add - transfers received in governmental internal service funds	475,153
Deduct - interest paid from governmental activities in internal service funds	(21,425)
Deduct - loss on sale of capital assets	(5,495)
Deduct - transfers made from governmental internal services funds	(1,321,353)

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.

Add - decrease in accrued interest payable on bonds	86,191
Deduct - increase in other postemployment benefit obligation	(1,981,183)
Add - decrease in the accrual for compensated absences	77,160
Deduct - amortization of bond issuance costs	(134,302)

Change in net assets of governmental activities \$ (4,939,041)

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

CITY OF BATTLE CREEK, MICHIGAN
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2011

	<u>Budget</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
				<u>Final Budget</u>
Revenue				
Taxes				
City income	\$ 14,200,000	\$ 14,200,000	\$ 13,548,759	\$ (651,241)
Real estate	14,271,192	14,271,192	14,017,293	(253,899)
Personal property	1,950,000	1,950,000	1,888,464	(61,536)
Administration fees	950,000	950,000	781,272	(168,728)
Other	-	-	24,931	24,931
	<u>31,371,192</u>	<u>31,371,192</u>	<u>30,260,719</u>	<u>(1,110,473)</u>
Total taxes				
	<u>31,371,192</u>	<u>31,371,192</u>	<u>30,260,719</u>	<u>(1,110,473)</u>
Licenses and permits	<u>1,017,662</u>	<u>1,017,662</u>	<u>1,160,839</u>	<u>143,177</u>
Intergovernmental				
State shared - statutory	1,754,751	1,754,751	1,750,932	(3,819)
State shared - constitutional	3,447,991	3,447,991	3,446,540	(1,451)
Other	1,399,337	1,424,337	1,534,485	110,148
	<u>6,602,079</u>	<u>6,627,079</u>	<u>6,731,957</u>	<u>104,878</u>
Total intergovernmental				
	<u>6,602,079</u>	<u>6,627,079</u>	<u>6,731,957</u>	<u>104,878</u>
Charges for services				
Parks and recreation	1,323,370	1,323,370	1,146,382	(176,988)
Police services	890,500	890,500	996,209	105,709
	<u>2,213,870</u>	<u>2,213,870</u>	<u>2,142,591</u>	<u>(71,279)</u>
Total charges for services				
	<u>2,213,870</u>	<u>2,213,870</u>	<u>2,142,591</u>	<u>(71,279)</u>
Fines and forfeitures	<u>214,575</u>	<u>214,575</u>	<u>138,191</u>	<u>(76,384)</u>
Investment income	<u>1,203,738</u>	<u>1,203,738</u>	<u>687,076</u>	<u>(516,662)</u>
Other				
Rent and leases	75,012	75,012	68,799	(6,213)
Contributions and donations	74,400	74,400	91,657	17,257
Miscellaneous and other	420,235	420,235	955,409	535,174
Administrative reimbursements	1,008,231	1,022,177	1,026,773	4,596
	<u>1,577,878</u>	<u>1,591,824</u>	<u>2,142,638</u>	<u>550,814</u>
Total other revenue				
	<u>1,577,878</u>	<u>1,591,824</u>	<u>2,142,638</u>	<u>550,814</u>
Total revenue	<u>44,200,994</u>	<u>44,239,940</u>	<u>43,264,011</u>	<u>(975,929)</u>

Continued...

CITY OF BATTLE CREEK, MICHIGAN
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Continued)
General Fund
For the Year Ended June 30, 2011

	<u>Budget</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Expenditures				
General government				
Administration:				
Mayor and city commission	\$ 108,195	\$ 108,195	\$ 100,967	\$ (7,228)
City clerk	378,217	378,217	328,361	(49,856)
City manager	647,502	647,502	649,155	1,653
City hall	360,349	362,589	285,366	(77,223)
Neighborhood partnership	73,705	73,705	51,850	(21,855)
Neighborhood code compliance	134,945	129,945	44,722	(85,223)
Employee relations	239,943	239,943	226,711	(13,232)
Human resources	371,339	371,339	349,815	(21,524)
Labor attorney	21,012	21,012	17,870	(3,142)
Legal department	753,496	753,496	687,211	(66,285)
Elections	128,312	128,312	114,400	(13,912)
Civil service	80,966	80,966	71,582	(9,384)
Data processing	980,252	980,252	980,252	-
Rental property	26,033	26,033	23,592	(2,441)
Total administration	<u>4,304,266</u>	<u>4,301,506</u>	<u>3,931,854</u>	<u>(369,652)</u>
Community development:				
City planning	638,189	674,518	615,585	(58,933)
Inspection	552,410	571,876	399,884	(171,992)
Housing board of appeals	5,600	5,600	3,404	(2,196)
Intermodal facility	76,612	76,612	67,053	(9,559)
Total community development	<u>1,272,811</u>	<u>1,328,606</u>	<u>1,085,926</u>	<u>(242,680)</u>
Finance:				
Accounting	764,505	764,505	705,905	(58,600)
Purchasing	256,818	256,819	243,027	(13,792)
Treasurer's office	341,190	361,983	315,118	(46,865)
Assessing	742,833	761,136	716,949	(44,187)
Income tax division	561,646	561,646	522,827	(38,819)
Total finance	<u>2,666,992</u>	<u>2,706,089</u>	<u>2,503,826</u>	<u>(202,263)</u>
Total general government	<u>8,244,069</u>	<u>8,336,201</u>	<u>7,521,606</u>	<u>(814,595)</u>

Continued...

CITY OF BATTLE CREEK, MICHIGAN
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Continued)
General Fund
For the Year Ended June 30, 2011

	<u>Budget</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
				<u>Final Budget</u>
Expenditures (continued)				
Public safety				
Police department:				
Administration	\$ 715,268	\$ 718,485	\$ 667,349	\$ (51,136)
Crime lab	665,926	668,926	670,988	2,062
Investigation	1,396,462	1,396,462	1,363,332	(33,130)
Fleet management	120,660	120,660	127,897	7,237
Special investigative unit	638,232	638,232	643,779	5,547
Management service	789,362	789,362	757,099	(32,263)
Patrol	8,101,857	8,106,085	8,828,058	721,973
Community service	1,031,641	1,031,641	1,039,166	7,525
Officer training	190,219	190,219	181,644	(8,575)
Detention center	188,305	188,305	137,528	(50,777)
Cold case team	10,120	9,270	-	(9,270)
Gang task force	350,000	350,000	455,117	105,117
	<u>14,198,052</u>	<u>14,207,647</u>	<u>14,871,957</u>	<u>664,310</u>
Fire department:				
Administration	714,906	714,906	728,614	13,708
Fire fighting	7,723,139	8,041,044	7,988,427	(52,617)
	<u>8,438,045</u>	<u>8,755,950</u>	<u>8,717,041</u>	<u>(38,909)</u>
Dispatch	<u>1,825,000</u>	<u>1,825,000</u>	<u>1,878,478</u>	<u>53,478</u>
Civil defense	<u>112,396</u>	<u>112,396</u>	<u>139,634</u>	<u>27,238</u>
	<u>24,573,493</u>	<u>24,900,993</u>	<u>25,607,110</u>	<u>706,117</u>
Public works				
Street and storm sewers	242,471	992,614	951,565	(41,049)
Engineering	72,368	73,068	48,305	(24,763)
Street lighting	1,250,000	1,250,000	1,448,537	198,537
Outside service	135,937	140,937	290,694	149,757
	<u>1,700,776</u>	<u>2,456,619</u>	<u>2,739,101</u>	<u>282,482</u>

Continued...

CITY OF BATTLE CREEK, MICHIGAN
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Concluded)
General Fund
For the Year Ended June 30, 2011

	Budget		Actual	Actual
	Original	Final		Over (Under) Final Budget
Expenditures (concluded)				
Parks and recreation				
Administration	\$ 764,900	\$ 764,900	\$ 715,051	\$ (49,849)
Parks, buildings and maintenance	255,320	393,320	410,085	16,765
Downtown maintenance	-	8,552	-	(8,552)
Sports	1,427,789	1,435,899	1,390,642	(45,257)
Youth center and water park	813,349	815,849	768,828	(47,021)
Total parks and recreation	<u>3,261,358</u>	<u>3,418,520</u>	<u>3,284,606</u>	<u>(133,914)</u>
Unallocated				
Special projects	111,500	122,127	131,499	9,372
Other	1,362,920	1,305,866	922,487	(383,379)
Total unallocated	<u>1,474,420</u>	<u>1,427,993</u>	<u>1,053,986</u>	<u>(374,007)</u>
Total expenditures	<u>39,254,116</u>	<u>40,540,326</u>	<u>40,206,409</u>	<u>(333,917)</u>
Revenue over expenditures	<u>4,946,878</u>	<u>3,699,614</u>	<u>3,057,602</u>	<u>(642,012)</u>
Other financing sources (uses)				
Transfers in	239,450	888,350	888,345	(5)
Transfers out	(5,973,818)	(6,604,380)	(5,767,462)	836,918
Proceeds from sales of capital assets	973,692	973,692	973,692	-
Total other financing uses	<u>(4,760,676)</u>	<u>(4,742,338)</u>	<u>(3,905,425)</u>	<u>836,913</u>
Net change in fund balances	186,202	(1,042,724)	(847,823)	194,901
Fund balance, beginning of year	<u>8,639,275</u>	<u>8,639,275</u>	<u>8,639,275</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 8,825,477</u></u>	<u><u>\$ 7,596,551</u></u>	<u><u>\$ 7,791,452</u></u>	<u><u>\$ 194,901</u></u>

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

CITY OF BATTLE CREEK, MICHIGAN
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Community Development Special Revenue Fund
For the Year Ended June 30, 2011

	<u>Budget</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Revenues				
Licenses and permits	\$ -	\$ 37,315	\$ 37,315	\$ -
Intergovernmental revenue	8,227,420	8,227,420	3,604,778	(4,622,642)
Investment income	-	335	334	(1)
Loan collection and other	-	17,125	17,125	-
	<u>-</u>	<u>17,125</u>	<u>17,125</u>	<u>-</u>
Total revenues	8,227,420	8,282,195	3,659,552	(4,622,643)
Expenditures				
Community development	<u>8,226,779</u>	<u>8,279,222</u>	<u>3,657,257</u>	<u>(4,621,965)</u>
Revenues over (under) expenditures	641	2,973	2,295	(678)
Other financing uses				
Transfers out	<u>-</u>	<u>(2,295)</u>	<u>(2,295)</u>	<u>-</u>
Net change in fund balances	641	678	-	(678)
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 641</u>	<u>\$ 678</u>	<u>\$ -</u>	<u>\$ (678)</u>

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

CITY OF BATTLE CREEK, MICHIGAN

Statement of Net Assets

Proprietary Funds

June 30, 2011

	Business-type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	Water and Wastewater System	Economic Development	W.K Kellogg Airport	Nonmajor Enterprise Funds		
Assets						
Current assets:						
Pooled cash and investments	\$ 2,801,902	\$ 9,583,364	\$ 823,898	\$ 538,068	\$ 13,747,232	\$ 14,174,911
Receivables:						
Interest	13,663	38,464	15,462	739	68,328	133,926
Accounts	3,043,600	-	17,542	577,326	3,638,468	730,392
Special assessments	144,747	-	-	-	144,747	-
Grants	-	-	-	1,120,876	1,120,876	-
Loans, current portion	-	93,147	-	-	93,147	-
Inventories	1,549,662	-	-	96,264	1,645,926	500,232
Prepaid items and other assets	-	-	-	30,145	30,145	78,480
Loan receivable, current portion	-	-	-	-	-	145,342
Interfund receivable	-	-	-	-	-	159,112
Total current assets	<u>7,553,574</u>	<u>9,714,975</u>	<u>856,902</u>	<u>2,363,418</u>	<u>20,488,869</u>	<u>15,922,395</u>
Noncurrent assets:						
Loans receivable, net	-	363,618	-	-	363,618	430,955
Capital assets, net	87,426,055	-	12,679,324	10,462,870	110,568,249	3,658,739
Unamortized bond issuance costs	230,998	-	-	-	230,998	6,000
Total noncurrent assets	<u>87,657,053</u>	<u>363,618</u>	<u>12,679,324</u>	<u>10,462,870</u>	<u>111,162,865</u>	<u>4,095,694</u>
Total assets	<u>95,210,627</u>	<u>10,078,593</u>	<u>13,536,226</u>	<u>12,826,288</u>	<u>131,651,734</u>	<u>20,018,089</u>
Liabilities						
Current liabilities:						
Accounts payable and accrued liabilities	573,611	105,914	17,057	337,485	1,034,067	266,736
Compensated absences	364,426	-	51,885	72,855	489,166	136,454
Retentions, deposits and other liabilities	174,825	-	-	16,880	191,705	-
Accrued interest payable	125,183	-	19,454	2,938	147,575	4,447
Salaries payable	-	-	-	-	-	9,079
Claims payable, current portion	-	-	-	-	-	3,408,553
Interfund payable	-	-	-	654,993	654,993	159,112
Unearned revenue	48,863	-	50,262	34,951	134,076	110,495
Lease payable, current portion	-	-	227,194	-	227,194	150,000
Bonds payable, current portion	1,657,430	-	-	247,570	1,905,000	-
Total current liabilities	<u>2,944,338</u>	<u>105,914</u>	<u>365,852</u>	<u>1,367,672</u>	<u>4,783,776</u>	<u>4,244,876</u>
Noncurrent liabilities:						
Advances from component unit	-	-	-	397,540	397,540	-
Claims payable	-	-	-	-	-	2,186,654
Lease payable	-	-	855,100	-	855,100	322,000
Bonds payable	13,063,619	-	-	-	13,063,619	-
Total noncurrent liabilities	<u>13,063,619</u>	<u>-</u>	<u>855,100</u>	<u>397,540</u>	<u>14,316,259</u>	<u>2,508,654</u>
Total liabilities	<u>16,007,957</u>	<u>105,914</u>	<u>1,220,952</u>	<u>1,765,212</u>	<u>19,100,035</u>	<u>6,753,530</u>
Net assets						
Invested in capital assets, net of related debt	72,705,006	-	11,597,030	10,215,300	94,517,336	3,186,739
Unrestricted	6,497,664	9,972,679	718,244	845,776	18,034,363	10,077,820
Total net assets	<u>\$ 79,202,670</u>	<u>\$ 9,972,679</u>	<u>\$ 12,315,274</u>	<u>\$ 11,061,076</u>	<u>\$ 112,551,699</u>	<u>\$ 13,264,559</u>

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

CITY OF BATTLE CREEK, MICHIGAN
Reconciliation of Net Assets on the Statement of
Net Assets for Enterprise Funds to Net Assets of
Business-type Activities on the Statement of Net Assets
June 30, 2011

Net assets - total enterprise funds	\$ 112,551,699
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Amounts reported for *business-type activities* in the statement of net assets 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 revenue (expense) of the internal service funds are allocated to governmental and business-type activities.

Add - cumulative portion of internal service funds net operating income attributed to enterprise funds	<u>1,301,893</u>
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Net assets of business-type activities	<u><u>\$ 113,853,592</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF BATTLE CREEK, MICHIGAN
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	Water and Wastewater System	Economic Development	W.K Kellogg Airport	Nonmajor Enterprise Funds		
Operating revenues						
Charges for services	\$ 20,534,270	\$ -	\$ 758,239	\$ 4,470,217	\$ 25,762,726	\$ 18,982,090
Other	631,803	33,227	12,287	69,145	746,462	343,250
Total operating revenues	<u>21,166,073</u>	<u>33,227</u>	<u>770,526</u>	<u>4,539,362</u>	<u>26,509,188</u>	<u>19,325,340</u>
Operating expenses						
Personal services	7,664,997	-	759,647	2,810,610	11,235,254	4,119,743
Materials and supplies	1,983,475	-	129,211	562,147	2,674,833	2,008,237
Contractual and other	5,831,891	355,375	347,265	4,016,515	10,551,046	16,834,729
Depreciation	6,275,489	-	914,965	1,074,543	8,264,997	896,172
Total operating expenses	<u>21,755,852</u>	<u>355,375</u>	<u>2,151,088</u>	<u>8,463,815</u>	<u>32,726,130</u>	<u>23,858,881</u>
Operating loss	<u>(589,779)</u>	<u>(322,148)</u>	<u>(1,380,562)</u>	<u>(3,924,453)</u>	<u>(6,216,942)</u>	<u>(4,533,541)</u>
Nonoperating revenues (expenses)						
Intergovernmental subsidies	1,833,052	-	1,283,246	2,905,413	6,021,711	364,622
Interest income	59,107	106,198	20,838	729	186,872	184,582
Interest expense	(891,047)	-	(60,219)	(22,302)	(973,568)	(21,425)
Loss on disposal of capital assets	(6,574)	-	(35,000)	-	(41,574)	(5,495)
Total nonoperating revenues	<u>994,538</u>	<u>106,198</u>	<u>1,208,865</u>	<u>2,883,840</u>	<u>5,193,441</u>	<u>522,284</u>
Income (loss) before transfers	<u>404,759</u>	<u>(215,950)</u>	<u>(171,697)</u>	<u>(1,040,613)</u>	<u>(1,023,501)</u>	<u>(4,011,257)</u>
Transfers in	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>1,258,646</u>	<u>1,458,646</u>	<u>475,153</u>
Transfers out	<u>(612,455)</u>	<u>-</u>	<u>(5,993)</u>	<u>(277,257)</u>	<u>(895,705)</u>	<u>(1,321,353)</u>
Change in net assets	<u>(7,696)</u>	<u>(215,950)</u>	<u>(177,690)</u>	<u>(59,224)</u>	<u>(460,560)</u>	<u>(4,857,457)</u>
Net assets, beginning of year	<u>79,210,366</u>	<u>10,188,629</u>	<u>12,492,964</u>	<u>11,120,300</u>	<u>113,012,259</u>	<u>18,122,016</u>
Net assets, end of year	<u>\$ 79,202,670</u>	<u>\$ 9,972,679</u>	<u>\$ 12,315,274</u>	<u>\$ 11,061,076</u>	<u>\$ 112,551,699</u>	<u>\$ 13,264,559</u>

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

CITY OF BATTLE CREEK, MICHIGAN
Reconciliation of the Statement of Revenues, Expenses
and Changes in Fund Net Assets of Enterprise Funds
to the Statement of Activities
For the Year Ended June 30, 2011

Change in net assets - total enterprise funds \$ (460,560)

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 net revenue (expense) of the internal service funds are allocated to governmental and business-type activities.

Deduct - net operating loss from internal service funds related to enterprise funds (1,550,998)

Change in net assets of business-type activitie \$ (2,011,558)

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

CITY OF BATTLE CREEK, MICHIGAN
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	Water and Wastewater System	Economic Development	W.K Kellogg Airport	Nonmajor Enterprise Funds		
Cash flows from operating activities						
Receipts from customers and users	\$ 22,183,962	\$ 48,858	\$ 846,763	\$ 4,373,661	\$ 27,453,244	\$ -
Loans collected from borrowers	-	178,165	-	-	178,165	-
Receipts from interfund services	-	-	-	-	-	19,325,340
Payments to suppliers	(5,285,853)	(2,454,131)	(248,765)	(3,815,824)	(11,804,573)	(16,817,099)
Payments to employees	(8,431,175)	-	(764,996)	(2,777,632)	(11,973,803)	(4,143,895)
Payments for interfund services	(2,984,665)	-	(247,257)	(772,586)	(4,004,508)	-
Net cash provided by (used in) operating activities	<u>5,482,269</u>	<u>(2,227,108)</u>	<u>(414,255)</u>	<u>(2,992,381)</u>	<u>(151,475)</u>	<u>(1,635,654)</u>
Cash flows from noncapital financing activities						
Transfers in	200,000	-	-	1,258,646	1,458,646	475,153
Transfers out	(612,455)	-	(5,993)	(277,257)	(895,705)	(1,321,353)
Intergovernmental subsidies	1,833,052	-	1,283,246	2,905,413	6,021,711	364,622
Net cash provided by (used in) noncapital financing activities	<u>1,420,597</u>	<u>-</u>	<u>1,277,253</u>	<u>3,886,802</u>	<u>6,584,652</u>	<u>(481,578)</u>
Cash flows from capital and related financing activities						
Debt issuance	6,045,000	-	-	-	6,045,000	-
Bond issuance costs	(139,872)	-	-	-	(139,872)	-
Principal and interest paid on debt	(8,372,603)	-	(277,076)	(257,835)	(8,907,514)	-
Principal and interest paid on capital lease	-	-	-	-	-	(174,308)
Loan made to other government	-	-	-	-	-	173,703
Purchase of capital assets	(3,174,974)	-	(644,378)	(635,349)	(4,454,701)	(665,187)
Net cash used in capital and related financing activities	<u>(5,642,449)</u>	<u>-</u>	<u>(921,454)</u>	<u>(893,184)</u>	<u>(7,457,087)</u>	<u>(665,792)</u>
Cash flows from investing activities						
Interest received on investments	60,101	106,198	20,899	715	187,913	179,007
Net increase (decrease) in cash and cash equivalents	1,320,518	(2,120,910)	(37,557)	1,952	(835,997)	(2,604,017)
Cash and cash equivalents						
Beginning of year	<u>1,481,384</u>	<u>11,704,274</u>	<u>861,455</u>	<u>536,116</u>	<u>14,583,229</u>	<u>16,778,928</u>
End of year	<u>\$ 2,801,902</u>	<u>\$ 9,583,364</u>	<u>\$ 823,898</u>	<u>\$ 538,068</u>	<u>\$ 13,747,232</u>	<u>\$ 14,174,911</u>

Continued...

CITY OF BATTLE CREEK, MICHIGAN
Statement of Cash Flows (Concluded)
Proprietary Funds
For the Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water & Wastewater System	Economic Development	W.K Kellogg Airport	Nonmajor Enterprise Funds	Total	
Reconciliation of operating loss to net cash provided by (used in) operating activities						
Operating loss	\$ (589,779)	\$ (322,148)	\$ (1,380,562)	\$ (3,924,453)	\$ (6,216,942)	\$ (4,533,541)
Adjustments to reconcile operating loss to net cash from operating activities:						
Depreciation	6,275,489	-	914,965	1,074,543	8,264,997	896,172
Amortization	165,081	-	-	-	165,081	-
Changes in assets and liabilities:						
Interest receivable	-	15,631	-	-	15,631	-
Accounts receivable	956,565	290,000	58,662	(112,919)	1,192,308	(130,855)
Special assessments receivable	20,585	-	-	-	20,585	-
Grants receivable	37,094	-	-	(52,782)	(15,688)	-
Loans receivable	-	389,336	-	-	389,336	-
Inventories	(204,355)	-	-	18,214	(186,141)	(3,286)
Prepaid items	-	-	-	-	-	19,498
Interfund receivable	-	-	-	-	-	144,530
Accounts payable	(469,146)	(2,599,927)	(16,584)	(44,842)	(3,130,499)	10,387
Retentions, deposits and other liabilities	174,825	-	-	16,880	191,705	-
Compensated absences	55,935	-	(5,349)	12,470	63,056	(24,152)
Accrued interest payable	(121,557)	-	(2,962)	-	(124,519)	-
Claims payable	-	-	-	-	-	2,106,899
Interfund payable	(822,113)	-	-	20,508	(801,605)	(144,530)
Unearned revenue	3,645	-	17,575	-	21,220	23,224
Net cash provided by (used in) operating activities	<u>\$ 5,482,269</u>	<u>\$ (2,227,108)</u>	<u>\$ (414,255)</u>	<u>\$ (2,992,381)</u>	<u>\$ (151,475)</u>	<u>\$ (1,635,654)</u>

Other noncash items:

As described in Note 1-D to the basic financial statements, the City maintains an investment pool for all funds. Accordingly, specific noncash disclosures for changes in the fair value of investments in the proprietary funds are not determinable.

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

CITY OF BATTLE CREEK, MICHIGAN
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Pension and Other Employee Benefit Trust Funds	Agency Funds
Assets		
Pooled cash and investments	\$ -	\$ 79,728
Cash and cash equivalents	8,224,146	-
Investments:		
U.S. treasuries	6,176,536	-
U.S. agencies	7,492,938	-
Domestic corporate securities	36,943,020	-
Domestic equities	30,738,136	-
American depository receipts	12,537,511	-
International equities	13,583,403	-
Real estate trusts	542,497	-
Mutual funds	1,886,788	-
Interest receivable	487,744	-
Pension contributions receivable	92,430	-
Delinquent taxes receivable	-	938,802
	<u>118,705,149</u>	<u>\$ 1,018,530</u>
Liabilities		
Accounts payable	500,000	\$ -
Obligation for impaired investment of securities lending collateral	156,332	
Deposits and retentions payable	-	1,018,530
	<u>656,332</u>	<u>\$ 1,018,530</u>
Net assets		
Held in trust for pension and postemployment healthcare benefits	<u>\$ 118,048,817</u>	

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

CITY OF BATTLE CREEK, MICHIGAN
Statement of Changes in Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
For the Year Ended June 30, 2011

Additions

Investment income:

From investing activities:

Net appreciation in fair value of investments	\$ 14,880,525
Interest and dividends	3,223,458
Less investment expenses	<u>(1,157,336)</u>

Net income from investing activities	<u>16,946,647</u>
--------------------------------------	-------------------

From securities lending activities:

Gross earnings	28,422
Borrower rebates	(5,425)
Securities lending fees	(7,030)
Loss on impairment on invested securities lending collateral	<u>(156,332)</u>

Net loss from securities lending activities	<u>(140,365)</u>
---	------------------

Total net investment income	<u>16,806,282</u>
-----------------------------	-------------------

Contributions:

Employer	4,993,331
Employees	<u>1,225,847</u>

Total contributions	<u>6,219,178</u>
---------------------	------------------

Total additions	<u>23,025,460</u>
-----------------	-------------------

Deductions

Pension benefit payments	7,085,926
Contribution refunds	13,464
Medical insurance premiums	832,472
Administrative expenses	<u>52,508</u>

Total deductions	<u>7,984,370</u>
------------------	------------------

Net additions to net assets held in trust for benefits	15,041,090
--	------------

Net assets held in trust for benefits, beginning of year	<u>103,007,727</u>
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Net assets held in trust for benefits, end of year	<u><u>\$ 118,048,817</u></u>
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The accompanying notes are an integral part of these financial statements.

