

BATTLE CREEK DOWNTOWN
DEVELOPMENT AUTHORITY
(A Component Unit of the
City of Battle Creek, Michigan)

Year Ended
June 30, 2025

Financial
Statements and
Other Information

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BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

December 22, 2025

To the Board of Directors of the
Battle Creek Downtown Development Authority
City of Battle Creek, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the **Battle Creek Downtown Development Authority, a component unit of the City of Battle Creek, Michigan** (the "Authority"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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



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

Independent Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2025, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

The Battle Creek Downtown Development Authority (the "Authority") was established March 6, 1979 pursuant to Public Act 197 of 1975. The Authority is a component unit of the City of Battle Creek, Michigan and presents this management discussion and analysis of its financial performance as an overview of financial activities for the fiscal year ended June 30, 2025.

Using this Annual Report

This discussion and analysis is intended to serve as an introduction to some of the Authority's basic financial statements. The basic financial statements include the following (among others):

- The statement of net position presents information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- The statement of activities presents information showing how the Authority's net position changed during the most recent fiscal year.
- The balance sheet and statement of revenues, expenditures and changes in fund balances – governmental funds focuses 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.
- The statement of revenues, expenditures and changes in fund balance – budget and actual – general fund presents information showing the comparison of the Authority's actual revenues and expenditures to what was budgeted.
- The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

The net position of the Authority is summarized for the purpose of determining the overall fiscal position. As shown below, the Authority's liabilities exceeded its assets and deferred outflows of resources by \$15,839,591 at the end of the fiscal year, of which \$1,144,134 was restricted for loan commitments and lending activities. That leaves a deficit balance of \$16,983,725 in unrestricted net position.

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

A comparative analysis of the data is presented below:

	Net Position					
	Governmental activities		Business-type activities		Total	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	\$ 3,057,151	\$ 2,457,592	\$ 1,144,134	\$ 1,241,039	\$ 4,201,285	\$ 3,698,631
Deferred outflows of resources	602,648	724,857	-	-	602,648	724,857
Liabilities						
Long-term liabilities	20,500,000	22,379,484	-	-	20,500,000	22,379,484
Other liabilities	143,524	165,620	-	-	143,524	165,620
Total liabilities	20,643,524	22,545,104	-	-	20,643,524	22,545,104
Deferred inflows of resources	-	63,842	-	-	-	63,842
Net position						
Restricted for loan commitments and lending activity	-	-	1,144,134	1,241,039	1,144,134	1,241,039
Unrestricted (deficit)	(16,983,725)	(19,426,497)	-	-	(16,983,725)	(19,426,497)
Total net position	\$ (16,983,725)	\$ (19,426,497)	\$ 1,144,134	\$ 1,241,039	\$ (15,839,591)	\$ (18,185,458)

There was positive change in net position in the amount of \$2,345,867 in the current year and positive change in the amount of \$2,216,589 in the prior year. The positive change is higher in the current year due to an increase in tax capture as a result of a new millage levy. The Authority continued to fund central business district maintenance, a downtown police officer, support for the intermodal transportation center in the downtown, as well as economic development support for downtown businesses.

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

	Change in Net Position					
	Governmental activities		Business-type activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues:						
Charges for services	\$ 19,100	\$ 41,000	\$ 16,472	\$ 20,778	\$ 35,572	\$ 61,778
Operating grants and contributions	2,748,816	2,960,995	-	-	2,748,816	2,960,995
General revenues:						
Property taxes	2,208,511	1,716,028	-	-	2,208,511	1,716,028
Unrestricted investment earnings	389,039	321,470	15,981	17,102	405,020	338,572
Total revenues	5,365,466	5,039,493	32,453	37,880	5,397,919	5,077,373
Total expenses	2,922,694	2,828,275	129,358	32,509	3,052,052	2,860,784
Change in net position	2,442,772	2,211,218	(96,905)	5,371	2,345,867	2,216,589
Net position (deficit), beginning of year	(19,426,497)	(21,637,715)	1,241,039	1,235,668	(18,185,458)	(20,402,047)
Net position (deficit), end of year	<u>\$ (16,983,725)</u>	<u>\$ (19,426,497)</u>	<u>\$ 1,144,134</u>	<u>\$ 1,241,039</u>	<u>\$ (15,839,591)</u>	<u>\$ (18,185,458)</u>

Governmental funds. As of the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$3,040,744 an increase of \$672,712 from the prior year. The majority of the change is the result of a continued high interest rate environment leading to higher investment returns as well as an increase in tax capture revenue due to a new millage levy.

Proprietary fund. The Authority's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

The net position of the revolving loan enterprise fund at the end of the year amounted to \$1,144,134 all of which is restricted for loan commitments and lending activity. The fund had an decrease in total net position for the year of \$96,905 as a result of an increase in professional service expenses.

General Fund Budgetary Highlights

The general fund original adopted and final amended budgets reflected expenditures and transfers out in excess of revenues of \$154,155. Actual revenues were in excess of the budget (primarily related to property taxes and unrestricted investment earnings) combined with expenditures less than budget results in the increase of fund balance for the fiscal year of \$627,712.

