

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

Year Ended
June 30, 2015

Financial
Statements

BATTLE CREEK LOCAL DEVELOPMENT FINANCE AUTHORITY

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INDEPENDENT AUDITORS' REPORT

December 22, 2015

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the *Battle Creek Local Development Finance Authority, a component unit of the City of Battle Creek, Michigan* (the "Authority") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Authority, as of June 30, 2015, and the respective changes in financial position 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.

Other Matters

Required Supplementary Information

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

Rehmann Johnson LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

BATTLE CREEK LOCAL DEVELOPMENT FINANCE AUTHORITY

Management's Discussion and Analysis

The Battle Creek Local Development Finance Authority (the "Authority") was established in April 2001 pursuant to Public Act 248 of 2000. The primary purpose of the Authority is to encourage technological development through the City of Battle Creek's SmartZone. 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, 2015.

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 and governmental fund balance sheet presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position/fund balance. 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 and governmental fund revenues, expenditures and changes in fund balances presents information showing how the Authority's net position/fund balance changed during the most recent fiscal year.
- 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 exceeded liabilities by \$25,025 at the end of the fiscal year, all of which is unrestricted.

A comparative analysis of the data is presented below:

	Net Position as of June 30,	
	2015	2014
Assets		
Current and other assets	\$ 25,025	\$ 26,144
Net position		
Unrestricted	\$ 25,025	\$ 26,144

BATTLE CREEK LOCAL DEVELOPMENT FINANCE AUTHORITY

Management's Discussion and Analysis

When comparing the current fiscal year to the previous fiscal year, net position has decreased by \$1,119.

	Changes in Net Position for the Year Ending June 30,	
	2015	2014
Total revenues	\$ 381	\$ 563
Total expenses	<u>1,500</u>	<u>-</u>
Change in net position	(1,119)	563
Net position, beginning of year	<u>26,144</u>	<u>25,581</u>
Net position, end of year	<u>\$ 25,025</u>	<u>\$ 26,144</u>

Economic Factors

The Battle Creek Local Development Finance Authority expenses are governed by the laws of the State of Michigan. During 2015, the Authority expended \$1,500 for professional fees.

Contacting the Battle Creek Local Development Finance Authority

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

BASIC FINANCIAL STATEMENTS

BATTLE CREEK LOCAL DEVELOPMENT FINANCE AUTHORITY

Statement of Net Position and Governmental Fund

Balance Sheet
June 30, 2015

	General	Adjustments	Statement of Net Position
Assets			
Pooled cash and investments	\$ 24,985	\$ -	\$ 24,985
Interest receivable	40	-	40
Total assets	<u>\$ 25,025</u>	<u>-</u>	<u>25,025</u>
Fund balance			
Unassigned	<u>\$ 25,025</u>	<u>(25,025)</u>	<u>-</u>
Net position			
Unrestricted		<u>\$ 25,025</u>	<u>\$ 25,025</u>

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

BATTLE CREEK LOCAL DEVELOPMENT FINANCE AUTHORITY

Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance For the Year Ended June 30, 2015

	General	Adjustments	Statement of Activities
Revenues			
Investment earnings	\$ 381	\$ -	\$ 381
Expenditures			
Community development	1,500	-	-
Net change in fund balance	(1,119)	1,119	-
Change in net position	-	(1,119)	(1,119)
Fund balance/net position			
Beginning of year	26,144	-	26,144
End of year	\$ 25,025	\$ -	\$ 25,025

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

BATTLE CREEK LOCAL DEVELOPMENT FINANCE AUTHORITY

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund For the Year Ended June 30, 2015

	Budget (Original and Final)	Actual	Actual Over (Under) Final Budget
Revenues			
Investment earnings	\$ 250	\$ 381	\$ 131
Expenditures			
Community development	<u>1,500</u>	<u>1,500</u>	<u>-</u>
Net change in fund balance	(1,250)	(1,119)	131
Fund balance, beginning of year	<u>26,144</u>	<u>26,144</u>	<u>-</u>
Fund balance, end of year	<u>\$ 24,894</u>	<u>\$ 25,025</u>	<u>\$ 131</u>

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

NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK LOCAL DEVELOPMENT FINANCE AUTHORITY

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

These financial statements present the activities of the Battle Creek Local Development Finance Authority (the "Authority"). The Authority was established in April 2001 pursuant to Public Act 248 of 2000. The primary purpose of the Authority is to encourage technological development through the City of Battle Creek's SmartZone. The Authority's activities are primarily funded through tax increment financing.

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

As permitted by generally accepted accounting principles, the Authority uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the statement of net position and governmental fund's balance sheet and the statement of activities and governmental fund revenues, expenditures and changes in fund balance. The major individual governmental fund is reported in a separate column in the aforementioned basic financial statements.

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.

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.

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 a single major governmental fund - the general fund. The general fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for and reported in another fund, if any.

BATTLE CREEK LOCAL DEVELOPMENT FINANCE AUTHORITY

Notes to Financial Statements

Fund Balance

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 nonspendable, restricted or committed fund balances. The Authority also 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.

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. Individual amendments were not material in relation to the original appropriations.

For the year ended June 30, 2015, the Authority's general fund expenditures were within budget.

2. POOLED 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 \$24,985. 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.