**COMPONENT UNITS
FINANCIAL STATEMENTS**

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Net Assets
Component Units
June 30, 2011

	Battle Creek Downtown Development Authority	Lakeview Downtown Development Authority	Battle Creek Tax Increment Financing Authority	Brownfield Redevelopment Authority	Local Development Finance Authority	Total
Assets						
Pooled cash and investments	\$ 4,326,486	\$ 67,411	\$ 20,964,816	\$ 30,258	\$ 27,923	\$ 25,416,894
Receivables, net	1,452,804	52,200	1,688,958	-	145	3,194,107
Advance to primary government	-	-	397,540	-	-	397,540
Prepaid items and other assets	2,773,498	-	948,954	-	-	3,722,452
Long-term receivables - due in more than one year	250,679	-	4,425,081	-	-	4,675,760
Capital assets not being depreciated	-	-	12,675,578	-	-	12,675,578
Capital assets being depreciated, net	-	-	892,906	-	-	892,906
Total assets	8,803,467	119,611	41,993,833	30,258	28,068	50,975,237
Liabilities						
Accounts payable and accrued liabilities	214,360	6,563	1,386,767	15,729	-	1,623,419
Accrued interest payable	390,251	-	59,947	-	-	450,198
Unearned revenue	1,037,172	-	1,495,073	-	-	2,532,245
Long-term liabilities:						
Due within one year	2,665,000	-	2,505,733	-	-	5,170,733
Due in more than one year	43,414,289	-	10,056,422	4,425,082	-	57,895,793
Total liabilities	47,721,072	6,563	15,503,942	4,440,811	-	67,672,388
Net assets						
Invested in capital assets, net of related debt	-	-	12,695,134	-	-	12,695,134
Restricted for debt service	-	-	10,336	-	-	10,336
Restricted for capital projects	-	46,648	12,946,441	-	-	12,993,089
Restricted for loan commitments and minority lending	1,357,488	-	-	-	-	1,357,488
Unrestricted (deficit)	(40,275,093)	66,400	837,980	(4,410,553)	28,068	(43,753,198)
Total net assets (deficit)	\$ (38,917,605)	\$ 113,048	\$ 26,489,891	\$ (4,410,553)	\$ 28,068	\$ (16,697,151)

The accompanying notes are an integral part of these financial statements

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2011

	Battle Creek Downtown Development Authority	Lakeview Downtown Development Authority	Battle Creek Tax Increment Financing Authority	Brownfield Redevelopment Authority	Local Development Finance Authority	Total
Expenses						
Community development	\$ 4,736,171	\$ 2,181,929	\$ 9,439,759	\$ 262,382	\$ 1,970	\$ 16,622,211
Program revenues						
Charges for services	43,138	-	78,388	210,641	-	332,167
Capital grants and contribution:	-	-	1,600,000	-	-	1,600,000
Total program revenues	43,138	-	1,678,388	210,641	-	1,932,167
Net program expense	4,693,033	2,181,929	7,761,371	51,741	1,970	14,690,044
General revenues						
Property taxes	5,889,645	2,181,425	9,070,824	121,090	2,634	17,265,618
Unrestricted investment earning	86,091	31,977	675,392	-	624	794,084
Total general revenues	5,975,736	2,213,402	9,746,216	121,090	3,258	18,059,702
Change in net assets	1,282,703	31,473	1,984,845	69,349	1,288	3,369,658
Net assets (deficit), beginning of year	(40,200,308)	81,575	24,505,046	(4,479,902)	26,780	(20,066,809)
Net assets (deficit), end of year	\$ (38,917,605)	\$ 113,048	\$ 26,489,891	\$ (4,410,553)	\$ 28,068	\$ (16,697,151)

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

NOTES to the FINANCIAL STATEMENTS

CITY OF BATTLE CREEK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

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CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting Entity

The accompanying financial statements present the activities of the City of Battle Creek, Michigan (the “City” or “government”) and its six 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 five 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.

<u>Component Unit</u>	<u>Included in the Reporting Entity Because</u>	<u>Separate Financial Statements Available</u>
Building Authority (BA); finances and constructs the City’s public buildings	City Commission appoints and may remove BA board	Not prepared
Downtown Development Authority (DDA); corrects and prevents deterioration in the downtown district, encourages historical preservation and promotes economic growth within the district	City Commission appoints and may remove DDA board and approves DDA budget	Finance Department in City Hall
Lakeview Downtown Development Authority (LDDA); promotes development of the Lakeview district	City Commission appoints and may remove LDDA board and approves LDDA budget	Finance Department in City Hall
Tax Increment Financing Authority (TIFA); administers the Fort Custer Industrial Park development district	City Commission appoints and may remove TIFA board and approves TIFA budget	Finance Department in City Hall
Brownfield Redevelopment Authority (BRA); administers brownfield redevelopment projects	City Commission appoints and may remove BRA Board and approves BRA budget	Finance Department in City Hall
Local Development Finance Authority (LDFA); encourages technological development through the City’s “ <i>SmartZone</i> ”	City Commission appoints and may remove LDFA Board and approves LDFA budget	Finance Department in City Hall

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

1-B. Basis of Presentation

Government-wide Financial Statements. The statements of net assets 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 City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Community development fund. This fund accounts for grants under the Housing and Community Development Act of 1974, as amended. The Act provides for a series of grants over a period of years to be used for various community development activities.

The City reports 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.

Economic development fund. This fund accounts for the activities of the City's economic development revolving loan program.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

Additionally, the City reports the following fund types:

Special revenue funds. These funds account for revenue sources that are legally restricted, committed or assigned to expenditures for specific purposes, excluding major capital projects.

Debt service funds. These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital projects funds. These funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

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

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, and workers' compensation self-insurance; information technology services; and printing, mailing and reproduction services.

Pension and other employee benefits trust funds. These funds account for the activities of the Police and Fire Retirement System, Voluntary Employees Beneficiary Association, and Fire Retiree Health Care Trust, which accumulate resources for retirement and other employee benefit payments to qualified employees.

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

1-C. Measurement Focus / Basis of Accounting

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

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.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

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. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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 are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, 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 of general long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets 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.

1-D. Assets, Liabilities 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 assets/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.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

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 is 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*.

Inventories, Prepaid Items and Other Assets

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

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

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

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

<u>Assets</u>	<u>Years</u>
Land improvements	5-50
Buildings and building improvements	50
Public domain infrastructure	50
Water and wastewater system infrastructure	25-50
Vehicles	7-10
Office equipment	6-10
Machinery and equipment	3-10

Compensated Absences

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

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

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.

Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the City Commission; a formal resolution of the City Commission is required to establish, modify, or rescind a fund balance commitment. Assigned fund balance is reported in instances where the City Commission has given authority for the making of such assignments to City management; assigned fund balances are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund.

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. 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 fund level.

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

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

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) outstanding at year end are reported as committed fund balance and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

2-B. 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 fund level basis, although budget and actual information in the fund financial statements have been presented at a level of detail greater than the level of legal budgetary control.

During the year ended June 30, 2011, the City incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Over Budget</u>
Nonmajor governmental funds			
Michigan justice training	\$ 18,400	\$ 39,522	\$ 21,122
Public safety communications	452,628	476,311	23,683

2-C. Deficit Fund Equity

The Binder Park golf course special revenue fund, a nonmajor governmental fund, has a total fund deficit of \$436,436 at year-end. A multiyear plan to eliminate this deficit was previously developed by the City and approved by the State of Michigan.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

NOTE 3 – DETAILED NOTES ON ALL FUNDS

3-A. 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 (see Note 3-B), as of June 30, 2011:

	Primary Governments	Component Units	Total
Statement of net assets			
Pooled cash and investments	\$ 35,512,977	\$ 25,416,894	\$ 60,929,871
Statement of fiduciary net assets			
Pooled cash and investments:			
Agency funds	79,728	-	79,728
Other employee benefits	1,198,980	-	1,198,980
Cash and cash equivalents - pension	7,025,166	-	7,025,166
Investments:			
Pension	108,014,041	-	108,014,041
Other employee benefits	1,886,788	-	1,886,788
	\$ 153,717,680	\$ 25,416,894	\$ 179,134,574
Deposits and investments			
Bank deposits (checking accounts, savings accounts and certificates of deposit)			\$ 3,561,883
Investments in securities, mutual funds and similar vehicles:			
Pool			58,630,256
Pension			115,039,207
Other employee benefits			1,886,788
Cash on hand			16,440
Total			\$ 179,134,574

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, 2011, \$5,299,176 of the City's total bank balance of \$5,860,808 (total book balance was \$3,561,883) was exposed to custodial credit risk as it was uninsured and uncollateralized.

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

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

Custodial Credit Risk - Investments. Following is a summary of the City's investments as of June 30, 2011:

U.S. treasuries	\$ 185,809
U.S. agencies	55,369,317
Municipal bonds	1,645,000
Money market	<u>1,430,130</u>
Total	<u>\$ 58,630,256</u>

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of June 30, 2011, none of the City's investments, excluding the money market accounts which are not subject to custodial credit risk, were exposed to risk since the securities are held in the City's name by the counterparty.

Credit Risk. As of June 30, 2011, all of the City's investments in securities of U.S. agencies were rated AAA by Standard & Poor's. The City also held investments in U.S. treasuries and money market accounts, which are not rated. The municipal bonds were rated A2 by Standard and Poors. All of the City's investments comply with its policy regarding the types of investments it may hold.

Concentration of Credit Risk. At June 30, 2011, the investment portfolio was concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>% of Portfolio</u>
U.S. agencies	Federal Farm Credit Bank	27.5%
	Federal Home Loan Bank	47.8%
	Federal National Mortgage Association	13.9%
	Federal Home Loan Mortgage Corporation	5.0%

The City's investment policy does not address this risk.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

Interest Rate Risk. As of June 30, 2011, maturities of the City’s fixed income securities were as follows:

	<u>Fair Value</u>	<u>Investment Maturities (fair value by years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
U.S. treasuries	\$ 185,809	\$ 185,809	\$ -	\$ -	\$ -
U.S. agencies	55,369,317	3,664,873	28,031,594	22,242,965	1,429,885
Municipal bonds	1,645,000	-	-	-	1,645,000
Total debt securities	<u>\$ 57,200,126</u>	<u>\$ 3,850,682</u>	<u>\$ 28,031,594</u>	<u>\$ 22,242,965</u>	<u>\$ 3,074,885</u>

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

3-B. Deposits, Investments and Securities Lending – Pension and Other Employee Benefits Trust Funds

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

Deposits - The System and the other employee benefits trust funds do not maintain any checking or other demand/time deposit accounts. Amounts reported as cash and cash equivalents in the statement of plan net assets 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.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

The System's investments are held in a bank-administered trust fund. Following is a summary of the System's investments as of June 30, 2011:

Investments at fair value, as determined	
by quoted market price:	
U.S. treasuries	\$ 6,176,536
U.S. agencies:	
Not on securities loan	3,637,049
On securities loan	3,855,889
Domestic corporate securities:	
Not on securities loan	36,874,445
On securities loan	68,575
Domestic equities:	
Not on securities loan	22,034,948
On securities loan	8,703,188
American depository receipts	12,537,511
International equities	13,583,403
Real estate investment trusts	542,497
Total investments	<u><u>\$ 108,014,041</u></u>

In addition to the above, the System and the other employee benefits trust funds had short-term investments of \$7,025,166 held in money market funds and \$1,198,980 included in the pooled cash and investments as of June 30, 2011. Also, the Retirement Health Funding Vehicle fund, one of the other employee benefits trust funds, had \$1,886,788 held in a mutual fund at year-end.

Credit Risk. The System's investment policy provides that its investments in fixed income securities be limited to those rated BBB or better by a nationally recognized statistical rating organization. As of June 30, 2011, the System's investments in securities of U.S. agencies were all rated AAA by Standard & Poor's. The System's investments in corporate securities were rated by Standard & Poor's as follows:

AAA	\$ 3,475,553
AA	5,159,794
A	11,795,801
BBB	7,636,534
BB	133,199
Not rated	8,742,139
	<u><u>\$ 36,943,020</u></u>

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

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

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

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

Interest Rate Risk. As of June 30, 2011, maturities of the System's debt securities were as follows:

	Fair Value	Investment Maturities (fair value by years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. treasuries	\$ 6,176,536	\$ 1,245,637	\$ 1,078,318	\$ 2,734,141	\$ 1,118,440
U.S. agencies	7,492,938	1,743,201	1,421,143	245,122	4,083,472
Domestic corporate securities	36,943,020	2,563,861	14,130,399	13,672,562	6,576,198
Total debt securities	\$ 50,612,494	\$ 5,552,699	\$ 16,629,860	\$ 16,651,825	\$ 11,778,110

Of the above balances, no amounts were callable.

The System's investment policy provides that the maximum maturity for any single fixed income security is ten years and that the weighted average portfolio maturity may not exceed eight years.

Foreign Currency Risk. Foreign currency risk is the risk that significant fluctuations in exchange rates may adversely affect the fair value of an investment. The System has various investment holdings in international equities (excluding American depository receipts) totaling \$13,583,403; these holdings are primarily in common and preferred stocks of Canadian (dollars) and European (euros) companies. The System does not have any policies regarding foreign currency risk.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

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

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

Also at year-end, through a cash collateral investing program provided by the custodial bank, the System has an obligation to repay \$156,332 of cash collateral that was invested in a Sigma Finance Medium Term Note, which is impaired. Any current or future recoveries from Sigma Finance are not expected.

3-C. Receivables

Receivables in the governmental activities are 43.8 percent loans, 37.9 percent accounts receivables, 2.4 percent special assessments, 13.6 grants receivable and 2.3 percent interest receivable; Business-type activities receivables are 71.8 percent due from customers, 22.1 percent grants, 2.9 percent special assessments, 1.8 percent loans, and 1.4 percent accrued interest. General fund accounts receivable are reported net of an allowance for uncollectible accounts of \$720,364.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds and activities were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Land contract payments not yet due (general fund)	\$ 3,359,941	\$ -	\$ 3,359,941
Community development loans not yet due (special revenue funds)	2,973,272	-	2,973,272
Assets held for resale (special revenue funds)	-	460,975	460,975
Special assessments not yet due (debt service funds)	286,915	-	286,915
Customer deposits for future services/events (special revenue funds)	-	28,435	28,435
Payments received in advance (general, special revenue and internal service funds)	-	1,171,800	1,171,800
Grant drawdowns prior to meeting all eligibility requirements (general and special revenue funds)	-	36,828	36,828
	<u>\$ 6,620,128</u>	<u>\$ 1,698,038</u>	<u>\$ 8,318,166</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

3-D. Capital Assets

Capital assets activity for the year ended June 30, 2011, was as follows:

Primary government

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Governmental activities					
Capital assets, not being depreciated - Land	\$ 2,024,685	\$ 1,585,535	\$ -	\$ -	\$ 3,610,220
Capital assets, being depreciated:					
Land improvements	9,533,115	31,370	-	-	9,564,485
Buildings	49,678,928	-	-	-	49,678,928
Vehicles	9,630,777	652,293	150,348	(559,707)	9,873,711
Equipment	23,020,421	395,595	-	(6,400)	23,409,616
Infrastructure	273,534,508	5,712,871	-	-	279,247,379
Total capital assets being depreciated	365,397,749	6,792,129	150,348	(566,107)	371,774,119
Less accumulated depreciation for:					
Land improvements	(3,811,923)	(226,791)	-	-	(4,038,714)
Buildings	(20,300,469)	(1,003,196)	-	-	(21,303,665)
Vehicles	(6,938,944)	(766,011)	(150,348)	554,212	(7,301,091)
Equipment	(19,167,348)	(708,013)	-	6,400	(19,868,961)
Infrastructure	(85,777,802)	(5,527,816)	-	-	(91,305,618)
Total accumulated depreciation	(135,996,486)	(8,231,827)	(150,348)	560,612	(143,818,049)
Total capital assets, being depreciated, net	229,401,263	(1,439,698)	-	(5,495)	227,956,070
Governmental activities capital assets, net	\$ 231,425,948	\$ 145,837	\$ -	\$ (5,495)	\$ 231,566,290
Business-type activities					
Capital assets, not being depreciated - Land	\$ 2,276,579	\$ 65,980	\$ -	\$ (35,000)	\$ 2,307,559
Capital assets, being depreciated:					
Land improvements	6,046,828	64,440	-	-	6,111,268
Buildings	67,772,885	1,077,106	-	(62,644)	68,787,347
Vehicles	3,757,129	445,272	(150,348)	(15,321)	4,036,732
Equipment	16,629,219	286,339	-	(354,650)	16,560,908
Systems	175,188,648	2,515,564	-	(89,762)	177,614,450
Total capital assets being depreciated	269,394,709	4,388,721	(150,348)	(522,377)	273,110,705
Less accumulated depreciation for:					
Land improvements	(3,933,214)	(182,812)	-	-	(4,116,026)
Buildings	(43,795,532)	(1,795,555)	-	62,644	(45,528,443)
Vehicles	(2,574,058)	(518,439)	150,348	15,323	(2,926,826)
Equipment	(12,377,873)	(797,082)	-	348,074	(12,826,881)
Systems	(94,570,492)	(4,971,109)	-	89,762	(99,451,839)
Total accumulated depreciation	(157,251,169)	(8,264,997)	150,348	515,803	(164,850,015)
Total capital assets, being depreciated, net	112,143,540	(3,876,276)	-	(6,574)	108,260,690
Business-type activities capital assets, net	\$ 114,420,119	\$ (3,810,296)	\$ -	\$ (41,574)	\$ 110,568,249

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

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

Governmental activities:	
General government	\$ 87,188
Public safety	500,438
Public works, including depreciation of general infrastructure assets	5,824,508
Parks and recreation	923,521
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	896,172
Total depreciation expense - governmental activities	\$ 8,231,827
Business-type activities:	
Wastewater	\$ 4,284,554
Water	1,990,935
Public transit	594,741
Airport	914,965
Parking	350,021
Other	129,781
Total depreciation expense - business-type activities	\$ 8,264,997

Discretely presented component units

Activity for the TIFA for the year ended June 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated - Land	\$ 12,675,578	\$ -	\$ -	\$ 12,675,578
Capital assets, being depreciated:				
Land improvements	587,500	319,435	-	906,935
Buildings	278,190	-	-	278,190
Equipment	429,858	-	-	429,858
Total capital assets being depreciated	1,295,548	319,435	-	1,614,983
Less accumulated depreciation for:				
Land improvements	(188,000)	(14,945)	-	(202,945)
Buildings	(178,046)	(11,128)	-	(189,174)
Equipment	(311,794)	(18,164)	-	(329,958)
Total accumulated depreciation	(677,840)	(44,237)	-	(722,077)
Total capital assets, being depreciated, net	617,708	275,198	-	892,906
Component unit capital assets, net	\$ 13,293,286	\$ 275,198	\$ -	\$ 13,568,484

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

3-E. Payables

Payables in the governmental activities are 23.4 percent vendors, 54.3 percent claims and 22.3 percent accrued payroll, interest, compensated absences and other liabilities. Business-type activities payables are 19.2 percent interest and other liabilities, 22.4 percent advances payable and 58.4 percent vendors.

3-F. Interfund Receivables, Payables and Transfers

At June 30, 2011, the following interfund balances were outstanding:

	<u>Receivable</u>	<u>Payable</u>
General fund	\$ 4,136,970	\$ -
Community development fund	-	1,665,675
Nonmajor governmental funds	-	1,816,302
Nonmajor enterprise funds	-	654,993
Internal service funds	159,112	159,112
	<u>\$ 4,296,082</u>	<u>\$ 4,296,082</u>

These balances result from negative cash balances in the respective fund with interfund payables.

For the year ended June 30, 2011, interfund transfers consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds:		
General fund	\$ 888,345	\$ 5,767,462
Community development fund	-	2,295
Nonmajor governmental funds	6,818,292	1,653,621
Enterprise funds:		
Water and wastewater fund	200,000	612,455
Nonmajor enterprise funds	1,258,646	283,250
Internal service funds	475,153	1,321,353
	<u>\$ 9,640,436</u>	<u>\$ 9,640,436</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

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 from the general fund to the nonmajor governmental funds for various projects, initiatives and debt service.

3-G. Long-term Debt

General obligation bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years for the items listed below was \$40,994,000 for the primary government and \$11,810,000 for the discretely presented component units. During the year \$6,725,000 of general obligation limited tax refunding bonds were issued for governmental activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

	Year of Maturity	Interest Rates	Amount
Governmental activities			
2003 transportation fund bonds	2013	3.00% - 3.25%	\$ 680,000
2006 dispatch equipment	2016	3.64%	2,085,000
2008 building authority refunding	2023	3.00% - 4.125%	6,215,000
2009 building authority - golf course refunding	2026	3.00% - 4.20%	2,240,000
2011 building authority limited tax refunding	2026	3.00% - 4.125%	6,725,000
			\$ 17,945,000
Business-type activities			
1999 building authority refunding - airport	2012	4.60% - 4.70%	\$ 250,000
Discretely presented component units			
2004 downtown development	2012	5.00%	\$ 425,000
2009 tax increment - airport	2029	3.00% - 4.30%	3,650,000
2010 tax increment - airport hangar	2030	2.00% - 4.75%	3,430,000
			\$ 7,505,000

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

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

	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 1,615,000	\$ 598,312	\$ 250,000	\$ 11,750	\$ 755,000	\$ 267,740
2013	1,200,000	603,827	-	-	340,000	248,940
2014	1,170,000	558,406	-	-	350,000	240,515
2015	1,425,000	512,986	-	-	360,000	229,940
2016	1,595,000	459,779	-	-	370,000	219,065
2017-2021	6,395,000	1,592,980	-	-	1,850,000	915,881
2022-2026	4,545,000	401,035	-	-	1,910,000	570,493
2027-2030	-	-	-	-	1,570,000	134,339
	<u>\$ 17,945,000</u>	<u>\$ 4,727,325</u>	<u>\$ 250,000</u>	<u>\$ 11,750</u>	<u>\$ 7,505,000</u>	<u>\$ 2,826,913</u>

During the year, \$6,725,000 of refunding bonds were issued to provide resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources for all future debt service payments on \$6,515,000 in bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities. The carrying amount of the old debt exceeded the reacquisition price by \$303,624, which has been added to the new debt and is being amortized over the refunded debt's life. The refunding extended the debt repayment period by four years and resulted in a \$61,181 economic gain, but an increase in future debt service payments of \$404,512.

Revenue bonds. The City and its discretely presented component units also issue bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. The original amount of revenue bonds issued in prior years was \$23,940,000 for the City and \$64,305,000 for the component units; \$6,045,000 of revenue refunding bonds were issued during the year.

	Year of Maturity	Interest Rates	Amount
Business-type activities			
2001 water and wastewater system	2012	4.50% - 4.625%	\$ 485,000
2003 water and wastewater refunding	2017	4.00% - 5.00%	7,990,000
2011 water and wastewater system refunding	2022	3.00% - 4.00%	6,045,000
			<u>\$ 14,520,000</u>
Discretely presented component units			
1997 development refunding	2016	5.00% - 5.25%	\$ 3,710,000
2008 downtown development refunding	2022	5.00%	46,830,000
			<u>\$ 50,540,000</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

Revenue bond debt service requirements to maturity are as follows:

	Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest
2012	\$ 1,655,000	\$ 800,437	\$ 3,465,000	\$ 2,529,000
2013	1,735,000	530,125	4,240,000	2,353,750
2014	1,810,000	455,350	4,365,000	2,141,750
2015	1,905,000	367,825	4,555,000	1,923,500
2016	2,000,000	275,725	4,560,000	1,695,750
2017-2021	4,695,000	502,312	23,765,000	5,092,750
2022	720,000	14,400	5,590,000	279,500
	\$ 14,520,000	\$ 2,946,174	\$ 50,540,000	\$ 16,016,000

During the year, \$6,045,000 of refunding bonds were issued to provide resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources for all future debt service payments on \$6,190,000 in bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities. The refunding resulted in a \$310,924 economic gain and a reduction in future debt service payments of \$377,924.

Installment Obligations. The government has entered into various long-term installment payment agreements. The original amount of installment obligations issued in prior years for the items listed below was \$9,502,005 for the primary government and \$8,690,000 for the discretely presented component unit. No new installment debt was entered into during the year.

	Year of Maturity	Interest Rates	Amount
Governmental activities			
2007 energy savings equipment contract #1	2023	4.66%	\$ 3,079,653
2008 energy savings equipment contract #2	2023	4.56%	230,502
2008 energy savings equipment contract #3	2023	4.21%	75,810
2009 computer software	2014	3.77%	472,000
			\$ 3,857,965
Discretely presented component unit			
1992 land contract	2012	9.00%	\$ 873,350

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

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

	Governmental Activities		Component Unit	
	Principal	Interest	Principal	Interest
2012	\$ 378,730	\$ 169,552	\$ 873,350	\$ 78,602
2013	394,473	153,061	-	-
2014	417,720	135,747	-	-
2015	262,498	120,823	-	-
2016	274,826	108,494	-	-
2017-2021	1,580,320	336,282	-	-
2022-2023	549,398	24,257	-	-
	\$ 3,857,965	\$ 1,048,216	\$ 873,350	\$ 78,602

Capital Lease. The government entered into various lease agreements for computers and airport snow removal equipment. The original amount of capital leases issued in prior years for the items listed below was \$2,423,835 for the primary government. The City did not enter into any new capital leases during the year.

