



**CITY OF TECUMSEH, MICHIGAN**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended  
June 30, 2011**

**Prepared by:**  
Treasurer's Department

**CITY OF TECUMSEH, MICHIGAN**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2011**

**TABLE OF CONTENTS**

	<u>PAGE</u>
 <b><i>INTRODUCTORY SECTION</i></b>	
Letter of Transmittal .....	i-iv
GFOA Certificate of Achievement .....	v
Organizational Chart .....	vi
List of Elected and Appointed Officials.....	vii
 <b><i>FINANCIAL SECTION</i></b>	
Independent Auditors' Report.....	1-2
Management's Discussion and Analysis.....	3-11
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	12
Statement of Activities.....	13-14
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	15
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets .....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund.....	19-20
Civic Auditorium Fund .....	21
Statement of Net Assets – Proprietary Funds .....	22
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds .....	23
Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Assets of Enterprise Funds to the Statement of Activities.....	24
Statement of Cash Flows – Proprietary Funds.....	25-26
Statement of Fiduciary Net Assets – Fiduciary Funds.....	27
Statement of Changes in Fiduciary Net Assets – Pension and Other Employee Benefits Trust Funds.....	28
Notes to the Financial Statements.....	29-59

**CITY OF TECUMSEH, MICHIGAN**  
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**For the Fiscal Year Ended June 30, 2011**

**TABLE OF CONTENTS**

	<u>PAGE</u>
Required Supplementary Information – Schedules of Funding Progress and Employer Contributions:	
Employees Retirement System .....	60
Other Postemployment Benefits .....	61
Combining and Individual Fund Financial Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds .....	62-63
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	64-65
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Major Street and Trunkline Fund .....	66
Local Street Fund.....	67
Development Services Fund.....	68
PA-48 Fund.....	69
Brownfield Redevelopment Authority .....	70
Drug Enforcement Fund .....	71
Combining Statement of Fiduciary Net Assets – Pension and Other Employee Benefits Trust Funds.....	72
Combining Statement of Changes in Fiduciary Net Assets – Pension and Other Employee Benefits Trust Funds .....	73
Combining Statement of Fiduciary Net Assets – Agency Funds.....	74
Combining Statement of Changes in Assets and Liabilities – Agency Funds .....	75-76
Statement of Net Assets and Governmental Funds Balance Sheet – Downtown Development Authority Component Unit.....	77
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance – Downtown Development Authority Component Unit .....	78
 <b><i>STATISTICAL SECTION</i></b>	
Description of Statistical Section.....	79
Net Assets by Component.....	80-81
Changes in Net Assets.....	82-85
Fund Balances – Governmental Funds .....	86-87
Changes in Fund Balances – Governmental Funds.....	88-89
Changes in Fund Balances – General Fund .....	90-91
Taxable and Estimated Actual Value of Property .....	92
Direct and Overlapping Property Tax Rates .....	93
Principal Property Taxpayers.....	94
Property Tax Levies and Collections .....	95
Ratios of Net General Bonded Debt Outstanding .....	96
Ratios of Outstanding Debt by Type.....	97-98
Computation of Net Direct and Overlapping Debt .....	99
Legal Debt Margin.....	100
Demographic and Economic Statistics.....	101
Principal Employers.....	102
Full-Time Equivalent City Government Employees by Function/Program.....	103
Operating Indicators by Function/Program.....	104
Capital Asset Statistics by Function/Program.....	105

# INTRODUCTORY SECTION



October 25, 2011

**To the Honorable Mayor, Members of the City Council  
and Citizens of the City of Tecumseh:**

State law requires that all local governments, subject to certain size criteria, publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2011.

Management assumes full responsibility for the completeness and reliability of all of the information contained in this report, based on a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

Rehmann Robson, a firm of licensed certified public accountants, has issued an unqualified opinion on the City of Tecumseh's financial statements for the year ended June 30, 2011. The independent auditor's report is presented at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

**Profile of the Government**

The City of Tecumseh, founded in 1824 and incorporated as a city in 1954, is located in southeast Michigan. The City currently has a land area of approximately 5.4 square miles and a population of 8,521 based on the 2010 census. The government is empowered to levy a property tax on both real and personal property located within its boundaries. The government also has the power by state statute to extend its corporate limits by annexation, which is done periodically, when deemed appropriate by the City Council.

The City has operated under the council-manager form of government since 1954. Policymaking and legislative authorities are vested in the governing council, a seven-member council including the mayor. The governing council is responsible, among other things, for passing ordinances and resolutions; making public policy decisions; confirming the appointments of department heads; adopting annual budgets; appointing boards, commissions, and committees; approving contracts; authorizing real estate transactions; approving payments; awarding bids; selling personal property; and hiring the government's manager and attorney. The government's manager is responsible for carrying out the policies and ordinances of the governing council, for supervising the day-to-day operations of the government, and for appointing the heads of the government's departments. The council is elected on a non-partisan basis. Council members are elected to two-year staggered terms with three council members elected each year. The mayor is elected to two-year terms. The mayor and council members are elected at-large.

The City provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; sanitary sewage treatment and disposal; water treatment and distribution; economic development; recreational activities; and cultural events. The City is also financially accountable for certain legally separate entities, which are reported separately within the City's financial statements. Additional information on each of these legally separate entities can be found in the notes to the basic financial statements.

The City Council is required to adopt a final budget prior to the start of the fiscal year to which it pertains. This annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by fund, function and department. Department heads may transfer resources within a department as they see fit. Transfers between departments, however, require approval of the governing council.

### **Factors Affecting Economic Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the environment within which the City operates as described below:

**Local economy.** The City currently sees a challenging economic environment and local indicators point to continued challenges; despite the current national unemployment rate of 9.3%, Lenawee County is experiencing almost 3.1% over the national rate and is 3.5% lower than it was last year at this time. The region does have a varied manufacturing and industrial base that contributes to the unemployment rate. Major industries with headquarters or divisions located within the government's boundaries or in close proximity include printing companies, electrical controls, automobile component manufacturers, and several financial institutions. The City has recently attracted a potential new solar panel manufacturing firm and an expansion of an existing manufacturing company into the existing Tecumseh Products building; this will result in at least 625 direct jobs. The government's central business district decreased slightly to its current 97.3 percent occupancy rate with a variety of stores, specialty shops, and commercial businesses. Due to the current economic condition, there was no residential growth during the year.

