

BATTLE CREEK TAX INCREMENT
FINANCE 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 TAX INCREMENT FINANCE AUTHORITY

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INDEPENDENT AUDITORS' REPORT

December 22, 2025

To the Board of Directors of the
Battle Creek Tax Increment Finance 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 and each major fund of the **Battle Creek Tax Increment Finance 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 and each major fund of the Authority, as of June 30, 2025, and the respective changes in financial position 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.



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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 "Rehmann Johnson LLC". The signature is fluid and cursive, with "Rehmann" and "Johnson" connected by a single stroke, and "LLC" in a smaller, separate area.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Management's Discussion and Analysis

The Battle Creek Tax Increment Finance Authority (the “Authority”) was established pursuant to Public Act 450 of 1980. The Authority is a component unit of the City of Battle Creek, Michigan (the “City”), 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 the Authority’s basic financial statements. The basic financial statements are comprised of the following:

- The statement of net position presents information on all of the Authority’s assets, deferred outflows, liabilities, and deferred inflows, 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 assets and deferred outflows exceeded liabilities by \$27,077,407 at the end of the fiscal year, of which \$23,576,927 was the investment in capital assets, leaving \$3,500,480 in unrestricted net position.

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Management's Discussion and Analysis

A comparative analysis of the data is presented below:

	Net Position as of June 30,	
	2025	2024
Assets		
Current and other assets	\$ 10,496,362	\$ 10,187,820
Capital assets, net	<u>23,576,927</u>	<u>23,744,621</u>
Total assets	<u>34,073,289</u>	<u>33,932,441</u>
Deferred outflows of resources	<u>16,933</u>	<u>20,639</u>
Liabilities		
Long-term liabilities	4,110,000	4,665,000
Other liabilities	<u>2,819,669</u>	<u>2,843,068</u>
Total liabilities	<u>6,929,669</u>	<u>7,508,068</u>
Deferred inflows of resources	<u>83,146</u>	<u>-</u>
Net position		
Investment in capital assets	23,576,927	23,744,621
Unrestricted	<u>3,500,480</u>	<u>2,700,391</u>
Total net position	<u>\$ 27,077,407</u>	<u>\$ 26,445,012</u>

For the current year, net position increased by \$632,395. This change from the prior year is a result of the decrease in community development expenses related to apron improvements at the airport that were completed in the prior year.

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Management's Discussion and Analysis

	Change in Net Position for the Year Ending June 30,	
	2025	2024
Revenues		
Program revenues:		
Charges for services	\$ 573,455	\$ 39,263
Capital grants and contributions	1,270,434	2,424,586
General revenues:		
Property taxes	1,364,839	1,281,432
Unrestricted investment earnings	429,554	603,021
Gain on sale of capital assets	-	63,224
Total revenues	<u>3,638,282</u>	<u>4,411,526</u>
Total expenses	<u>3,005,887</u>	<u>4,581,385</u>
Change in net position	632,395	(169,859)
Net position, beginning of year	<u>26,445,012</u>	<u>26,614,871</u>
Net position, end of year	<u><u>\$ 27,077,407</u></u>	<u><u>\$ 26,445,012</u></u>

Governmental funds. As of the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$7,604,750, an increase of \$597,762 from the prior year. This is the result of a decrease in community development expenditures related to apron improvements at the airport that were completed in prior year.

The fund balance of the Authority's general fund decreased by \$255,014 during the current fiscal year. This is a result of transferring \$895,000 to the capital projects fund to further the capital objectives of the Authority.

General Fund Budgetary Highlights

The general fund original adopted budget reflected expenditures and transfers out in excess of revenues and a decrease in fund balance of \$929,697. Mid-year budget adjustments were made to reflect an increase in intergovernmental revenues, rents and leases revenues and investment earnings resulting in a budgeted increase in fund balance of \$887,408. Ultimately, rents and leases revenues were less than budgeted. This resulted in a fund balance decrease for the fiscal year of \$255,014.

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Management's Discussion and Analysis

Capital Assets

The Authority had \$23,576,927 in capital assets at the end of the fiscal year. Capital assets include land, construction in progress, land improvements, and equipment with an original cost of more than \$10,000. Major outlays for capital assets are capitalized as projects are constructed or the assets are otherwise acquired and placed into service.

