

# WHAT IS BATTLE CREEK HIDING?

**\$110 Million  
in  
Hidden Debt**



93% of Battle Creek's retirement debt is not clearly disclosed on its balance sheet.

Once these hidden debts are counted, Battle Creek's balance sheet doesn't look so great. In fact, the city is sinking in debt. One of the reasons Battle Creek is in this precarious financial position is city officials use antiquated budgeting and accounting rules to report Battle Creek's financial condition.

Truth in Accounting's detailed analysis discovered a total of \$118 million of retirement benefits are owed, but not funded. Because of the confusing way the city does its accounting, only \$9 million of these liabilities are reported on Battle Creek's balance sheet. If this debt is included, Battle Creek has a \$117 million shortfall, which effectively represents compensation and other costs that have been pushed into the future.

## BATTLE CREEK'S BILLS EXCEED ITS ASSETS

**\$74 Million  
ASSETS**

**\$191 Million  
BILLS**

**\$117 Million  
NEEDED TO  
PAY BILLS**

# THE FINANCIAL STATE OF BATTLE CREEK

## The City's Bills Exceed Its Assets

Assets	\$448,694,000
Less: <i>Capital Assets</i>	\$352,919,000
<i>Restricted Assets</i>	\$21,418,000
Assets Available to Pay Bills	\$74,357,000
Less: Bills	\$190,911,000
Money Needed to Pay Bills	\$116,554,000
<b>Each Taxpayer's Share of Debt</b>	<b>\$7,400</b>

Battle Creek has \$449 million in assets, but most of these assets are not available to pay city bills.

The \$353 million of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of \$21 million of the assets is restricted by law or contract.

That leaves \$74 million of city's assets available to pay \$191 million of bills as they come due.

The \$117 million shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's share of the city's debt is \$7,400.



Truth in Accounting is committed to educating and empowering citizens with understandable, reliable and transparent government financial information.

We call on governments to truthfully balance their budgets by including all real and certain expenses when incurred not when paid.

To be knowledgeable participants in their government and its budget process, citizens need to be provided with truthful and transparent financial information.

[www.TruthInAccounting.org](http://www.TruthInAccounting.org)

[www.StateDataLab.org](http://www.StateDataLab.org)

## The Bills Battle Creek Has Accumulated

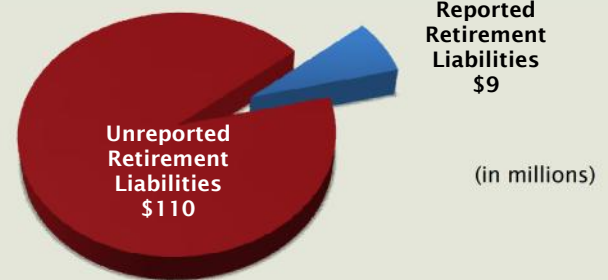
Bonds	\$77,370,000
Other Liabilities	\$25,661,000
Less: Debt Related to Capital Assets	\$30,325,000
Unfunded Pension Benefits	\$70,113,000
Unfunded Retirees' Health Care Benefits	\$48,092,000
<b>Bills</b>	<b>\$190,911,000</b>

Despite the balanced budget requirement, the city has accumulated bonds of \$77 million and other liabilities of \$26 million. The calculation of assets available to pay bills does not include capital assets, so \$30 million of related debt is removed from the calculation of city bills.

Unfunded employees' retirement benefits represent 62% of city bills. These unfunded liabilities have accumulated because city employees have been promised \$70 million of pension benefits and \$48 million of retirees' health care benefits, but the city has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

## Not All Retirement Liabilities Are Clearly Disclosed



A detailed study of Battle Creek's actuaries' schedules found retirement benefits totaling \$118 million have been promised, but not funded. A review of the city's balance sheet determined only \$9 million of these liabilities are reported. This means the city does not report \$110 million of retirement liabilities on its balance sheet.

Data is derived from the city of Battle Creek's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the city's population with a federal tax liability.