Long-term Debt

At the end of the current fiscal year, the Authority had total debt outstanding of \$20,500,000.

The pipeline bonds debt service fund accounts for the repayment of the outstanding debt. Principal payments were \$1,760,000 during the current year.

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

Economic Factors

The Authority's expenses are governed by the laws of the State of Michigan and bond indenture covenants. These laws and covenants determine how bond proceeds are spent and how and when debt retirement payments are made. During 2025, community development expenses were \$2,092,341, which included support for the Kellogg Arena, downtown economic development costs, and administrative expenses. Looking to the next fiscal year and beyond, the Authority will continue to be reliant upon a sustained growth in taxable values in order to provide adequate funding to meet the objectives outlined in its development plan. Funding economic development costs, administrative expenses, and business support within the district continues to be a priority.

Contacting the Battle Creek Downtown Development Authority

This financial report is designed to provide a general overview of the Battle Creek Downtown Development Authority's finances and to show accountability for the money it receives and expends. The financial statements are available on the City's website: www.battlecreekmi.gov. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Revenue Services Director, P.O. Box 1717, Battle Creek, MI 49016-1717.

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BASIC FINANCIAL STATEMENTS

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BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Statement of Net Position

June 30, 2025

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and investments	\$ 3,045,164	\$ -	\$ 3,045,164
Cash and cash equivalents	-	4,788	4,788
Investments	-	731,778	731,778
Interest receivable	-	1,866	1,866
Accounts receivable	11,987	60,400	72,387
Loans receivable:			
Due within one year	-	254,275	254,275
Due in more than one year	-	91,027	91,027
Total assets	<u>3,057,151</u>	<u>1,144,134</u>	<u>4,201,285</u>
Deferred outflows of resources			
Deferred charge on refunding	<u>602,648</u>	<u>-</u>	<u>602,648</u>
Liabilities			
Accounts payable and accrued liabilities	15,507	-	15,507
Accrued interest payable	127,117	-	127,117
Unearned revenue	900	-	900
Bonds and other long-term liabilities:			
Due within one year	1,970,000	-	1,970,000
Due in more than one year	<u>18,530,000</u>	<u>-</u>	<u>18,530,000</u>
Total liabilities	<u>20,643,524</u>	<u>-</u>	<u>20,643,524</u>
Net position			
Restricted for loan commitments and lending activity	-	1,144,134	1,144,134
Unrestricted (deficit)	<u>(16,983,725)</u>	<u>-</u>	<u>(16,983,725)</u>
Total net position	<u>\$ (16,983,725)</u>	<u>\$ 1,144,134</u>	<u>\$ (15,839,591)</u>

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

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Statement of Activities

For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Community development	\$ 2,092,341	\$ 19,100	\$ 2,748,816	\$ 675,575
Interest on long-term liabilities	830,353	-	-	(830,353)
Total governmental activities	2,922,694	19,100	2,748,816	(154,778)
Business-type activities				
Revolving loans	129,358	16,472	-	(112,886)
Total	<u>\$ 3,052,052</u>	<u>\$ 35,572</u>	<u>\$ 2,748,816</u>	<u>\$ (267,664)</u>

continued...

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Statement of Activities

For the Year Ended June 30, 2025

	Governmental Activities	Business-type Activities	Total
Changes in net position			
Net expense	\$ (154,778)	\$ (112,886)	\$ (267,664)
General revenues:			
Property taxes	2,208,511	-	2,208,511
Unrestricted investment earnings	389,039	15,981	405,020
Total general revenues	2,597,550	15,981	2,613,531
Change in net position	2,442,772	(96,905)	2,345,867
Net position (deficit), beginning of year	(19,426,497)	1,241,039	(18,185,458)
Net position (deficit), end of year	<u>\$ (16,983,725)</u>	<u>\$ 1,144,134</u>	<u>\$ (15,839,591)</u>

concluded.

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

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Balance Sheet

Governmental Funds

June 30, 2025

	General	Pipeline Bonds Debt Service	Total Governmental Funds
Assets			
Pooled cash and investments	\$ 3,045,164	\$ -	\$ 3,045,164
Accounts receivable	11,987	-	11,987
Total assets	<u>\$ 3,057,151</u>	<u>\$ -</u>	<u>\$ 3,057,151</u>
Liabilities			
Accounts payable	\$ 15,507	\$ -	\$ 15,507
Unearned revenue	900	-	900
Total liabilities	16,407	-	16,407
Fund balances			
Unassigned	<u>3,040,744</u>	<u>-</u>	<u>3,040,744</u>
Total liabilities and fund balances	<u>\$ 3,057,151</u>	<u>\$ -</u>	<u>\$ 3,057,151</u>

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

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Reconciliation

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

Fund balances - total governmental funds \$ 3,040,744

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

Deferred charges on refunding are not reported in the governmental funds, whereas they
are capitalized and amortized for statement of net position. 602,648

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

Bonds payable (20,500,000)