	2025	2024
Land	\$ 12,954,051	\$ 12,954,051
Construction in progress	1,337,305	1,328,806
Land improvements	9,280,675	9,447,080
Equipment	4,896	14,684
Total	<u>\$ 23,576,927</u>	<u>\$ 23,744,621</u>

The Authority had a decrease in capital assets of \$167,694 at the end of the fiscal year as a result of depreciation exceeding capital asset additions. Additional information on the Authority's capital assets can be found in Note 3 to the financial statements.

Long-term Debt

At the end of the current fiscal year, the Authority had general obligation bonds outstanding of \$4,110,000. General obligation bonds were issued to provide funds for the construction and acquisition of major capital assets. All debt is related to infrastructure or other capital assets for which the Authority does not hold legal ownership. While 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. These bonds are outstanding with varying amounts of principal maturing until 2037.

	2025	2024
General obligation bonds		
2021 Refunding limited tax bonds	\$ 1,030,000	\$ 1,280,000
2022 Refunding limited tax bonds (hangar)	935,000	1,110,000
2022 limited tax bonds (hangar)	<u>2,145,000</u>	<u>2,275,000</u>
Total	<u>\$ 4,110,000</u>	<u>\$ 4,665,000</u>

The Authority's total bonded debt decreased by \$555,000 during the current fiscal year as a result of scheduled debt payments. Additional information on the Authority's long-term debt can be found in Note 7 to the financial statements.

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Management's Discussion and Analysis

Economic Factors

The Battle Creek Tax Increment Finance 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, total community development expenses were \$2,857,541, which included \$224,918 of depreciation (a non-cash item). 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 Tax Increment Finance Authority

This financial report is designed to provide a general overview of the Battle Creek Tax Increment Finance Authority's finances and to show accountability for the money it receives and expends. The financial statements can be found 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.

BASIC FINANCIAL STATEMENTS

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Statement of Net Position

June 30, 2025

	Governmental Activities
Assets	
Pooled cash and investments	\$ 7,805,103
Leases receivable:	
Due within one year	26,692
Due in more than one year	56,454
Loans receivable - due in more than one year	2,608,113
Capital assets not being depreciated	14,291,356
Capital assets being depreciated, net	<u>9,285,571</u>
Total assets	<u>34,073,289</u>
Deferred outflows of resources	
Deferred charge on refunding	<u>16,933</u>
Liabilities	
Accounts payable and accrued liabilities	2,808,466
Accrued interest payable	11,203
Bonds payable:	
Due within one year	570,000
Due in more than one year	<u>3,540,000</u>
Total liabilities	<u>6,929,669</u>
Deferred inflows of resources	
Deferred lease amounts	<u>83,146</u>
Net position	
Investment in capital assets	23,576,927
Unrestricted	<u>3,500,480</u>
Total net position	<u>\$ 27,077,407</u>

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

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Statement of Activities

For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Capital Grants and Contributions		
Governmental activities					
Community development	\$ 2,857,541	\$ 573,455	\$ 1,270,434	\$ (1,013,652)	
Interest on long-term liabilities	148,346	-	-	(148,346)	
Total governmental activities	\$ 3,005,887	\$ 573,455	\$ 1,270,434		(1,161,998)
General revenues					
Property taxes				1,364,839	
Unrestricted investment earnings				429,554	
Total general revenues					1,794,393
Change in net position					632,395
Net position, beginning of year					26,445,012
Net position, end of year					\$ 27,077,407

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

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Balance Sheet

Governmental Funds

June 30, 2025

	General	Debt Service	Airport Bonds Debt Service
Assets			
Pooled cash and investments	\$ 5,148,874	\$ -	\$ 1,852
Leases receivable:			
Due within one year	26,692	-	-
Due in more than one year	56,454	-	-
Loans receivable - due in more than one year	<u>1,708,113</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 6,940,133</u>	<u>\$ -</u>	<u>\$ 1,852</u>
Liabilities			
Accounts payable	\$ 2,807,896	\$ -	\$ -
Deferred inflows of resources			
Deferred lease amounts	<u>83,146</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable	1,708,113	-	-
Restricted for debt service	-	-	1,852
Committed for capital projects	-	-	-
Unassigned	<u>2,340,978</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>4,049,091</u>	<u>-</u>	<u>1,852</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,940,133</u>	<u>\$ -</u>	<u>\$ 1,852</u>

