

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

Year Ended
June 30, 2022

Financial
Statements and
Other Information

Rehmann

This page intentionally left blank.

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	5
Basic Financial Statements	
Statement of Net Position	12
Statement of Activities	13
Balance Sheet – Governmental Funds	14
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18
Reconciliation of Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	21
Notes to Financial Statements	23
Other Information	
Continuing Bond Disclosures	36
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 <i>Government Auditing Standards</i>	41



This page intentionally left blank.

INDEPENDENT AUDITORS' REPORT

December 22, 2022

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, 2022, 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, 2022, 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.

Restatement of Beginning Fund Balance

As described in Note 12, the beginning fund balance of the general fund has been increased to recognize loans receivable as nonspendable fund balance rather than as deferred inflows of resources. This restatement had no impact on governmental activities. Our opinion is not modified with respect to this matter.

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, 2022, 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 written in a cursive, flowing style.

This page intentionally left blank.

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, and presents this management discussion and analysis of its financial performance as an overview of financial activities for the fiscal year ended June 30, 2022.

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 and deferred inflows by \$26,664,796 at the end of the fiscal year, of which \$22,396,124 was the investment in capital assets, leaving \$39 restricted net position for debt service and \$4,268,633 in unrestricted net position. The investment in capital assets decreased by \$582,094 in the current year due to the net difference of land sales and capital asset additions. There was very little in current year additions (\$15,330) as part of the development at Watkins Road and I-94.

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,	
	2022	2021
Assets		
Current and other assets	\$ 10,297,788	\$ 9,605,140
Capital assets, net	<u>22,396,124</u>	<u>22,978,218</u>
Total assets	<u>32,693,912</u>	<u>32,583,358</u>
Deferred outflows of resources	<u>28,051</u>	<u>-</u>
Liabilities		
Other liabilities	2,789,648	2,814,341
Long-term debt	<u>3,215,000</u>	<u>3,473,023</u>
Total liabilities	<u>6,004,648</u>	<u>6,287,364</u>
Deferred inflows of resources	<u>52,519</u>	<u>-</u>
Net position		
Investment in capital assets	22,396,124	22,978,218
Restricted for debt service	39	3,681
Unrestricted	<u>4,268,633</u>	<u>3,314,095</u>
Total net position	<u>\$ 26,664,796</u>	<u>\$ 26,295,994</u>

For the current year, net position increased by \$368,802. This change from the prior year is a result of the increase in revenues of \$393,908 mainly due to the sale of land parcels. Additionally, total expenses as compared to the prior year decreased by \$529,547 primarily due to a decrease in transfers to other funds for airport operations.

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Management's Discussion and Analysis

	Change in Net Position for the Year Ending June 30,	
	2022	2021
Revenues		
Program revenues:		
Charges for services	\$ 20,502	\$ 56,935
Capital grants and contributions	1,166,373	1,523,631
General revenues:		
Property taxes	1,197,681	1,205,036
Unrestricted investment earnings	165,975	179,986
Gain on sale of capital assets	808,965	-
Total revenues	3,359,496	2,965,588
Total expenses	2,990,694	3,520,241
Change in net position	368,802	(554,653)
Net position, beginning of year	26,295,994	26,850,647
Net position, end of year	\$ 26,664,796	\$ 26,295,994

Governmental funds. As of the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$7,459,581 an increase of \$656,463 from the prior year. This is a result of the proceeds received from the sale of land in the current year.

The fund balance of the Authority's general fund decreased by \$374,139 during the current fiscal year. This is reflective of lower property taxes and particularly lower reimbursement from the State for personal property tax elimination.

General Fund Budgetary Highlights

The general fund original adopted budget reflected revenues in excess of expenditures and an increase of fund balance of \$50,224. Mid-year budget adjustments were made to reflect a reduction of state aid revenue through the personal property tax reimbursements and captured property tax revenue (with a net total reduction in budgeted revenue) as well as an increase in budgeted community development expenditures resulting in a budgeted decrease in fund balance of \$314,549. Ultimately actual expenditures were over budget resulting in a decrease to fund balance in the amount of \$374,139.