	Year of Maturity	Interest Rates	Amount
Business-type activities			
2003 chassis/runway broom	2012	4.35%	\$ 38,005
2004 snow blower	2013	4.38%	84,544
2005 plow	2015	5.00%	145,239
2006 runway snowplow	2016	5.22%	183,803
2008 snow blower	2017	4.51%	344,876
2009 runway snowplow	2019	5.39%	285,827
			\$ 1,082,294

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

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

	Business-type Activities	
	Principal	Interest
2012	\$ 227,194	\$ 52,845
2013	198,368	42,014
2014	162,601	32,390
2015	170,480	24,511
2016	138,078	16,249
2017-2019	185,573	16,269
	\$ 1,082,294	\$ 184,278

Loans Payable. The TIFA (a discretely presented component unit) has borrowed from the Michigan Economic Development Corporation (MEDC) to fund certain economic development activities in the Fort Custer Industrial Park. The original amount of these loans was \$1,689,670.

During the year ended June 30, 2008, the Brownfield Redevelopment Authority entered into two loans with the Battle Creek Tax Increment Finance Authority (a component unit of the City of Battle Creek) to borrow up to \$3,530,000 for use with a particular brownfield project. As of June 30, 2011, the Brownfield Redevelopment Authority had drawn a total of \$2,560,708 on the authorized amount (\$46,864 during the current year). During the year ended June 30, 2010, a third 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, 2011, a total of \$2,301,523 (\$36,139 during the current year) had been drawn on the authorized amount.

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

Loans outstanding at year-end are as follows:

	Year of Maturity	Interest Rates	Amount
Discretely presented component units			
Core communities loan	2017	6.00%	\$ 488,743
Brownfield redevelopment loans	n/a	5.00%	4,425,082
			\$ 4,913,825

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

Annual debt service requirements to maturity for the MEDC loans are as follows:

	Component Unit	
	Principal	Interest
2012	\$ 77,383	\$ 27,605
2013	82,132	22,857
2014	87,172	17,817
2015	92,521	12,467
2016	98,198	6,790
2017	51,337	1,158
	\$ 488,743	\$ 88,694

Changes in Long-Term Debt. Long-term liability activity for fiscal 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental activities					
General obligation bonds	\$ 19,880,000	\$ 6,725,000	\$ (8,660,000)	\$ 17,945,000	\$ 1,615,000
Installment contracts	4,221,434	-	(363,469)	3,857,965	378,730
Capital leases	8,491	-	(8,491)	-	-
Compensated absences	3,184,032	1,902,137	(1,842,843)	3,243,326	1,621,663
Add (deduct) deferred amounts:					
For issuance premiums	20,231	250,294	(5,331)	265,194	-
For issuance discounts	(32,349)	-	2,489	(29,860)	-
On refunding	(14,226)	(303,624)	415	(317,435)	-
	\$ 27,267,613	\$ 8,573,807	\$ (10,877,230)	\$ 24,964,190	\$ 3,615,393
Business-type activities					
General obligation bonds	\$ 485,000	\$ -	\$ (235,000)	\$ 250,000	\$ 250,000
Revenue bonds	16,240,000	6,045,000	(7,765,000)	14,520,000	1,655,000
Capital leases	1,299,151	-	(216,857)	1,082,294	227,194
Compensated absences	426,110	659,150	596,094	489,166	489,166
Add (deduct) deferred amounts:					
For issuance discounts	(132,372)	-	129,942	(2,430)	-
For issuance premiums	314,447	300,803	(52,408)	562,842	-
On refunding	(434,151)	-	72,358	(361,793)	-
	\$ 18,198,185	\$ 7,004,953	\$ (7,470,871)	\$ 16,540,079	\$ 2,621,360

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

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Component Units</u>					
DDA					
Revenue bonds	\$ 49,305,000	\$ -	\$ (2,475,000)	\$ 46,830,000	\$ 2,665,000
Add (deduct) deferred amounts:					
For issuance premiums	1,704,767	-	(142,064)	1,562,703	-
On refunding	(2,570,460)	-	257,046	(2,313,414)	-
	\$ 48,439,307	\$ -	\$ (2,360,018)	\$ 46,079,289	\$ 2,665,000
TIFA					
General obligation bonds	\$ 8,205,000	\$ -	\$ (700,000)	\$ 7,505,000	\$ 755,000
Revenue bonds	4,485,000	-	(775,000)	3,710,000	800,000
Land contracts	1,674,596	-	(801,246)	873,350	873,350
Loans payable	561,652	-	(72,909)	488,743	77,383
Add deferred amounts -					
For issuance discounts	(15,733)	-	795	(14,938)	-
	\$ 14,910,515	\$ -	\$ (2,348,360)	\$ 12,562,155	\$ 2,505,733
Brownfield					
Loans payable	\$ 4,551,928	\$ 83,003	\$ (209,849)	\$ 4,425,082	\$ -

3-H. 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.

3-I. Endowments

Youth Center Endowment Permanent Trust Fund. For the year ended June 30, 2011, the net appreciation on investments of donor-restricted endowments was \$10,999. 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 \$53,038 is reported in restricted net assets; the nonexpendable endowment balance is \$361,778.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

Kellogg Arena Endowment Permanent Trust Fund. For the year ended June 30, 2011, the net appreciation on investments of donor-restricted endowments was \$17,553. 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 \$63,407 is reported in restricted; the nonexpendable endowment balance is \$623,533.

NOTE 4 – OTHER INFORMATION

4-A. Risk Management

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

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

Effective October 1, 2003, the City converted from a premium-based policy for employee medical coverage to a self-funded plan, with specific stop-loss insurance that limits claim expense to \$50,000 per contract (i.e., employee and dependents), annually. Aggregate stop-loss insurance limits annual losses to 120 percent of expected claims.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

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

	<u>2011</u>	<u>2010</u>
Estimated liability, beginning of year	\$ 3,488,308	\$ 5,431,789
Estimated claims incurred, including changes in estimates	14,011,519	7,439,850
Claim payments	<u>(11,904,620)</u>	<u>(9,383,331)</u>
Estimated liability, end of year	<u>\$ 5,595,207</u>	<u>\$ 3,488,308</u>

4-B. 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 31; 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 2010 levy, including industrial facilities and neighborhood enterprise zone properties, but net of renaissance zones, was \$1,642,259,755. The government's general operating tax rate for fiscal 2010-11 was 11.058 mills with an additional 3.418 mills for police and fire pension.

Property taxes for the DDA, LDDA, 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.

4-C. 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.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

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 commitments under various contracts from the downtown transformation project of approximately \$6,703,000.

4-D. 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 4-E. 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.

The financial statements of the System are prepared using the accrual basis of accounting. Plan 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.

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 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 members are required to contribute between 7.5% to 10% of their annual covered wages to the System for pension benefits, depending on the bargaining unit. The City is required to contribute such additional amounts as necessary, based on actuarial determinations, to provide assets sufficient to pay for member benefits. The City's pension contribution to the System for the year ended June 30, 2011 amounted to 27.85% of annual covered payroll.

Plan benefit provisions were established and may be amended under the authority of City Ordinances. Contribution requirements were established and may be amended subject to collective bargaining agreements and approval by the System Retirement Board and City Commission.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

The annual required contribution (ARC) for the year ended June 30, 2011 for pension was \$3,846,195. The ARC was made by the City. There was no net pension obligation at the beginning or the end of the fiscal year.

Three-Year Trend Information

Years Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2009	\$ 3,408,722	100%	\$ -
2010	3,122,270	100%	-
2011	3,846,195	100%	-

The funded status of the pension portion of the System as of June 30, 2010, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	(1)	\$ 137,557,259	
Actuarial value of assets	(2)	112,804,385	
Unfunded AAL (UAAL)	(3)	<u>\$ 24,752,874</u>	(1) - (2)
Funded ratio	(4)	<u>82.0%</u>	(2) / (1)
Covered payroll	(5)	<u>\$ 12,383,339</u>	
UAAL as % of covered payroll	(6)	<u>199.9%</u>	(3) / (5)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. For purposes of the schedule of funding progress, the actuarial accrued liability value as shown is determined using the entry age actuarial cost method.

The accompanying schedule of employer contributions presents trend information about the amounts contributed to the System by the employer in comparison to the ARC (annual required contribution), an amount that is actuarially determined in accordance with the parameters of GASB Statement 25. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

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

Additional information as of the latest actuarial valuation includes:

Valuation date	June 30, 2010
Actuarial cost method	Entry-age
Amortization method	Level percent-of-payroll
Remaining amortization period	30 year open
Asset valuation method	5-year smoothed market w/ 20% corridor
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases*	4.5% to 8.5%
Assume rate of payroll growth	0%
Cost-of-living adjustments	None

GASB Statement 25 required supplementary information is presented after the notes to the financial statements section of this report.

Municipal Employees Retirement System of Michigan

The City also participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the Retirement Board of MERS. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members and beneficiaries. The MERS Retirement Board establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917, or by calling (800) 767-6377.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

The City is required to contribute at an actuarially determined rate; the current rate is 25.71% of annual covered payroll. City employees are required to contribute 0.0% to 4.16% of their annual covered payroll, depending on the applicable bargaining unit. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City, subject to collective bargaining agreements and depending on the MERS contribution program adopted by the City.

For the year ended June 30, 2011, the City's annual pension cost of \$2,813,342 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2010 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increase of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 8.4% per year, depending on age, attributable to seniority/merit.

The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2010, the date of the latest actuarial valuation, was 28 years.

Three-Year Trend Information

<u>Annual Years Ended June 30,</u>	<u>Pension Cost (APC)</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2009	\$ 2,927,813	100%	\$ -
2010	2,662,650	100%	-
2011	2,813,342	100%	-

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

The funded status of the pension portion of the Plan as of December 31, 2010, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	(1)	\$ 121,967,784	
Actuarial value of assets	(2)	88,247,674	
Unfunded AAL (UAAL)	(3)	<u>\$ 33,720,110</u>	(1) - (2)
Funded ratio	(4)	<u>72.4%</u>	(2) / (1)
Covered payroll	(5)	<u>\$ 16,067,939</u>	
UAAL as % of covered payroll	(6)	<u>209.9%</u>	(3) / (5)

As previously mentioned, actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress for the MERS Plan, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. For purposes of the schedule of funding progress, the actuarial accrued liability value as shown is determined using the entry age actuarial cost method.

4-E. Postemployment Benefits

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

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 \$500,000 of health care costs of the then current retirees. Police and fire personnel retiring on or after July 1, 2007 receive their health care benefits through either the Retirement Health Funding Vehicle (RHFV) or Fire Retiree Health Care trust fund, which are employee contributory plans (that are presented as other employee benefit trust funds in separately issued financial statements; these two trust funds constitute the financial statements for the City's postemployment benefits plan).

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

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

Basis of Accounting. The plan's financial statements are prepared using the accrual basis of accounting. Plan 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.

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

Plan Membership. Plan membership consisted of 300 retirees currently receiving benefits and 573 active members (for a total of 873) as of June 30, 2009, the date of the latest actuarial valuation.

Funding Policy. The City has no obligation to make contributions in advance of when the insurance premiums or benefits are due for payment; in other words, the plan may be financed on a *pay-as-you-go* basis. Administrative costs of the plan are paid for by the City's general fund. Certain plan participants are required to contribute to the plan. For the year ended June 30, 2011, the City paid \$1,661,696 towards the cost of benefits and/or advance funding the plan.

Funding Progress. For the year ended June 30, 2011, the City estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2009. Such valuation computes the *annual required contribution* (ARC) that represents a level of funding, that if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current combined ARC is 11.01% of annual covered payroll.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

Annual OPEB Cost and Net OPEB Obligation. For fiscal year 2011, the components of the City's annual OPEB (other postemployment benefit) cost for the year, the amount actually contributed to the plan (including *pay-as-you-go* amounts), and changes in the City's net OPEB obligation to the plan are as follows:

Annual required contribution	\$ 3,610,915
Interest on net OPEB obligation	151,562
Adjustment to annual required contribution	<u>(119,598)</u>
Annual OPEB cost	3,642,879
Contributions made	<u>(1,661,696)</u>
Increase in net OPEB obligation	1,981,183
Net OPEB obligation, beginning of year	<u>3,031,235</u>
Net OPEB obligation, end of year	<u><u>\$ 5,012,418</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/09	\$ 3,234,233	65.0%	\$ 1,133,476
6/30/10	3,622,867	47.6%	3,031,235
6/30/11	3,642,879	45.6%	5,012,418

Funded Status. The funded status of the plan as of June 30, 2009, the date of the latest actuarial valuation, was as follow:

Actuarial accrued liabilities (AAL)	\$53,965,475
Actuarial value of plan assets	<u>1,491,954</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$52,473,521</u></u>
Funded ratio	2.8%
Covered payroll (active plan members)	\$32,793,335
UAAL as a percentage of covered payroll	160%

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

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

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

Significant methods and assumptions were as follows:

Actuarial valuation date	6/30/09
Actuarial cost method	Individual entry age
Amortization method for contributions	Level percent open
Remaining amortization period	30 years closed
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.0%
Projected salary increases	4.5% - 12.9%
Healthcare inflation rate	9% (2010), grading to 4.5% (2019)

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BATTLE CREEK, MICHIGAN
Police and Fire Retirement System
Required Supplementary Information

Schedule of Funding Progress - Pension Only

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	(Over) Under Funded AAL (OAAL/UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll	OAAL/UAAL as a % of Covered Payroll
6/30/2001	\$ 101,190,705	\$ 87,909,496	\$ (13,281,209)	115.1%	\$ 11,615,098	-114.3%
6/30/2002	103,950,731	95,368,883	(8,581,848)	109.0%	11,907,553	-72.1%
6/30/2003	103,655,770	100,346,606	(3,309,164)	103.3%	11,855,130	-27.9%
6/30/2004	103,745,735	104,336,169	590,434	99.4%	12,114,360	4.9%
6/30/2005	102,755,663	110,487,311	7,731,648	93.0%	12,085,192	64.0%
6/30/2006	103,283,413	114,501,359	11,217,946	90.2%	12,283,787	91.3%
6/30/2007	108,245,308	121,823,413	13,578,105	88.9%	12,358,265	109.9%
6/30/2008	113,285,618	126,752,205	13,466,587	89.4%	12,497,433	107.8%
6/30/2009	112,094,168	133,052,817	20,958,649	84.2%	11,953,735	175.3%
6/30/2010	112,804,385	137,557,259	24,752,874	82.0%	12,383,339	199.9%

Schedule of Employer Contributions - Pension Only

Year Ended June 30	Annual Required Contributions	Percentage Contributed
2002	\$ 622,566	100%
2003	468,005	100%
2004	1,268,053	100%
2005	1,824,879	100%
2006	2,458,298	100%
2007	2,877,942	100%
2008	3,117,333	100%
2009	3,408,722	100%
2010	3,122,270	100%
2011	3,846,195	100%

CITY OF BATTLE CREEK, MICHIGAN
Municipal Employees Retirement System of Michigan
Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll	UAAL as a % of Covered Payroll
12/31/2001	\$ 59,488,390	\$ 76,271,131	\$ 16,782,741	78.0%	\$ 18,337,847	91.5%
12/31/2002	61,264,130	80,336,233	19,072,103	76.3%	18,842,104	101.2%
12/31/2003	65,724,348	86,671,937	20,947,589	75.8%	18,909,696	110.8%
12/31/2004	69,677,870	92,602,174	22,924,304	75.2%	18,588,796	123.3%
12/31/2005	73,555,512	98,161,300	24,605,788	74.9%	18,925,044	130.0%
12/31/2006	78,531,625	103,019,360	24,487,735	76.2%	18,967,386	129.1%
12/31/2007	83,685,510	108,343,302	24,657,792	77.2%	19,277,569	127.9%
12/31/2008	85,758,953	114,485,126	28,726,173	74.9%	19,272,392	149.1%
12/31/2009	87,170,898	117,667,634	30,496,736	74.1%	19,628,357	155.4%
12/31/2010	88,247,674	121,967,784	33,720,110	72.4%	16,067,939	209.9%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contributions	Percentage Contributed
2002	\$ 2,214,997	100%
2003	2,186,283	100%
2004	2,405,954	100%
2005	2,503,415	100%
2006	2,865,291	100%
2007	2,822,291	100%
2008	3,156,276	100%
2009	2,927,813	100%
2010	2,662,650	100%
2011	2,813,342	100%

CITY OF BATTLE CREEK, MICHIGAN
Other Postemployment Benefits
Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2007	\$ 75,887	\$ 53,576,166	\$ 53,500,279	0.1%	\$ 31,097,241	172.0%
6/30/2009	1,491,954	53,965,475	52,473,521	2.8%	32,793,335	160.0%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
2009	\$ 3,234,233	\$ 2,100,757	65.0%
2010	3,610,915	1,725,108	47.8%
2011	3,610,915	1,161,696	46.0%

**COMBINING and INDIVIDUAL FUND FINANCIAL
STATEMENTS and SCHEDULES**

CITY OF BATTLE CREEK, MICHIGAN
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2011

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
<u>ASSETS</u>					
Assets					
Pooled cash and investments	\$ 1,253,841	\$ 11,354	\$ 1,323,597	\$ 1,151,914	\$ 3,740,706
Receivables:					
Interest	13,200	179	9,294	12,702	35,375
Accounts	927,746	3,339	776,172	-	1,707,257
Special assessments	-	284,333	-	-	284,333
Grants	551,531	-	-	-	551,531
Inventories	102,713	-	-	-	102,713
Prepaid items	32,714	-	-	-	32,714
	<u>\$ 2,881,745</u>	<u>\$ 299,205</u>	<u>\$ 2,109,063</u>	<u>\$ 1,164,616</u>	<u>\$ 6,454,629</u>
<u>TOTAL ASSETS</u>					
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Accounts payable	\$ 613,218	\$ -	\$ 147,100	\$ 62,860	\$ 823,178
Retentions, deposits and other liability:	136,278	-	-	-	136,278
Interfund payable	1,172,529	138	643,635	-	1,816,302
Deferred revenue	488,041	284,333	-	-	772,374
	<u>2,410,066</u>	<u>284,471</u>	<u>790,735</u>	<u>62,860</u>	<u>3,548,132</u>
Total liabilities					
Fund balances					
Nonspendable for:					
Inventories	102,713	-	-	-	102,713
Prepaid items	32,714	-	-	-	32,714
Endowments	-	-	-	985,311	985,311
Restricted for:					
Michigan justice training	21,222	-	-	-	21,222
Narcotics forfeiture	200,855	-	-	-	200,855
Public safety communication	351,351	-	-	-	351,351
Youth center	-	-	-	53,038	53,038
Kellogg arena	-	-	-	63,407	63,407
Committed for:					
Major and local streets	238,390	-	-	-	238,390
Special grants	8,689	-	-	-	8,689
Kellogg arena operations	28,134	-	-	-	28,134
Debt service	-	14,734	-	-	14,734
Capital projects	-	-	668,447	-	668,447
Assigned for departmental appropriation:	-	-	649,881	-	649,881
Unassigned deficit	(512,389)	-	-	-	(512,389)
	<u>471,679</u>	<u>14,734</u>	<u>1,318,328</u>	<u>1,101,756</u>	<u>2,906,497</u>
Total fund balances					
<u>TOTAL LIABILITIES AND FUND BALANCES</u>					
	<u>\$ 2,881,745</u>	<u>\$ 299,205</u>	<u>\$ 2,109,063</u>	<u>\$ 1,164,616</u>	<u>\$ 6,454,629</u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2011

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
Revenues					
Intergovernmental	\$ 7,641,662	\$ -	\$ 1,657,132	\$ -	\$ 9,298,794
Charges for services	2,337,149	-	-	-	2,337,149
Investment income	36,527	3,327	186	28,552	68,592
Other	110,655	1,227,740	13,532	-	1,351,927
	<u>10,125,993</u>	<u>1,231,067</u>	<u>1,670,850</u>	<u>28,552</u>	<u>13,056,462</u>
Expenditures					
Current expenditures:					
General government	1,048,844	-	454,617	-	1,503,461
Public safety	689,828	-	-	-	689,828
Highway and streets	5,350,619	-	4,323,474	-	9,674,093
Parks and recreation	2,328,466	-	-	-	2,328,466
Community development	567,324	146,773	-	-	714,097
Unallocated	-	-	-	26,897	26,897
Debt service:					
Principal retirement	535,000	1,828,469	-	-	2,363,469
Interest	134,459	761,227	-	-	895,686
Bond issuance costs	-	153,331	-	-	153,331
	<u>10,654,540</u>	<u>2,889,800</u>	<u>4,778,091</u>	<u>26,897</u>	<u>18,349,328</u>
Revenues under expenditures	<u>(528,547)</u>	<u>(1,658,733)</u>	<u>(3,107,241)</u>	<u>1,655</u>	<u>(5,292,866)</u>
Other financing sources (uses)					
Issuance of refunding bonds	-	6,725,000	-	-	6,725,000
Premium on refunding bonds	-	250,294	-	-	250,294
Payment to refunding bond escrow agent	-	(6,818,624)	-	-	(6,818,624)
Proceeds from sales of capital assets	56,189	-	-	-	56,189
Transfers in	2,081,235	1,509,233	3,227,824	-	6,818,292
Transfers out	(1,504,879)	-	(52,511)	(96,231)	(1,653,621)
	<u>632,545</u>	<u>1,665,903</u>	<u>3,175,313</u>	<u>(96,231)</u>	<u>5,377,530</u>
Net change in fund balances	103,998	7,170	68,072	(94,576)	84,664
Fund balances, beginning of year	<u>367,681</u>	<u>7,564</u>	<u>1,250,256</u>	<u>1,196,332</u>	<u>2,821,833</u>
Fund balances, end of year	<u><u>\$ 471,679</u></u>	<u><u>\$ 14,734</u></u>	<u><u>\$ 1,318,328</u></u>	<u><u>\$ 1,101,756</u></u>	<u><u>\$ 2,906,497</u></u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Balance Sheet - Nonmajor Special Revenue Funds
June 30, 2011

	Major Street and Trunkline Maintenance	Local Street	Special Grants	HOME Program
<u>ASSETS</u>				
Assets				
Pooled cash and investments	\$ -	\$ -	\$ -	\$ -
Receivables:				
Interest	-	9,326	-	-
Accounts	587,757	153,587	-	-
Grants	-	-	524,527	27,004
Inventories	-	-	-	-
Prepaid items	-	-	-	-
	<u>587,757</u>	<u>162,913</u>	<u>524,527</u>	<u>27,004</u>
<u>TOTAL ASSETS</u>	<u>\$ 587,757</u>	<u>\$ 162,913</u>	<u>\$ 524,527</u>	<u>\$ 27,004</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ 35,382	\$ 14,708	\$ 281,799	\$ 22,132
Retentions, deposits and other liabilities	-	-	-	-
Interfund payable	435,039	26,820	207,061	4,872
Deferred revenue	331	-	26,978	-
	<u>470,752</u>	<u>41,528</u>	<u>515,838</u>	<u>27,004</u>
Total liabilities	<u>470,752</u>	<u>41,528</u>	<u>515,838</u>	<u>27,004</u>
Fund balances				
Nonspendable for:				
Inventories	-	-	-	-
Prepaid items	-	-	-	-
Restricted for:				
Michigan justice training	-	-	-	-
Narcotics forfeiture	-	-	-	-
Public safety communication	-	-	-	-
Committed for:				
Major and local streets	117,005	121,385	-	-
Special grants	-	-	8,689	-
Kellogg arena operations	-	-	-	-
Unassigned deficit	-	-	-	-
	<u>117,005</u>	<u>121,385</u>	<u>8,689</u>	<u>-</u>
Total fund balances (deficits)	<u>117,005</u>	<u>121,385</u>	<u>8,689</u>	<u>-</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 587,757</u>	<u>\$ 162,913</u>	<u>\$ 524,527</u>	<u>\$ 27,004</u>

Michigan Justice Training	Narcotics Forfeiture	Public Safety Communications	Kellogg Arena	Binder Park Golf Course	Total
\$ 21,922	\$ 336,129	\$ 774,298	\$ 121,492	\$ -	\$ 1,253,841
-	2,897	-	-	977	13,200
-	-	-	185,223	1,179	927,746
-	-	-	-	-	551,531
-	-	-	26,760	75,953	102,713
-	11,410	-	21,304	-	32,714
<u>\$ 21,922</u>	<u>\$ 350,436</u>	<u>\$ 774,298</u>	<u>\$ 354,779</u>	<u>\$ 78,109</u>	<u>\$ 2,881,745</u>
\$ 700	\$ 1,893	\$ -	\$ 250,646	\$ 5,958	\$ 613,218
-	136,278	-	-	-	136,278
-	-	-	-	498,737	1,172,529
-	-	422,947	27,935	9,850	488,041
<u>700</u>	<u>138,171</u>	<u>422,947</u>	<u>278,581</u>	<u>514,545</u>	<u>2,410,066</u>
-	-	-	26,760	75,953	102,713
-	11,410	-	21,304	-	32,714
21,222	-	-	-	-	21,222
-	200,855	-	-	-	200,855
-	-	351,351	-	-	351,351
-	-	-	-	-	238,390
-	-	-	-	-	8,689
-	-	-	28,134	-	28,134
-	-	-	-	(512,389)	(512,389)
<u>21,222</u>	<u>212,265</u>	<u>351,351</u>	<u>76,198</u>	<u>(436,436)</u>	<u>471,679</u>
<u>\$ 21,922</u>	<u>\$ 350,436</u>	<u>\$ 774,298</u>	<u>\$ 354,779</u>	<u>\$ 78,109</u>	<u>\$ 2,881,745</u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Nonmajor Special Revenue Funds
For the Year Ended June 30, 2011