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

2022 Airport Bonds Capital Projects	Capital Projects	Total Governmental Funds
\$ -	\$ 2,654,377	\$ 7,805,103
-	-	26,692
-	-	56,454
-	<u>900,000</u>	<u>2,608,113</u>
<u>\$ -</u>	<u>\$ 3,554,377</u>	<u>\$ 10,496,362</u>
<u>\$ -</u>	<u>\$ 570</u>	<u>\$ 2,808,466</u>
<u>-</u>	<u>-</u>	<u>83,146</u>
-	900,000	2,608,113
-	-	1,852
-	2,653,807	2,653,807
-	-	2,340,978
-	<u>3,553,807</u>	<u>7,604,750</u>
<u>\$ -</u>	<u>\$ 3,554,377</u>	<u>\$ 10,496,362</u>

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BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Reconciliation

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

Fund balances - total governmental funds	\$ 7,604,750
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	14,291,356
Capital assets being depreciated, net	9,285,571
Deferred gains and charges on refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net position.	
Deferred charge on refunding	16,933
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	(4,110,000)
Accrued interest on bonds payable	<u>(11,203)</u>
Net position of governmental activities	<u><u>\$ 27,077,407</u></u>

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

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2025

	General	Debt Service	Airport Bonds Debt Service
Revenues			
Property taxes	\$ 1,364,839	\$ -	\$ -
Intergovernmental:			
State	1,593,434	-	-
Local	-	-	-
Rents and leases	211,655	-	-
Unrestricted investment earnings	429,554	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	3,599,482	-	-
Expenditures			
Community development	2,258,823	-	-
Debt service:			
Principal	-	175,000	250,000
Interest and fiscal charges	-	16,650	15,228
	<hr/>	<hr/>	<hr/>
Total expenditures	2,258,823	191,650	265,228
Revenues over (under) expenditures	1,340,659	(191,650)	(265,228)
	<hr/>	<hr/>	<hr/>
Other financing sources (uses)			
Transfers in	-	191,650	265,228
Transfers out	(1,595,673)	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(1,595,673)	191,650	265,228
Net change in fund balances	(255,014)	-	-
Fund balances, beginning of year	4,304,105	-	1,852
	<hr/>	<hr/>	<hr/>
Fund balances, end of year	\$ 4,049,091	\$ -	\$ 1,852

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

2022 Airport Bonds Capital Projects	Capital Projects	Total Governmental Funds
\$ -	\$ -	\$ 1,364,839
-	-	1,593,434
-	27,000	27,000
-	361,800	573,455
-	-	429,554
<hr/>	<hr/>	<hr/>
-	388,800	3,988,282
<hr/>	<hr/>	<hr/>
-	431,024	2,689,847
130,000	-	555,000
113,795	-	145,673
<hr/>	<hr/>	<hr/>
243,795	431,024	3,390,520
<hr/>	<hr/>	<hr/>
(243,795)	(42,224)	597,762
<hr/>	<hr/>	<hr/>
243,795	895,000	1,595,673
-	-	(1,595,673)
<hr/>	<hr/>	<hr/>
243,795	895,000	-
<hr/>	<hr/>	<hr/>
-	852,776	597,762
<hr/>	<hr/>	<hr/>
-	2,701,031	7,006,988
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\$ -	\$ 3,553,807	\$ 7,604,750
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BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Reconciliation

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

Net change in fund balances - total governmental funds \$ 597,762

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

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

Acquisition/construction of capital assets	57,224
Depreciation expense	(224,918)

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

Repayment received from loan for sale of land	(350,000)
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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	555,000
Amortization of deferred charge on refunding	(3,706)

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	1,033
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Change in net position of governmental activities \$ 632,395