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Management's Discussion and Analysis

Capital Assets

The Authority had \$22,396,124 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.

	2022	2021
Land	\$ 13,238,577	\$ 13,709,585
Construction in progress	1,495,664	1,440,245
Land improvements	7,627,622	7,783,118
Equipment	<u>34,261</u>	<u>45,270</u>
Total	<u>\$ 22,396,124</u>	<u>\$ 22,978,218</u>

The Authority had a decrease in capital assets of \$582,094 at the end of the fiscal year as a result of a land sale during the year which was partially offset by capital asset additions and depreciation.

Long-term Debt

At the end of the current fiscal year, the Authority had general obligation bonds outstanding of \$3,215,000. General obligation bonds were issued to provide funds for the construction and acquisition of major capital assets. The debt was refunded in the current year as shown below. 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 2030.

	2022	2021
General obligation bonds		
2009 Limited tax bonds	\$ -	\$ 1,920,000
2010 Limited tax bonds (hangar)	-	1,560,000
2021 Refunding limited tax bonds	1,765,000	-
2022 Refunding limited tax bonds (hangar)	<u>1,450,000</u>	<u>-</u>
Total	<u>\$ 3,215,000</u>	<u>\$ 3,480,000</u>

The Authority's total bonded debt decreased by \$265,000 during the current fiscal year as a result of the debt being refunded and scheduled debt payments.

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 2022, total community development expenses were \$2,834,356, which included \$181,835 of depreciation (a non-cash item).

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, 2022

	Governmental Activities
Assets	
Pooled cash and investments	\$ 5,715,890
Interest receivable	79,517
Leases receivable	52,519
Loans receivables - due in more than one year	4,449,862
Capital assets not being depreciated	14,734,241
Capital assets being depreciated, net	<u>7,661,883</u>
Total assets	<u>32,693,912</u>
Deferred outflows of resources	
Deferred charge on refunding	<u>28,051</u>
Liabilities	
Accounts payable and accrued liabilities	2,785,688
Accrued interest payable	3,960
Long-term debt:	
Due within one year	410,000
Due in more than one year	<u>2,805,000</u>
Total liabilities	<u>6,004,648</u>
Deferred inflows of resources	
Deferred lease amounts	<u>52,519</u>
Net position	
Investment in capital assets	22,396,124
Restricted for debt service	39
Unrestricted	<u>4,268,633</u>
Total net position	<u>\$ 26,664,796</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, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Capital Grants and Contributions	
Governmental activities				
Community development	\$ 2,834,356	\$ 20,502	\$ 1,166,373	\$ (1,647,481)
Interest on long-term debt	156,338	-	-	(156,338)
Total governmental activities	<u>\$ 2,990,694</u>	<u>\$ 20,502</u>	<u>\$ 1,166,373</u>	<u>(1,803,819)</u>
General revenues				
Property taxes				1,197,681
Unrestricted investment earnings				165,975
Gain on sale of capital assets				808,965
Total general revenues				<u>2,172,621</u>
Change in net position				368,802
Net position, beginning of year				<u>26,295,994</u>
Net position, end of year				<u>\$ 26,664,796</u>

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

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Balance Sheet

Governmental Funds

June 30, 2022

	General	Debt Service	Airport Bonds
Assets			
Pooled cash and investments	\$ 3,034,095	\$ -	\$ 1,852
Interest receivable	79,517	-	-
Leases receivable	52,519	-	-
Loans receivables - due in more than one year	2,749,862	-	-
Total assets	<u>\$ 5,915,993</u>	<u>\$ -</u>	<u>\$ 1,852</u>
Liabilities			
Accounts payable	<u>\$ 2,785,318</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred inflows of resources			
Deferred lease amounts	<u>52,519</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable	2,749,862	-	-
Restricted for debt service	-	-	1,852
Committed for capital projects	-	-	-
Unassigned	328,294	-	-
Total fund balances	<u>3,078,156</u>	<u>-</u>	<u>1,852</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,915,993</u>	<u>\$ -</u>	<u>\$ 1,852</u>