Accrued interest on bonds payable (127,117)

Net position of governmental activities \$ (16,983,725)

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

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2025

	General	Pipeline Bonds Debt Service	Total Governmental Funds
Revenues			
Property taxes	\$ 2,208,511	\$ -	\$ 2,208,511
Intergovernmental - state	2,748,816	-	2,748,816
Unrestricted investment earnings	389,039	-	389,039
Rents and leases	19,100	-	19,100
Total revenues	<u>5,365,466</u>	<u>-</u>	<u>5,365,466</u>
Expenditures			
Community development	2,092,341	-	2,092,341
Debt service:			
Principal	-	1,760,000	1,760,000
Interest and fiscal charges	-	840,413	840,413
Total expenditures	<u>2,092,341</u>	<u>2,600,413</u>	<u>4,692,754</u>
Revenue over (under) expenditures	<u>3,273,125</u>	<u>(2,600,413)</u>	<u>672,712</u>
Other financing sources (uses)			
Transfers in	-	2,600,413	2,600,413
Transfers out	(2,600,413)	-	(2,600,413)
Total other financing sources (uses)	<u>(2,600,413)</u>	<u>2,600,413</u>	<u>-</u>
Net change in fund balances	672,712	-	672,712
Fund balances, beginning of year	<u>2,368,032</u>	<u>-</u>	<u>2,368,032</u>
Fund balances, end of year	<u>\$ 3,040,744</u>	<u>\$ -</u>	<u>\$ 3,040,744</u>

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

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Reconciliation

Net Change in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2025

Net change in fund balances - total governmental funds	\$ 672,712
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Amounts reported for *governmental activities* in the statement of activities
are different because:

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

Principal payments on bonds	1,760,000
Amortization of deferred charge on refunding	(122,209)
Amortization of bond issuance premium	119,484

Some expenses reported in the statement of activities do not require the use of current
financial resources and therefore are not reported as expenditures in the funds.

Change in accrued interest on bonds payable	<u>12,785</u>
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Change in net position of governmental activities	<u><u>\$ 2,442,772</u></u>
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The accompanying notes are an integral part of these financial statements.

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2025

	Budget (Original and Final)	Actual	Actual Over (Under) Final Budget
Revenues			
Property taxes	\$ 1,674,578	\$ 2,208,511	\$ 533,933
Intergovernmental - state	2,940,874	2,748,816	(192,058)
Unrestricted investment earnings	96,100	389,039	292,939
Rents and leases	41,300	19,100	(22,200)
Total revenues	4,752,852	5,365,466	612,614
Expenditures			
Community development	2,306,593	2,092,341	(214,252)
Revenues over expenditures	2,446,259	3,273,125	826,866
Other financing uses			
Transfers out	(2,600,414)	(2,600,413)	(1)
Net change in fund balance	(154,155)	672,712	826,867
Fund balance, beginning of year	2,368,032	2,368,032	-
Fund balance, end of year	<u>\$ 2,213,877</u>	<u>\$ 3,040,744</u>	<u>\$ 826,867</u>

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

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Statement of Net Position

Revolving Loan Enterprise Fund

June 30, 2025

Assets

Current assets:

Cash and cash equivalents	\$ 4,788
Investments	731,778
Interest receivable	1,866
Accounts receivable	60,400
Current portion of loans receivable	254,275
Total current assets	<u>1,053,107</u>

Noncurrent assets -

Loans receivable, net of current portion	<u>91,027</u>
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Total assets

1,144,134

Net position

Restricted for loan commitments
and lending activity

\$ 1,144,134

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

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Statement of Revenues, Expenses and Changes in Fund Net Position

Revolving Loan Enterprise Fund

For the Year Ended June 30, 2025

Operating revenues

Charges for services	\$ 16,472
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Operating expenses

Professional services	<u>129,358</u>
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Operating loss	(112,886)
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Nonoperating revenues

Investment earnings	<u>15,981</u>
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Change in net position	(96,905)
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Net position, beginning of year	<u>1,241,039</u>
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Net position, end of year	<u><u>\$ 1,144,134</u></u>
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The accompanying notes are an integral part of these financial statements.

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Statement of Cash Flows

Revolving Loan Enterprise Fund

For the Year Ended June 30, 2025

Cash flows from operating activities

Loans collected from borrowers	\$ 70,804
Interest and fees on loans	16,472
Loans made to borrowers	(50,000)
Payment made to other governments	(400)
Payment received from primary government	270,346
Administrative and other expenses paid	(32,705)

Net cash provided by operating activities

274,517

Cash flows from investing activities

Purchase of investments	(479,589)
Proceeds from sale of investments	174,631
Interest and dividends received	13,974

Net cash used in investing activities

(290,984)

Net change in cash and cash equivalents

(16,467)

Cash and cash equivalents, beginning of year

21,255

Cash and cash equivalents, end of year

\$ 4,788

Reconciliation of operating loss to net cash provided by operating activities

Operating loss	\$ (112,886)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Changes in assets and liabilities:	
Interest receivable	(134)
Accounts receivable	(400)
Due from other governments	270,346
Loans receivable	117,591

Net cash provided by operating activities

\$ 274,517

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

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NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

These financial statements present the activities of the Battle Creek Downtown Development Authority (the "Authority"). The Authority was established March 6, 1979 pursuant to Public Act 197 of 1975. The primary purpose of the Authority is to revitalize and encourage economic activity in the downtown business district. The Authority's activities are primarily funded through tax increment financing, bonded debt and revolving loans.