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

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 1,294,931	\$ 1,294,931	\$ 1,364,839	\$ 69,908
Intergovernmental - state	1,431,499	1,593,433	1,593,434	1
Rents and leases	27,763	1,598,596	211,655	(1,386,941)
Unrestricted investment earnings	275,801	447,801	429,554	(18,247)
Total revenues	3,029,994	4,934,761	3,599,482	(1,335,279)
Expenditures				
Community development	2,363,000	2,450,662	2,258,823	(191,839)
Revenues over expenditures	666,994	2,484,099	1,340,659	(1,143,440)
Other financing uses				
Transfers out	(1,596,691)	(1,596,691)	(1,595,673)	(1,018)
Change in fund balance	(929,697)	887,408	(255,014)	(1,142,422)
Fund balance, beginning of year	4,304,105	4,304,105	4,304,105	-
Fund balance, end of year	\$ 3,374,408	\$ 5,191,513	\$ 4,049,091	\$ (1,142,422)

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

NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

These financial statements present the activities of the Battle Creek Tax Increment Finance Authority (the “Authority”). The Authority was organized pursuant to Public Act 450 of 1980. The primary purpose of the Authority is to encourage economic activity in the Fort Custer Industrial Park Development District. The Authority’s activities are primarily funded through tax increment financing and bonded debt.

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. Governmental activities generally are financed through taxes and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide 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. Property taxes are recognized as revenues in the year for which they are levied.

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. 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 TAX INCREMENT FINANCE AUTHORITY

Notes to Financial Statements

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

The *2022 airport bonds capital projects fund* accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *capital projects fund* accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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. Assigned fund balances are neither restricted nor committed. The Board authorized City management to assign fund balance. 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.

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Notes to Financial Statements

Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. The Authority 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, if any, are recorded at the estimated acquisition cost as of the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Infrastructure assets (e.g., roads, 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.

The Authority's capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Land improvements	50
Equipment	10

Leases Receivable

The Authority is a lessor for four noncancelable leases related to land being used for farming. The Authority recognizes a lease receivable and a deferred inflow of resources in the statement of net position and governmental funds financial statements.

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

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

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

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Notes to Financial Statements

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net 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.

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Discounts 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.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources until that time. The Authority reports a deferred inflow related to leases receivable.

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. Public hearings are held to obtain taxpayer comments. The budget is legally adopted at the fund level 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.

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Notes to Financial Statements

2. CASH AND INVESTMENTS

At year-end, the carrying amount of the Authority's pooled cash and investments, which were deposited entirely in the City's internal cash management pool, was \$7,805,103. Because it is infeasible to allocate risk to individual pool participants, aggregate cash and investment categorizations are presented in the City's financial statements.

3. CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 12,954,051	\$ -	\$ -	\$ -	\$ 12,954,051
Construction in progress	1,328,806	57,224	-	(48,725)	1,337,305
	<u>14,282,857</u>	<u>57,224</u>	<u>-</u>	<u>(48,725)</u>	<u>14,291,356</u>
Capital assets being depreciated:					
Land improvements	10,641,428	-	-	48,725	10,690,153
Equipment	388,325	-	-	-	388,325
Total capital assets being depreciated	<u>11,029,753</u>	<u>-</u>	<u>-</u>	<u>48,725</u>	<u>11,078,478</u>
Less accumulated depreciation for:					
Land improvements	(1,194,348)	(215,130)	-	-	(1,409,478)
Equipment	(373,641)	(9,788)	-	-	(383,429)
Total accumulated depreciation	<u>(1,567,989)</u>	<u>(224,918)</u>	<u>-</u>	<u>-</u>	<u>(1,792,907)</u>
Total capital assets being depreciated, net	<u>9,461,764</u>	<u>(224,918)</u>	<u>-</u>	<u>48,725</u>	<u>9,285,571</u>
Total capital assets, net	\$ 23,744,621	\$ (167,694)	\$ -	\$ -	\$ 23,576,927

Depreciation expense in the amount of \$224,918 was reported in the community development function in the government-wide statement of activities.