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

Capital Projects	Total Governmental Funds
---------------------	--------------------------------

\$ 2,679,943	\$ 5,715,890
-	79,517
-	52,519
<u>1,700,000</u>	<u>4,449,862</u>

<u>\$ 4,379,943</u>	<u>\$ 10,297,788</u>
---------------------	----------------------

<u>\$ 370</u>	<u>\$ 2,785,688</u>
---------------	---------------------

<u>-</u>	<u>52,519</u>
----------	---------------

1,700,000	4,449,862
-	1,852
2,679,573	2,679,573
<u>-</u>	<u>328,294</u>

<u>4,379,573</u>	<u>7,459,581</u>
------------------	------------------

<u>\$ 4,379,943</u>	<u>\$ 10,297,788</u>
---------------------	----------------------

This page intentionally left blank.

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2022

Fund balances - total governmental funds	\$ 7,459,581
---	---------------------

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

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

Capital assets not being depreciated	14,734,241
Capital assets being depreciated, net	7,661,883

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	28,051
------------------------------	--------

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	(3,215,000)
Accrued interest payable on long-term debt	(3,960)
	<hr/>

Net position of governmental activities	<u><u>\$ 26,664,796</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, 2022

	General	Debt Service	Airport Bonds
Revenues			
Property taxes	\$ 1,197,681	\$ -	\$ -
Intergovernmental:			
State	1,115,373	-	-
Local	-	-	-
Rents and leases	-	-	-
Unrestricted investment earnings	165,975	-	-
Total revenues	<u>2,479,029</u>	<u>-</u>	<u>-</u>
Expenditures			
Community development	2,409,881	-	-
Debt service:			
Principal	-	110,000	205,000
Interest and fiscal charges	-	42,898	95,913
Bond issuance costs	-	22,179	-
Total expenditures	<u>2,409,881</u>	<u>175,077</u>	<u>300,913</u>
Revenues over (under) expenditures	<u>69,148</u>	<u>(175,077)</u>	<u>(300,913)</u>
Other financing sources (uses)			
Issuance of long-term debt	-	1,560,000	1,765,000
Payment to refunding bond escrow agent	-	(1,573,383)	(1,726,398)
Transfers in	-	188,460	254,827
Transfers out	(443,287)	-	-
Proceeds from sale of capital assets	-	-	-
Total other financing sources (uses)	<u>(443,287)</u>	<u>175,077</u>	<u>293,429</u>
Net change in fund balances	<u>(374,139)</u>	<u>-</u>	<u>(7,484)</u>
Fund balances, beginning of year, as restated	<u>3,452,295</u>	<u>-</u>	<u>9,336</u>
Fund balances, end of year	<u><u>\$ 3,078,156</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,852</u></u>

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



Capital Projects	Total Governmental Funds
\$ -	\$ 1,197,681
-	1,115,373
51,000	51,000
20,502	20,502
-	165,975
71,502	2,550,531
313,389	2,723,270
-	315,000
-	138,811
-	22,179
313,389	3,199,260
(241,887)	(648,729)
-	3,325,000
-	(3,299,781)
-	443,287
-	(443,287)
1,279,973	1,279,973
1,279,973	1,305,192
1,038,086	656,463
3,341,487	6,803,118
\$ 4,379,573	\$ 7,459,581

This page intentionally left blank.

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, 2022

Net change in fund balances - total governmental funds	\$	656,463
---	-----------	----------------

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	70,749
Depreciation expense	(181,835)
Proceeds from sale of capital assets	(1,279,973)
Gain on sale of capital assets	808,965

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 long-term debt	315,000
Proceeds from issuance of refunding bonds	(3,325,000)
Payment to refunding bond escrow agent	3,299,781
Amortization of bond issuance discounts	(6,977)
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 payable on long-term debt	<u>15,335</u>
--	---------------