Some of the industrial business base within the City see positive market forces, both from a business statement and an employment standpoint. The City continues to work with these businesses to offer any type of assistance it can. Lenawee Stamping Corporation continues to grow both in investment and job growth.

***Long-term financial planning.*** Continued economic development looks challenging, but favorable for the future. The Economic Development Department is promoting additional commercial development projects and implementing an economic enhancement strategy, which primarily targets the downtown and west end commercial districts. The West Chicago Boulevard area continues to experience increased commercial and residential development in the near future.

These trends are also impacted, in large measure, however, by other factors. The changes in the assessed value of taxable property in the City continues to be constrained by the Headlee Amendment (which limits the annual increase in the State Equalized Value of real property) and the provisions of Proposal A (which limits increases in taxable property values to 5% or the rate of inflation, whichever is less). Taken together, these fiscal factors create a trend toward ever-tightening budgets under which the City must operate.

Finally, an increasing financial challenge for the City is the cost of employee benefits, especially for medical insurance and from limited investment income in the employees' retirement system. Together, these two issues impose increasing burdens on the City's fiscal structure and pose a possible peril to the long-term stability of City finances. Greater revenue growth or cost containment measures may be necessary to mitigate future stress on City finances. However, the City recently reduced its workforce from 49 to 42 full time employees which will help offset these increases.

***Relevant financial policies.*** The City has recently reviewed some of its financial policies and procedures and made changes to ensure that adequate controls are in place. While the City's auditor has indicated that there needs to be more separation of duties established in the Treasurer's Department, this would be difficult to accomplish without hiring additional staff. Additionally, the City has implemented numerous controls to compensate for the limits on separate controls, which include:

1. Department heads approving and signing all invoices before being processed.
2. The City Manager approving all invoices and the check register.
3. City Council and the City Manager approving a numerical check register that is continuous from the previous meeting.
4. Purchase requests are required and signed by the City Manager for purchases of \$1,000 or more.
5. An employee, other than the preparer, reviews and verifies all journal entries, bank reconciliations, transfers, cash disbursements, cash sheets and deposits by signing and dating.
6. All electronic transfers are approved by the City Manager, who has access to the City's bank accounts online to review at any time.
7. All cash is locked in a safe in the vault with only the Treasurer's Department and Clerk's employees having the combination.
8. All cash is transported from outside departments to City Hall in sealed tamper proof deposit bags and to the bank by the police department in a locked bank bag.
9. All refunds and credits are approved by the Department head or City Manager.



With these controls in place, we believe the risk associated with the lack of separation of duties is lower than the cost associated with having additional staff. When the auditor has suggested a way to reduce risk of fraud, the City has implemented whenever possible. However, we will continue to identify controls and consider future separation of duties.

The City has set a goal of maintaining at least a 15% fund balance in the general fund.

**Major initiatives.** The City purchased 160 acres of land in 2004 intended for industrial usage. The park, called the Tecumseh Business and Technology Campus is the last contiguous parcel of land that could be used to attract additional non-residential tax base. The City recently completed a \$2.2 million development of 55 acres of this property.

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Tecumseh for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2010. This was the 14th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition to the Certificate of Achievement, the City is the proud recipient of the GFOA award for its Popular Annual Financial Report (PAFR). The fiscal year 2010 PAFR was the City's first such citation. The City of Tecumseh is one of four cities in the State of Michigan that simultaneously receives this GFOA award along with the Certificate of Achievement, according to the 2009 GFOA award recipients. The 2010 award recipients will not be released by the GFOA until March or early April 2012.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration departments. We wish to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing council for their unflinching support for maintaining the highest standards of professionalism in the management of the City of Tecumseh's finances.

Respectfully submitted,

Kevin M. Welch  
City Manager

Dianne M. Burnett  
Treasurer

*(Signatures not shown for security purposes.)*

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tecumseh  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

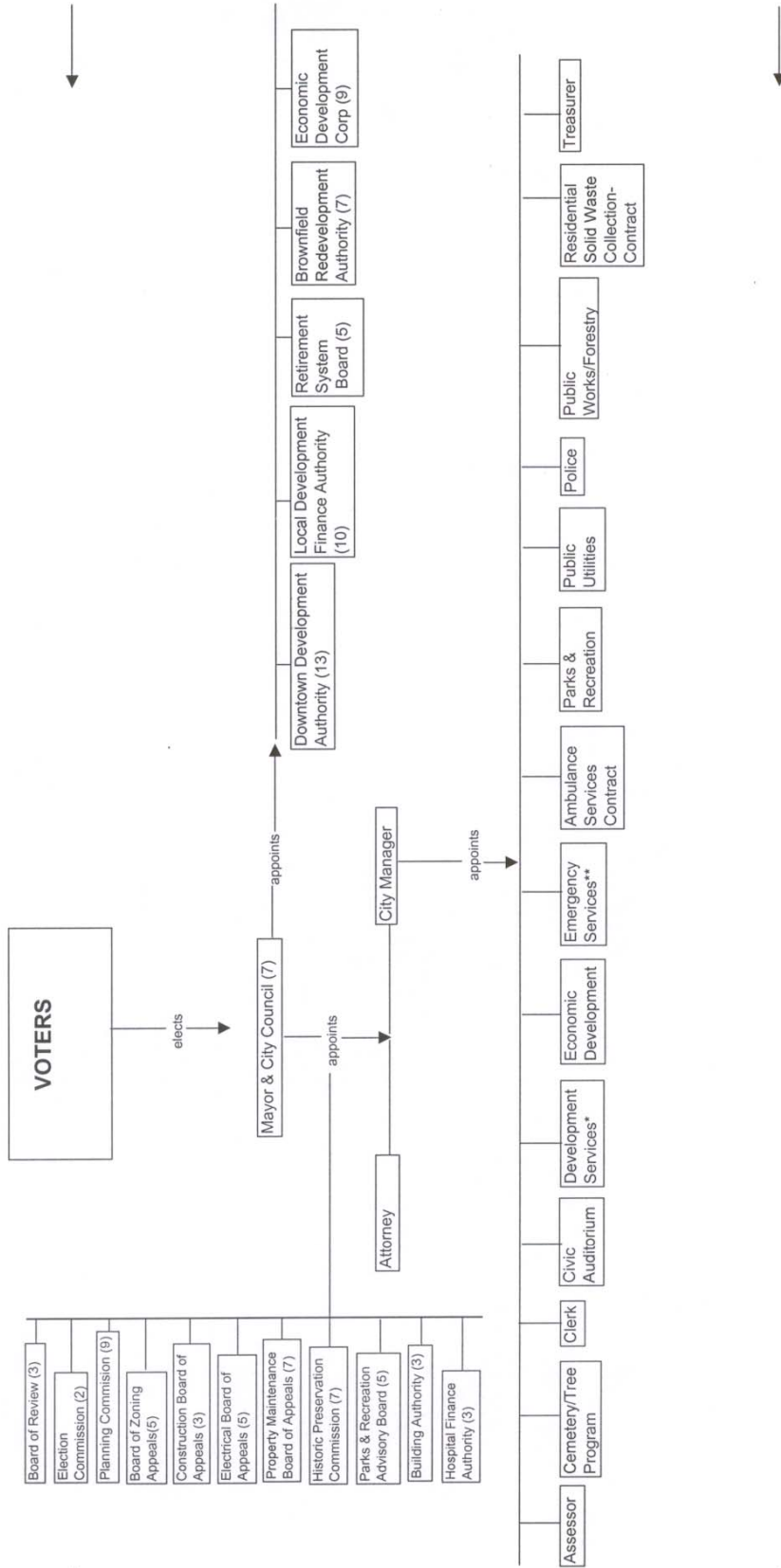
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