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Notes to Financial Statements

4. LEASES

The Authority is involved in four agreements as a lessor that qualify as long-term lease agreements. Below is a summary of the agreements. The agreements qualify as long-term lease agreements as the Authority will not surrender control of the assets at the end of the term and the noncancelable term of the agreements surpasses one year. The Authority did not incur any lease revenue for the year ended June 30, 2025.

Asset Type	Remaining Term of Agreements
Land	3 years

5. LOANS RECEIVABLE

During the year ended June 30, 2008, the Authority approved a loan to the Battle Creek Brownfield Redevelopment Authority ("BCBRA"; a component unit of the City of Battle Creek, Michigan) to borrow up to \$3,530,000 to be used in accordance with a particular brownfield project. As of June 30, 2025, there was no balance outstanding (\$2,560,708 has been drawn and repaid in prior years) on the authorized amount. Should additional amounts be drawn in the future, repayment from the BCBRA will be based on its collection of tax increment revenues.

During the year ended June 30, 2010, the Authority approved a loan to the BCBRA to borrow up to \$5,500,000 to be used in accordance with another particular brownfield project. As of June 30, 2025, \$2,749,862 had been drawn and of this amount \$1,708,113 is outstanding on the authorized amount and is also included in the long-term receivable reported in the statement of net position. Future repayment of this loan by the BCBRA is based on its collection of tax increment revenues.

Each of the above loans includes interest at 3% per annum. The total amount drawn by BCBRA on the loans through June 30, 2025 is \$5,310,570. As of June 30, 2025, \$3,602,457 has been paid on the loans resulting in a net balance of \$1,708,113. No amount is presently reported as due within one year since repayment is based on the future collection of incremental tax revenues. No draws were taken on this loan during the year ended June 30, 2025.

During the year ended June 30, 2022, the Authority approved a loan to the Battle Creek Local Development Finance Authority ("BCLDFA"; a component unit of the City of Battle Creek, Michigan) in the total amount of \$1,700,000 to be used for the Watkins Road Improvement Project. As of June 30, 2025, \$900,000 is outstanding and is included in the long-term receivable reported in the statement of net position. No amount is presently reported as due within one year as future repayment is based on the future collection of incremental tax revenues. The repayment obligation includes interest at 3% per annum.

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Notes to Financial Statements

6. TRANSFERS

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

	Transfers Out
Transfers In	General
Debt service	\$ 191,650
Airport bonds debt service	265,228
2022 Airport bonds	243,795
Capital projects	<u>895,000</u>
 Totals	 <u>\$ 1,595,673</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them and (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.

7. BONDS PAYABLE

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

	Year of Maturity	Interest Rate	Original Amount	Outstanding Principal
General Obligation Bonds				
2021 Refunding limited tax bonds	12/1/2028	1.35%	\$ 1,765,000	\$ 1,030,000
2022 Refunding limited tax bonds (hangar)	6/1/2030	1.50%	1,560,000	935,000
2022 Limited tax bonds (hangar)	6/1/2037	4.98%	2,500,000	<u>2,145,000</u>
				 <u>\$ 4,110,000</u>

All debt is related to infrastructure or other capital assets for which the Authority does not hold legal ownership. 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.

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Notes to Financial Statements

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

Year Ending June 30,	Authority Obligation	
	Principal	Interest
2026	\$ 570,000	\$ 132,759
2027	580,000	119,970
2028	595,000	106,824
2029	605,000	93,147
2030	360,000	80,862
2031-2035	950,000	258,960
2036-2037	450,000	33,864
	<u>\$ 4,110,000</u>	<u>\$ 826,386</u>

Changes in Bonds Payable. Bonds payable activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 4,665,000	\$ -	\$ (555,000)	\$ 4,110,000	\$ 570,000

8. PROPERTY TAXES

Property tax revenue is derived pursuant to a tax increment financing agreement between the Authority and various 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.

Except for property taxes captured from local schools that exceed contractual obligations, the Authority is entitled to all taxes levied on property within the Battle Creek Tax Increment Finance Authority district to the extent that the current taxable value exceeds the base year taxable value. Renaissance zone property is tax abated property against which property taxes are not currently levied, but in the near future will 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).