	Major Street and Trunkline Maintenance	Local Street	Special Grants	HOME Program
Revenues				
Intergovernmental	\$ 4,041,712	\$ 951,909	\$ 1,399,637	\$ 568,089
Charges for services	-	-	-	-
Investment income (loss)	(20,481)	48,616	-	-
Contributions and donations	-	-	42,501	-
Other	18,123	11,411	3,296	-
	<u>4,039,354</u>	<u>1,011,936</u>	<u>1,445,434</u>	<u>568,089</u>
Total revenues				
Expenditures				
Current expenditures:				
General government	-	-	880,570	-
Public safety	-	-	666,145	-
Highways and streets	2,808,255	2,542,364	-	-
Parks and recreation	-	-	-	-
Community development	-	-	-	567,324
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>2,808,255</u>	<u>2,542,364</u>	<u>1,546,715</u>	<u>567,324</u>
Total expenditures				
Revenues over (under) expenditures	<u>1,231,099</u>	<u>(1,530,428)</u>	<u>(101,281)</u>	<u>765</u>
Other financing sources (uses)				
Proceeds from sales of capital assets	-	-	56,189	-
Transfers in	150,000	1,795,000	40,004	-
Transfers out	(1,266,356)	(237,758)	-	(765)
	<u>(1,116,356)</u>	<u>1,557,242</u>	<u>96,193</u>	<u>(765)</u>
Total other financing sources (uses)				
Net change in fund balances	114,743	26,814	(5,088)	-
Fund balances (deficit), beginning of year	<u>2,262</u>	<u>94,571</u>	<u>13,777</u>	<u>-</u>
Fund balances (deficits), end of year	<u>\$ 117,005</u>	<u>\$ 121,385</u>	<u>\$ 8,689</u>	<u>\$ -</u>

Michigan Justice Training	Narcotics Forfeiture	Public Safety Communications	Kellogg Arena	Binder Park Golf Course	Total
\$ 21,627	\$ 160,632	\$ 423,056	\$ 75,000	\$ -	\$ 7,641,662
-	-	-	1,170,516	1,166,633	2,337,149
-	8,392	-	-	-	36,527
-	-	-	-	-	42,501
-	35,162	162	-	-	68,154
<u>21,627</u>	<u>204,186</u>	<u>423,218</u>	<u>1,245,516</u>	<u>1,166,633</u>	<u>10,125,993</u>
39,522	128,752	-	-	-	1,048,844
-	-	23,683	-	-	689,828
-	-	-	-	-	5,350,619
-	-	-	1,392,790	935,676	2,328,466
-	-	-	-	-	567,324
-	-	370,000	-	165,000	535,000
-	-	82,628	-	51,831	134,459
<u>39,522</u>	<u>128,752</u>	<u>476,311</u>	<u>1,392,790</u>	<u>1,152,507</u>	<u>10,654,540</u>
<u>(17,895)</u>	<u>75,434</u>	<u>(53,093)</u>	<u>(147,274)</u>	<u>14,126</u>	<u>(528,547)</u>
-	-	-	-	-	56,189
-	-	-	96,231	-	2,081,235
-	-	-	-	-	(1,504,879)
-	-	-	96,231	-	632,545
(17,895)	75,434	(53,093)	(51,043)	14,126	103,998
<u>39,117</u>	<u>136,831</u>	<u>404,444</u>	<u>127,241</u>	<u>(450,562)</u>	<u>367,681</u>
<u>\$ 21,222</u>	<u>\$ 212,265</u>	<u>\$ 351,351</u>	<u>\$ 76,198</u>	<u>\$ (436,436)</u>	<u>\$ 471,679</u>

CITY OF BATTLE CREEK, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Final Budget and Actual - Nonmajor Special Revenue Funds
For the Year Ended June 30, 2011

	Major Street and Trunkline Maintenance Fund		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Intergovernmental revenue	\$ 4,023,338	\$ 4,041,712	\$ 18,374
Charges for services	-	-	-
Investment income (loss)	5,000	(20,481)	(25,481)
Contributions and donations	-	-	-
Other	17,846	18,123	277
Total revenues	4,046,184	4,039,354	(6,830)
Expenditures			
Current expenditures:			
General government	-	-	-
Public safety	-	-	-
Highways and streets	2,822,415	2,808,255	(14,160)
Parks and recreation	-	-	-
Community development	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	2,822,415	2,808,255	(14,160)
Revenues over (under) expenditures	1,223,769	1,231,099	7,330
Other financing sources (uses)			
Proceeds from sales of capital assets	-	-	-
Transfers in	600,000	150,000	(450,000)
Transfers out	(1,356,356)	(1,266,356)	90,000
Total other financing sources (uses)	(756,356)	(1,116,356)	(360,000)
Net change in fund balances	467,413	114,743	(352,670)
Fund balances (deficits), beginning of year	2,262	2,262	-
Fund balances (deficits), end of year	\$ 469,675	\$ 117,005	\$ (352,670)

Local Street Fund			Special Grants Fund		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ 946,322	\$ 951,909	\$ 5,587	\$ 6,560,270	\$ 1,399,637	\$ (5,160,633)
-	-	-	-	-	-
15,000	48,616	33,616	-	-	-
-	-	-	83,665	42,501	(41,164)
11,371	11,411	40	4,208	3,296	(912)
<u>972,693</u>	<u>1,011,936</u>	<u>39,243</u>	<u>6,648,143</u>	<u>1,445,434</u>	<u>(5,202,709)</u>
-	-	-	4,724,426	880,570	(3,843,856)
-	-	-	2,027,739	666,145	(1,361,594)
2,610,188	2,542,364	(67,824)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,610,188</u>	<u>2,542,364</u>	<u>(67,824)</u>	<u>6,752,165</u>	<u>1,546,715</u>	<u>(5,205,450)</u>
<u>(1,637,495)</u>	<u>(1,530,428)</u>	<u>107,067</u>	<u>(104,022)</u>	<u>(101,281)</u>	<u>2,741</u>
-	-	-	56,189	56,189	-
1,885,000	1,795,000	(90,000)	42,562	40,004	(2,558)
(237,758)	(237,758)	-	-	-	-
<u>1,647,242</u>	<u>1,557,242</u>	<u>(90,000)</u>	<u>98,751</u>	<u>96,193</u>	<u>(2,558)</u>
9,747	26,814	17,067	(5,271)	(5,088)	183
94,571	94,571	-	13,777	13,777	-
<u>\$ 104,318</u>	<u>\$ 121,385</u>	<u>\$ 17,067</u>	<u>\$ 8,506</u>	<u>\$ 8,689</u>	<u>\$ 183</u>

Continued...

CITY OF BATTLE CREEK, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Final Budget and Actual - Nonmajor Special Revenue Funds (Continued)
For the Year Ended June 30, 2011

	HOME Program Fund		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Intergovernmental revenue	\$ 856,029	\$ 568,089	\$ (287,940)
Charges for services	-	-	-
Investment income	-	-	-
Contributions and donations	-	-	-
Other	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	856,029	568,089	(287,940)
	<hr/>	<hr/>	<hr/>
Expenditures			
Current expenditures:			
General government	-	-	-
Public safety	-	-	-
Highways and streets	-	-	-
Parks and recreation	-	-	-
Community development	855,264	567,324	(287,940)
Debt service:			
Principal	-	-	-
Interest	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	855,264	567,324	(287,940)
	<hr/>	<hr/>	<hr/>
Revenues over (under) expenditures	765	765	-
	<hr/>	<hr/>	<hr/>
Other financing sources (uses)			
Proceeds from sales of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	(765)	(765)	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(765)	(765)	-
	<hr/>	<hr/>	<hr/>
Net change in fund balances	-	-	-
	<hr/>	<hr/>	<hr/>
Fund balances, beginning of year	-	-	-
	<hr/>	<hr/>	<hr/>
Fund balances (deficits), end of year	\$ -	\$ -	\$ -
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Michigan Justice Training Fund			Narcotics Forfeiture Fund		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ 18,400	\$ 21,627	\$ 3,227	\$ 150,000	\$ 160,632	\$ 10,632
-	-	-	-	-	-
-	-	-	-	8,392	8,392
-	-	-	-	-	-
-	-	-	35,381	35,162	(219)
<u>18,400</u>	<u>21,627</u>	<u>3,227</u>	<u>185,381</u>	<u>204,186</u>	<u>18,805</u>
18,400	39,522	21,122	163,245	128,752	(34,493)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>18,400</u>	<u>39,522</u>	<u>21,122</u>	<u>163,245</u>	<u>128,752</u>	<u>(34,493)</u>
-	(17,895)	(17,895)	22,136	75,434	53,298
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	(17,895)	(17,895)	22,136	75,434	53,298
<u>39,117</u>	<u>39,117</u>	<u>-</u>	<u>136,831</u>	<u>136,831</u>	<u>-</u>
<u>\$ 39,117</u>	<u>\$ 21,222</u>	<u>\$ (17,895)</u>	<u>\$ 158,967</u>	<u>\$ 212,265</u>	<u>\$ 53,298</u>

Continued...

CITY OF BATTLE CREEK, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Final Budget and Actual - Nonmajor Special Revenue Funds (Continued)
For the Year Ended June 30, 2011

	<u>Public Safety Communications</u>		
	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Revenues			
Intergovernmental revenue	\$ 8,500	\$ 423,056	\$ 414,556
Charges for services	452,628	-	(452,628)
Investment income	-	-	-
Contributions and donations	-	-	-
Other	-	162	162
	<u>461,128</u>	<u>423,218</u>	<u>(37,910)</u>
Expenditures			
Current expenditures:			
General government	-	-	-
Public safety	-	23,683	23,683
Highways and streets	-	-	-
Parks and recreation	-	-	-
Community development	-	-	-
Debt service:			
Principal	370,000	370,000	-
Interest	82,628	82,628	-
	<u>452,628</u>	<u>476,311</u>	<u>23,683</u>
Revenues over (under) expenditures	<u>8,500</u>	<u>(53,093)</u>	<u>(61,593)</u>
Other financing sources (uses)			
Proceeds from sales of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	8,500	(53,093)	(61,593)
Fund balances, beginning of year	<u>404,444</u>	<u>404,444</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 412,944</u></u>	<u><u>\$ 351,351</u></u>	<u><u>\$ (61,593)</u></u>

Kellogg Arena Fund			Binder Park Golf Course		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ 75,000	\$ 75,000	\$ -	\$ -	\$ -
1,460,770	1,170,516	(290,254)	1,192,905	1,166,633	(26,272)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,460,770</u>	<u>1,245,516</u>	<u>(215,254)</u>	<u>1,192,905</u>	<u>1,166,633</u>	<u>(26,272)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,460,770	1,392,790	(67,980)	943,298	935,676	(7,622)
-	-	-	-	-	-
-	-	-	186,735	165,000	(21,735)
-	-	-	62,021	51,831	(10,190)
<u>1,460,770</u>	<u>1,392,790</u>	<u>(67,980)</u>	<u>1,192,054</u>	<u>1,152,507</u>	<u>(39,547)</u>
-	(147,274)	(147,274)	851	14,126	13,275
-	-	-	-	-	-
-	96,231	96,231	-	-	-
-	-	-	-	-	-
-	96,231	96,231	-	-	-
-	(51,043)	(51,043)	851	14,126	13,275
<u>127,241</u>	<u>127,241</u>	<u>-</u>	<u>(450,562)</u>	<u>(450,562)</u>	<u>-</u>
<u>\$ 127,241</u>	<u>\$ 76,198</u>	<u>\$ (51,043)</u>	<u>\$ (449,711)</u>	<u>\$ (436,436)</u>	<u>\$ 13,275</u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Balance Sheet - Nonmajor Debt Service Funds
June 30, 2011

<u>ASSETS</u>	<u>DPW Building</u>	<u>Building Authority Bonds</u>	<u>Special Assessment Debt Service</u>	<u>Michigan Transportation Fund Bonds Debt Service</u>	<u>Energy Savings</u>	<u>Total</u>
Assets						
Pooled cash and investments	\$ -	\$ 5,139	\$ 5,298	\$ 917	\$ -	\$ 11,354
Receivables:						
Interest	-	46	124	9	-	179
Accounts	3,339	-	-	-	-	3,339
Special assessments	-	-	284,333	-	-	284,333
	<u>-</u>	<u>-</u>	<u>284,333</u>	<u>-</u>	<u>-</u>	<u>284,333</u>
 <u>TOTAL ASSETS</u>	 <u>\$ 3,339</u>	 <u>\$ 5,185</u>	 <u>\$ 289,755</u>	 <u>\$ 926</u>	 <u>\$ -</u>	 <u>\$ 299,205</u>
 <u>LIABILITIES AND FUND BALANCES</u>						
Liabilities						
Interfund payable	\$ 138	\$ -	\$ -	\$ -	\$ -	\$ 138
Deferred revenue	-	-	284,333	-	-	284,333
	<u>-</u>	<u>-</u>	<u>284,333</u>	<u>-</u>	<u>-</u>	<u>284,333</u>
Total liabilities	138	-	284,333	-	-	284,471
 Fund balances						
Committed	3,201	5,185	5,422	926	-	14,734
	<u>3,201</u>	<u>5,185</u>	<u>5,422</u>	<u>926</u>	<u>-</u>	<u>14,734</u>
 <u>TOTAL LIABILITIES AND FUND BALANCES</u>	 <u>\$ 3,339</u>	 <u>\$ 5,185</u>	 <u>\$ 289,755</u>	 <u>\$ 926</u>	 <u>\$ -</u>	 <u>\$ 299,205</u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Nonmajor Debt Service Funds
For the Year Ended June 30, 2011

	<u>DPW Building</u>	<u>Building Authority Bonds</u>	<u>Special Assessment Debt Service</u>	<u>Michigan Transportation Fund Bonds Debt Service</u>	<u>Energy Savings</u>	<u>Total</u>
Revenues						
Investment income	\$ -	\$ -	\$ 3,327	\$ -	\$ -	\$ 3,327
Local sources	-	1,080,226	147,514	-	-	1,227,740
Total revenues	-	1,080,226	150,841	-	-	1,231,067
Expenditures						
Community development	-	-	146,773	-	-	146,773
Debt service:						
Principal retirement	445,000	840,000	-	325,000	218,469	1,828,469
Interest	324,369	240,325	-	31,682	164,851	761,227
Bond issuance costs	153,331	-	-	-	-	153,331
Total expenditures	922,700	1,080,325	146,773	356,682	383,320	2,889,800
Revenues over (under) expenditures	(922,700)	(99)	4,068	(356,682)	(383,320)	(1,658,733)
Other financing sources (uses)						
Issuance of refunding bonds	6,725,000	-	-	-	-	6,725,000
Premium on refunding bonds	250,294	-	-	-	-	250,294
Payment to refunding bond escrow agent	(6,818,624)	-	-	-	-	(6,818,624)
Transfers in	769,231	-	-	356,682	383,320	1,509,233
Total other financing sources (uses)	925,901	-	-	356,682	383,320	1,665,903
Net change in fund balances	3,201	(99)	4,068	-	-	7,170
Fund balances, beginning of year	-	5,284	1,354	926	-	7,564
Fund balances, end of year	\$ 3,201	\$ 5,185	\$ 5,422	\$ 926	\$ -	\$ 14,734

CITY OF BATTLE CREEK, MICHIGAN
Combining Balance Sheet - Nonmajor Capital Projects Funds
June 30, 2011

	<u>Street Projects</u>	<u>Justice Center Construction</u>	<u>General Capital Improvement</u>	<u>Dispatch Capital Improvement</u>	<u>Downtown Transformation Projects</u>	<u>Total</u>
<u>ASSETS</u>						
Assets						
Pooled cash and investments	\$ 591,497	\$ 7,881	\$ 640,653	\$ 83,566	\$ -	\$ 1,323,597
Receivables:						
Interest	-	66	9,228	-	-	9,294
Accounts	997	-	-	-	775,175	776,172
	<u>592,494</u>	<u>7,947</u>	<u>649,881</u>	<u>83,566</u>	<u>775,175</u>	<u>2,109,063</u>
<u>TOTAL ASSETS</u>	<u>\$ 592,494</u>	<u>\$ 7,947</u>	<u>\$ 649,881</u>	<u>\$ 83,566</u>	<u>\$ 775,175</u>	<u>\$ 2,109,063</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities						
Accounts payable	\$ 14,545	\$ -	\$ -	\$ 1,024	\$ 131,531	\$ 147,100
Interfund payable	-	-	-	-	643,635	643,635
	<u>14,545</u>	<u>-</u>	<u>-</u>	<u>1,024</u>	<u>775,166</u>	<u>790,735</u>
Total liabilities	<u>14,545</u>	<u>-</u>	<u>-</u>	<u>1,024</u>	<u>775,166</u>	<u>790,735</u>
Fund balances						
Committed	577,949	7,947	-	82,542	9	668,447
Assigned for departmental appropriations	-	-	649,881	-	-	649,881
	<u>577,949</u>	<u>7,947</u>	<u>649,881</u>	<u>82,542</u>	<u>9</u>	<u>1,318,328</u>
Total fund balances	<u>577,949</u>	<u>7,947</u>	<u>649,881</u>	<u>82,542</u>	<u>9</u>	<u>1,318,328</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 592,494</u>	<u>\$ 7,947</u>	<u>\$ 649,881</u>	<u>\$ 83,566</u>	<u>\$ 775,175</u>	<u>\$ 2,109,063</u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Revenue, Expenditures and
Changes in Fund Balance - Nonmajor Capital Projects Funds
For the Year Ended June 30, 2011

	<u>Street Projects</u>	<u>Justice Center Construction</u>	<u>General Capital Improvement</u>	<u>Dispatch Capital Improvement</u>	<u>Downtown Transformation Projects</u>	<u>Total</u>
Revenue						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 1,657,132	\$ 1,657,132
Investment income	-	183	-	-	3	186
Other	11,532	-	-	-	2,000	13,532
Total revenue	<u>11,532</u>	<u>183</u>	<u>-</u>	<u>-</u>	<u>1,659,135</u>	<u>1,670,850</u>
Expenditures						
General government	-	-	453,993	624	-	454,617
Highways and streets	2,562,854	-	-	-	1,760,620	4,323,474
Total expenditures	<u>2,562,854</u>	<u>-</u>	<u>453,993</u>	<u>624</u>	<u>1,760,620</u>	<u>4,778,091</u>
Revenue over (under) expenditures	<u>(2,551,322)</u>	<u>183</u>	<u>(453,993)</u>	<u>(624)</u>	<u>(101,485)</u>	<u>(3,107,241)</u>
Other financing sources (uses)						
Transfers in	2,950,000	-	176,330	-	101,494	3,227,824
Transfers out	(3,616)	-	(48,895)	-	-	(52,511)
Total other financing sources (uses)	<u>2,946,384</u>	<u>-</u>	<u>127,435</u>	<u>-</u>	<u>101,494</u>	<u>3,175,313</u>
Net change in fund balances	395,062	183	(326,558)	(624)	9	68,072
Fund balances, beginning of year	<u>182,887</u>	<u>7,764</u>	<u>976,439</u>	<u>83,166</u>	<u>-</u>	<u>1,250,256</u>
Fund balances, end of year	<u>\$ 577,949</u>	<u>\$ 7,947</u>	<u>\$ 649,881</u>	<u>\$ 82,542</u>	<u>\$ 9</u>	<u>\$ 1,318,328</u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Balance Sheet - Nonmajor Permanent Funds
June 30, 2011

	Youth Center Endowment	Kellogg Arena Endowment	Total
<u>ASSETS</u>			
Assets			
Pooled cash and investments	\$ 408,633	\$ 743,281	\$ 1,151,914
Interest receivable	6,183	6,519	12,702
	<u>TOTAL ASSETS</u>	<u>TOTAL ASSETS</u>	<u>TOTAL ASSETS</u>
	\$ 414,816	\$ 749,800	\$ 1,164,616
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts payable	\$ -	\$ 62,860	\$ 62,860
Fund balances			
Nonspendable	361,778	623,533	985,311
Restricted	53,038	63,407	116,445
	Total fund balances	Total fund balances	Total fund balances
	414,816	686,940	1,101,756
	<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>TOTAL LIABILITIES AND FUND BALANCES</u>
	\$ 414,816	\$ 749,800	\$ 1,164,616

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Nonmajor Permanent Funds
For the Year Ended June 30, 2011

	<u>Youth Center Endowment</u>	<u>Kellogg Arena Endowment</u>	<u>Total</u>
Revenues			
Investment income	\$ 10,999	\$ 17,553	\$ 28,552
Expenditures			
Unallocated	<u>26,897</u>	<u>-</u>	<u>26,897</u>
Revenues over (under) expenditures	(15,898)	17,553	1,655
Other financing sources (uses)			
Transfers out	<u>-</u>	<u>(96,231)</u>	<u>(96,231)</u>
Net change in fund balances	(15,898)	(78,678)	(94,576)
Fund balances, beginning of year	<u>430,714</u>	<u>765,618</u>	<u>1,196,332</u>
Fund balances, end of year	<u><u>\$ 414,816</u></u>	<u><u>\$ 686,940</u></u>	<u><u>\$ 1,101,756</u></u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Net Assets - Nonmajor Enterprise Funds
June 30, 2011

	Automobile Parking System	FAA	Battle Creek Transit System	Solid Waste Collection	Total
Assets					
Current assets:					
Pooled cash and investments	\$ 64,432	\$ 473,636	\$ -	\$ -	\$ 538,068
Receivables:					
Interest	737	2	-	-	739
Accounts	8,750	34,951	-	533,625	577,326
Grants	-	-	1,120,876	-	1,120,876
Inventories	-	-	96,264	-	96,264
Other assets	-	-	30,145	-	30,145
Total current assets	<u>73,919</u>	<u>508,589</u>	<u>1,247,285</u>	<u>533,625</u>	<u>2,363,418</u>
Noncurrent assets -					
Capital assets, net	<u>5,638,003</u>	<u>1,600,902</u>	<u>3,223,965</u>	<u>-</u>	<u>10,462,870</u>
Total assets	<u>5,711,922</u>	<u>2,109,491</u>	<u>4,471,250</u>	<u>533,625</u>	<u>12,826,288</u>
Liabilities					
Current liabilities:					
Accounts payable	178	6,378	119,941	210,988	337,485
Compensated absences payable	-	-	68,109	4,746	72,855
Retentions, deposits and other liabilities	-	-	-	16,880	16,880
Accrued interest payable	-	2,938	-	-	2,938
Interfund payable	-	-	556,760	98,233	654,993
Unearned revenue	-	34,951	-	-	34,951
Current portion of leases payable	-	-	-	-	-
Current portion of bonds payable	-	247,570	-	-	247,570
Total current liabilities	<u>178</u>	<u>291,837</u>	<u>744,810</u>	<u>330,847</u>	<u>1,367,672</u>
Noncurrent liabilities:					
Advance from component unit	-	397,540	-	-	397,540
Leases payable	-	-	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>397,540</u>	<u>-</u>	<u>-</u>	<u>397,540</u>
Total liabilities	<u>178</u>	<u>689,377</u>	<u>744,810</u>	<u>330,847</u>	<u>1,765,212</u>
Net assets					
Invested in capital assets, net of related debt	5,638,003	1,353,332	3,223,965	-	10,215,300
Unrestricted	<u>73,741</u>	<u>66,782</u>	<u>502,475</u>	<u>202,778</u>	<u>845,776</u>
Total net assets	<u>\$ 5,711,744</u>	<u>\$ 1,420,114</u>	<u>\$ 3,726,440</u>	<u>\$ 202,778</u>	<u>\$ 11,061,076</u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets - Nonmajor Enterprise Funds
For the Year Ended June 30, 2011

	<u>Automobile Parking System</u>	<u>FAA</u>	<u>Battle Creek Transit System</u>	<u>Solid Waste Collection</u>	<u>Total</u>
Operating revenues					
Charges for services	\$ 872,937	\$ 419,410	\$ 392,744	\$ 2,785,126	\$ 4,470,217
Other	-	-	13,010	56,135	69,145
Total operating revenues	<u>872,937</u>	<u>419,410</u>	<u>405,754</u>	<u>2,841,261</u>	<u>4,539,362</u>
Operating expenses					
Personal services	-	9,837	2,560,982	239,791	2,810,610
Materials and supplies	-	1,878	527,895	32,374	562,147
Contractual and other	902,949	128,612	531,343	2,453,611	4,016,515
Depreciation	350,021	129,781	594,741	-	1,074,543
Total operating expenses	<u>1,252,970</u>	<u>270,108</u>	<u>4,214,961</u>	<u>2,725,776</u>	<u>8,463,815</u>
Operating income (loss)	<u>(380,033)</u>	<u>149,302</u>	<u>(3,809,207)</u>	<u>115,485</u>	<u>(3,924,453)</u>
Nonoperating revenues (expenses)					
Intergovernmental subsidies	-	-	2,905,413	-	2,905,413
Interest income	1,607	-	-	(878)	729
Interest expense	-	(22,302)	-	-	(22,302)
Loss on sale of capital assets	-	-	-	-	-
Total nonoperating revenues (expenses)	<u>1,607</u>	<u>(22,302)</u>	<u>2,905,413</u>	<u>(878)</u>	<u>2,883,840</u>
Income (loss) before transfers	<u>(378,426)</u>	<u>127,000</u>	<u>(903,794)</u>	<u>114,607</u>	<u>(1,040,613)</u>
Transfers in	<u>62,856</u>	<u>257,560</u>	<u>938,230</u>	<u>-</u>	<u>1,258,646</u>
Transfers out	<u>(1,030)</u>	<u>(258,386)</u>	<u>(4,641)</u>	<u>(13,200)</u>	<u>(277,257)</u>
Change in net assets	<u>(316,600)</u>	<u>126,174</u>	<u>29,795</u>	<u>101,407</u>	<u>(59,224)</u>
Net assets, beginning of year	<u>6,028,344</u>	<u>1,293,940</u>	<u>3,696,645</u>	<u>101,371</u>	<u>11,120,300</u>
Net assets, end of year	<u>\$ 5,711,744</u>	<u>\$ 1,420,114</u>	<u>\$ 3,726,440</u>	<u>\$ 202,778</u>	<u>\$ 11,061,076</u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2011