The Authority is a component unit of the City of Battle Creek, Michigan (the "City") because the City appoints the Authority's Board of Directors, it has the ability to significantly influence the Authority's operations and it is financially accountable for the Authority. Accordingly, the Authority is presented as a discrete component unit in the City's financial statements and is an integral part of that reporting entity.

Government-wide and Fund Financial Statements

The statements of net position and activities display information about the financial activities of the Authority. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the Authority's governmental and business-type activities. Governmental activities generally are financed through taxes and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for revolving loans.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the Authority and for each function of the Authority'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. Program revenues include (a) fees 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.

The fund financial statements provide information about the Authority's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide and proprietary funds financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes and interest are considered to be susceptible to accrual. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Notes to Financial Statements

The Authority reports the following major governmental funds:

The *general fund* is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those accounted for and reported in another fund.

The *pipeline bonds debt service fund* is used to account for and report financial resources that are restricted or committed to expenditure for principal and interest.

The Authority reports the following major enterprise fund:

The *revolving loan enterprise fund* is used to account for loans made to local businesses.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Balances

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of 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 Board. A formal resolution of the Board is required to establish, modify, or rescind a fund balance commitment. The Authority currently has no assigned fund balance as the Board has not yet given authority for the making of such assignments; assigned fund balances are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund.

When the government incurs an expenditure 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.

Capital Assets

The Authority has no capital assets for which it holds legal ownership. Infrastructure assets (e.g., roads, bridges, curbs, sidewalks, storm sewers and similar items), along with water and wastewater subsystems constructed by the Authority, are not recorded as the Authority's capital assets, even though the Authority may be obligated to repay the debt issued to finance the related projects. Such capital assets become the property of the City when they are placed into service and, accordingly, are reported in the City's capital assets.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to one or more future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority only has one item that qualifies for reporting in this category, which is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Notes to Financial Statements

Long-term Obligations

In the government-wide financial statements, long-term debt is reported as a liability. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium.

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

Budgetary Information

The general fund is under formal budgetary control and its budget is prepared on the same modified accrual basis used to reflect actual results. The Authority follows the City budget process in establishing the budgetary data reflected in the financial statements:

- The Authority submits a proposed budget to the City Manager. After review and approval, the City Manager submits a recommended operating budget to the City Commission. The budget is legally adopted through a City Commission resolution prior to the beginning of the budgetary year for the Authority's funds.
- The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted or amended by the City Commission during the year.

For the year ended June 30, 2025, the Authority's general fund expenditures were within budget.

2. CASH AND INVESTMENTS

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition, and deposits in the City's cash and investment pool.

State statutes authorize the Authority 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 Authority and City's investment policies follow the State's guidelines.

At year-end, the carrying amount of the Authority's deposits in the City's internal cash management pool was \$3,045,164. Because it is infeasible to allocate risk to individual component units or pool participants, aggregate cash and investment categorizations are presented in the City's basic financial statements.

The Authority's remaining deposits and investments, which are entirely recorded in the revolving loan enterprise fund (business-type activity), include the following:

Deposits	\$ 4,788
Investments	<u>731,778</u>
Total	<u><u>\$ 736,566</u></u>

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Notes to Financial Statements

Deposits

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure the Authority's deposits may not be returned to it. As of June 30, 2025, the carrying amounts of the Authority's deposits were \$4,788 and the bank balance was \$4,788. The full amount is FDIC insured.

Investments

At year end, the revolving loan enterprise fund's investment balances were as follows:

	Fair Value	Rating
U.S. agencies	\$ 48,991	AA+ S&P
Money market funds	18,798	AAA S&P
Money market funds	663,989	AAAm S&P
	<u>\$ 731,778</u>	

Custodial Credit Risk – Investments. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the revolving loan enterprise fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although uninsured and unregistered, the revolving loan fund investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the revolving loan enterprise fund's name.

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

Investment Type	Issuer	% of Portfolio
U.S. agencies	Federal Home Loan Mortgage Corporation	6.69%
Money market funds	Fifth Third Bank	90.74%
	Fifth Third Securities	2.57%

Interest Rate Risk. As of June 30, 2025, the maturities of the revolving loan enterprise fund's investments were as follows:

Investment Type	Fair Value	Investments Maturities (fair value by years)			
		Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
U.S. agencies	<u>\$ 48,991</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,991</u>

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Notes to Financial Statements

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

The revolving loan enterprise fund's recurring fair value measurements as of June 30, 2025 were related to its investments in government agency funds and money market accounts. The money market funds with Fifth Third Securities are valued using quoted prices in active markets (Level 1 inputs). Government agency securities and monkey market funds with Fifth Third Bank are valued using significant other observable inputs of the underlying securities and bonds (Level 2 inputs).