**CITY OF TECUMSEH ORGANIZATION**  
Citizens/Taxpayers/Residents



\*Building, Electrical, and Mechanical Permits, Zoning Administration, Code Enforcement  
& Soil Erosion

\*\*Fire, Rescue & Hazardous Materials

**Cultural, Traditional, Economics, Financial, Legal, Political, & Social Parameters and Values**

**CITY OF TECUMSEH, MICHIGAN**  
**List of Elected and Appointed Officials**  
**For the Fiscal Year Ended June 30, 2011**

**Elected Officials**

Mayor  
Mayor Pro Tem  
Council Member  
Council Member  
Council Member  
Council Member  
Council Member

Richard Johnson  
Jackson L. Baker  
Laurence Van Alstine, Jr.  
Patricia A. Housekeeper  
Troy Wright  
Ronald Wimple  
Gary Naugle

**Appointed Officials**

Manager  
Assessor  
Cemetery Superintendent  
Clerk  
Civic Auditorium Executive Director  
Development Services Director  
Public Works Superintendent  
Emergency Services Chief  
Parks & Recreation Director  
Police Chief  
Superintendent of Utilities  
Treasurer  
Economic Development Director

Kevin M. Welch  
Amanda Lacelle  
Dan Righter  
Mary Feight  
Johanna B. Walker  
Bradley Raymond  
Tim Bock  
Joseph C. Tuckey  
Shelley Lim  
Troy Stern  
Todd Amstutz  
Dianne M. Burnett  
Paula Holtz

# FINANCIAL SECTION

**INDEPENDENT AUDITORS' REPORT**

October 25, 2011

The Honorable Mayor and  
Members of the City Council  
City of Tecumseh  
Lenawee County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **CITY OF TECUMSEH, MICHIGAN**, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tecumseh, Michigan, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3-11 and the pension and other postemployment benefits information on page 60-61 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tecumseh's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Lehmann Johnson".

## MANAGEMENT'S DISCUSSION and ANALYSIS



## Management's Discussion and Analysis

As management of the *City of Tecumseh, Michigan*, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-iv of this report.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$32,315,266 (*net assets*). Of this amount, \$2,265,746 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$646,194.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,787,330, a decrease of \$612,887 in comparison with the prior year. Approximately 32 percent of this total amount, or \$1,210,475, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,210,475 or 24 percent of total general fund expenditures and transfers out
- The City's total bonded debt decreased by a net amount of \$100,000 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, parks and recreation, community development and operation of the civic auditorium. The business-type activities of the City include water and sanitary sewer operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also legally separate entities for which the City is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself. The Building Authority and Brownfield Redevelopment Authority, although also legally separate, function for all practical purposes as departments of the City, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 12-14 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus 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.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 18 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, business and technology park capital project, civic auditorium endowment, and civic auditorium special revenue funds, each of which are considered to be major funds. Data from the other 14 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 15-21 of this report.

***Proprietary funds.*** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its wastewater and water operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its public works and general maintenance equipment. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the wastewater and water operations, both of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 22-26 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 27-28 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-59 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to schedules concerning the City’s progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found on page 60-61 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 62-78 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City of Tecumseh, assets exceeded liabilities by \$32,315,266 at the close of the most recent fiscal year.

By far the largest portion of the City’s net assets (83.4 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City’s net assets (9.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (7.0 percent or \$2,265,746) may be used to meet the government’s ongoing obligations.

### City of Tecumseh’s Net Assets

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 4,412,127	\$ 4,903,417	\$ 1,882,249	\$ 1,847,069	\$ 6,294,376	\$ 6,750,486
Capital assets	18,857,626	18,198,118	12,290,362	11,957,726	31,147,988	30,155,844
Total assets	<u>23,269,753</u>	<u>23,101,535</u>	<u>14,172,611</u>	<u>13,804,795</u>	<u>37,442,364</u>	<u>36,906,330</u>
Long-term liabilities outstanding	2,990,329	3,080,715	1,771,034	1,857,620	4,761,363	4,938,335
Other liabilities	313,009	264,799	52,726	34,124	365,735	298,923
Total liabilities	<u>3,303,338</u>	<u>3,345,514</u>	<u>1,823,760</u>	<u>1,891,744</u>	<u>5,127,098</u>	<u>5,237,258</u>
Net assets:						
Invested in capital assets, net of related debt	16,324,895	15,645,901	10,638,258	10,225,622	26,963,153	25,871,523
Restricted	2,013,560	2,025,437	1,072,807	976,612	3,086,367	3,002,049
Unrestricted	<u>1,627,960</u>	<u>2,084,683</u>	<u>637,786</u>	<u>710,817</u>	<u>2,265,746</u>	<u>2,795,500</u>
<b>Total net assets</b>	<b><u>\$ 19,966,415</u></b>	<b><u>\$ 19,756,021</u></b>	<b><u>\$ 12,348,851</u></b>	<b><u>\$ 11,913,051</u></b>	<b><u>\$ 32,315,266</u></b>	<b><u>\$ 31,669,072</u></b>

At the end of the current fiscal year, the City reports positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. Positive balances for all categories were reported the prior fiscal year.