	Automobile Parking System	FAA	Battle Creek Transit System	Solid Waste Collection	Total
Cash flows from operating activities					
Receipts from customers and users	\$ 864,187	\$ 419,410	\$ 353,631	\$ 2,736,433	\$ 4,373,661
Payments to suppliers and contractors	(945,013)	(131,553)	(315,632)	(2,423,626)	(3,815,824)
Payments to employees	-	(9,837)	(2,509,814)	(257,981)	(2,777,632)
Payments for interfund services	-	-	(731,838)	(40,748)	(772,586)
Net cash provided by (used in) operating activities	<u>(80,826)</u>	<u>278,020</u>	<u>(3,203,653)</u>	<u>14,078</u>	<u>(2,992,381)</u>
Cash flows from noncapital financing activities					
Transfers in	62,856	257,560	938,230	-	1,258,646
Transfers out	(1,030)	(258,386)	(4,641)	(13,200)	(277,257)
Intergovernmental subsidies	-	-	2,905,413	-	2,905,413
Net cash provided by (used in) noncapital financing activities	<u>61,826</u>	<u>(826)</u>	<u>3,839,002</u>	<u>(13,200)</u>	<u>3,886,802</u>
Cash flows from capital and related financing activities					
Principal and interest paid on long-term debt	-	(257,835)	-	-	(257,835)
Purchase of capital assets	-	-	(635,349)	-	(635,349)
Net cash used in capital and related financing activities	<u>-</u>	<u>(257,835)</u>	<u>(635,349)</u>	<u>-</u>	<u>(893,184)</u>
Cash flows from investing activities					
Interest received on investments	1,593	-	-	(878)	715
Net increase (decrease) in pooled cash and investments	(17,407)	19,359	-	-	1,952
Pooled cash and investments, beginning of year	81,839	454,277	-	-	536,116
Pooled cash and investments, end of year	<u>\$ 64,432</u>	<u>\$ 473,636</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 538,068</u>
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ (380,033)	\$ 149,302	\$ (3,809,207)	\$ 115,485	\$ (3,924,453)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	350,021	129,781	594,741	-	1,074,543
Changes in assets and liabilities:					
Accounts receivable	(8,750)	-	659	(104,828)	(112,919)
Grants receivable	-	-	(52,782)	-	(52,782)
Inventories and other assets	-	-	18,214	-	18,214
Accounts payable	(42,064)	(1,063)	(6,446)	4,731	(44,842)
Retentions, deposits and other liabilities	-	-	-	16,880	16,880
Compensated absences	-	-	12,300	170	12,470
Accrued interest payable	-	-	-	-	-
Interfund payable	-	-	38,868	(18,360)	20,508
Unearned revenue	-	-	-	-	-
Net cash provided by (used in) operating activities	<u>\$ (80,826)</u>	<u>\$ 278,020</u>	<u>\$ (3,203,653)</u>	<u>\$ 14,078</u>	<u>\$ (2,992,381)</u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Net Assets
Internal Service Funds
June 30, 2011

	<u>Equipment Center</u>	<u>Self- Insurance</u>	<u>Information Services</u>	<u>Reproduction</u>	<u>Total</u>
Assets					
Current assets:					
Pooled cash and investments	\$ -	\$ 12,752,687	\$ 1,232,370	\$ 189,854	\$ 14,174,911
Interest receivable	-	133,926	-	-	133,926
Accounts receivable	172,601	542,172	6,129	9,490	730,392
Inventories	500,232	-	-	-	500,232
Prepaid items	-	78,480	-	-	78,480
Loan receivable, current portion	-	145,342	-	-	145,342
Interfund receivable	-	159,112	-	-	159,112
	<u>672,833</u>	<u>13,811,719</u>	<u>1,238,499</u>	<u>199,344</u>	<u>15,922,395</u>
Noncurrent assets:					
Loan receivable, net of current portion	-	430,955	-	-	430,955
Capital assets, net	2,492,268	-	1,138,609	27,862	3,658,739
Unamortized bond issuance costs	-	-	6,000	-	6,000
	<u>2,492,268</u>	<u>430,955</u>	<u>1,144,609</u>	<u>27,862</u>	<u>4,095,694</u>
Total assets	<u>3,165,101</u>	<u>14,242,674</u>	<u>2,383,108</u>	<u>227,206</u>	<u>20,018,089</u>
Liabilities					
Current liabilities:					
Accounts payable	175,995	73,409	16,304	1,028	266,736
Compensated absences payable	61,331	1,082	62,693	11,348	136,454
Accrued interest payable	-	-	4,447	-	4,447
Salaries payable	-	9,079	-	-	9,079
Claims payable, current portion	-	3,408,553	-	-	3,408,553
Interfund payable	159,112	-	-	-	159,112
Unearned revenue	350	110,145	-	-	110,495
Lease payable, current portion	-	-	150,000	-	150,000
	<u>396,788</u>	<u>3,602,268</u>	<u>233,444</u>	<u>12,376</u>	<u>4,244,876</u>
Noncurrent liabilities:					
Claims payable	-	2,186,654	-	-	2,186,654
Lease payable	-	-	322,000	-	322,000
	<u>-</u>	<u>2,186,654</u>	<u>322,000</u>	<u>-</u>	<u>2,508,654</u>
Total liabilities	<u>396,788</u>	<u>5,788,922</u>	<u>555,444</u>	<u>12,376</u>	<u>6,753,530</u>
Net assets					
Invested in capital assets, net of related debt	2,492,268	-	666,609	27,862	3,186,739
Unrestricted	276,045	8,453,752	1,161,055	186,968	10,077,820
	<u>\$ 2,768,313</u>	<u>\$ 8,453,752</u>	<u>\$ 1,827,664</u>	<u>\$ 214,830</u>	<u>\$ 13,264,559</u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2011

	<u>Equipment Center</u>	<u>Self- Insurance</u>	<u>Information Services</u>	<u>Reproduction</u>	<u>Total</u>
Operating revenues					
Charges for services	\$ 5,037,392	\$ 12,411,869	\$ 1,272,202	\$ 260,627	\$ 18,982,090
Other	183,872	159,145	233	-	343,250
Total operating revenues	<u>5,221,264</u>	<u>12,571,014</u>	<u>1,272,435</u>	<u>260,627</u>	<u>19,325,340</u>
Operating expenses					
Personal services	1,114,627	1,908,740	909,287	187,089	4,119,743
Materials and supplies	1,862,131	12,423	11,812	121,871	2,008,237
Contractual and other	810,449	15,532,921	462,507	28,852	16,834,729
Depreciation	732,102	-	151,097	12,973	896,172
Total operating expenses	<u>4,519,309</u>	<u>17,454,084</u>	<u>1,534,703</u>	<u>350,785</u>	<u>23,858,881</u>
Operating income (loss)	<u>701,955</u>	<u>(4,883,070)</u>	<u>(262,268)</u>	<u>(90,158)</u>	<u>(4,533,541)</u>
Nonoperating revenues (expenses)					
Intergovernmental subsidies	263,460	101,162	-	-	364,622
Interest income	-	184,582	-	-	184,582
Interest expense	-	-	(21,425)	-	(21,425)
Loss on sale of capital assets	(5,495)	-	-	-	(5,495)
Total nonoperating revenues (expenses)	<u>257,965</u>	<u>285,744</u>	<u>(21,425)</u>	<u>-</u>	<u>522,284</u>
Income (loss) before transfers	959,920	(4,597,326)	(283,693)	(90,158)	(4,011,257)
Transfers in	8,684	-	411,835	54,634	475,153
Transfers out	<u>(776,697)</u>	<u>(329,201)</u>	<u>(164,996)</u>	<u>(50,459)</u>	<u>(1,321,353)</u>
Change in net assets	191,907	(4,926,527)	(36,854)	(85,983)	(4,857,457)
Net assets, beginning of year	<u>2,576,406</u>	<u>13,380,279</u>	<u>1,864,518</u>	<u>300,813</u>	<u>18,122,016</u>
Net assets, end of year	<u>\$ 2,768,313</u>	<u>\$ 8,453,752</u>	<u>\$ 1,827,664</u>	<u>\$ 214,830</u>	<u>\$ 13,264,559</u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2011

	<u>Equipment Center</u>	<u>Self- Insurance</u>	<u>Information Services</u>	<u>Reproduction</u>	<u>Total</u>
Cash flows from operating activities					
Receipts from interfund services	\$ 5,221,264	\$ 12,571,014	\$ 1,272,435	\$ 260,627	\$ 19,325,340
Payments to suppliers/claimants	(2,926,269)	(13,179,421)	(551,187)	(160,222)	(16,817,099)
Payments to employees	(1,132,744)	(1,907,938)	(912,851)	(190,362)	(4,143,895)
Net cash provided by (used in) operating activities	<u>1,162,251</u>	<u>(2,516,345)</u>	<u>(191,603)</u>	<u>(89,957)</u>	<u>(1,635,654)</u>
Cash flows from noncapital financing activities					
Transfers in	8,684	-	411,835	54,634	475,153
Transfers out	(776,697)	(329,201)	(164,996)	(50,459)	(1,321,353)
Intergovernmental subsidies	263,460	101,162	-	-	364,622
Net cash provided by (used in) noncapital financing activities	<u>(504,553)</u>	<u>(228,039)</u>	<u>246,839</u>	<u>4,175</u>	<u>(481,578)</u>
Cash flows from capital and related financing activities					
Principal and interest paid on capital lease	-	-	(174,308)	-	(174,308)
Loan collected from other government	-	173,703	-	-	173,703
Purchase of capital assets	(657,698)	-	(7,489)	-	(665,187)
Net cash used in capital and related financing activities	<u>(657,698)</u>	<u>173,703</u>	<u>(181,797)</u>	<u>-</u>	<u>(665,792)</u>
Cash flows from investing activities					
Interest received on investment	-	179,007	-	-	179,007
Net increase (decrease) in pooled cash and investments	-	(2,391,674)	(126,561)	(85,782)	(2,604,017)
Pooled cash and investments, beginning of year	-	15,144,361	1,358,931	275,636	16,778,928
Pooled cash and investments, end of year	<u>\$ -</u>	<u>\$ 12,752,687</u>	<u>\$ 1,232,370</u>	<u>\$ 189,854</u>	<u>\$ 14,174,911</u>
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ 701,955	\$ (4,883,070)	\$ (262,268)	\$ (90,158)	\$ (4,533,541)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	732,102	-	151,097	12,973	896,172
Changes in assets and liabilities:					
Accounts receivable	(161,612)	36,367	1,118	(6,728)	(130,855)
Inventories	(3,286)	-	-	-	(3,286)
Prepaid items	-	3,367	16,131	-	19,498
Interfund receivable	-	144,530	-	-	144,530
Accounts payable	55,739	45,858	(88,439)	(2,771)	10,387
Accrued payroll/compensated absences	(18,117)	802	(3,564)	(3,273)	(24,152)
Claims payable	-	2,106,899	-	-	2,106,899
Interfund payable	(144,530)	-	-	-	(144,530)
Unearned revenue	-	28,902	(5,678)	-	23,224
Net cash provided by (used in) operating activities	<u>\$ 1,162,251</u>	<u>\$ (2,516,345)</u>	<u>\$ (191,603)</u>	<u>\$ (89,957)</u>	<u>\$ (1,635,654)</u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Fiduciary Net Assets
Pension and Other Employee Benefits Trust Funds
June 30, 2011

	<u>Pension</u>	<u>Other Employee Benefits</u>		<u>Total</u>
	<u>Police and Fire Retirement System</u>	<u>Retirement Health Funding Vehicle</u>	<u>Fire Retiree Health Care</u>	
Assets				
Cash and cash equivalents	\$ 7,025,166	\$ 58	\$ 1,198,922	\$ 8,224,146
Investments:				
U.S. treasuries	6,176,536	-	-	6,176,536
U.S. agencies	7,492,938	-	-	7,492,938
Domestic corporate securities	36,943,020	-	-	36,943,020
Domestic equities	30,738,136	-	-	30,738,136
American depository receipts	12,537,511	-	-	12,537,511
International equities	13,583,403	-	-	13,583,403
Real estate trusts	542,497	-	-	542,497
Mutual funds	-	1,886,788	-	1,886,788
Interest receivable	479,510	-	8,234	487,744
Pension contributions receivable	92,430	-	-	92,430
	<u>115,611,147</u>	<u>1,886,846</u>	<u>1,207,156</u>	<u>118,705,149</u>
Liabilities				
Accounts payable	500,000	-	-	500,000
Obligation for impaired investment of securities lending collateral	156,332	-	-	156,332
	<u>656,332</u>	<u>-</u>	<u>-</u>	<u>656,332</u>
Net assets				
Held in trust for pension and postemployment healthcare benefits	<u>\$ 114,954,815</u>	<u>\$ 1,886,846</u>	<u>\$ 1,207,156</u>	<u>\$ 118,048,817</u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Changes in Fiduciary Net Assets
Pension and Other Employee Benefits Trust Funds
For the Year Ended June 30, 2011

	Pension	Other Employee Benefits		Total
	Police and Fire Retirement System	Retirement Health Funding Vehicle	Fire Retiree Health Care	
Additions				
Investment income:				
<i>From investing activities:</i>				
Net appreciation in fair value of investments	\$ 14,880,525	\$ -	\$ -	\$ 14,880,525
Interest and dividends	2,895,625	301,725	26,108	3,223,458
Less investment expenses	(1,150,027)	(7,309)	-	(1,157,336)
Net income from investing activities	<u>16,626,123</u>	<u>294,416</u>	<u>26,108</u>	<u>16,946,647</u>
<i>From securities lending activities:</i>				
Gross earnings	28,422	-	-	28,422
Borrower rebates	(5,425)	-	-	(5,425)
Securities lending fees	(7,030)	-	-	(7,030)
Loss on impairment of invested securities lending collateral	(156,332)	-	-	(156,332)
Net loss from securities lending activities	<u>(140,365)</u>	<u>-</u>	<u>-</u>	<u>(140,365)</u>
Total net investment income	<u>16,485,758</u>	<u>294,416</u>	<u>26,108</u>	<u>16,806,282</u>
Contributions:				
Employer	4,346,195	397,136	250,000	4,993,331
Employees	1,023,205	-	202,642	1,225,847
Total contributions	<u>5,369,400</u>	<u>397,136</u>	<u>452,642</u>	<u>6,219,178</u>
Total additions	<u>21,855,158</u>	<u>691,552</u>	<u>478,750</u>	<u>23,025,460</u>
Deductions				
Pension benefit payments	7,085,926	-	-	7,085,926
Contribution refunds	13,464	-	-	13,464
Medical insurance premiums/benefits	500,000	47,681	284,791	832,472
Administrative expenses	52,508	-	-	52,508
Total deductions	<u>7,651,898</u>	<u>47,681</u>	<u>284,791</u>	<u>7,984,370</u>
Net additions to net assets held in trust for benefits	14,203,260	643,871	193,959	15,041,090
Net assets held in trust for benefits:				
Beginning of year	<u>100,751,555</u>	<u>1,242,975</u>	<u>1,013,197</u>	<u>103,007,727</u>
End of year	<u>\$ 114,954,815</u>	<u>\$ 1,886,846</u>	<u>\$ 1,207,156</u>	<u>\$ 118,048,817</u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2011

	<u>Fire Insurance Escrow</u>	<u>Delinquent Personal Property Taxes</u>	<u>Summer Property Tax Collection</u>	<u>Winter Property Tax Collection</u>	<u>Total</u>
Assets					
Pooled cash and investments	\$ 69,290	\$ 10,438	\$ -	\$ -	\$ 79,728
Delinquent taxes receivable	-	938,802	-	-	938,802
Total assets	<u>\$ 69,290</u>	<u>\$ 949,240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,018,530</u>
Liabilities					
Deposits and retentions payable	<u>\$ 69,290</u>	<u>\$ 949,240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,018,530</u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2011

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
<u>FIRE INSURANCE ESCROW</u>				
Assets				
Pooled cash and investments	\$ 64,707	\$ 21,356	\$ 16,773	\$ 69,290
Liabilities				
Deposits and retentions payable	\$ 64,707	\$ 21,356	\$ 16,773	\$ 69,290
 <u>DELINQUENT PERSONAL PROPERTY TAXES</u>				
Assets				
Pooled cash and investments	\$ 10,418	\$ 733,247	\$ 733,227	\$ 10,438
Delinquent taxes receivable	847,918	294,664	203,780	938,802
	<u>\$ 858,336</u>	<u>\$ 1,027,911</u>	<u>\$ 937,007</u>	<u>\$ 949,240</u>
Liabilities				
Deposits and retentions payable	\$ 858,336	\$ 1,027,911	\$ 937,007	\$ 949,240
 <u>SUMMER PROPERTY TAX COLLECTION</u>				
Assets				
Pooled cash and investments	\$ -	\$ 140,092,630	\$ 140,092,630	\$ -
Liabilities				
Deposits and retentions payable	\$ -	\$ 140,092,630	\$ 140,092,630	\$ -

Continued...

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Changes in Assets and Liabilities
Agency Funds (Concluded)
For the Year Ended June 30, 2011

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
<u>WINTER PROPERTY TAX COLLECTION</u>				
Assets				
Pooled cash and investments	\$ -	\$ 51,908,602	\$ 51,908,602	\$ -
Liabilities				
Deposits and retentions payable	\$ -	\$ 51,908,602	\$ 51,908,602	\$ -
<u>TOTALS - ALL AGENCY FUNDS</u>				
Assets				
Pooled cash and investments	\$ 75,125	\$ 192,755,835	\$ 192,751,232	\$ 79,728
Delinquent taxes receivable	847,918	294,664	203,780	938,802
Total assets	\$ 923,043	\$ 193,050,499	\$ 192,955,012	\$ 1,018,530
Liabilities				
Deposits and retentions payable	\$ 923,043	\$ 193,050,499	\$ 192,955,012	\$ 1,018,530

STATISTICAL SECTION

CITY OF BATTLE CREEK

**Net Assets by Component
Last Nine Years**

(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities									
Invested in capital assets, net of related debt	\$ 204,894,306	\$ 205,676,324	\$ 205,272,983	\$ 209,058,967	\$ 208,138,951	\$ 209,225,026	\$ 213,060,080	\$ 207,342,367	\$ 209,845,426
Restricted	16,593,282	11,246,239	6,909,177	5,837,903	7,861,430	4,929,264	3,287,591	2,150,046	2,434,818
Unrestricted	37,053,427	36,237,269	39,004,878	38,237,634	33,944,289	33,063,496	28,294,180	29,256,852	21,529,980
Total governmental activities:	<u>\$ 258,541,015</u>	<u>\$ 253,159,832</u>	<u>\$ 251,187,038</u>	<u>\$ 253,134,504</u>	<u>\$ 249,944,670</u>	<u>\$ 247,217,786</u>	<u>\$ 244,641,851</u>	<u>\$ 238,749,265</u>	<u>\$ 233,810,224</u>
Business-type activities									
Invested in capital assets, net of related debt	\$ 95,239,058	\$ 98,756,920	\$ 101,991,510	\$ 98,873,436	\$ 97,919,583	\$ 96,505,088	\$ 96,106,663	\$ 96,648,044	\$ 94,517,336
Unrestricted	32,629,898	24,014,234	20,923,570	20,617,951	21,418,649	19,641,409	18,335,770	19,217,106	19,336,256
Total business-type activities:	<u>\$ 127,868,956</u>	<u>\$ 122,771,154</u>	<u>\$ 122,915,080</u>	<u>\$ 119,491,387</u>	<u>\$ 119,338,232</u>	<u>\$ 116,146,497</u>	<u>\$ 114,442,433</u>	<u>\$ 115,865,150</u>	<u>\$ 113,853,592</u>
Primary government									
Invested in capital assets, net of related debt	\$ 300,133,364	\$ 304,433,244	\$ 307,264,493	\$ 307,932,403	\$ 306,058,534	\$ 305,730,114	\$ 309,166,743	\$ 303,990,411	\$ 304,362,762
Restricted	16,593,282	11,246,239	6,909,177	5,837,903	7,861,430	4,929,264	3,287,591	2,150,046	2,434,818
Unrestricted	69,683,325	60,251,503	59,928,448	58,855,585	55,362,938	52,704,905	46,629,950	48,473,958	40,866,236
Total primary government:	<u>\$ 386,409,971</u>	<u>\$ 375,930,986</u>	<u>\$ 374,102,118</u>	<u>\$ 372,625,891</u>	<u>\$ 369,282,902</u>	<u>\$ 363,364,283</u>	<u>\$ 359,084,284</u>	<u>\$ 354,614,415</u>	<u>\$ 347,663,816</u>

Data for 2002, not available

Source: City of Battle Creek Finance Department

CITY OF BATTLE CREEK
Changes in Net Assets
Last Nine Years
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental activities:									
General government	\$ 7,775,052	\$ 8,285,242	\$ 8,251,417	\$ 10,138,832	\$ 12,354,963	\$ 13,176,854	\$ 11,518,181	\$ 8,669,931	\$ 10,303,586
Public safety	24,497,814	25,996,442	24,912,304	23,052,841	25,211,331	27,337,709	27,392,970	31,461,275	29,053,426
Public works	2,612,061	2,263,112	2,425,660	1,721,053	1,862,529	1,896,351	2,267,154	1,839,732	2,803,968
Highways and streets	9,916,209	10,799,830	10,253,704	10,648,811	10,947,131	12,521,742	11,445,076	9,761,195	9,426,798
Parks and recreation	7,212,347	6,879,916	10,103,614	7,528,251	6,098,967	5,994,590	7,309,779	7,104,029	6,665,571
Community development	2,199,310	2,834,085	2,871,471	2,602,331	3,033,185	2,629,423	2,446,793	3,258,213	5,321,021
Unallocated	1,975,812	-	-	-	-	-	-	-	-
Interest on long-term debt	1,171,284	1,130,642	1,099,030	1,079,398	1,103,096	885,050	1,063,227	746,334	830,920
Total governmental activities	57,359,889	58,189,269	59,917,200	56,771,517	60,611,202	64,441,719	63,443,180	62,840,709	64,405,290
Business-type activities:									
Wastewater	13,587,398	14,090,224	14,103,654	14,598,187	14,492,263	15,371,605	15,196,805	14,132,718	15,444,292
Water	7,112,747	7,196,409	7,225,258	6,897,186	7,222,797	7,439,990	7,189,064	7,276,720	8,358,607
Public transit	4,046,023	4,064,196	3,887,041	3,724,879	3,762,533	3,985,668	4,179,374	3,968,197	4,498,411
Solid waste collection	2,068,331	2,103,397	2,184,244	2,292,562	2,437,238	2,591,517	2,698,282	2,753,730	2,741,558
Airport	1,653,490	1,666,592	1,841,153	1,991,606	2,094,172	2,393,643	2,395,483	2,552,763	2,634,483
Golf course	1,159,880	1,271,468	1,170,632	1,199,704	1,184,758	1,232,043	-	-	-
Parking	1,012,724	1,337,896	1,309,483	1,021,337	1,151,969	1,147,371	1,179,759	1,155,113	1,252,970
Economic development	118,006	260,693	218,028	764,690	180,870	930,268	193,000	187,295	355,375
Total business-type activities	30,758,599	31,990,875	31,939,493	32,490,151	32,526,600	35,092,105	33,031,767	32,026,536	35,285,696
Total primary government expenses	88,118,488	90,180,144	91,856,693	89,261,668	93,137,802	99,533,824	96,474,947	94,867,245	99,690,986
Program revenues									
Governmental activities:									
Charges for services:									
General government	2,056,731	2,566,013	2,697,742	2,596,709	2,535,769	2,907,276	2,952,331	2,447,656	2,739,519
Public safety	2,310,934	2,245,589	1,842,771	1,927,079	1,926,202	1,835,157	2,005,200	1,820,299	1,161,679
Public works	223,024	248,740	344,638	152,295	111,494	671,611	583,610	142,714	323,374
Highways and streets	-	-	103	463	1,903	5,240	23,998	6,354	25,511
Parks and recreation	3,046,573	3,124,366	3,277,043	3,428,780	3,159,269	2,320,582	3,464,587	3,194,147	3,516,153
Community development	-	119,830	147,600	80,821	130,502	45,239	24,320	-	54,440
Interest on long-term debt	471,617	-	-	-	-	-	249	-	-
Operating grants and contributions	11,327,666	10,156,505	10,625,956	12,363,163	11,362,032	12,442,524	10,945,297	11,450,771	15,277,402
Capital grants and contributions	732,056	1,007,638	3,271,450	2,371,353	1,427,358	1,651,247	2,224,654	-	-
Total governmental activities	20,168,601	19,468,681	22,207,303	22,920,663	20,654,529	21,878,876	22,224,246	19,061,941	23,098,078
Business-type activities:									
Charges for services:									
Wastewater	10,198,910	9,975,535	10,265,249	9,726,868	10,992,780	11,617,431	12,056,109	13,600,518	13,204,301
Water	7,193,526	7,090,160	7,460,662	7,337,571	7,789,671	7,783,011	7,760,563	8,014,650	7,955,198
Public transit	384,833	391,899	392,458	398,011	356,902	381,122	401,200	390,010	405,754
Solid waste collection	2,139,311	2,171,931	2,249,615	2,250,880	2,516,122	2,554,607	2,592,942	2,702,376	2,841,261
Airport	1,006,380	1,096,801	1,070,586	1,083,875	1,124,816	1,165,832	1,287,463	1,228,917	1,189,936
Golf course	874,964	1,216,352	1,161,808	1,187,918	1,208,185	1,186,315	-	-	-
Parking	693,830	689,162	674,694	659,630	681,515	656,249	611,725	600,608	872,937
Economic development	336,865	163,715	332,903	330,893	497,066	845,671	359,384	479,652	139,425
Operating grants and contributions	2,604,918	2,837,617	2,567,262	2,408,957	4,756,705	3,891,109	3,571,310	3,459,262	6,021,711
Capital grants and contributions	959,388	1,333,423	4,909,860	2,696,895	794,260	544,337	1,940,273	2,319,601	-
Total business-type activities	26,392,925	26,966,595	31,085,097	28,081,498	30,718,022	30,625,684	30,580,969	32,795,594	32,630,523
Total primary government program revenues	46,561,526	46,435,276	53,292,400	51,002,161	51,372,551	52,504,560	52,805,215	51,857,535	55,728,601
Net (expense)/revenue									
Government activities	(37,191,288)	(38,720,588)	(37,709,897)	(33,850,854)	(39,956,673)	(42,562,843)	(41,218,934)	(43,778,768)	(41,307,212)
Business-type activities	(4,365,674)	(5,024,280)	(854,396)	(4,408,653)	(1,808,578)	(4,466,421)	(2,450,798)	769,058	(2,655,173)
Total primary government net expense	(41,556,962)	(43,744,868)	(38,564,293)	(38,259,507)	(41,765,251)	(47,029,264)	(43,669,732)	(43,009,710)	(43,962,385)