3. LOANS RECEIVABLE

The details of loans receivable outstanding as of June 30, 2025 are as follows:

Total loans outstanding	<u>\$ 345,302</u>
-------------------------	-------------------

Of this amount, \$254,275 is expected to be collected within one year.

4. INTERFUND TRANSFERS

For the year ended June 30, 2025, interfund transfers are summarized as follows:

Transfers In	Transfers Out
	General
Pipeline bonds debt service	<u>\$ 2,600,413</u>

Transfers into the debt service fund are used to 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.

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Notes to Financial Statements

5. LONG-TERM LIABILITIES

Following is a summary of the Authority's bonds outstanding as of June 30, 2025:

	Interest Rate	Date of Maturity	Outstanding Principal
Limited tax general obligation bonds			
2017 Downtown development refunding	2.836% - 3.984%	5/1/2034	<u>\$ 20,500,000</u>

Annual debt service requirements to maturity for the Authority's debt are as follows:

Year Ending June 30,	Authority Obligation	
	Principal	Interest
2026	\$ 1,970,000	\$ 762,703
2027	2,040,000	697,023
2028	2,110,000	626,969
2029	2,180,000	552,402
2030	2,260,000	473,181
2031-2034	<u>9,940,000</u>	<u>996,765</u>
	<u>\$ 20,500,000</u>	<u>\$ 4,109,043</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2025, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 22,260,000	\$ -	\$ (1,760,000)	\$ 20,500,000	\$ 1,970,000
Issuance premiums	<u>119,484</u>	<u>-</u>	<u>(119,484)</u>	<u>-</u>	<u>-</u>
	<u>\$ 22,379,484</u>	<u>\$ -</u>	<u>\$ (1,879,484)</u>	<u>\$ 20,500,000</u>	<u>\$ 1,970,000</u>

6. PROPERTY TAXES

Property tax revenue is derived pursuant to a tax increment financing agreement between the Authority and applicable taxing districts. Real and personal property taxes are levied and attach as an enforceable lien on properties located within the boundaries of the tax increment financing district. The City bills and collects the taxes on behalf of the Authority. Delinquent taxes on ad valorem real property are purchased by Calhoun County. Property tax revenue is recognized when levied in the government-wide financial statements and in the fund financial statements to the extent that it is available to pay current obligations.

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Notes to Financial Statements

Except for property taxes captured from local schools that exceed contractual obligations, the Authority is entitled to all taxes levied on property within the Downtown Development Authority district to the extent that the current taxable value exceeds the base year taxable value. The base year of initial properties was 1979, the inception date of the Authority. The base year on other properties is determined by the date of entry into the district; the Authority district was expanded in 1985, 1987 and 1993, and was reduced in 2000.

Renaissance zone property is tax abated property against which property taxes are not currently levied, but in the near future may return or revert to the ad valorem tax rolls. Similarly, industrial and commercial facility tax properties are abated personal property that receive up to a 50% reduction in the millage rate for a stated number of years as approved by the City of Battle Creek, Michigan (or applicable taxing jurisdiction).

The captured increments in taxable value for the 2024 levy are summarized below:

Ad valorem property	\$ 43,013,941
IFT* / CFT** / other property	<u>373,893</u>
Total	<u><u>\$ 43,387,834</u></u>

* IFT - Industrial Facility Tax

** CFT - Commercial Facility Tax

7. CONTINGENCIES

The Authority is currently involved in various tax appeals pending before the Michigan Tax Tribunal. The appeals cover various commercial and industrial properties for 2025. Due to the large number of appeals currently before the Tribunal, the time frame for resolution of these matters is unknown at this time. An estimate of the Authority's maximum exposure is approximately \$1.9 million in taxable value. The City is vigorously defending all litigation.

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OTHER INFORMATION

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Continuing Bond Disclosures (Unaudited)

1. State Equalized Value (SEV) and Taxable Value (TV) of Ad Valorem Tax Roll

Assessed Value as of December 31,	Year of Tax Levy	Fiscal Year Ended June 30,	Ad Valorem SEV	
			Amount	% Change
2023	2024	2025	\$ 197,260,266	6.73%
2022	2023	2024	184,823,920	-0.66%
2021	2022	2023	186,052,769	0.20%
2020	2021	2022	185,679,745	-1.20%
2019	2020	2021	187,941,077	-0.67%
2018	2019	2020	189,205,794	-2.28%
2017	2018	2019	193,626,913	-3.76%
2016	2017	2018	201,195,723	-4.23%
2015	2016	2017	210,078,194	-31.80%
2014	2015	2016	308,053,399	0.69%

Note - Tax Year 2016 is the first year for Eligible Manufacturing Personal Property Exemption per legislative action.