The government's net assets increased by \$646,194 during the current fiscal year as compared to an increase of \$1,377,478 in the prior year. The primary reason for this increase was a gain on sale of capital assets and an increase in capital grants and contributions from business-type activities, offset with inflationary increases in expenses.

### City of Tecumseh's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue:						
Program revenue:						
Charges for services	\$ 822,677	\$ 834,957	\$ 1,582,583	\$ 1,526,168	\$ 2,405,260	\$ 2,361,125
Operating grants and contributions	830,299	839,335	-	-	830,299	839,335
Capital grants and contributions	483,701	2,627,327	663,072	-	1,146,773	2,627,327
General revenue:						
Property taxes	3,720,112	3,893,346	-	-	3,720,112	3,893,346
Grants and contributions not restricted to specific programs	694,653	684,953	-	-	694,653	684,953
Other	31,116	82,945	10,407	16,460	41,523	99,405
Total revenue	<u>6,582,558</u>	<u>8,962,863</u>	<u>2,256,062</u>	<u>1,542,628</u>	<u>8,838,620</u>	<u>10,505,491</u>
Expenses:						
General government	1,461,557	1,489,319	-	-	1,461,557	1,489,319
Public safety	2,278,206	2,309,317	-	-	2,278,206	2,309,317
Public works	1,198,267	1,362,358	-	-	1,198,267	1,362,358
Parks and recreation	492,775	516,725	-	-	492,775	516,725
Civic auditorium	497,689	492,848	-	-	497,689	492,848
Community development	413,785	1,025,510	-	-	413,785	1,025,510
Interest on long-term debt	120,130	128,633	-	-	120,130	128,633
Wastewater	-	-	1,225,686	1,238,467	1,225,686	1,238,467
Water	-	-	594,576	577,776	594,576	577,776
Total expenses	<u>6,462,409</u>	<u>7,324,710</u>	<u>1,820,262</u>	<u>1,816,243</u>	<u>8,282,671</u>	<u>9,140,953</u>
Change in net assets before contributions to permanent funds	120,149	1,638,153	435,800	(273,615)	555,949	1,364,538
Contributions to permanent funds	9,380	12,940	-	-	9,380	12,940
Gain on sale of capital assets	80,865	-	-	-	80,865	-
Change in net assets	<u>210,394</u>	<u>1,651,093</u>	<u>435,800</u>	<u>(273,615)</u>	<u>646,194</u>	<u>1,377,478</u>
Net assets - beginning of year	<u>19,756,021</u>	<u>18,104,928</u>	<u>11,913,051</u>	<u>12,186,666</u>	<u>31,669,072</u>	<u>30,291,594</u>
<b>Net assets - end of year</b>	<b><u>\$ 19,966,415</u></b>	<b><u>\$ 19,756,021</u></b>	<b><u>\$ 12,348,851</u></b>	<b><u>\$ 11,913,051</u></b>	<b><u>\$ 32,315,266</u></b>	<b><u>\$ 31,669,072</u></b>

**Governmental activities.** Governmental activities increased the City's net assets by \$210,394 in the current fiscal year; by comparison, in the prior year governmental activities net assets increased by \$1,651,093, a change of \$1,440,699. Key elements of this change include:

- A decrease in revenue attributable to less tax revenue, less investment income and less revenue from building permits due to a weak economy.
- Parks and recreation program participation decreased due to the weak economy.
- The capitalization of the Tecumseh Business and Technology Campus infrastructure finalized this year, which reduced the current year expenses for community development by \$611,725.
- An increase in gain on sale of capital assets of \$80,865 from the proceeds of the sale of vehicles and equipment.

**Business-type activities.** Business-type activities increased the City's net assets by \$435,800 as compared to a decrease of \$273,615 in the previous fiscal year. The key element of the difference between fiscal years was an increase in charges for services of \$56,415, a decrease in nonoperating revenues of \$6,053 from the prior year, and a capital grant and contribution of \$663,072 for the water and sewer lines at Tecumseh Business and Technology Campus.

### **Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,787,330, a decrease of \$612,887 in comparison with the prior year. Approximately 32% of this total amount (\$1,210,475) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is categorized to indicate that it is not available for new spending because it is either nonexpendable, restricted or committed.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,210,475, while total fund balance was \$1,433,286. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 24 percent of total general fund expenditures and transfers out.

The fund balance of the City's general fund decreased by \$59,728 during the current fiscal year as compared to an increase of \$5,863 for the previous fiscal year. In accounting for this change, property tax revenue decreased approximately \$170,500 (or 4.0 percent); investment earnings decreased roughly \$11,570; interest expense decreased by \$30,000 and transfers out decreased by \$241,232. Other revenues, expenditures and other financing sources varied marginally up and down in comparison with the prior year.

The business and technology park capital projects fund, which was established during the 2008 fiscal year to account for this project to facilitate economic development in the City and area, reported a decrease in fund balance of \$472,234. This decrease is due to funds that were incurred to construct infrastructure so that the site is development ready.

The civic auditorium endowment fund, a permanent fund, has a fund balance of \$1,220,115, which is entirely nonexpendable to generate future income for operations of the civic auditorium. During fiscal 2011 the fund transferred \$43,293 to the civic auditorium from current year earnings. By the terms of the trust agreement that provided the original contribution of \$1,000,000 from a local private foundation, any interest earnings not expended on a calendar year basis must be added to the principal balance. The interest income is used annually to offset operating expenses at the civic auditorium known as Tecumseh Center for the Arts.

The civic auditorium special revenue fund, which accounts for the operations of the renamed, *Tecumseh Center for the Arts*, finished the fiscal year with a total fund balance of \$19,100, a decrease of \$11,023 for the year. The budgeted use of fund balance was \$9,845. This was the result of revenues decreasing due to less ticket sales and investment earnings decreasing 67% due to lower interest rates and an increase in expenditures due to a first-time administrative charge from the general fund of approximately \$35,000.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the business-type activities of the government wide financial statements, but in more detail.