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Notes to Financial Statements

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

Ad valorem property	\$ 80,500,302
IFT*/CFT**/ Other property	<u>14,130,065</u>
Total	<u>\$ 94,630,367</u>

* Industrial Facility Tax

** Commercial Facility Tax



OTHER INFORMATION

BATTLE CREEK TAX INCREMENT FINANCE 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		Ad Valorem TV	
			Amount	% Change	Amount	% Change
2023	2024	2025	\$ 104,299,853	8.82%	\$ 96,618,332	10.82%
2022	2023	2024	95,848,292	3.67%	87,184,075	0.29%
2021	2022	2023	92,451,287	7.39%	86,930,122	9.25%
2020	2021	2022	86,092,153	0.83%	79,567,017	-1.24%
2019	2020	2021	85,383,019	-12.90%	80,562,073	-13.54%
2018	2019	2020	98,030,039	2.34%	93,178,301	-0.05%
2017	2018	2019	95,785,996	16.31%	93,222,049	17.08%
2016	2017	2018	82,356,184	-5.06%	79,625,099	-6.34%
2015	2016	2017	86,744,497	-37.71%	85,017,939	-38.88%
2014	2015	2016	139,269,155	2.31%	139,089,323	2.25%

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	Commercial	Industrial	Total
2025	\$ 19,382,697	\$ 77,235,635	\$ 96,618,332
2024	16,973,740	70,210,335	87,184,075
2023	15,517,833	71,412,289	86,930,122
2022	14,179,610	65,387,407	79,567,017
2021	13,380,016	67,182,057	80,562,073
2020	12,866,474	80,311,827	93,178,301
2019	13,681,269	79,540,780	93,222,049
2018	10,156,357	69,468,742	79,625,099
2017	9,931,597	75,086,342	85,017,939
2016	10,524,286	128,565,037	139,089,323

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

continued...

BATTLE CREEK TAX INCREMENT FINANCE 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	\$ 82,886,461	\$ 13,731,871	\$ 96,618,332
2024	75,486,664	11,697,411	87,184,075
2023	68,502,655	18,427,467	86,930,122
2022	64,543,547	15,023,470	79,567,017
2021	62,427,899	18,134,174	80,562,073
2020	60,866,173	32,312,128	93,178,301
2019	57,813,745	35,408,304	93,222,049
2018	54,549,418	25,075,681	79,625,099
2017	53,021,161	31,996,778	85,017,939
2016	52,029,712	87,059,611	139,089,323

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

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

Fiscal Year Ended June 30	Real	Personal	Total
2025	\$ 14,102,264	\$ 27,801	\$ 14,130,065
2024	14,751,045	29,595	14,780,640
2023	17,760,973	5,026,187	22,787,160
2022	16,290,250	4,699,043	20,989,293
2021	16,137,586	7,896,619	24,034,205
2020	15,433,457	15,849,490	31,282,947
2019	16,077,055	32,427,099	48,504,154
2018	18,550,392	34,760,516	53,310,908
2017	19,424,778	42,196,701	61,621,479
2016	20,646,502	111,453,701	132,100,203

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

continued...

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Continuing Bond Disclosures (Unaudited)

5. Property Tax Collections

Fiscal Year Ended June 30	Taxes Levied	Collections to March 1
2025	\$ 1,718,784	\$ 1,276,832
2024	1,560,786	1,168,807
2023	1,804,560	1,418,091
2022	1,489,346	1,115,940
2021	1,540,806	1,205,036
2020	1,844,261	1,694,059
2019	1,645,241	1,547,781
2018	1,413,591	1,354,888
2017	2,015,970	1,885,239
2016	3,862,179	3,862,179

Note - Starting in 2017 levied and collections to March 1 amounts are lower than prior year due to the State Reimbursement of Tax Incremental Finance Authority Personal Property Loss for Authorities with Increased Captured Loss.