Change in net position of governmental activities	\$	<u>368,802</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 Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 1,122,304	\$ 1,140,531	\$ 1,197,681	\$ 57,150
Intergovernmental - state	1,471,121	1,115,373	1,115,373	-
Unrestricted investment earnings	144,052	158,052	165,975	7,923
Total revenues	2,737,477	2,413,956	2,479,029	65,073
Expenditures				
Community development	2,192,414	2,320,779	2,409,881	89,102
Revenues over expenditures	545,063	93,177	69,148	(24,029)
Other financing uses				
Transfers out	(494,839)	(407,726)	(443,287)	35,561
Change in fund balance	50,224	(314,549)	(374,139)	(59,590)
Fund balance, beginning of year, as restated	3,452,295	3,452,295	3,452,295	-
Fund balance, end of year	<u>\$ 3,502,519</u>	<u>\$ 3,137,746</u>	<u>\$ 3,078,156</u>	<u>\$ (59,590)</u>

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 *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. Interest incurred during the construction phase of capital assets, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

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
Buildings	25
Equipment	10

Leases Receivable and Deferred Inflows of Resources

The Authority is a lessor for four noncancellable 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.

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Notes to Financial Statements

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 noncancellable 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.

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 government 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.

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

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Notes to Financial Statements

For the year ended June 30, 2022, the Authority incurred general fund expenditures in excess of the amounts appropriated for community development of \$89,102 and transfers out of \$35,561.

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 \$5,715,890. 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, 2022, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 13,709,585	\$ -	\$ (471,008)	\$ -	\$ 13,238,577
Construction in progress	1,440,245	70,749	-	(15,330)	1,495,664
	<u>15,149,830</u>	<u>70,749</u>	<u>(471,008)</u>	<u>(15,330)</u>	<u>14,734,241</u>
Capital assets being depreciated:					
Land improvements	8,442,849	-	-	15,330	8,458,179
Equipment	<u>388,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>388,325</u>
Total capital assets being depreciated	<u>8,831,174</u>	<u>-</u>	<u>-</u>	<u>15,330</u>	<u>8,846,504</u>
Less accumulated depreciation for:					
Land improvements	(659,731)	(170,826)	-	-	(830,557)
Equipment	<u>(343,055)</u>	<u>(11,009)</u>	<u>-</u>	<u>-</u>	<u>(354,064)</u>
Total accumulated depreciation	<u>(1,002,786)</u>	<u>(181,835)</u>	<u>-</u>	<u>-</u>	<u>(1,184,621)</u>
Total capital assets being depreciated, net	<u>7,828,388</u>	<u>(181,835)</u>	<u>-</u>	<u>15,330</u>	<u>7,661,883</u>
Total capital assets, net	<u><u>\$ 22,978,218</u></u>	<u><u>\$ (111,086)</u></u>	<u><u>\$ (471,008)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 22,396,124</u></u>

Depreciation expense in the amount of \$181,835 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. Total lease revenue for the year ended June 30, 2022 was \$27,762.

Remaining Term of Agreements

Asset Type

Land

2 years

Lease receivable activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Leases receivable	\$ -	\$ 77,349	\$ (24,830)	\$ 52,519

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) in the total amount of \$3,530,000 to be used in accordance with a particular brownfield plan. As of June 30, 2022, 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 in the total amount of \$5,500,000 to be used in accordance with another particular brownfield plan. As of June 30, 2022, \$2,749,862 had been drawn and 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 5% per annum. The total amount drawn by BCBRA on the loans through June 30, 2022 is \$5,310,570. As of June 30, 2022, \$2,560,708 has been paid on the loans resulting in a net balance of \$2,749,862. No amount is presently reported as due within one year since repayment is based on the future collection of incremental tax revenues.