Unrestricted net assets of the wastewater and water funds at the end of the year amounted to \$497,960 and \$185,586, respectively. The wastewater fund had an increase in total net assets for the year of \$269,088, whereas the water fund had an increase of \$166,712. Both of these changes were due to a combined increase of \$663,072 in net property and equipment due to the Tecumseh Business and Technology Campus capitalization being finalized this year. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

### **General Fund Budgetary Highlights**

Differences between the original and final amended budgets for expenditures were relatively minor and spread across various functions/departments. For fiscal 2011, the budgetary estimate for the net change in fund balance was a decrease of \$52,425; the actual change was a decrease of \$59,728 (or a difference of \$7,303).

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2011, amounted to \$31,147,988 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The net increase in the City's investment in capital assets for the current fiscal year was 3.3 percent (a 3.6 percent increase for governmental activities and a 2.8 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Capitalized infrastructure assets in the amount of \$2,234,570 for the Tecumseh Business and Technology Campus.
- Major and local street infrastructure construction projects amounting to \$268,192.

### City of Tecumseh's Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 4,562,561	\$ 4,567,873	\$ -	\$ -	\$ 4,562,561	\$ 4,567,873
Construction in progress	-	619,684	-	-	-	619,684
Land improvements	996,753	1,027,982	-	-	996,753	1,027,982
Buildings and systems	2,690,537	2,838,879	12,224,441	11,884,890	14,914,978	14,723,769
Vehicles	424,782	457,087	-	-	424,782	457,087
Equipment	702,371	837,234	65,921	72,836	768,292	910,070
Infrastructure	9,480,622	7,849,379	-	-	9,480,622	7,849,379
<b>Total</b>	<b>\$ 18,857,626</b>	<b>\$ 18,198,118</b>	<b>\$ 12,290,362</b>	<b>\$ 11,957,726</b>	<b>\$ 31,147,988</b>	<b>\$ 30,155,844</b>

Additional information on the City's capital assets can be found in note III.C on pages 43-45 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$3,142,104, which is backed by the full faith and credit of the government.

### City of Tecumseh's Outstanding Debt General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 1,490,000	\$ 1,510,000	\$ 1,652,104	\$ 1,732,104	\$ 3,142,104	\$ 3,242,104



The City's total bonded debt decreased by a net amount of \$100,000 (3.1 percent) during the current fiscal year.

The City has an "A+" rating from Standard & Poor's.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$26.9 million, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in note III.G on pages 47-49 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the City's budget for the 2011-12 fiscal year:

- The overall plan for the budget was to maintain services in the community by providing a well-staffed, equipped and trained work force, consolidating services where appropriate, and to maintain a healthy fund balance.
- To be sensitive to factors that may influence revenue projections, such as cuts to state shared revenue, declining housing values and potential plant closings that may increase unemployment rates, occupancy rates and reductions in personal property.
- The City also wants to ensure that it has funding for streets, roads and other capital improvement projects by earmarking funds for future use.

During the current fiscal year, unassigned fund balance in the general fund decreased by \$26,521 to \$1,210,475. The City has not appropriated any general fund unassigned fund balance for spending in the 2011-12 fiscal year budget.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Treasurer, 309 East Chicago Boulevard, Tecumseh, Michigan 49286.

## BASIC FINANCIAL STATEMENTS

# GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Net Assets**  
**June 30, 2011**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ 1,958,219	\$ 764,719	\$ 2,722,938	\$ 267,487
Investments	2,019,241	-	2,019,241	-
Receivables	315,984	90,483	406,467	-
Internal balances	45,760	(45,760)	-	-
Unamortized bond issuance costs	62,700	-	62,700	34,720
Restricted cash	10,223	1,072,807	1,083,030	-
Capital assets not being depreciated	4,562,561	-	4,562,561	56,000
Capital assets being depreciated, net	<u>14,295,065</u>	<u>12,290,362</u>	<u>26,585,427</u>	<u>-</u>
<b>Total assets</b>	<u>23,269,753</u>	<u>14,172,611</u>	<u>37,442,364</u>	<u>358,207</u>
<b>Liabilities</b>				
Accounts payable and accrued expenses	265,067	46,014	311,081	5,000
Accrued interest payable	47,942	6,712	54,654	3,799
Long-term liabilities:				
Due within one year	349,618	131,289	480,907	120,000
Due in more than one year	<u>2,640,711</u>	<u>1,639,745</u>	<u>4,280,456</u>	<u>818,143</u>
<b>Total liabilities</b>	<u>3,303,338</u>	<u>1,823,760</u>	<u>5,127,098</u>	<u>946,942</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	16,324,895	10,638,258	26,963,153	56,000
Restricted for:				
Civic auditorium:				
Operations	19,100	-	19,100	-
Endowment - nonexpendable	1,220,115	-	1,220,115	-
Capital replacement	-	1,072,807	1,072,807	-
Debt service	17,630	-	17,630	2,522
Capital projects	44,052	-	44,052	-
Perpetual care - nonexpendable	513,595	-	513,595	-
Perpetual care - expendable	199,068	-	199,068	-
Unrestricted (deficit)	<u>1,627,960</u>	<u>637,786</u>	<u>2,265,746</u>	<u>(647,257)</u>
<b>Total net assets</b>	<u>\$ 19,966,415</u>	<u>\$ 12,348,851</u>	<u>\$ 32,315,266</u>	<u>\$ (588,735)</u>

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

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**

<b><u>Functions / Programs</u></b>	<b><u>Expenses</u></b>	<b><u>Program Revenues</u></b>		<b><u>Net (Expense) Revenue</u></b>	
		<b><u>Charges for Services</u></b>	<b><u>Operating Grants and Contributions</u></b>		<b><u>Capital Grants and Contributions</u></b>
<b>Primary government</b>					
Governmental activities:					
General government	\$ 1,461,557	\$ 382,938	\$ 5,000	\$ 1,100	\$ (1,072,519)
Public safety	2,278,206	110,892	5,491	-	(2,161,823)
Public works	1,198,267	-	595,586	3,782	(598,899)
Parks and recreation	492,775	109,338	-	-	(383,437)
Civic auditorium	497,689	125,723	223,598	-	(148,368)
Community development	413,785	93,786	624	478,819	159,444
Interest on long-term debt	120,130	-	-	-	(120,130)
Total governmental activities	<u>6,462,409</u>	<u>822,677</u>	<u>830,299</u>	<u>483,701</u>	<u>(4,325,732)</u>
Business-type activities:					
Wastewater	1,225,686	1,054,357	-	434,568	263,239
Water	594,576	528,226	-	228,504	162,154
Total business-type activities	<u>1,820,262</u>	<u>1,582,583</u>	<u>-</u>	<u>663,072</u>	<u>425,393</u>
Total primary government	<u>\$ 8,282,671</u>	<u>\$ 2,405,260</u>	<u>\$ 830,299</u>	<u>\$ 1,146,773</u>	<u>\$ (3,900,339)</u>
<b>Component unit</b>					
Community development	<u>\$ 131,869</u>	<u>\$ -</u>	<u>\$ 21,800</u>	<u>\$ -</u>	<u>\$ (110,069)</u>

continued...