2. Taxable Value (TV) of Ad Valorem Tax Roll by Use

Fiscal Year Ended June 30,	Homestead			
	Residential	Agriculture	Commercial	Industrial
2025	\$ 12,030,321	\$ -	\$ 9,602,718	\$ 4,942,824
2024	11,670,675	-	10,383,680	7,403,031
2023	10,578,863	-	13,205,989	13,117,757
2022	9,961,466	-	13,631,932	12,951,703
2021	9,705,550	-	15,834,309	14,598,713
2020	9,229,549	-	19,207,990	16,597,568
2019	8,725,950	-	21,298,401	21,434,123
2018	7,949,920	-	22,032,102	25,928,056
2017	8,175,733	-	22,021,857	33,948,507
2016	8,587,134	-	22,858,332	131,717,181



Ad Valorem TV	
Amount	% Change
\$ 175,444,004	4.92%
167,218,448	-1.71%
170,134,744	0.04%
170,071,384	-2.95%
175,246,137	-0.99%
176,997,763	-3.16%
182,769,923	-3.59%
189,567,453	-6.00%
201,662,381	-33.08%
301,356,020	0.05%

Non-Homestead			
Residential	Commercial	Industrial	Total
\$ 8,570,369	\$ 63,225,943	\$ 77,071,829	\$ 175,444,004
7,555,101	55,856,118	74,349,843	167,218,448
7,153,462	54,787,278	71,291,395	170,134,744
7,053,326	57,445,584	69,027,373	170,071,384
6,871,708	58,331,511	69,904,346	175,246,137
6,863,911	55,866,387	69,232,358	176,997,763
6,971,761	56,166,183	68,173,505	182,769,923
7,465,451	55,854,549	70,337,375	189,567,453
7,250,523	55,048,340	75,217,421	201,662,381
6,954,462	56,513,117	74,725,794	301,356,020

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BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Continuing Bond Disclosures (Unaudited)

3. Taxable Value (TV) of Ad Valorem Tax Roll by Class

Fiscal Year Ended June 30,	Real	Personal	Total
2025	\$ 146,069,290	\$ 29,374,714	\$ 175,444,004
2024	134,555,780	32,662,668	167,218,448
2023	128,990,759	41,143,985	170,134,744
2022	129,068,646	41,002,738	170,071,384
2021	130,947,931	44,298,206	175,246,137
2020	127,326,449	49,671,314	176,997,763
2019	128,031,469	54,738,454	182,769,923
2018	130,293,036	59,274,417	189,567,453
2017	135,273,270	66,389,111	201,662,381
2016	136,919,762	164,436,258	301,356,020

4. Taxable Value (TV) of the Industrial Facilities Tax Roll by Class

Fiscal Year Ended June 30,	Real	Personal	Total
2025	\$ 3,670,616	\$ -	\$ 3,670,616
2024	8,405,211	-	8,405,211
2023	8,164,312	-	8,164,312
2022	10,986,137	-	10,986,137
2021	9,650,162	102,731	9,752,893
2020	8,867,758	496,449	9,364,207
2019	9,109,542	1,523,330	10,632,872
2018	10,206,000	2,305,130	12,511,130
2017	10,891,863	2,706,002	13,597,865
2016	11,247,160	11,803,020	23,050,180

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BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Continuing Bond Disclosures (Unaudited)

5. Property Tax Collections

Fiscal Year Ended June 30,	Taxes Levied	Collections to March 1	MBT Reimbursement	Total Collected
2025	\$ 2,979,511	\$ 2,979,511	\$ -	\$ 2,979,511
2024	2,784,283	2,784,283	-	2,784,283
2023	2,715,277	2,715,277	-	2,715,277
2022	2,751,584	2,751,584	-	2,751,584
2021	1,665,194	1,665,194	-	1,665,194
2020	3,231,273	3,231,273	-	3,231,273
2019	1,693,578	1,693,578	-	1,693,578
2018	1,604,095	1,604,095	-	1,604,095
2017	2,084,461	2,084,461	-	2,084,461
2016	3,216,185	3,216,185	1,809,449	5,025,634

Note - Starting in 2017 levied and collections to March 1 amounts are lower than prior year due to capture loss in the current year.

Note - Starting in 2017 the reduction in property tax collection was severely impacted by personal property tax reform.

Note - In 2020, amounts are higher than prior year due to receiving a \$1,488,727 reimbursement from the State for School TIF Revenue Decreases.

6. Captured Property Tax Rates

(per \$1,000 of value)

Fiscal Year Ended June 30,	(1) City	(2) Schools	(1) State Education Tax	County	Transportation Authority
2025	15.6650	18.0000	6.0000	5.3692	2.6600
2024	15.7580	18.0000	6.0000	5.3698	-
2023	15.5030	18.0000	6.0000	5.3698	-
2022	15.7650	18.0000	6.0000	5.3779	-
2021	15.9340	18.0000	6.0000	5.3779	-
2020	15.9340	18.0000	6.0000	5.3779	-
2019	15.7490	18.0000	6.0000	5.3779	-
2018	15.7490	18.0000	6.0000	5.3779	-
2017	15.4190	18.0000	6.0000	5.3779	-
2016	14.7360	18.0000	6.0000	5.3779	-

(1) Levied on homestead and non-homestead properties.