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, 2022, \$1,700,000 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, 2022, interfund transfers are summarized as follows:

	Transfers Out
Transfers In	General
Debt service	\$ 188,460
Airport bonds	254,827
	<hr/>
Totals	\$ 443,287
	<hr/>

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. LONG-TERM DEBT

Following is a summary of the Authority's debt outstanding as of June 30, 2022:

	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	\$ 1,765,000
2022 Refunding limited tax bonds (hangar)	6/1/2030	1.50%	1,560,000	<hr/> 1,450,000
				<hr/> \$ 3,215,000

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
2023	\$ 410,000	\$ 43,464
2024	415,000	37,713
2025	425,000	31,896
2026	435,000	25,938
2027	440,000	19,872
2028-2030	<u>1,090,000</u>	<u>24,114</u>
	<u>\$ 3,215,000</u>	<u>\$ 182,997</u>

Changes in Long-term Debt. Long-term debt activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 3,480,000	\$ 3,325,000	\$ (3,590,000)	\$ 3,215,000	\$ 410,000
Less bond issuance discounts	<u>(6,977)</u>	<u>-</u>	<u>6,977</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,473,023</u>	<u>\$ 3,325,000</u>	<u>\$ (3,583,023)</u>	<u>\$ 3,215,000</u>	<u>\$ 410,000</u>

Refunded Debt

During the current fiscal year, the Authority issued 2021 limited tax bonds in the amount of \$1,765,000 to refund debt outstanding for the 2009 limited tax bonds in the amount of \$1,715,000. The Authority also issued 2022 limited tax bonds (hanger) in the amount of \$1,560,000 to refund debt outstanding for the 2010 limited tax bonds (hanger) in the amount of \$1,560,000. The refunded bonds were subsequently called and paid off, and the liability has been removed from long-term debt. The 2021 refunding resulted in a cash savings of \$156,127 and an economic gain of \$145,753. The 2022 refunding resulted in a cash savings of \$177,413 and an economic gain of \$162,223.

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Notes to Financial Statements

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).

The captured increments in taxable value for the 2021 levy are summarized as follows:

Ad valorem property	\$ 62,333,064
IFT*/CFT**/ Other property	<u>19,866,805</u>
Total	<u>\$ 82,199,869</u>
* Industrial Facility Tax	
** Commercial Facility Tax	

9. 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 2022. 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 \$581,000 in taxable value. The City is vigorously defending all litigation.

10. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The pandemic has resulted in operational challenges for the Authority as it determines the impact on employees, vendors, and taxpayers, and the appropriate method for providing services. At this time, management does not believe that any ongoing negative financial impact related to the pandemic, if any, would be material to the Authority.

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Notes to Financial Statements

11. SUBSEQUENT EVENT

On November 16, 2022, the Authority issued limited tax general obligation bonds in the amount of \$2,500,000. The bonds are due in annual installments of \$100,000 to \$230,000 through 2037 at an interest rate of 4.98%.

12. RESTATEMENT

Beginning fund balance of the general fund was increased by \$2,749,862 to recognize loans receivable as nonspendable fund balance rather than as deferred inflows of resources. This restatement had no impact on governmental activities.

■ ■ ■ ■ ■

This page intentionally left blank.

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
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%
2013	2014	2015	136,121,530	1.73%	136,027,637	1.77%
2012	2013	2014	133,808,353	-6.63%	133,662,882	-6.42%
2011	2012	2013	143,315,610	2.04%	142,831,246	2.09%

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
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
2015	12,741,620	123,286,017	136,027,637
2014	15,134,007	118,528,875	133,662,882
2013	16,765,363	126,065,883	142,831,246

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
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
2015	54,665,855	81,361,782	136,027,637
2014	53,835,599	79,827,283	133,662,882
2013	56,813,866	86,017,380	142,831,246

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
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
2015	19,304,922	111,027,139	130,332,061
2014	26,064,354	98,794,626	124,858,980
2013	28,196,419	115,284,126	143,480,545

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	MBT Reimbursement	Total Collected
2022	\$ 1,489,346	\$ 1,115,940	\$ -	\$ 1,115,940
2021	1,540,806	1,205,036	-	1,205,036
2020	1,844,261	1,694,059	-	1,694,059
2019	1,645,241	1,547,781	-	1,547,781
2018	1,413,591	1,354,888	-	1,354,888
2017	2,015,970	1,885,239	-	1,885,239
2016	3,862,179	3,862,179	-	3,862,179
2015	4,896,858	4,896,858	-	4,896,858
2014	4,713,335	4,713,335	644,265	5,357,600
2013	5,002,634	5,002,634	837,365	5,839,999

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
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
2015	12.9980	20.7327	4.0334	6.0000
2014	13.3390	20.7327	4.0334	6.0000
2013	13.6180	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.