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CITY OF BATTLE CREEK
Changes in Net Assets (Concluded)
Last Nine Years
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
General revenues									
Governmental activities:									
General revenues:									
Property taxes	\$ 12,375,964	\$ 12,764,779	\$ 13,579,207	\$ 14,580,358	\$ 15,322,115	\$ 16,485,528	\$ 17,033,749	\$ 17,414,875	\$ 16,711,960
Income taxes	11,664,194	12,679,119	13,942,683	14,450,183	14,226,870	15,505,430	14,240,808	14,328,097	13,548,759
Grants and contributions not restricted to specific programs	7,077,172	6,358,441	6,291,976	6,221,293	6,038,495	6,090,487	5,882,127	5,235,168	5,599,849
Unrestricted investment earnings	2,717,405	1,894,373	1,716,088	1,241,966	2,166,102	2,448,172	1,921,942	1,816,033	1,070,544
Transfers - internal activities	959,885	(357,307)	(619,138)	(695,480)	(986,742)	(693,655)	(585,336)	(533,894)	(562,941)
Total governmental activities	<u>34,794,620</u>	<u>33,339,405</u>	<u>34,910,816</u>	<u>35,798,320</u>	<u>36,766,840</u>	<u>39,835,962</u>	<u>38,493,290</u>	<u>38,260,279</u>	<u>36,368,171</u>
Business-type activities:									
Unrestricted investment earnings	1,844,066	(430,829)	379,185	289,480	668,682	581,031	161,107	119,765	80,674
Gain on sale of capital assets	554	-	-	-	-	-	-	-	-
Transfers - internal activities	(959,885)	357,307	619,138	695,480	986,742	693,655	585,336	533,894	562,941
Total business-type activities	<u>884,735</u>	<u>(73,522)</u>	<u>998,323</u>	<u>984,960</u>	<u>1,655,424</u>	<u>1,274,686</u>	<u>746,443</u>	<u>653,659</u>	<u>643,615</u>
Total primary government	<u>35,679,355</u>	<u>33,265,883</u>	<u>35,909,139</u>	<u>36,783,280</u>	<u>38,422,264</u>	<u>41,110,648</u>	<u>39,239,733</u>	<u>38,913,938</u>	<u>37,011,786</u>
Change in net assets									
Government activities	(2,396,668)	(5,381,183)	(2,799,081)	1,947,466	(3,189,833)	(2,726,881)	(2,725,644)	(5,518,489)	(4,939,041)
Business-type activities	(3,480,939)	(5,097,802)	143,927	(3,423,693)	(153,154)	(3,191,735)	(1,704,355)	1,422,717	(2,011,558)
Total primary government	<u>\$ (5,877,607)</u>	<u>\$ (10,478,985)</u>	<u>\$ (2,655,154)</u>	<u>\$ (1,476,227)</u>	<u>\$ (3,342,987)</u>	<u>\$ (5,918,616)</u>	<u>\$ (4,429,999)</u>	<u>\$ (4,095,772)</u>	<u>\$ (6,950,599)</u>

Data for 2002, not available

Source: City of Battle Creek Finance Department

CITY OF BATTLE CREEK
Fund Balances - Governmental Funds
Last Nine Years

(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
General fund									
Nonspendable									\$ 499,983
Restricted									336,529
Committed									783,357
Assigned									1,489,087
Unassigned									4,682,496
Reserved	\$ 783,191	\$ 341,345	\$ 142,656	\$ 195,796	\$ 580,445	\$ 297,534	\$ 531,030	\$ 518,774	-
Unreserved	11,744,939	11,187,954	11,050,908	9,574,180	7,500,072	7,875,800	6,886,896	6,740,926	-
Total general fund	\$ 12,528,130	\$ 11,529,299	\$ 11,193,564	\$ 9,769,976	\$ 8,080,517	\$ 8,173,334	\$ 7,417,926	\$ 7,259,700	\$ 7,791,452
All other governmental funds									
Nonspendable									\$ 1,120,738
Restricted									689,873
Committed									958,394
Assigned									649,881
Unassigned (deficit)									(512,389)
Reserved	\$ 2,421,271	\$ 2,185,167	\$ 2,304,993	\$ 2,232,709	\$ 2,411,576	\$ 2,380,677	\$ 2,270,931	\$ 1,121,697	-
Unreserved, reported in:									
Special revenue funds	5,269,042	4,485,357	3,126,389	2,714,722	2,074,998	1,153,026	(284,187)	664,720	-
Debt service funds	1,007,233	1,041,626	1,052,207	1,052,660	1,099,349	62,483	7,380	7,564	-
Capital projects funds	5,912,620	3,819,722	2,896,070	5,010,124	5,362,221	4,000,751	712,055	1,250,256	-
Permanent funds	3,212,654	2,731,820	1,560,154	1,370,131	1,381,477	1,055,843	1,156,678	1,157,171	-
Total all other governmental funds	\$ 17,822,820	\$ 14,263,692	\$ 10,939,813	\$ 12,380,346	\$ 12,329,621	\$ 8,652,780	\$ 3,862,857	\$ 4,201,408	\$ 2,906,497

Data for 2002, not available.

Source: City of Battle Creek Finance Department

CITY OF BATTLE CREEK
Changes in Fund Balances - Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues					
Income taxes	\$ 11,268,853	\$ 11,664,194	\$ 12,679,119	\$ 13,942,683	\$ 14,586,873
Property taxes	12,124,480	12,458,369	12,790,559	13,591,892	14,450,183
Licenses and permits	1,139,760	1,106,290	1,020,676	1,166,882	1,084,527
Intergovernmental	16,936,207	17,264,191	16,029,559	16,267,323	17,709,598
Charges for services	4,998,638	5,078,612	5,057,747	4,659,697	4,842,463
Fines and forfeitures	271,352	269,554	227,640	213,890	250,683
Investment income	2,186,307	2,569,257	1,842,748	1,659,348	1,177,345
Other	3,817,817	3,798,753	3,649,270	5,672,269	4,100,007
Total revenues	<u>52,743,414</u>	<u>54,209,220</u>	<u>53,297,318</u>	<u>57,173,984</u>	<u>58,201,679</u>
Expenditures					
General government	8,547,701	7,711,674	7,023,203	7,123,031	8,841,806
Public safety	22,028,962	24,293,085	25,598,627	25,239,131	25,551,655
Public works	2,084,977	2,113,230	1,956,879	2,068,952	1,480,494
Highway and streets	8,098,240	8,888,758	10,409,523	9,768,176	10,760,834
Parks and recreation	5,732,642	6,212,707	5,862,541	9,277,231	7,503,210
Community development	2,384,841	2,440,178	2,133,178	2,080,063	1,781,415
Unallocated	2,107,582	2,084,948	2,069,015	2,286,466	2,331,588
Capital outlay	3,349,551	8,673,391	595,425	92,816	1,199,315
Debt service:					
Principal retirement	1,040,000	1,205,000	1,535,000	1,575,000	1,630,000
Interest	759,139	1,187,343	1,161,539	1,121,701	1,091,107
Bond issuance costs	202,494	-	-	-	-
Total expenditures	<u>56,336,129</u>	<u>64,810,314</u>	<u>58,344,930</u>	<u>60,632,567</u>	<u>62,171,424</u>
Revenues over (under) expenditures	<u>(3,592,715)</u>	<u>(10,601,094)</u>	<u>(5,047,612)</u>	<u>(3,458,583)</u>	<u>(3,969,745)</u>
Other financing sources (uses)					
Issuance of debt	10,000,000	3,070,000	-	-	3,819,000
Premium (discount) on bonds	-	50,034	-	-	-
Payment to refunding bond escrow agent	-	-	-	-	-
Proceeds from sales of capital assets	646,279	486,720	439,309	596,284	631,254
Transfers in	5,020,295	8,053,795	6,252,501	10,968,311	8,896,090
Transfers out	(5,738,654)	(6,774,861)	(6,202,157)	(11,291,913)	(9,359,654)
Total other financing sources (uses)	<u>9,927,920</u>	<u>4,885,688</u>	<u>489,653</u>	<u>272,682</u>	<u>3,986,690</u>
Net changes in fund balances	<u>\$ 6,335,205</u>	<u>\$ (5,715,406)</u>	<u>\$ (4,557,959)</u>	<u>\$ (3,185,901)</u>	<u>\$ 16,945</u>
Debt services as a percentage of noncapital expenditures	<u>4.3%</u>	<u>4.6%</u>	<u>5.2%</u>	<u>4.9%</u>	<u>5.3%</u>

Schedule 4
UNAUDITED

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 14,226,870	\$ 15,505,430	\$ 14,240,808	\$ 14,328,097	\$ 13,548,759
15,322,115	16,485,528	17,033,749	17,414,875	16,711,960
1,075,341	1,026,490	1,012,079	1,038,089	1,198,154
16,665,977	16,942,219	16,323,084	15,867,905	19,635,529
4,674,591	3,975,149	5,329,100	4,833,110	4,479,740
210,795	249,809	207,251	217,119	138,191
1,933,354	1,942,756	1,626,797	985,996	756,002
4,642,201	4,266,257	3,566,605	2,903,858	3,511,690
<u>58,751,244</u>	<u>60,393,638</u>	<u>59,339,473</u>	<u>57,589,049</u>	<u>59,980,025</u>
10,325,281	11,975,613	10,426,091	7,970,982	9,025,067
25,106,311	26,766,867	27,333,095	27,096,596	26,296,938
1,606,562	1,600,366	2,005,097	1,906,614	2,739,101
9,837,482	11,599,488	13,495,120	8,270,729	9,674,093
5,757,306	5,192,125	6,411,034	5,791,915	5,613,072
2,093,161	1,829,799	2,273,906	3,040,116	4,371,354
3,123,061	2,504,094	551,947	537,689	1,080,883
2,807,886	168,949	327,213	267,009	-
2,889,000	2,110,890	2,119,432	2,103,669	2,363,469
1,127,753	928,236	1,035,366	927,124	895,686
-	215,915	-	83,095	153,331
<u>64,673,803</u>	<u>64,892,342</u>	<u>65,978,301</u>	<u>57,995,538</u>	<u>62,212,994</u>
<u>(5,922,559)</u>	<u>(4,498,704)</u>	<u>(6,638,828)</u>	<u>(406,489)</u>	<u>(2,232,969)</u>
3,708,005	8,975,420	-	2,240,000	6,725,000
-	(39,814)	-	5,220	250,294
-	(8,556,980)	-	(2,162,125)	(6,818,624)
697,708	987,229	1,094,075	974,036	1,029,881
8,535,425	9,521,452	8,829,217	10,851,446	7,706,637
(8,758,763)	(9,972,627)	(8,353,518)	(11,331,409)	(7,423,378)
<u>4,182,375</u>	<u>914,680</u>	<u>1,569,774</u>	<u>577,168</u>	<u>1,469,810</u>
<u>\$ (1,740,184)</u>	<u>\$ (3,584,024)</u>	<u>\$ (5,069,054)</u>	<u>\$ 170,679</u>	<u>\$ (763,159)</u>
<u>7.0%</u>	<u>5.4%</u>	<u>5.4%</u>	<u>5.8%</u>	<u>6.3%</u>

CITY OF BATTLE CREEK
Changes in Fund Balances - General Fund
Last Ten Years
(modified accrual basis of accounting)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues					
Income taxes	\$ 11,268,853	\$ 11,664,194	\$ 12,679,119	\$ 13,942,683	\$ 14,450,183
Property taxes	12,123,163	12,375,964	12,764,779	13,579,207	14,580,358
Licenses and permits	1,139,760	1,106,290	1,020,676	1,166,882	1,084,527
Intergovernmental	8,921,503	8,244,720	7,572,346	7,701,623	7,804,482
Charges for services	3,171,193	3,192,006	3,212,899	2,522,682	2,518,560
Fines and forfeitures	271,352	269,554	227,640	213,890	250,683
Investment income	1,210,131	1,953,088	1,646,768	1,474,106	1,047,649
Other	1,525,251	1,567,952	1,965,889	1,849,970	1,700,687
Total revenues	<u>39,631,206</u>	<u>40,373,768</u>	<u>41,090,116</u>	<u>42,451,043</u>	<u>43,437,129</u>
Expenditures					
General government	6,701,364	6,837,935	6,713,395	6,655,187	6,835,195
Public safety	21,529,192	22,707,325	24,658,069	23,855,387	24,207,356
Public works	2,084,977	2,113,230	1,956,879	2,068,952	1,480,494
Parks and recreation	4,089,332	4,383,243	4,057,445	4,349,374	4,155,768
Unallocated	2,043,309	1,986,340	1,976,171	2,022,281	2,082,499
Total expenditures	<u>36,448,174</u>	<u>38,028,073</u>	<u>39,361,959</u>	<u>38,951,181</u>	<u>38,761,312</u>
Revenues over (under) expenditures	<u>3,183,032</u>	<u>2,345,695</u>	<u>1,728,157</u>	<u>3,499,862</u>	<u>4,675,817</u>
Other financing sources (uses)					
Transfers in	-	108,553	551,529	942,459	46,244
Sale of land and other assets	646,279	486,720	439,309	578,844	631,254
Transfers out	(4,617,982)	(3,882,963)	(3,717,826)	(5,512,369)	(6,776,903)
Total other financing sources (uses)	<u>(3,971,703)</u>	<u>(3,287,690)</u>	<u>(2,726,988)</u>	<u>(3,991,066)</u>	<u>(6,099,405)</u>
Net changes in fund balances	<u><u>\$ (788,671)</u></u>	<u><u>\$ (941,995)</u></u>	<u><u>\$ (998,831)</u></u>	<u><u>\$ (491,204)</u></u>	<u><u>\$ (1,423,588)</u></u>

Source: City of Battle Creek Finance Department

**Schedule 5
UNAUDITED**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	14,226,870	\$ 15,505,430	\$ 14,240,808	\$ 14,328,097	\$ 13,548,759
	15,322,115	16,485,528	17,033,749	17,414,875	16,711,960
	1,075,341	1,026,490	1,012,079	1,038,089	1,160,839
	7,814,021	7,932,595	7,688,340	7,121,712	6,731,957
	2,436,074	2,377,713	2,297,536	2,305,552	2,142,591
	210,795	249,809	207,251	217,119	138,191
	1,408,071	1,455,000	1,330,682	793,498	687,076
	1,607,005	2,083,831	2,042,606	1,545,510	2,142,638
	<u>44,100,292</u>	<u>47,116,396</u>	<u>45,853,051</u>	<u>44,764,452</u>	<u>43,264,011</u>
	7,100,784	7,818,545	8,526,593	7,707,358	7,521,606
	24,691,224	26,187,733	26,631,841	26,452,872	25,607,110
	1,606,562	1,600,366	2,005,097	1,906,614	2,739,101
	4,013,727	3,847,291	3,756,736	3,390,286	3,284,606
	2,871,545	2,140,538	402,265	364,755	1,053,986
	<u>40,283,842</u>	<u>41,594,473</u>	<u>41,322,532</u>	<u>39,821,885</u>	<u>40,206,409</u>
	<u>3,816,450</u>	<u>5,521,923</u>	<u>4,530,519</u>	<u>4,942,567</u>	<u>3,057,602</u>
	70,307	150,382	155,742	1,820,222	888,345
	697,708	757,881	818,715	917,847	973,692
	<u>(6,273,924)</u>	<u>(6,337,369)</u>	<u>(6,260,384)</u>	<u>(7,838,862)</u>	<u>(5,767,462)</u>
	<u>(5,505,909)</u>	<u>(5,429,106)</u>	<u>(5,285,927)</u>	<u>(5,100,793)</u>	<u>(3,905,425)</u>
\$	<u>(1,689,459)</u>	<u>\$ 92,817</u>	<u>\$ (755,408)</u>	<u>\$ (158,226)</u>	<u>\$ (847,823)</u>

CITY OF BATTLE CREEK
Assessed and Actual Value of Taxable Property
Last Ten Years
(in thousands of dollars)

Fiscal Year Ended June 30,	Tax Year	Valued as of December 31,	(1) Total Assessed Value (S.E.V.)	Taxable Value				Total	Total Direct Tax Rate
				Real Property	Personal Property	(2) Industrial Facilities	Neighborhood Enterprise Zone		
2011	2010	2009	\$ 1,828,928,429	\$ 1,191,931,916	\$ 327,774,301	\$ 177,283,387	\$ 493,409	\$ 1,697,483,013	14.4760
2010	2009	2008	1,960,436,729	1,232,773,351	337,956,932	199,737,206	509,073	1,770,976,562	14.4760
2009	2008	2007	1,957,111,278	1,175,550,422	322,175,798	229,617,747	451,177	1,727,795,144	14.4760
2008	2007	2006	1,897,043,026	1,144,865,369	342,109,866	194,647,401	451,147	1,682,073,783	14.4760
2007	2006	2005	1,813,627,641	1,092,427,091	335,958,442	176,814,238	558,688	1,605,758,459	14.4760
2006	2005	2004	1,744,721,015	1,049,158,197	318,597,419	184,621,661	876,280	1,553,253,557	13.0000
2005	2004	2003	1,548,617,763	1,018,660,566	345,022,818	152,170,725	876,253	1,516,730,362	13.0000
2004	2003	2002	1,507,990,443	978,470,914	351,059,132	146,248,110	865,870	1,476,644,026	13.0000
2003	2002	2001	1,417,683,480	925,948,123	329,676,688	185,519,689	878,061	1,442,022,561	13.0000
2002	2001	2000	1,353,833,445	881,764,954	311,885,594	193,004,493	850,235	1,387,505,276	13.0000

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

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

(2) Represents current values of tax abated properties.

SOURCE: City of Battle Creek Assessor's Office.

CITY OF BATTLE CREEK
Direct and Overlapping Property Tax Rates
Last Ten Years

(rate per \$1,000 of taxable value)

Fiscal Year Ended June 30,	Levied July 1,	(1) City of Battle Creek			Battle Creek Public Schools	State Education Tax	Calhoun Intermediate School District	Kellogg Community College	District Library	County	Totals	
		Operating	Debt	Pension							Non- Homestead	(2) Homestead
2011	2010	10.9880	-	3.4880	24.4400	6.0000	6.2057	3.7106	2.0000	6.3713	63.2036	45.2036
2010	2009	11.0580	-	3.4180	23.9500	6.0000	6.2057	3.7106	2.0000	6.3713	62.7136	44.7136
2009	2008	11.0940	-	3.3820	23.9500	6.0000	6.2057	3.7106	2.0000	6.3713	62.7136	44.7136
2008	2007	11.1990	-	3.2770	20.0000	6.0000	6.2057	3.7106	2.0000	6.3713	58.7636	40.7636
2007	2006	11.2300	-	3.2460	20.0000	6.0000	6.2057	3.7106	2.0000	6.3713	58.7636	40.7636
2006	2005	11.2300	-	2.6910	20.0000	6.0000	6.2057	3.7106	2.0000	6.3713	58.2086	40.2086
2005	2004	10.4530	-	2.5470	20.0000	6.0000	6.2057	3.7106	2.0000	6.3713	57.2876	39.2876
2004	2003	10.1430	-	2.8570	20.0000	5.0000	6.2057	3.7106	2.0000	6.6513	56.5676	38.5676
2003	2002	11.3200	-	1.6800	20.0000	6.0000	6.0674	3.7106	2.0000	6.6713	57.4493	39.4493
2002	2001	11.1230	-	1.8770	20.0000	6.0000	6.0694	3.7106	2.0000	7.1961	57.9761	39.9761

(1) Approximately 2/3 of the City's taxable value is contained in Battle Creek School District. Four other school districts overlap into the geographical boundaries of the City. The millage rates for these other school districts are approximately equivalent to Battle Creek School District's.

(2) Passage of Proposal A in 1994 reduced operating millage for Michigan public schools to 18 mills for non-homestead properties and exempted homestead properties. Both homestead and non-homestead properties are subject to the State Education Tax of 6 mills as well as any debt service levy.

Source: City of Battle Creek Finance Department

CITY OF BATTLE CREEK
Principal Property Tax Payers
Current Fiscal Year and Nine Years Ago

Taxpayer	2002			2011		
	Taxable Value	Rank	Percentage of Total City Taxable Value	Taxable Value	Rank	Percentage of Total City Taxable Value
Kellogg Company	\$ 167,111,534	1	12.35%	\$ 136,231,015	1	8.03%
Kraft Foods Inc.	51,584,604	3	3.81%	49,199,576	2	2.90%
Denso Manufacturing	105,754,898	2	7.82%	47,860,022	3	2.82%
Consumer Energy Co.	20,249,923	4	1.50%	22,667,489	4	1.34%
Ralcorp Holdings Inc.	15,324,687	7	1.13%	16,289,426	5	0.96%
Semco Energy Inc.	14,234,441	8	1.05%	13,956,012	6	0.82%
Lakeview Delaware	11,200,454	10	-	13,757,902	7	0.81%
Musashi Auto Parts-Michigan Inc.	-	-	-	11,569,007	8	0.68%
Pacific Coast Packaging Corp	-	-	-	8,498,281	9	0.50%
Graphic Packaging International	-	-	-	8,464,666	10	0.50%
Technical Auto Parts	19,388,948	5	1.43%	-	-	-
II Stanley Co Inc	19,054,506	6	1.41%	-	-	-
Michigan Carton & Paperboard	11,581,011	9	0.86%	-	-	-
	<u>\$ 435,485,006</u>		<u>33.96%</u>	<u>\$ 328,493,396</u>		<u>20.46%</u>

Source: City of Battle Creek Assessor's Office.

CITY OF BATTLE CREEK
Property Tax Levies and Collections
Last Ten Fiscal Years

Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Subsequent Years Collections	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2011	\$ 22,579,440	\$ 22,506,975	99.68%	\$ 25,414	\$ 22,532,389	99.79%
2010	23,571,614	23,501,520	99.70%	21,539	23,523,059	99.79%
2009	23,135,527	23,070,355	99.72%	18,492	23,088,846	99.80%
2008	22,783,861	22,530,390	98.89%	253,471	22,783,861	100.00%
2007	20,506,199	19,403,324	94.62%	1,102,875	20,506,199	100.00%
2006	18,922,342	18,016,274	95.21%	906,068	18,922,342	100.00%
2005	18,605,060	17,672,508	94.99%	932,552	18,605,060	100.00%
2004	17,185,570	16,258,858	94.61%	926,712	17,185,570	100.00%
2003	16,268,282	15,315,963	94.15%	952,319	16,268,282	100.00%
2002	15,627,580	14,556,663	93.15%	1,070,917	15,627,580	100.00%

Source: City of Battle Creek Treasurer's Office

CITY OF BATTLE CREEK, MICHIGAN
Number of Water System Customers by User Class
Last Ten Fiscal Years

Type of User	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
In-City										
Residential	15,164	15,173	15,123	15,144	15,762	15,743	15,627	14,639	14,467	14,318
Commercial (1)	1,759	1,770	1,792	1,753	1,807	1,795	1,756	1,718	1,575	1,557
Industrial	166	165	161	163	225	221	204	211	126	124
	17,089	17,108	17,076	17,060	17,794	17,759	17,587	16,568	16,168	15,999
Outside City										
Emmett Township	746	761	763	765	766	719	742	754	668	648
Bedford Township	432	425	434	512	434	427	431	437	421	418
Springfield City	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk
Pennfield Township	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk
	1,178	1,186	1,197	1,277	1,200	1,146	1,173	1,191	1,089	1,066
Totals	18,267	18,294	18,273	18,337	18,994	18,905	18,760	17,759	17,257	17,065

(1) This class includes commercial and governmental users.