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Activities (Concluded)**  
**For the Year Ended June 30, 2011**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Changes in net assets</b>				
Net expense	\$ (4,325,732)	\$ 425,393	\$ (3,900,339)	\$ (110,069)
General revenues:				
Property taxes	3,720,112	-	3,720,112	248,648
Grants and contributions not restricted to specific programs	694,653	-	694,653	-
Unrestricted investment earnings	31,116	10,407	41,523	1,880
Contributions to permanent funds	9,380	-	9,380	-
Gain on sale of capital assets	80,865	-	80,865	-
Total general revenues and contributions	4,536,126	10,407	4,546,533	250,528
Change in net assets	210,394	435,800	646,194	140,459
Net assets, beginning of year, as restated	19,756,021	11,913,051	31,669,072	(729,194)
<b>Net assets, end of year</b>	<b>\$ 19,966,415</b>	<b>\$ 12,348,851</b>	<b>\$ 32,315,266</b>	<b>\$ (588,735)</b>

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

## FUND FINANCIAL STATEMENTS

**CITY OF TECUMSEH, MICHIGAN**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	<b>General</b>	<b>Business &amp; Technology Park Capital Project</b>	<b>Civic Auditorium Endowment</b>	<b>Civic Auditorium</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>ASSETS</u></b>						
<b>Assets</b>						
Cash and cash equivalents	\$ 1,254,414	\$ -	\$ 14,997	\$ -	\$ 429,989	\$ 1,699,400
Investments	-	-	1,196,134	180,617	642,490	2,019,241
Accounts receivable	25,710	166,366	-	29,620	65,836	287,532
Special assessments receivable	13,002	-	-	-	-	13,002
Accrued interest receivable	-	-	8,984	1,915	4,551	15,450
Interfund receivable	226,458	-	-	-	-	226,458
Restricted cash	-	-	-	10,223	-	10,223
	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,223</u>	<u>-</u>	<u>10,223</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 1,519,584</u></b>	<b><u>\$ 166,366</u></b>	<b><u>\$ 1,220,115</u></b>	<b><u>\$ 222,375</u></b>	<b><u>\$ 1,142,866</u></b>	<b><u>\$ 4,271,306</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
<b>Liabilities</b>						
Accounts payable / accrued liabilities	\$ 86,298	\$ 108,874	\$ -	\$ 13,229	\$ 49,117	\$ 257,518
Interfund payable	-	36,412	-	190,046	-	226,458
	<u>-</u>	<u>36,412</u>	<u>-</u>	<u>190,046</u>	<u>-</u>	<u>226,458</u>
Total liabilities	86,298	145,286	-	203,275	49,117	483,976
<b>Fund balances:</b>						
Nonexpendable:						
Civic auditorium	-	-	1,220,115	-	-	1,220,115
Cemetery perpetual care	-	-	-	-	513,595	513,595
Restricted:						
Public safety equipment and training	66,753	-	-	-	-	66,753
Parks donation	35,469	-	-	-	-	35,469
Cemetery perpetual care	-	-	-	-	199,068	199,068
Major and local streets	-	-	-	-	324,628	324,628
Community development	-	-	-	-	15,856	15,856
Unexpended bond proceeds	-	-	-	-	6,800	6,800
Committed:						
Municipal purchase program	115,076	-	-	-	-	115,076
Community development	5,513	-	-	19,100	-	24,613
Debt service	-	-	-	-	10,830	10,830
Capital projects	-	21,080	-	-	22,972	44,052
Unassigned	1,210,475	-	-	-	-	1,210,475
	<u>1,210,475</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,210,475</u>
Total fund balances	1,433,286	21,080	1,220,115	19,100	1,093,749	3,787,330
	<u>1,433,286</u>	<u>21,080</u>	<u>1,220,115</u>	<u>19,100</u>	<u>1,093,749</u>	<u>3,787,330</u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 1,519,584</u></b>	<b><u>\$ 166,366</u></b>	<b><u>\$ 1,220,115</u></b>	<b><u>\$ 222,375</u></b>	<b><u>\$ 1,142,866</u></b>	<b><u>\$ 4,271,306</u></b>

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



**CITY OF TECUMSEH, MICHIGAN**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**June 30, 2011**

Fund balances - total governmental funds \$ 3,787,330

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

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

Add - capital assets	27,413,307
Deduct - accumulated depreciation	(8,657,157)

An internal service fund is used by management to charge the costs of certain equipment usage to individual funds. The assets and liabilities of the internal service fund are partially included in governmental activities in the statement of net assets.