(2) Levied on non-homestead properties only.

Note - In 2025, a new millage for the Transportation Authority of Calhoun County was passed.

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BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Continuing Bond Disclosures (Unaudited)

7. Taxable Value of Ten Largest Ad Valorem Taxpayers

(Fiscal Year Ended June 30, 2025)

	Taxpayer	Product or Service	Taxable Value	% of Taxable Value
1	Kellogg USA, LLC	Breakfast foods	\$ 22,397,110	12.77%
2	Kellogg Company	Breakfast foods	15,461,182	8.81%
3	Semco Energy Inc.	Natural gas utility	12,123,456	6.91%
4	Post Foods, LLC	Breakfast foods	12,040,304	6.86%
5	BCHQ Real Estate, LLC	Real Estate	9,612,599	5.48%
6	Consumers Energy Co.	Electric utility	6,519,043	3.72%
7	North Pointe Woods	Office building	4,982,521	2.84%
8	W.K. Kellogg North America	Breakfast foods	4,711,315	2.69%
9	Trilogy Healthcare	Health care	2,839,831	1.62%
10	Battle Creek 55 Hamblin Ave	Food Research	2,674,798	1.52%
			<u>\$ 93,362,159</u>	<u>53.22%</u>

8. Taxable Value of the Largest IFT Taxpayer

(Fiscal Year Ended June 30, 2025)

	Taxpayer	Product or Service	Taxable Value	% of Taxable Value
	Shouldice Brothers Sheet Metal	Metal manufacturing	<u>\$ 373,893</u>	<u>10.19%</u>

continued...

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Continuing Bond Disclosures (Unaudited)

9. Revenue Projections and Schedule of Debt Service Coverage

Fiscal Year Ended June 30,	Projected Captured Taxable Value (1)	Captured Millage Rate (2)	Annual Captured Revenue	Exempt Personal Property Reimbursement (3)	Total Revenues
2026	\$ 36,894,651	44.5739	\$ 1,644,538	\$ 1,962,447	\$ 3,606,985
2027	36,894,651	44.5739	1,644,538	1,962,447	3,606,985
2028	36,894,651	44.5739	1,644,538	1,962,447	3,606,985
2029	36,894,651	44.5739	1,644,538	1,962,447	3,606,985
2030	36,894,651	44.5739	1,644,538	1,962,447	3,606,985
2031	36,894,651	44.5739	1,644,538	1,962,447	3,606,985
2032	36,894,651	44.5739	1,644,538	1,962,447	3,606,985
2033	36,894,651	44.5739	1,644,538	1,962,447	3,606,985
2034	36,894,651	44.5739	1,644,538	1,962,447	3,606,985

continued...

(1) Estimated at 5% increase over the prior fiscal year actual

(2) 2026 is based on actual captured millage and carried forward to future years

(3) 2026 is based on prior fiscal year actual and carried forward to future years



2017 Downtown Development Refunding				Revenue Coverage Over (Under)
Principal	Coupon	Interest	Annual Debt Service	
\$ 1,970,000	3.334%	\$ 762,703	\$ 2,732,703	\$ 874,282
2,040,000	3.434%	697,023	2,737,023	869,962
2,110,000	3.534%	626,969	2,736,969	870,016
2,180,000	3.634%	552,402	2,732,402	874,583
2,260,000	3.734%	473,181	2,733,181	873,804
2,345,000	3.834%	388,792	2,733,792	873,193
2,435,000	3.884%	298,885	2,733,885	873,100
2,530,000	3.934%	204,309	2,734,309	872,676
2,630,000	3.984%	104,779	2,734,779	872,206

concluded.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

December 22, 2025

To the Board of Directors of the
Battle Creek Downtown Development Authority
City of Battle Creek, Michigan

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the **Battle Creek Downtown Development Authority, a component unit of the City of Battle Creek, Michigan** (the "Authority"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 22, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Annual Report on Status of Tax Increment Financing Plan

Send completed form to: Treas-StateSharePropTaxes@michigan.gov	City of Battle Creek	TIF Plan Name	For Fiscal Years ending in
Issued pursuant to 2018 PA 57, MCL 125.4911 Filing is required within 180 days of end of authority's fiscal year ending in 2024. MCL 125.4911(2)	Downtown Development Authority	1	2025
Year AUTHORITY (not TIF plan) was created:	1980		
Year TIF plan was created or last amended to extend its duration:	2004		
Current TIF plan scheduled expiration date:	2034		
Did TIF plan expire in FY24?	No		
Year of first tax increment revenue capture:	1981		
Does the authority capture taxes from local or intermediate school districts, or capture the state education tax? Yes or no?	Yes		
If yes, authorization for capturing school tax:	Eligible Obligation		
Year school tax capture is scheduled to expire:	2034		