CITY OF BATTLE CREEK, MICHIGAN
Water System Customers by User Class as a Percent of Total
Last Ten Fiscal Years

Type of User	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
In-City										
Residential	83.01%	82.94%	82.76%	82.59%	82.98%	83.27%	83.30%	82.43%	83.83%	83.90%
Commercial	9.63%	9.68%	9.81%	9.56%	9.51%	9.49%	9.36%	9.67%	9.13%	9.12%
Industrial	0.91%	0.90%	0.88%	0.89%	1.18%	1.17%	1.09%	1.19%	0.73%	0.73%
	93.55%	93.52%	93.45%	93.04%	93.68%	93.94%	93.75%	93.29%	93.69%	93.75%
Outside City										
Emmett Township	4.08%	4.16%	4.18%	4.17%	4.03%	3.80%	3.96%	4.25%	3.87%	3.80%
Bedford Township	2.36%	2.32%	2.38%	2.79%	2.28%	2.26%	2.30%	2.46%	2.44%	2.45%
Springfield City	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Pennfield Township	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	6.45%	6.48%	6.55%	6.96%	6.32%	6.06%	6.25%	6.71%	6.31%	6.25%
Totals	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

CITY OF BATTLE CREEK, MICHIGAN
Water System Revenues by User Class
Last Ten Fiscal Years

Type of User	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
In-City										
Residential	\$ 2,533,362	\$ 2,756,443	\$ 2,778,890	\$ 2,988,206	\$ 2,930,112	\$ 3,114,683	\$ 3,128,571	\$ 3,116,515	\$ 3,013,516	\$ 2,973,697
Commercial (1)	1,843,640	1,900,080	2,029,994	2,107,130	2,384,246	2,229,896	2,140,021	2,018,350	2,036,886	1,683,483
Industrial	1,427,598	1,620,398	1,569,500	1,534,992	1,458,381	1,775,531	1,782,813	1,709,693	1,865,248	1,750,581
	5,804,600	6,276,921	6,378,384	6,630,328	6,772,739	7,120,110	7,051,405	6,844,558	6,915,650	6,407,761
Outside City										
Emmett Township (2)	-	-	-	-	-	-	-	-	157,258	518,833
Bedford Township (2)	-	-	-	-	-	-	-	-	45,160	97,724
East Leroy Township (2)	-	-	-	-	-	-	-	-	6,162	14,230
Springfield City	255,990	309,120	230,142	257,382	269,809	264,153	270,169	267,048	278,047	208,408
Pennfield Township	22,819	25,724	25,272	25,819	24,931	25,170	24,215	23,466	26,304	66,760
	278,809	334,844	255,414	283,201	294,740	289,323	294,384	290,514	512,931	905,956
Totals	\$ 6,083,409	\$ 6,611,765	\$ 6,633,798	\$ 6,913,529	\$ 7,067,479	\$ 7,409,433	\$ 7,345,789	\$ 7,135,072	\$ 7,428,581	\$ 7,313,717

(1) This class includes commercial and governmental users.

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

CITY OF BATTLE CREEK, MICHIGAN
Water System Revenues by User Class as a Percent of Total Revenue
Last Ten Fiscal Years

Type of User	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
In-City										
Residential	41.64%	41.69%	41.89%	43.22%	41.46%	42.04%	42.59%	43.68%	40.57%	40.66%
Commercial (1)	30.31%	28.74%	30.60%	30.48%	33.74%	30.10%	29.13%	28.29%	27.42%	23.02%
Industrial	23.47%	24.51%	23.66%	22.20%	20.64%	23.96%	24.27%	23.96%	25.11%	23.94%
	95.42%	94.94%	96.15%	95.90%	95.83%	96.10%	95.99%	95.93%	93.10%	87.61%
Outside City										
Emmett Township (2)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.12%	7.09%
Bedford Township (2)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.61%	1.34%
East Leroy Township (2)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.08%	0.19%
Springfield City	4.21%	4.68%	3.47%	3.72%	3.82%	3.57%	3.68%	3.74%	3.74%	2.85%
Pennfield Township	0.38%	0.39%	0.38%	0.37%	0.35%	0.34%	0.33%	0.33%	0.35%	0.91%
	4.58%	5.06%	3.85%	4.10%	4.17%	3.90%	4.01%	4.07%	6.90%	12.39%
Totals	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

(1) This class includes commercial and governmental users.

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

CITY OF BATTLE CREEK, MICHIGAN
Water System Sales Volume by User Class (Cubic Feet)
Last Ten Fiscal Years

Type of User	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
In-City										
Residential	143,389,790	147,477,690	137,407,639	135,354,475	122,288,785	132,922,943	129,667,312	125,570,888	126,426,959	125,730,875
Commercial (1)	114,554,365	121,130,023	112,195,110	108,753,474	113,556,377	109,436,923	111,213,299	111,337,291	104,709,987	103,704,045
Industrial	133,214,879	145,025,970	130,801,446	121,679,350	127,409,289	125,573,555	117,340,118	112,527,550	113,482,354	108,505,973
	391,159,034	413,633,683	380,404,195	365,787,299	363,254,451	367,933,421	358,220,729	349,435,729	344,619,300	337,940,893
Outside City										
Emmett Township	15,683,365	15,601,835	15,309,213	4,195,427	15,288,468	17,771,062	19,970,065	17,390,165	19,058,356	22,469,497
Bedford Township	3,868,998	3,640,246	3,778,467	4,560,943	3,602,107	3,301,180	3,647,245	3,199,666	3,513,561	3,357,542
Springfield City	20,611,891	21,616,262	21,227,255	21,277,255	20,754,525	19,956,511	22,897,818	19,962,071	18,041,171	20,371,021
Pennfield Township	2,882,400	3,418,800	3,099,600	3,165,700	2,937,600	2,700,500	2,570,500	2,467,500	2,368,300	2,532,700
	43,046,654	44,277,143	43,414,535	33,199,325	42,582,700	43,729,253	49,085,628	43,019,402	42,981,388	48,730,760
Totals	434,205,688	457,910,826	423,818,730	398,986,624	405,837,151	411,662,674	407,306,357	392,455,131	387,600,688	386,671,653

(1) This class includes commercial and governmental users.

CITY OF BATTLE CREEK, MICHIGAN
Water System Sales Volume by User Class as a Percent of Total Sales (Cubic Feet)
Last Ten Fiscal Years

Type of User	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
In-City										
Residential	33.02%	32.21%	32.42%	33.92%	30.13%	32.29%	31.84%	32.00%	32.62%	32.52%
Commercial	26.38%	26.45%	26.47%	27.26%	27.98%	26.58%	27.30%	28.37%	27.01%	26.82%
Industrial	30.68%	31.67%	30.86%	30.50%	31.39%	30.50%	28.81%	28.67%	29.28%	28.06%
	90.09%	90.33%	89.76%	91.68%	89.51%	89.38%	87.95%	89.04%	88.91%	87.40%
Outside City										
Emmett Township	3.61%	3.41%	3.61%	1.05%	3.77%	4.32%	4.90%	4.43%	4.92%	5.81%
Bedford Township	0.89%	0.79%	0.89%	1.14%	0.89%	0.80%	0.90%	0.82%	0.91%	0.87%
Springfield City	4.75%	4.72%	5.01%	5.33%	5.11%	4.85%	5.62%	5.09%	4.65%	5.27%
Pennfield Township	0.66%	0.75%	0.73%	0.79%	0.72%	0.66%	0.63%	0.63%	0.61%	0.66%
	9.91%	9.67%	10.24%	8.32%	10.49%	10.62%	12.05%	10.96%	11.09%	12.60%
Totals	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

CITY OF BATTLE CREEK, MICHIGAN
Water Pumped and Sold (Cubic Feet)
Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Water Pumped</u>	<u>Percent Increase (Decrease)</u>	<u>Water Sold</u>	<u>Percent Increase (Decrease)</u>	<u>Water Sold as a % of Water Pumped</u>
2011	481,914,359	1.07%	386,671,653	-0.24%	80.24%
2010	476,834,498	2.10%	387,600,688	-1.24%	81.29%
2009	467,044,118	-10.36%	392,455,131	-3.65%	84.03%
2008	521,009,359	6.58%	407,306,357	-1.06%	78.18%
2007	488,835,560	-3.42%	411,662,674	1.44%	84.21%
2006	506,143,048	0.11%	405,837,151	1.72%	80.18%
2005	505,578,877	-1.92%	398,986,624	-5.86%	78.92%
2004	515,498,663	-5.79%	423,818,730	-7.45%	82.22%
2003	547,204,560	2.25%	457,910,826	5.46%	83.68%
2002	535,185,830	-1.60%	434,205,688	-2.82%	81.13%

CITY OF BATTLE CREEK, MICHIGAN
Water Revenue and Usage - Major Customers
Fiscal Year Ended June 30, 2011

Company	Product or Service	Consumption (Cu. Ft.)	% of Total	Revenue	% of Total
Kellogg (Plant)	Breakfast foods	41,779,800	10.80%	\$ 541,188	7.40%
Kraft Foods, Post Division	Breakfast foods	32,774,333	8.48%	505,013	6.91%
Denso Manufacturing Michigan, Inc.	Automotive parts	4,517,186	1.17%	104,373	1.43%
VA Hospital (Armstrong)	Hospital	6,571,200	1.70%	91,715	1.25%
Fire Keepers Casino	Gambling/Entertainment	4,800,600	1.24%	82,816	1.13%
Bronson Battle Creek Hospital	Medical services	4,677,000	1.21%	66,840	0.91%
City of Battle Creek - WWTP	Government	3,939,328	1.02%	53,788	0.74%
Johnson Controls	Automotive parts	3,637,239	0.94%	49,709	0.68%
Prairie Farms Dairy	Dairy processing	3,658,700	0.95%	49,562	0.68%
Michigan Paperboard Co	Paperboard	3,303,398	0.85%	48,235	0.66%
Kellogg (Research)	Breakfast cereal	3,460,400	0.89%	48,138	0.66%
Ralcorp Holdings, Inc	Breakfast foods	2,961,567	0.77%	44,271	0.61%
Rock-Tenn/Waldorf Corp	Paperboard	2,969,137	0.77%	40,934	0.56%
US Gov't Federal Center	Government	2,614,000	0.68%	38,674	0.53%
Rolling Hills Mobile Home Park	Mobile Home Park	2,737,900	0.71%	38,408	0.53%
Cello-Foil Products Inc.	Food Packaging	2,827,128	0.73%	38,344	0.52%
Musashi Auto Parts	Automotive parts	2,180,481	0.56%	36,200	0.49%
VA Laundry (Dickman)	Laundry	2,531,800	0.65%	34,618	0.47%
Calhoun County Justice Center	Jail/Courts	2,410,814	0.62%	33,756	0.46%
Kellogg (Headquarters)	Breakfast Cereal	1,886,481	0.49%	27,890	0.38%
Totals		<u>136,238,492</u>	<u>35.23%</u>	<u>\$ 1,974,472</u>	<u>27.00%</u>

CITY OF BATTLE CREEK, MICHIGAN
Current Water Rates (Beginning as of July 1, 2006)

Monthly Water Commodity Charge (1)
(Fiscal Year Ending June 30)

	2007	2008	2009	2010	2011
<u>Inside City</u>					
0 to 4,410,000	\$ 1.20	\$ 1.23	\$ 1.26	\$ 1.29	\$ 1.32
4,410,001 to 11,000,000	0.58	0.60	0.61	0.63	0.64
Over 11,000,000	0.88	0.90	0.93	0.95	0.97
<u>Outside City (bulk rate)</u>					
Pennfield Township	0.86	0.90	0.88	0.93	0.95
Springfield City	1.20	1.23	1.26	1.29	1.32

Monthly Readiness-to-Serve Charge (2)
(Fiscal Year Ending June 30)

	2007	2008	2009	2010	2011
<u>Inside City</u>					
5/8"	\$ 6.88	\$ 7.05	\$ 7.23	\$ 7.41	\$ 7.59
3/4" or less	8.66	8.86	9.08	9.30	9.52
1"	12.22	12.48	12.78	13.07	13.37
1.5"	21.12	21.53	22.03	22.49	22.99
2"	31.80	32.39	33.13	33.80	34.54
3"	56.72	57.73	59.03	60.19	61.49
4"	92.32	93.93	96.03	97.89	99.99
6"	181.32	184.43	188.53	192.14	196.24
8"	288.12	293.03	299.53	305.24	311.74
10"	412.72	419.73	429.03	437.19	446.49
Over 10" (4)					

Monthly Fire Sprinkler Charges (3)
(Fiscal Year Ending June 30)

	2007	2008	2009	2010	2011
<u>Inside City</u>					
2"	\$ 5.14	\$ 5.26	\$ 5.40	\$ 5.53	\$ 5.67
3"	9.62	9.86	10.11	10.36	10.62
4"	16.05	16.45	16.86	17.28	17.72
6"	32.08	32.88	33.70	34.55	35.41
8"	51.35	52.63	53.95	55.30	56.68
10"	73.82	75.67	77.56	79.50	81.48

- (1) Rate per 100 cubic feet.
(2) Rate based on meter size; Outside City rates are set by contract.
(3) Rate based on connection size; Outside City rates are set by contract.
(4) To be calculated at time of permit.

CITY OF BATTLE CREEK, MICHIGAN
Number of Wastewater System Customers by User Class
Last Ten Fiscal Years

Type of User	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
In-City										
Residential	16,382	16,304	16,288	16,854	16,761	16,738	16,788	16,893	15,490	15,287
Commercial (1)	1,760	1,753	1,744	1,808	1,798	1,756	2,068	1,736	1,563	1,518
Industrial	141	142	145	152	151	145	155	155	116	116
	<u>18,283</u>	<u>18,199</u>	<u>18,177</u>	<u>18,814</u>	<u>18,710</u>	<u>18,639</u>	<u>19,011</u>	<u>18,784</u>	<u>17,169</u>	<u>16,921</u>
Outside City										
Emmett Township	1,740	1,781	1,779	1,835	1,825	1,828	1,842	1,885	1,665	1,631
Bedford Township	564	559	565	582	579	539	586	612	545	540
Springfield City	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk
Pennfield Township	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk
	<u>2,304</u>	<u>2,340</u>	<u>2,344</u>	<u>2,417</u>	<u>2,404</u>	<u>2,367</u>	<u>2,428</u>	<u>2,497</u>	<u>2,210</u>	<u>2,171</u>
Totals	<u>20,587</u>	<u>20,539</u>	<u>20,521</u>	<u>21,231</u>	<u>21,114</u>	<u>21,006</u>	<u>21,439</u>	<u>21,281</u>	<u>19,379</u>	<u>19,092</u>

(1) This class includes commercial and governmental users.

CITY OF BATTLE CREEK, MICHIGAN
Wastewater System Customers by User Class as a Percent of Total
Last Ten Fiscal Years Ended June 30, 2011

Type of User	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
In-City										
Residential	79.57%	79.38%	79.37%	79.38%	79.38%	79.68%	78.31%	79.38%	79.93%	80.07%
Commercial	8.55%	8.53%	8.50%	8.52%	8.52%	8.36%	9.65%	8.16%	8.07%	7.95%
Industrial	0.68%	0.69%	0.71%	0.72%	0.72%	0.69%	0.72%	0.73%	0.60%	0.61%
	88.81%	88.61%	88.58%	88.62%	88.61%	88.73%	88.67%	88.27%	88.60%	88.63%
Outside City										
Emmett Township	8.45%	8.67%	8.67%	8.64%	8.64%	8.70%	8.59%	8.86%	8.59%	8.54%
Bedford Township	2.74%	2.72%	2.75%	2.74%	2.74%	2.57%	2.73%	2.88%	2.81%	2.83%
Springfield City	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Pennfield Township	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	11.19%	11.39%	11.42%	11.38%	11.39%	11.27%	11.33%	11.73%	11.40%	11.37%
Totals	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

CITY OF BATTLE CREEK, MICHIGAN
Wastewater System Revenues by User Class
Last Ten Fiscal Years

Type of User	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
In-City										
Residential	\$ 2,660,562	\$ 2,709,184	\$ 2,772,893	\$ 2,811,084	\$ 2,761,007	\$ 3,376,960	\$ 3,267,808	\$ 3,763,342	\$ 4,012,982	\$ 4,145,313
Commercial (1)	4,004,457	2,091,895	2,011,039	1,941,867	1,783,669	2,058,448	2,169,934	2,108,616	2,219,711	2,169,252
Industrial	2,092,277	3,814,617	3,609,226	3,731,951	3,446,719	3,731,009	4,262,166	4,290,110	5,235,533	4,732,896
	8,757,296	8,615,696	8,393,158	8,484,902	7,991,395	9,166,417	9,699,908	10,162,068	11,468,226	11,047,460
Outside City										
Emmett Township	581,042	565,512	574,372	623,282	587,939	681,049	681,035	673,156	855,357	858,298
Bedford Township	163,932	156,851	173,777	172,512	241,027	208,199	198,244	202,640	177,108	193,916
East Leroy Township	-	-	-	-	-	-	-	-	426	12,961
Springfield City	358,720	373,633	335,050	379,616	395,862	395,875	457,727	477,221	536,289	482,238
Pennfield Township	373,633	365,038	386,898	380,497	379,492	404,821	434,360	485,602	496,588	447,255
	1,477,327	1,461,034	1,470,097	1,555,907	1,604,320	1,689,944	1,771,366	1,838,619	2,065,768	1,994,668
Totals	\$ 10,234,623	\$ 10,076,730	\$ 9,863,255	\$ 10,040,809	\$ 9,595,715	\$ 10,856,361	\$ 11,471,274	\$ 12,000,687	\$ 13,533,994	\$ 13,042,128

(1) This class includes commercial and governmental users.

CITY OF BATTLE CREEK, MICHIGAN
Wastewater System Revenues by User Class as a Percent of Total Revenue
Last Ten Fiscal Years

Type of User	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
In-City										
Residential	26.00%	26.89%	28.11%	28.00%	28.77%	31.11%	28.49%	31.36%	29.65%	31.78%
Commercial (1)	39.13%	20.76%	20.39%	19.34%	18.59%	18.96%	18.92%	17.57%	16.40%	16.63%
Industrial	20.44%	37.86%	36.59%	37.17%	35.92%	34.37%	37.16%	35.75%	38.68%	36.29%
	85.57%	85.50%	85.10%	84.50%	83.28%	84.43%	84.56%	84.68%	84.74%	84.71%
Outside City										
Emmett Township (2)	5.68%	5.61%	5.82%	6.21%	6.13%	6.27%	5.94%	5.61%	6.32%	6.58%
Bedford Township (2)	1.60%	1.56%	1.76%	1.72%	2.51%	1.92%	1.73%	1.69%	1.31%	1.49%
East Leroy Township (2)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.10%
Springfield City	3.50%	3.71%	3.40%	3.78%	4.13%	3.65%	3.99%	3.98%	3.96%	3.70%
Pennfield Township	3.65%	3.62%	3.92%	3.79%	3.95%	3.73%	3.79%	4.05%	3.67%	3.43%
	14.43%	14.50%	14.90%	15.50%	16.72%	15.57%	15.44%	15.32%	15.26%	15.29%
Totals	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

(1) This class includes commercial and governmental users.

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

CITY OF BATTLE CREEK, MICHIGAN
Wastewater System Ten Year History of Volumes - Unaudited

Fiscal Year Ended June 30,	Total Customers	Total Annual Amount of Sewer Treatment Sold (000,000's Gallons)	Total Annual Amount of Sewer Treated (000,000's Gallons)
2011	19,092	2,330	3,188
2010	19,379	2,322	3,221
2009	21,281	2,286	3,520
2008	21,439	2,644	3,358
2007	21,006	2,576	3,356
2006	21,114	3,040	3,450
2005	21,231	2,770	3,556
2004	20,521	2,806	3,506
2003	20,539	2,771	3,441
2002	20,587	2,901	3,881

CITY OF BATTLE CREEK, MICHIGAN
Wastewater System Sales Volume by User Class (Cubic Feet)
Last Ten Fiscal Years

Type of User	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
In-City										
Residential	130,375,450	123,915,476	125,022,045	123,417,582	125,601,626	129,484,615	133,629,491	119,898,268	118,720,421	119,253,007
Commercial (1)	95,565,835	95,602,782	96,810,569	92,006,080	103,331,052	94,077,325	100,897,362	84,822,970	83,527,632	79,250,599
Industrial	97,352,710	83,938,785	84,869,317	84,933,629	114,255,306	70,828,876	46,361,097	42,910,122	42,917,747	44,410,403
	323,293,995	303,457,043	306,701,931	300,357,291	343,187,984	294,390,816	280,887,950	247,631,360	245,165,800	242,914,009
Outside City										
Emmett Township	23,782,984	26,255,880	25,479,003	25,851,285	22,416,138	11,346,135	30,642,811	16,913,606	28,623,502	30,339,592
Bedford Township	7,460,413	6,945,184	6,967,764	7,251,759	7,141,993	3,176,176	7,342,349	5,620,143	6,339,386	5,409,186
Springfield City	17,133,860	16,500,091	17,191,832	17,822,333	17,858,390	17,077,626	18,222,458	17,902,584	16,043,919	16,990,491
Pennfield Township	16,211,301	17,263,203	18,841,131	18,974,550	15,795,100	18,438,800	16,392,850	17,519,550	14,309,350	15,813,350
	64,588,558	66,964,358	68,479,730	69,899,927	63,211,621	50,038,737	72,600,468	57,955,883	65,316,157	68,552,619
Totals	387,882,553	370,421,401	375,181,661	370,257,218	406,399,605	344,429,553	353,488,418	305,587,243	310,481,957	311,466,628

(1) This class includes commercial and governmental users.

CITY OF BATTLE CREEK, MICHIGAN
Wastewater System Sales Volume by User Class as a Percent of Total Sales (Cubic Feet)
Last Ten Fiscal Years Ended June 30, 2011

Type of User	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
In-City										
Residential	33.61%	33.45%	33.32%	33.33%	30.91%	37.59%	37.80%	39.24%	38.24%	38.29%
Commercial	24.64%	25.81%	25.80%	24.85%	25.43%	27.31%	28.54%	27.76%	26.90%	25.44%
Industrial	25.10%	22.66%	22.62%	22.94%	28.11%	20.56%	13.12%	14.04%	13.82%	14.26%
	83.35%	81.92%	81.75%	81.12%	84.45%	85.47%	79.46%	81.03%	78.96%	77.99%
Outside City										
Emmett Township	6.13%	7.09%	6.79%	6.98%	5.52%	3.29%	8.67%	5.53%	9.22%	9.74%
Bedford Township	1.92%	1.87%	1.86%	1.96%	1.76%	0.92%	2.08%	1.84%	2.04%	1.74%
Springfield City	4.42%	4.45%	4.58%	4.81%	4.39%	4.96%	5.16%	5.86%	5.17%	5.45%
Pennfield Township	4.18%	4.66%	5.02%	5.12%	3.89%	5.35%	4.64%	5.73%	4.61%	5.08%
	16.65%	18.08%	18.25%	18.88%	15.55%	14.53%	20.54%	18.97%	21.04%	22.01%
Totals	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

CITY OF BATTLE CREEK, MICHIGAN
Wastewater Revenue and Usage - Major Customers
Fiscal Year Ended June 30, 2011

<u>Company</u>	<u>Product or Service</u>	<u>Consumption (Cu. Ft.)</u>	<u>% of Total</u>	<u>Revenue</u>	<u>% of Total</u>
Kellogg (Plant)	Breakfast foods	36,536,497	11.73%	\$ 1,630,050	12.50%
Graphic Pkg	Paper mill	16,115,040	5.17%	735,338	5.64%
Kraft Foods/Post Division	Breakfast cereal	14,215,455	4.56%	727,943	5.58%
Rock-Tenn/Waldorf Corp.	Paperboard	13,191,771	4.24%	693,319	5.32%
Ralcorp Holdings, Inc.	Breakfast cereal	8,010,310	2.57%	172,360	1.32%
VA Hospital	Hospital Armstrong	6,571,200	2.11%	142,391	1.09%
Fire Keepers Casino	Gambling/Entertainment	4,188,000	1.34%	101,402	0.78%
Denso Mnftg. Michigan, Inc.	Automotive parts	4,517,186	1.45%	96,888	0.74%
Bronson Battle Creek Health Sys.	Hospital	4,677,000	1.50%	94,273	0.72%
Johnson Controls/Hi-Lex	Heating & Venting	3,637,239	1.17%	77,084	0.59%
Prairie Farms Dairy	Dairy processing	3,658,700	1.17%	76,822	0.59%
Federal Center	Government	2,678,616	0.86%	62,663	0.48%
Kellogg - Research	Research	3,460,400	1.11%	61,976	0.48%
Calhoun Co. Justice Center	Jail/Courts	2,410,814	0.77%	52,433	0.40%
VA Medical Center - Laundry	Laundry Services	2,531,800	0.81%	50,704	0.39%
Rolling Hills MHP	Mobile home park	2,737,900	0.88%	39,620	0.30%
Fort Custer Training Center	Government/Military	1,620,600	0.52%	38,908	0.30%
Musashi Auto Parts	Automotive parts	2,180,481	0.70%	36,921	0.28%
Gallagher Laundry	Laundry Services	1,303,200	0.42%	27,103	0.21%
Kellogg (Headquarters)	Breakfast Foods	1,886,481	0.61%	25,420	0.19%
Totals		<u>136,128,690</u>	<u>43.71%</u>	<u>\$ 4,943,618</u>	<u>37.90%</u>

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

CITY OF BATTLE CREEK, MICHIGAN
Largest Wastewater Customers

Fiscal Year Ended June 30,	Kellogg Company		Graphic Pkg		Kraft Foods/Post Division	
	Consumption	Revenue	Consumption	Revenue	Consumption	Revenue
2011	41,883,378	\$ 1,717,446	16,115,040	\$ 735,338	14,215,455	\$ 727,943
2010	45,501,750	2,037,778	17,583,515	853,414	16,899,011	896,156
2009	45,684,404	1,594,973	19,446,390	723,983	17,592,553	686,303
2008	48,436,961	1,669,857	25,055,615	791,028	14,447,447	596,275
2007	41,580,214	1,318,253	25,858,289	736,869	14,600,267	471,537
2006	48,061,497	1,181,361	26,485,294	654,208	22,767,379	570,754
2005	48,468,841	1,225,508	27,942,722	657,030	25,366,208	648,051
2004	48,347,026	1,185,451	29,798,717	735,338	24,533,913	593,986
2003	47,185,600	482,405	12,210,800	114,110	40,534,399	428,411
2002	51,283,300	489,581	9,257,700	95,413	37,645,952	380,223

Consumption measured in Cubic Feet (M3).