Add - net assets of governmental activities accounted for in the internal service fund	398,506
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds and purchase agreements payable	(2,532,731)
Deduct - accrued interest on bonds payable	(47,942)
Add - unamortized bond issuance costs	62,700
Deduct - compensated absences	(457,598)

Net assets of governmental activities	<u><u>\$ 19,966,415</u></u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

	<u>General</u>	<u>Business &amp; Technology Park Capital Project</u>	<u>Civic Auditorium Endowment</u>	<u>Civic Auditorium</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
Taxes and special assessments	\$ 3,723,892	\$ -	\$ -	\$ -	\$ 2	\$ 3,723,894
Licenses and permits	121,887	-	-	-	57,351	179,238
Intergovernmental - federal	-	478,819	-	-	-	478,819
Intergovernmental - state	705,146	-	-	10,000	595,137	1,310,283
Charges for services	382,398	-	-	153,993	38,160	574,551
Fines and forfeits	40,892	-	-	-	-	40,892
Investment earnings	29,310	761	27,956	7,303	21,043	86,373
Contributions	181	-	505	149,564	-	150,250
Other revenues	19,085	-	-	-	1,100	20,185
Total revenues	<u>5,022,791</u>	<u>479,580</u>	<u>28,461</u>	<u>320,860</u>	<u>712,793</u>	<u>6,564,485</u>
<b>Expenditures</b>						
Current:						
General government	1,427,076	-	-	-	-	1,427,076
Public safety	2,123,669	-	-	-	67,082	2,190,751
Public works	168,718	-	-	-	1,028,750	1,197,468
Parks and recreation	433,973	-	-	-	-	433,973
Civic auditorium	-	-	-	463,444	-	463,444
Community development	203,977	951,814	-	-	182,606	1,338,397
Debt service:						
Principal	-	-	-	-	20,000	20,000
Interest and fiscal charges	73,276	-	-	-	62,987	136,263
Total expenditures	<u>4,430,689</u>	<u>951,814</u>	<u>-</u>	<u>463,444</u>	<u>1,361,425</u>	<u>7,207,372</u>
Revenues over (under) expenditures	<u>592,102</u>	<u>(472,234)</u>	<u>28,461</u>	<u>(142,584)</u>	<u>(648,632)</u>	<u>(642,887)</u>
<b>Other financing sources (uses)</b>						
Transfers in	55,438	-	-	131,561	644,000	830,999
Transfers out	<u>(707,268)</u>	<u>-</u>	<u>(43,293)</u>	<u>-</u>	<u>(50,438)</u>	<u>(800,999)</u>
Total other sources (uses)	<u>(651,830)</u>	<u>-</u>	<u>(43,293)</u>	<u>131,561</u>	<u>593,562</u>	<u>30,000</u>
Net changes in fund balances	(59,728)	(472,234)	(14,832)	(11,023)	(55,070)	(612,887)
Fund balances, beginning of year	<u>1,493,014</u>	<u>493,314</u>	<u>1,234,947</u>	<u>30,123</u>	<u>1,148,819</u>	<u>4,400,217</u>
<b>Fund balances, end of year</b>	<u>\$ 1,433,286</u>	<u>\$ 21,080</u>	<u>\$ 1,220,115</u>	<u>\$ 19,100</u>	<u>\$ 1,093,749</u>	<u>\$ 3,787,330</u>

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

**CITY OF TECUMSEH, MICHIGAN**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2011**

Net change in fund balances - total governmental funds \$ (612,887)

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.

Add - capital outlay	1,264,964
Deduct - loss on disposal of capital assets	(7,405)
Deduct - depreciation expense	(540,385)

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

Add - principal payments on long-term liabilities	20,000
Deduct - amortization of bond/debt issuance costs	(5,158)

An internal service fund is used by management to charge the costs of certain equipment usage to individual funds. The net revenue (expense) attributable to those funds is partially reported with governmental activities.

Deduct - net operating loss from governmental activities in internal service fund	(47,685)
Add - gain on sale of capital assets in internal service fund	80,865
Add - interest revenue from governmental internal service fund	1,049
Deduct - transfer out from governmental activities in internal service fund	(30,000)

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.

Add - decrease in accrued interest payable on bonds	16,136
Add - decrease in the accrual for compensated absences	70,900

Change in net assets of governmental activities \$ 210,394

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

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
				<u>Final Budget</u>
<b>Revenues</b>				
Taxes and special assessments	\$ 3,696,753	\$ 3,720,267	\$ 3,723,892	\$ 3,625
Licenses and permits	103,431	120,000	121,887	1,887
Intergovernmental - state	690,900	695,935	705,146	9,211
Charges for services	370,730	373,701	382,398	8,697
Fines and forfeits	40,750	37,731	40,892	3,161
Investment earnings	53,300	30,450	29,310	(1,140)
Contributions	5,500	2,180	181	(1,999)
Other revenues	14,350	21,145	19,085	(2,060)
	<u>4,975,714</u>	<u>5,001,409</u>	<u>5,022,791</u>	<u>21,382</u>
<b>Expenditures</b>				
General government:				
Salaries and wages	399,556	408,938	409,345	407
Fringe benefits	191,772	199,618	203,190	3,572
Office expenditures	78,540	86,322	83,925	(2,397)
Contractual services	381,162	368,161	383,564	15,403
Insurance	25,272	16,551	16,551	-
Street lighting	126,000	154,000	156,765	2,765
Cemetery	182,967	189,252	192,400	3,148
Other expenditures	25,238	20,547	17,282	(3,265)
Less: reimbursements	(40,500)	(33,532)	(35,946)	(2,414)
Total general government	<u>1,370,007</u>	<u>1,409,857</u>	<u>1,427,076</u>	<u>17,219</u>
Public safety:				
Police	1,628,649	1,727,998	1,698,172	(29,826)
Fire	421,996	429,976	425,497	(4,479)
Total public safety	<u>2,050,645</u>	<u>2,157,974</u>	<u>2,123,669</u>	<u>(34,305)</u>
Public works:				
Public works department	28,226	160,792	146,539	(14,253)
Sidewalks	20,406	22,979	22,179	(800)
Total public works	<u>48,632</u>	<u>183,771</u>	<u>168,718</u>	<u>(15,053)</u>

continued...