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, 2022)

Taxpayer		Product or Service	Taxable Value	% of Taxable Value
1	Denso Manufacturing	Automotive parts	\$ 11,365,948	14.28%
2	Prairie Farms Dairy Inc.	Dairy products	4,835,491	6.08%
3	II Stanley Co., Inc.	Automotive parts	4,695,504	5.90%
4	Consumers Energy Co	Public utility	3,745,351	4.71%
5	Musashi Auto Parts	Automotive parts	3,710,682	4.66%
6	TRMI Inc.	Automotive parts	3,002,119	3.77%
7	Agracel Inc	Industrial developer	2,937,568	3.69%
8	Duncan Aviation Inc.	Aviation	2,451,279	3.08%
9	Dickman Road Associates, LLC	Property management	2,104,541	2.64%
10	Eagles Ridge Properties, LLC	Property management	2,034,331	2.56%
11	Devi Michigan RE Holding, LLC	Cultivation center	1,905,141	2.39%
12	Adient US, LLC	Automotive seating	1,854,686	2.33%
13	VIB Inc.	Industrial printing	1,728,519	2.17%
14	Yorozu Automotive	Automotive parts	1,704,376	2.14%
15	Systex Products Corp.	Plastic manufacturer	1,600,515	2.01%
16	Hi-Lex Corp.	Automotive parts	1,588,462	2.00%
17	Semco Energy Inc.	Natural gas utility	1,565,466	1.97%
18	ASMO Manufacturing	Automotive parts	1,542,765	1.94%
19	5243 Wayne GCCP, LLC	Food and beverage manufacturing	1,385,477	1.74%
20	Agnl Powder, LLC	Automotive parts	1,280,578	1.61%
			<u>\$ 57,038,799</u>	<u>71.67%</u>

continued...

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Continuing Bond Disclosures (Unaudited)

8. Taxable Value of Largest IFT Taxpayers

(Fiscal Year Ended June 30, 2022)

Taxpayer		Product or Service	Taxable Value	% of Taxable Value
1	Dieomatic Inc.	Solar panel manufacturer	\$ 4,005,389	19.08%
2	Musashi Auto Parts	Automotive parts	2,667,606	12.71%
3	Roesler Metal Finishing	Metal finishing	2,279,631	10.86%
4	Toda America Inc.	Automotive parts	1,974,066	9.41%
5	Prairie Farms Dairy Inc.	Dairy products	1,710,986	8.15%
6	TRMI Inc.	Electronic switches	1,508,256	7.19%
7	Bowers Aluminum Company	Aluminum manufacturer	1,118,713	5.33%
8	Geislinger Corp.	Molded parts	1,022,696	4.87%
9	ASMO Manufacturing	Automotive parts	796,921	3.80%
10	II Stanley Co., Inc.	Automotive parts	678,983	3.23%
11	Denso Manufacturing	Automotive parts	521,117	2.48%
12	Hi-Lex Corp.	Automotive parts	516,834	2.46%
13	Systex Products Corp.	Plastic moldings	284,440	1.36%
14	Bleistahl North America LP	Automotive parts	241,839	1.15%
15	Nexthermal Corporation	Heating elements manufacturer	228,970	1.09%
16	Advanced Special Tools Inc.	Specialty tools	214,391	1.02%
17	EPI Printers Inc.	Printing	95,967	0.46%
			<u>\$ 19,866,805</u>	<u>94.65%</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, 2022

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, 2022, 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, 2022.

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 may exist that have not been 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 Lobson LLC". The script is cursive and fluid, with the letters "L" and "L" in "Lehmann" and "Lobson" being particularly prominent.