CITY OF BATTLE CREEK, MICHIGAN
Current Wastewater Rates (From 7/01/05 to 6/30/11)

Commodity Charge

Date	Regular Commodity Rate (per ccf or 750 gallons)	Former Contract Commodity Rate (per ccf or 750 gallons)
Current as of 7/1/2004	\$2,130	\$0,990
July 1, 2005 – June 30, 2006	\$2,106	\$1,194
July 1, 2006 – June 30, 2007	\$2,082	\$1,398
July 1, 2007 – June 30, 2008	\$2,058	\$1,602
July 1, 2008 – June 30, 2009	\$2,034	\$1,806
July 1, 2009 – June 30, 2010	\$2,010	\$2,010
July 1, 2010 – June 30, 2011	\$2,010	\$2,010

Monitoring Charge

Date	Monitoring Charge (per sample)
Current as of 7/1/2004	\$0.00
July 1, 2005 – June 30, 2006	\$17.96
July 1, 2006 – June 30, 2007	\$35.92
July 1, 2007 – June 30, 2008	\$53.88
July 1, 2008 – June 30, 2009	\$71.84
July 1, 2009 – June 30, 2010	\$89.80
July 1, 2010 – June 30, 2011	\$89.80

BOD and Suspended Solids Charges

Date	BOD Charge (per pound)	Suspended Solids Charge (per pound)
Current as of 7/1/2004	\$0.1050 or \$0.2200	\$0.0900 or \$0.1700
July 1, 2005 – June 30, 2006	\$0.1422	0.1915
July 1, 2006 – June 30, 2007	\$0.1460	0.1966
July 1, 2007 – June 30, 2008	\$0.1498	0.2016
July 1, 2008 – June 30, 2009	\$0.1536	0.2067
July 1, 2009 – June 30, 2010	\$0.1574	0.2118
July 1, 2010 – June 30, 2011	\$0.1574	0.2118

Sewer Customer Only (No Water Service)

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

Date	Bill Processing Charge
Current as of 7/1/2004	\$0.40
July 1, 2005 – June 30, 2006	\$0.72
July 1, 2006 – June 30, 2007	\$0.74
July 1, 2007 – June 30, 2008	\$0.76
July 1, 2008 – June 30, 2009	\$0.78
July 1, 2009 – June 30, 2010	\$0.81
July 1, 2010 – June 30, 2011	\$0.81

Readiness to Serve Charges

Inside City and Outside City Customers Billed by City

Meter Size	Current	July 1, 2005 to June 30, 2006	July 1, 2006 to June 30, 2007	July 1, 2007 to June 30, 2008	July 1, 2008 to June 30, 2009	July 1, 2009 to June 30, 2010	July 1, 2010 to June 30, 2011
5/8"	\$1.45	\$3.22	\$4.94	\$6.67	\$8.39	\$10.15	\$10.15
3/4"	\$1.45	\$3.22	\$5.75	\$8.29	\$10.82	\$13.39	\$13.39
1"	\$2.00	\$3.22	\$7.37	\$11.53	\$15.68	\$19.87	\$19.87
1.5"	\$3.40	\$3.22	\$11.42	\$19.63	\$27.83	\$36.07	\$36.07
2"	\$4.90	\$3.22	\$16.28	\$29.35	\$42.41	\$55.51	\$55.51
3"	\$11.20	\$3.22	\$27.62	\$52.03	\$76.43	\$100.87	\$100.87
4"	\$19.00	\$3.22	\$43.82	\$84.43	\$125.03	\$165.67	\$165.67
6"	\$37.55	\$3.22	\$84.32	\$165.43	\$246.53	\$327.67	\$327.67
8"	\$56.10	\$3.22	\$132.92	\$262.63	\$392.33	\$522.07	\$522.07
10"	\$75.50	\$3.22	\$189.62	\$376.03	\$562.43	\$748.87	\$748.87

Outside City Performing Their Own Billing

Meter Size	Current	July 1, 2005 to June 30, 2006	July 1, 2006 to June 30, 2007	July 1, 2007 to June 30, 2008	July 1, 2008 to June 30, 2009	July 1, 2009 to June 30, 2010	July 1, 2010 to June 30, 2011
5/8"	\$0.00	\$0.00	\$1.62	\$3.24	\$4.86	\$6.48	\$6.48
3/4"	\$0.00	\$0.00	\$2.43	\$4.86	\$7.29	\$9.72	\$9.72
1"	\$0.00	\$0.00	\$4.05	\$8.10	\$12.15	\$16.20	\$16.20
1.5"	\$0.00	\$0.00	\$8.10	\$16.20	\$24.30	\$32.40	\$32.40
2"	\$0.00	\$0.00	\$12.96	\$25.92	\$38.88	\$51.84	\$51.84
3"	\$0.00	\$0.00	\$24.30	\$48.60	\$72.90	\$97.20	\$97.20
4"	\$0.00	\$0.00	\$40.50	\$81.00	\$121.50	\$162.00	\$162.00
6"	\$0.00	\$0.00	\$129.60	\$259.20	\$388.80	\$518.40	\$518.40
8"	\$0.00	\$0.00	\$186.30	\$372.60	\$558.90	\$745.20	\$745.20

CITY OF BATTLE CREEK
Ratios of General Bonded Debt Outstanding
Last Ten Years

Year	General Bonded Debt Outstanding								
	Governmental Activities			Business-type Activities			% of Personal Income	% of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Total				
2011	\$ 17,735,000	\$ 5,972	\$ 250,000	\$ -	\$ 17,990,972	0.40%	1.06%	\$ 343.69	
2010	19,880,000	6,209	485,000	-	20,371,209	0.45%	1.15%	392.94	
2009	21,810,000	6,445	710,000	-	22,526,445	0.52%	1.30%	431.92	
2008	21,170,000	5,548	3,510,000	-	24,685,548	0.58%	1.47%	473.32	
2007	22,860,000	4,256	3,860,000	-	26,724,256	0.66%	1.66%	512.12	
2006	24,729,000	4,298	4,195,000	-	28,928,298	0.74%	1.86%	550.75	
2005	22,375,000	4,403	4,515,000	-	26,894,403	0.69%	1.77%	509.64	
2004	23,790,000	4,585	4,820,000	-	28,614,585	0.75%	1.94%	537.90	
2003	25,175,000	4,452	5,115,000	-	30,294,452	0.81%	2.10%	569.03	
2002	23,160,000	4,662	5,935,000	-	29,099,662	0.80%	2.10%	545.85	

Ratios of Total Outstanding Debt
Last Ten Years

Year	Total Debt Outstanding (A)								
	Governmental Activities			Business-type Activities			% of Personal Income	% of Actual Taxable Value of Property	Per Capita
	Total Outstanding Debt	Less: Amounts Restricted to Repaying Principal	Total Outstanding Debt	Less: Amounts Restricted to Repaying Principal	Total				
2011	\$ 21,592,965	\$ 5,972	\$ 15,997,293	\$ -	\$ 37,596,229	0.83%	2.21%	\$ 718.21	
2010	24,109,925	6,209	18,024,151	-	42,140,285	0.97%	2.38%	812.84	
2009	26,392,473	6,445	19,635,734	-	46,034,652	1.09%	2.66%	882.67	
2008	25,328,177	5,548	24,073,099	-	49,406,824	1.17%	2.94%	947.33	
2007	26,836,355	4,256	25,484,544	-	52,325,155	1.28%	3.26%	1,002.70	
2006	26,009,000	4,298	27,170,948	-	53,184,246	1.35%	3.42%	1,012.55	
2005	24,220,000	4,403	28,448,586	-	52,672,989	1.36%	3.47%	998.14	
2004	25,795,000	4,585	29,607,584	-	55,407,169	1.46%	3.75%	1,041.55	
2003	27,383,349	4,452	30,355,000	-	57,742,801	1.55%	4.00%	1,084.60	
2002	25,568,674	4,662	32,070,000	-	57,643,336	1.59%	4.15%	1,081.27	

(A) Includes general obligations bonds, revenue bonds, installment contracts and capital leases for governmental and business-type activities.

Source: City of Battle Creek Finance Department

CITY OF BATTLE CREEK
Computation of Net Direct and Overlapping Debt
As of June 30, 2011

	(1) Net Debt Outstanding	Percentage Applicable to City of Battle Creek	Amount Applicable to City of Battle Creek
Direct:			
City issued bonded debt (2)	\$ 15,900,000	100.00%	<u>\$ 15,900,000</u>
Overlapping: (3)			
Battle Creek Public Schools	62,425,000	77.14%	48,154,645
Calhoun County	13,980,000	40.53%	5,666,094
Climax-Scotts School District	5,983,916	3.96%	236,963
Harper Creek School District	69,044,672	0.24%	165,707
Kalamazoo RESA	21,200,000	0.06%	12,720
Lakeview School District	47,490,000	100.00%	47,490,000
Pennfield School District	36,463,671	3.49%	1,272,582
Kellogg Community College	4,300,000	40.55%	1,743,650
			<u>104,742,361</u>
Total direct and overlapping debt			<u><u>\$ 120,642,361</u></u>

(1) Excludes self-supporting debt.

(2) Excludes discretely presented component unit.

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

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

CITY OF BATTLE CREEK
Legal Debt Margin
Last Ten Fiscal Years

State Equalized Value - ad valorem property		\$	1,650,984,800
State Equalized Value - tax abated property:			
Industrial Facilities			177,379,715
Neighborhood Enterprise Zone			563,914
			<u> </u>
Total State Equalized Value (SEV)		\$	<u><u>1,828,928,429</u></u>
Legal debt limit (10% of SEV)		\$	182,892,843
Outstanding debt subject to limitation	\$		95,426,316
Less exempt obligations			<u>(18,375,000)</u>
			<u> </u>
			77,051,316
			<u> </u>
Legal debt margin		\$	<u><u>105,841,527</u></u>
Debt subject to limitation as a percent of SEV			<u><u>4.21%</u></u>

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Total Net Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Total Net Debt Applicable to Limit as a Percentage of Debt Limit</u>
2011	\$ 182,892,843	\$ 77,051,316	\$ 105,841,527	42.13% (A)
2010	196,043,673	82,766,030	113,277,643	42.22% (A)
2009	195,711,128	84,202,786	111,508,342	43.02% (A)
2008	189,704,303	85,136,611	104,567,692	44.88% (A)
2007	181,362,764	88,015,790	93,346,974	48.53% (A)
2006	174,472,102	83,450,407	91,021,695	54.84% (A)
2005	154,861,776	82,015,000	72,846,776	49.51% (A)
2004	150,799,044	77,135,000	73,664,044	46.57% (A)
2003	141,768,348	34,205,000	107,563,348	24.13%
2002	135,383,345	33,400,000	101,983,345	24.67%

(A) In 2004, the City refunded Downtown Development Authority bonds in the amount of \$55.265 million with a general obligation backing making the debt subject to the legal debt limit.

Source: City of Battle Creek Finance Department

CITY OF BATTLE CREEK, MICHIGAN
Water and Wastewater System Revenue Bond Coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30,	(1) Gross Revenue	(2) Operating Expenses	Net Revenue Available for Debt Service	(3) Total Debt Service Requirement	Coverage
2011	\$ 23,058,232	\$ 15,480,363	\$ 7,577,869	\$ 2,283,994	3.32
2010	21,800,246	15,078,231	6,722,015	2,287,081	2.94
2009	20,017,923	15,555,502	4,462,421	2,283,550	1.95
2008	19,423,713	15,358,388	4,065,325	2,290,497	1.77
2007	18,815,313	14,712,942	4,102,371	2,140,741	1.92
2006	17,438,691	14,533,605	2,905,086	2,139,594	1.36
2005	18,128,410	14,075,713	4,052,697	2,039,225	1.99
2004	16,753,042	13,741,506	3,011,536	1,575,436	1.91
2003	18,914,844	13,409,060	5,505,784	1,447,312	3.80
2002	18,059,421	12,834,705	5,224,716	1,452,305	3.60

(1) Includes operating revenue, investment income and transfers from tax increment financing authorities. Such transfers will continue through the year ended June 30, 2011.

(2) Excludes depreciation expense.

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

CITY OF BATTLE CREEK
Demographic and Economic Statistics
Last Ten Fiscal Years

Year		Population	(b) Personal Income (thousands of dollars)	(b) Per Capita Personal Income	Unemployment Rate
2011	(a)	52,347	\$ 4,518,817	\$ 33,209	11.20%
2010		52,347	4,518,817	33,209	13.30%
2009	(a)	51,843	4,342,138	32,018	14.10%
2008	(a)	52,154	4,231,549	31,146	9.00%
2007	(a)	52,184	4,075,917	29,897	8.00%
2006	(a)	52,525	3,931,003	28,653	8.00%
2005	(a)	52,771	3,873,401	28,056	7.70%
2004	(a)	53,197	3,800,925	27,393	8.00%
2003		53,239	3,719,430	26,860	8.20%
2002		53,311	3,636,736	26,278	7.10%

(a) Reflects most recent data available.

(b) Battle Creek MSA data.

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

CITY OF BATTLE CREEK
Principal Employers
Current Year and Nine Years Ago

Employer	2002			2011		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
Kellogg Company	1,750	2	7.04%	2,500	1	11.24%
Denso Manufacturing Michigan, Inc	2,100	1	8.44%	2,085	2	9.38%
Hart-Doyle-Inouye Federal Center	1,509	4	6.07%	1,556	3	7.00%
Bronson Battle Creek	1,554	3	6.25%	1,400	4	6.30%
Veterans Administration Med Center	1,141	6	4.59%	1,300	5	5.85%
Michigan Air National Guard	-	-	-	1,127	6	5.07%
Battle Creek Public Schools	1,300	5	5.23%	1,089	7	4.90%
Kellogg Community College	-	-	-	920	8	4.14%
II Stanley Company, Inc.	-	-	-	750	9	3.37%
Family Fare	700	9	2.81%	700	10	3.15%
Duncan Aviation	-	-	-	700	10	3.15%
Kraft Foods, Post Division	887	7	3.57%	-	-	-
Meijer Inc.	700	8	2.81%	-	-	-
City of Battle Creek	650	10	2.61%	-	-	-
	<u>12,291</u>		<u>49.42%</u>	<u>14,127</u>		<u>63.54%</u>

Source: City of Battle Creek

CITY OF BATTLE CREEK
Full-Time Equivalent Employees by Function/Program
Last Ten Years

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund and Special										
Revenue Funds										
Administration	26	25	22	22	25	25	23	25	24	24
Community development	30	31	29	27	33	34	33	28	27	24
Finance	31	28	27	27	27	26	26	26	23	22
Police department	152	145	139	132	132	133	132	132	131	133
Fire department	121	118	118	115	115	115	111	108	98	82
Public works	75	72	74	70	73	68	65	63	56	54
Parks and recreation	19	17	13	11	10	10	8	6	6	6
	<u>454</u>	<u>436</u>	<u>422</u>	<u>404</u>	<u>415</u>	<u>411</u>	<u>398</u>	<u>388</u>	<u>365</u>	<u>345</u>
Enterprise Funds										
W.K. Kellogg airport	9	10	10	10	9	10	10	10	10	10
Battle Creek transit system	44	43	43	43	39	38	36	38	39	38
Sewer and wastewater plant	71	71	69	67	66	66	63	65	60	57
Water	50	47	47	46	43	46	44	41	43	40
	<u>174</u>	<u>171</u>	<u>169</u>	<u>166</u>	<u>157</u>	<u>160</u>	<u>153</u>	<u>154</u>	<u>152</u>	<u>145</u>
Internal Service Funds										
Information systems	10	10	10	8	9	10	11	11	11	11
Equipment center	18	18	19	18	18	16	16	16	16	15
Self insurance	4	4	4	4	4	3	4	4	4	3
Reproduction and stores	4	4	4	4	4	4	3	3	3	3
	<u>36</u>	<u>36</u>	<u>37</u>	<u>34</u>	<u>35</u>	<u>33</u>	<u>34</u>	<u>34</u>	<u>34</u>	<u>32</u>
Total	<u>664</u>	<u>643</u>	<u>628</u>	<u>604</u>	<u>607</u>	<u>604</u>	<u>585</u>	<u>576</u>	<u>550</u>	<u>522</u>

Source: City of Battle Creek Finance Department

CITY OF BATTLE CREEK
Operating Indicators by Function/Program
Last Six Fiscal Years

Function/Program	2006	2007	2008	2009	2010	2011
Public Safety						
Police						
Number of incidents	55,366	50,458	47,045	45,346	50,210	58,529
Number of crash reports	2,308	1,992	2,231	1,423	1,781	1,755
Fire						
Number of incidents	5,538	5,752	5,061	4,686	5,341	5,701
Number of medical calls	3,709	3,971	2,620	1,337	3,453	2,547
Number of structural fires	186	89	127	99	95	65
Public Works						
Major street miles maintained	90.58	90.58	90.58	90.14	90.14	90.11
Local street miles maintained	204.32	204.70	204.70	204.52	204.79	204.49
Culture & Recreation						
Participation:						
Softball	1,671	1,893	2,004	1,943	1,686	1,711
Soccer	732	674	567	697	708	712
Baseball	2,328	1,167	3,938	1,615	1,214	2,003
Basketball	435	105	170	149	237	134
Floor hockey	1,237	210	353	375	479	566
Football	155	182	180	96	96	115
Other	1,365	2,169	944	880	879	1,132
Aquatic center participation	138,000	128,000	63,441	19,007	20,357	23,003
Rounds of golf	48,000	49,100	49,000	47,000	51,000	48,350
Parks maintained	28	32	28	29	29	29
Number of linear park trail miles	24	25	24	26	26	25
Building Permits						
Commercial and Industrial						
Number of permits	56	69	71	252	205	138
Dollar value	\$ 16,336,269	\$ 21,868,619	\$ 44,855,746	\$ 74,785,330	\$ 77,741,692	\$ 17,807,968
Residential						
Number of permits	321	538	605	476	450	680
Dollar value	\$ 24,074,807	\$ 19,095,837	\$ 7,467,058	\$ 3,148,829	\$ 3,366,900	\$ 6,052,107
Totals						
Number of permits	377	607	676	728	655	818
Dollar value	\$ 40,411,076	\$ 40,964,456	\$ 52,322,804	\$ 77,934,159	\$ 81,108,592	\$ 23,860,075

Source: City of Battle Creek Finance Department

CITY OF BATTLE CREEK
Capital Asset Statistics by Function/Program
Last Six Fiscal Years

Function/Program	2006	2007	2008	2009	2010	2011
Police - vehicle patrol units						
Police patrol	46	42	41	42	48	44
Detective	15	11	18	10	18	17
Other	20	36	34	23	14	21
SIU	-	-	16	6	7	7
Fire						
Fire vehicle units:						
Trucks	2	2	2	2	2	2
Engines	9	8	8	8	8	8
Other	12	11	10	9	11	10
Fire stations	5	5	5	5	5	5
Administrative facilities	1	1	1	1	1	1
Parks and Recreation						
Parks:						
Parkland acreage	1,200	1,028	1,200	1,036	1,036	1,036
Natural area acreage	200	344	380	380	380	380
Picnic areas	15	15	15	15	15	15
Buildings:						
Log cabins	1	1	1	1	1	1
Recreation center	1	1	1	1	1	1
Fishing structures	3	3	3	3	3	3
Pavilions	12	12	12	12	12	16
Concession	4	4	4	4	4	4
Swimming beach areas	1	1	1	1	1	1
Golf course - 27 holes	1	1	1	1	1	1
Trails:						
Nature	1	1	1	1	1	1
Multi-use	1	1	1	1	1	1
Playgrounds	22	22	22	22	22	22
Water areas:						
Water parks	1	1	1	1	1	1
Spray play feature	3	3	-	-	-	-
Public Works						
Major street miles maintained	90.58	90.58	90.58	90.14	90.14	90.11
Local street miles maintained	204.32	204.70	204.70	204.52	204.79	204.49
Vehicles:						
Dump trucks	47	47	48	48	41	44
Heavy equipment	22	28	15	17	20	37
Other	240	201	243	239	224	201

Source: City of Battle Creek Finance Department

CITY OF BATTLE CREEK
Schedule of Insurance
As of June 30, 2011

Type of Coverage Name of Company	Policy Expiration Date	Premium	Description
Airport Liability	7/1/12	\$12,668	\$50,000,000 CSL each occ.; ded. \$1,000 per occ./\$10,000 agg., \$50,000,000 per aircraft/occ Hangar \$250,000 fire damage - any one fire Keepers liability. Terrorism declined.
Auto Liability (Except Buses)	6/25/12	N/A	Self-insured for 1st \$1 million(PIP SIR is equal to MCCA threshold, Increased to \$480,000 7-1-10), must renew certification with Assigned Claims Fund each year, by June 25th.
Auto Physical Damage (except Buses)	7/1/12	Included in Property Insurance	Stated amount coverage on all but transit vehicles, with over-the-road physical damage deductible of \$50,000 on buses, fire trucks except \$100,000 on two largest fire trucks, and \$25,000 on all other vehicles. Deductibles are on per occurrence basis.
Boiler & Machinery	7/1/12	Included in Property Insurance	\$100,000,000 Property limit, subject to \$25,000 per occ. ded.
Crime Coverage	7/1/12	\$4,693 \$865 Treasurer's Bond	Employee dishonesty \$1,000,000 per loss, with \$10,000 ded.; forgery \$50,000 with \$500 ded., blanket limits, \$500,000 on Treasurer.
Data Processing Equipment	7/1/12	Included in Property Insurance	Blanket coverage for equipment on premises, blanket coverage for data/media and extra expense coverage, subject to ded. on mechanical breakdown and other perils.
Emergency Care Services (First Responder Prof. Liability)	7/1/12	\$3,951 including surplus lines tax, policy fee	\$1,000,000/claim/general aggregate \$250 deductible each claim - excludes terrorism
Employee Benefits Liability	N/A	N/A	See Excess Liability, for losses above \$1,000,000 SIR.
Employment Practices Liability Insurance	N/A	N/A	See Excess Liability, for losses above \$1,000,000 SIR.
Excess Liability (first layer)	10/1/11	\$194,868 (includes broker's fee)	\$5,000,000 each occ. and/or wrongful act \$5,000,000 aggregate limit for Personal Inj, Products/Completed Operations and Public Officials E&O combined. Subject to \$1,000,000 per occ/wrongful act, and \$2,500,000 Annual Aggregate SIR. Terrorism rejected. Does not apply to Airport Liability. Excess of all primary limits, subject to SIR on any self-insured primary exposures.

CITY OF BATTLE CREEK
Schedule of Insurance
As of June 30, 2011

Type of Coverage Name of Company	Policy Expiration Date	Premium	Description
Excess Liability (2nd layer)	10/1/11	\$37,955 (including surplus lines taxes & fees, broker's fee)	\$5,000,000 excess of Clatlin's \$5,000,000 layer. Does not apply to Transit Operations.
Garage Liab. (Ambulance Repairs)		no longer applicable	
Inland Marine	7/1/12	Included in Property Insurance	Coverage on fine arts, contractors equipment(ACV), communications equipment, including dispatch equipment and towers.
Liquor Liability Binder Park Golf	3/8/12	\$601 (including surplus lines tax, fees)	\$1,000,000 each common cause/annual aggregate limit. No deductible. Note: License in name of Cereal City Development Corporation. (excludes Terrorism)
Police Professional Liability	N/A	N/A	See Excess Liability, for losses above \$1 million SIR.
Property Insurance	7/1/12	\$155,765	All Risk coverage on real property, personal property, business interruption, extra expense, earthquake & flood, and vehicle physical damage, with \$200,000,000 per occ loss limit on real property, \$50,000,000 limit on flood and earthquake, with other special sublimits. \$50,000,000 E&O limit. \$100,000,000 terrorism coverage included. \$40,000 basic All Perils deductible.
Pollution Liability	N/A	N/A	Note: Finance department files for self- insured authority with State, for UST liability.
Public Officials	N/A	N/A	See Excess Liability , for losses above \$1 million SIR.
Transit (Physical Damage)	7/1/12	Included in Property Insurance	Stated amount coverage on all transit vehicles, with over-the-road physical damage deductibles of \$10,000 on handi-vans, \$50,000 on large busses. Deductible on per-occurrence basis.
Transit (Liability)	N/A	Primary Policy non- renewed 4-1-05	Note: See 1st Layer of excess coverage (\$5 million) for losses excess of \$1 million (PIP excess of \$375,000) SIR. 2nd Layer of excess does not apply to Transit.
Warehouse (Liability)	N/A	No longer applicable; BCTIFA owns	None

CITY OF BATTLE CREEK
Schedule of Insurance
As of June 30, 2011

Type of Coverage Name of Company	Policy Expiration Date	Premium	Description
Worker's Comp. (Primary)	6/30/12	N/A	Note: If requested by W.C. bureau, must update self-insured certification by July 1st. Also, must notify if any changes in excess coverage, or TPA.
Worker's Comp. (Excess)	7/1/12	\$22,243	Statutory limit, \$1,000,000 Employers Liability, Specific Excess subject to \$600,000 per accident or disease. No agg. limit on S.I.R. per year.
Emergency Dispatch Liability	N/A	N/A	See Excess Liability, for losses above \$1 million.
Liquor Liability Except Binder Park	N/A	N/A	None - See separate policy for Binder Park