6. Captured Property Tax Rates

(per \$1,000 of value)

Fiscal Year Ended June 30	City	B.C. & ISD Schools	County	State Education Tax	Transportation Authority
2025	9.1826	20.7264	4.0269	6.0000	2.6600
2024	9.1826	20.7327	4.0334	6.0000	-
2023	9.1826	20.7327	4.0334	6.0000	-
2022	9.1826	20.7327	4.0334	6.0000	-
2021	9.1826	20.7327	4.0334	6.0000	-
2020	9.4159	20.7327	4.0334	6.0000	-
2019	9.4159	20.7327	4.0334	6.0000	-
2018	9.6720	20.7327	4.0334	6.0000	-
2017	13.4310	20.7327	4.0334	6.0000	-
2016	12.3910	20.7327	4.0334	6.0000	-

Note - Starting in 2018, the Authority's Board of Directors approved a 35% pass through of the City captured property tax to the community-wide economic development fund.

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

continued...

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Continuing Bond Disclosures (Unaudited)

7. Taxable Value of Twenty Largest Ad Valorem Taxpayers

(Fiscal Year Ended June 30, 2025)

Taxpayer	Product or Service	Taxable Value	% of Taxable Value
1 Denso Manufacturing	Automotive parts	\$ 11,899,972	12.32%
2 Prairie Farms Dairy Inc.	Dairy products	5,082,472	5.26%
3 Il Stanley Co., Inc.	Automotive parts	4,553,302	4.71%
4 Consumers Energy Co.	Public utility	3,880,550	4.02%
5 Musashi Auto Parts	Automotive parts	3,717,295	3.85%
6 Dieomatic Inc.	Automotive parts	3,543,952	3.67%
7 Eagles Ridge Properties, LLC	Property management	3,507,023	3.63%
8 Roesler Metal Finishing USA	Metal finishing	3,443,722	3.56%
9 Agracel Inc.	Industrial developer	3,345,543	3.46%
10 Duncan Aviation Inc.	Aviation	2,967,145	3.07%
11 Camel Energy Holdings	Automotive parts	2,832,571	2.93%
12 TRMI Inc.	Automotive parts	2,565,934	2.66%
13 Adient US, LLC	Automotive seating	2,112,268	2.19%
14 Devi Michigan RE Holding, LLC	Cultivation center	2,108,576	2.18%
15 VIB Inc.	Industrial printing	1,970,523	2.04%
16 Yorozu Automotive	Automotive parts	1,919,907	1.99%
17 ASMO Manufacturing	Automotive parts	1,757,026	1.82%
18 Hi-Lex Corp.	Automotive parts	1,678,499	1.74%
19 Agnl Powder, LLC	Powdered metal components	1,673,868	1.73%
20 Battle Creek TIFA	Land Development	1,622,959	1.68%
		\$ 66,183,107	68.51%

continued...

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Continuing Bond Disclosures (Unaudited)

8. Taxable Value of Largest IFT Taxpayers

(Fiscal Year Ended June 30, 2025)

Taxpayer	Product or Service	Taxable Value	% of Taxable Value
1 Cives Corporation	Truck equipment	\$ 2,390,214	16.92%
2 Dieomatic Inc.	Automotive parts	2,086,633	14.77%
3 Prairie Farms Dairy Inc.	Dairy products	1,948,607	13.78%
4 TRMI Inc.	Electronic switches	1,717,725	12.16%
5 Full Circle Partners, LLC	Property management	1,354,953	9.59%
6 Musashi Auto Parts	Automotive parts	1,109,101	7.85%
7 Bowers Aluminum Company	Aluminum manufacturer	1,052,966	7.45%
8 ASMO Manufacturing	Automotive parts	907,597	6.42%
9 Hi-Lex Corp.	Automotive parts	494,420	3.50%
10 Toda America Inc.	Automotive parts	372,817	2.64%
11 Bleistahl North America LP	Automotive parts	262,379	1.86%
12 Nexothermal Corporation	Heating elements manufacturer	245,955	1.74%
13 Geislinger Corp.	Molded parts	121,408	0.86%
14 Denso Manufacturing	Automotive parts	65,290	0.46%
		<u>\$ 14,130,065</u>	<u>100.00%</u>

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 Tax Increment Finance 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 and each major fund of the **Battle Creek Tax Increment Finance 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.



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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 Loham LLC". The signature is fluid and cursive, with "Lehmann" and "Loham" connected by a horizontal stroke, and "LLC" in a smaller, separate area.