Revenue:	Tax Increment Revenue	\$	2,208,511
	Property taxes - from DDA millage only	\$	-
	Interest	\$	237,861
	State reimbursement for PPT loss (Forms 5176 and 4650)	\$	2,748,816
	Other income (grants, fees, donations, etc.)	\$	170,278
	Total	\$	5,365,466

Tax Increment Revenues Received	Revenue Captured	Millage Rate Captured
From counties	\$ -	0.0000
From cities	\$ 676,710	16.6650
From townships	\$ -	0.0000
From villages	\$ -	0.0000
From libraries (if levied separately)	\$ -	0.0000
From community colleges	\$ -	0.0000
From regional authorities (type name in next cell)	TACC \$ 114,914	2.6600
From regional authorities (type name in next cell)	\$ -	0.0000
From regional authorities (type name in next cell)	\$ -	0.0000
From local school districts-operating	\$ 1,291,634	18.0000
From local school districts-debt	\$ -	0.0000
From intermediate school districts	\$ 1,113	0.0000
From State Education Tax (SET)	\$ 124,139	6.0000
From state share of IFT and other specific taxes (school taxes)	\$ -	6.0000
Total	\$ 2,208,511	

Expenditures	Community Development	\$ 242,940
		\$ -
		\$ -
		\$ -
		\$ -
		\$ -
	Transfer to Parking Fund	\$ 100,000
	Transfer to Spec Grants Fund	\$ 52,500
	Transfer to Intermodal Fund	\$ 10,000
	Transfer to Major street Construction Fund	\$ -
	Transfer to Economic Dev Fund	\$ 120,000
Transfers to other municipal fund (list fund name)	Transfer to Kellogg Arena	\$ 350,000
Transfers to other municipal fund (list fund name)	Transfer to DDA Pipeline Bonds	\$ 2,600,413
	Transfers to General Fund	\$ 1,216,902
	Total	\$ 4,692,755
Total outstanding non-bonded Indebtedness	Principal	\$ -
	Interest	\$ -
Total outstanding bonded Indebtedness	Principal	\$ 20,500,000
	Interest	\$ 4,109,043
	Total	\$ 24,609,043

Bond Reserve Fund Balance	\$ -
Unencumbered Fund Balance	\$ 3,040,744
Encumbered Fund Balance	\$ -

CAPTURED VALUES					Overall Tax rates captured by TIF plan	
PROPERTY CATEGORY	Current Taxable Value	Initial (base year) Assessed Value	Captured Value		TIF Revenue	
Ad valorem PRE Real	\$ 12,191,757	\$ 2,170,913	\$ 10,020,844	24.3250000	\$243,757.03	
Ad valorem non-PRE Real	\$ 112,182,293	\$ 48,179,324	\$ 64,002,969	42.3250000	\$2,708,925.66	
Ad valorem industrial personal	\$ 4,942,824	\$ 48,071,368	\$ (43,128,544)	18.3250000	(\$790,330.57)	
Ad valorem commercial personal	\$ 9,670,664	\$ 2,571,920	\$ 7,098,744	30.3250000	\$215,269.41	
Ad valorem utility personal	\$ 14,902,554	\$ 1,047,850	\$ 13,854,704	42.3250000	\$586,400.35	
Ad valorem other personal	\$ -	\$ 9,302,290	\$ (9,302,290)	42.3250000	(\$393,719.42)	
IFT New Facility real property, 0% SET exemption	\$ 373,893	\$ -	\$ 373,893	24.1625000	\$9,034.19	
IFT New Facility real property, 50% SET exemption	\$ -	\$ -	\$ -	21.1625000	\$0.00	
IFT New Facility real property, 100% SET exemption	\$ -	\$ -	\$ -	18.1625000	\$0.00	
IFT New Facility personal property on industrial class land	\$ -	\$ -	\$ -	0.0000000	\$0.00	
IFT New Facility personal property on commercial class land	\$ -	\$ -	\$ -	0.0000000	\$0.00	
IFT New Facility personal property, all other	\$ -	\$ -	\$ -	0.0000000	\$0.00	
Commercial Facility Tax New Facility	\$ -	\$ -	\$ -	0.0000000	\$0.00	
IFT Replacement Facility (frozen values)	\$ -	\$ -	\$ -	0.0000000	\$0.00	
Commercial Facility Tax Restored Facility (frozen values)	\$ -	\$ -	\$ -	0.0000000	\$0.00	
Commercial Rehabilitation Act	\$ -	\$ -	\$ -	0.0000000	\$0.00	
Neighborhood Enterprise Zone Act	\$ -	\$ -	\$ -	0.0000000	\$0.00	
Obsolete Property Rehabilitation Act	\$ -	\$ -	\$ -	0.0000000	\$0.00	
Eligible Tax Reverted Property (Land Bank Sale)	\$ -	\$ -	\$ -	0.0000000	\$0.00	
Exempt (from all property tax) Real Property	\$ -	\$ -	\$ -	0.0000000	\$0.00	
Total Captured Value	\$ 111,343,665	\$ 42,920,320	Total TIF Revenue	\$2,579,336.65		