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual (Concluded)**  
**General Fund**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
				<u>Final Budget</u>
<b>Expenditures (Concluded)</b>				
Parks and recreation	\$ 442,154	\$ 445,712	\$ 433,973	\$ (11,739)
Community development	202,292	206,410	203,977	(2,433)
Debt service -				
Interest and fiscal charges	51,216	73,275	73,276	1
Total expenditures	<u>4,164,946</u>	<u>4,476,999</u>	<u>4,430,689</u>	<u>(46,310)</u>
Revenues over expenditures	<u>810,768</u>	<u>524,410</u>	<u>592,102</u>	<u>67,692</u>
<b>Other financing sources (uses)</b>				
Transfers in	40,000	70,438	55,438	(15,000)
Transfers out	<u>(868,500)</u>	<u>(647,273)</u>	<u>(707,268)</u>	<u>(59,995)</u>
Total other financing (uses)	<u>(828,500)</u>	<u>(576,835)</u>	<u>(651,830)</u>	<u>(74,995)</u>
Net changes in fund balance	(17,732)	(52,425)	(59,728)	(7,303)
Fund balance, beginning of year	<u>1,493,014</u>	<u>1,493,014</u>	<u>1,493,014</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,475,282</u>	<u>\$ 1,440,589</u>	<u>\$ 1,433,286</u>	<u>\$ (7,303)</u>

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

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Civic Auditorium**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
<b>Revenues</b>				
Intergovernmental - state	\$ 3,000	\$ 10,000	\$ 10,000	\$ -
Charges for services	177,300	154,790	153,993	(797)
Investment earnings	13,200	3,502	7,303	3,801
Contributions	100,500	174,750	149,564	(25,186)
	<u>294,000</u>	<u>343,042</u>	<u>320,860</u>	<u>(22,182)</u>
Total revenues				
<b>Expenditures</b>				
Civic auditorium:				
Salaries, wages and stipends	148,687	161,350	159,439	(1,911)
Fringe benefits	60,976	61,964	61,195	(769)
Office expenditures	19,850	53,379	53,253	(126)
Contractual services	61,500	94,979	94,999	20
Repair and maintenance	12,500	10,811	12,488	1,677
Utilities	42,000	45,000	46,671	1,671
Other expenditures	34,500	33,982	35,399	1,417
	<u>380,013</u>	<u>461,465</u>	<u>463,444</u>	<u>1,979</u>
Total expenditures				
Revenues under expenditures	(86,013)	(118,423)	(142,584)	(24,161)
<b>Other financing sources</b>				
Transfers in	3,000	128,268	131,561	3,293
	<u>3,000</u>	<u>128,268</u>	<u>131,561</u>	<u>3,293</u>
Net changes in fund balance	(83,013)	9,845	(11,023)	(20,868)
Fund balance, beginning of year	30,123	30,123	30,123	-
	<u>30,123</u>	<u>30,123</u>	<u>30,123</u>	<u>-</u>
Fund balance, end of year	<u>\$ (52,890)</u>	<u>\$ 39,968</u>	<u>\$ 19,100</u>	<u>\$ (20,868)</u>

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

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2011**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Wastewater</u>	<u>Water</u>	<u>Total</u>	<u>Internal Service Fund</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 613,611	\$ 236,183	\$ 849,794	\$ 258,819
Accounts receivable	2,402	3,006	5,408	-
Total current assets	<u>616,013</u>	<u>239,189</u>	<u>855,202</u>	<u>258,819</u>
Noncurrent assets:				
Restricted cash and cash equivalents	560,859	511,948	1,072,807	-
Property and equipment - net	10,079,088	2,211,274	12,290,362	101,476
Total noncurrent assets	<u>10,639,947</u>	<u>2,723,222</u>	<u>13,363,169</u>	<u>101,476</u>
Total assets	<u>11,255,960</u>	<u>2,962,411</u>	<u>14,218,371</u>	<u>360,295</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued liabilities	27,685	18,329	46,014	7,549
Accrued interest payable	6,712	-	6,712	-
Accrued compensated absences, current portion	32,339	13,950	46,289	-
Revenue bonds payable, current portion	85,000	-	85,000	-
Total current liabilities	<u>151,736</u>	<u>32,279</u>	<u>184,015</u>	<u>7,549</u>
Noncurrent liabilities, net of current portion:				
Accrued compensated absences	51,317	21,324	72,641	-
Revenue bonds payable	1,567,104	-	1,567,104	-
Total noncurrent liabilities	<u>1,618,421</u>	<u>21,324</u>	<u>1,639,745</u>	<u>-</u>
Total liabilities	<u>1,770,157</u>	<u>53,603</u>	<u>1,823,760</u>	<u>7,549</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	8,426,984	2,211,274	10,638,258	101,476
Restricted for capital replacement	560,859	511,948	1,072,807	-
Unrestricted	497,960	185,586	683,546	251,270
Total net assets	<u>\$ 9,485,803</u>	<u>\$ 2,908,808</u>	12,394,611	<u>\$ 352,746</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>(45,760)</u>	
Net assets of business-type activities on the government- wide statement of net assets			<u>\$12,348,851</u>	

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

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Wastewater</u>	<u>Water</u>	<u>Total</u>	<u>Internal</u> <u>Service Fund</u>
<b>Operating revenues</b>				
Charges for services	\$ 1,054,357	\$ 528,226	\$ 1,582,583	\$ 279,157
<b>Operating expenses</b>				
Salaries and wages	285,550	165,214	450,764	67,208
Fringe benefits	188,589	119,341	307,930	-
Office expenses	4,808	4,984	9,792	-
Contractual services	29,559	2,907	32,466	-
Insurance	31,344	9,404	40,748	26,076
Supplies and materials	57,471	82,956	140,427	80,697
Utilities	177,725	47,953	225,678	10,919
Depreciation/amortization	336,058	70,318	406,376	65,428
Other expenses	86,760	91,499	178,259	76,514
Total operating expenses	1,197,864	594,576	1,792,440	326,842
Operating loss	(143,507)	(66,350)	(209,857)	(47,685)
<b>Nonoperating revenue (expense)</b>				
Gain on sale of equipment	-	-	-	80,865
Investment income	5,849	4,558	10,407	1,049
Interest expense	(27,822)	-	(27,822)	-
Total nonoperating revenue (expense)	(21,973)	4,558	(17,415)	81,914
Loss before transfers	(165,480)	(61,792)	(227,272)	34,229
<b>Transfers out</b>	-	-	-	(30,000)
<b>Capital contributions</b>	434,568	228,504	663,072	-
Change in net assets	269,088	166,712	435,800	4,229
Net assets, beginning of year	9,216,715	2,742,096	11,958,811	348,517
<b>Net assets, end of year</b>	<u>\$ 9,485,803</u>	<u>\$ 2,908,808</u>	<u>\$ 12,394,611</u>	<u>\$ 352,746</u>

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



**CITY OF TECUMSEH, MICHIGAN**  
**Reconciliation of the Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets of Enterprise Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2011**

Change in net assets - all enterprise funds	\$ 435,800
<p>An internal service fund is used by management to charge the costs of certain equipment usage to individual funds. The net revenue (expense) attributable to enterprise funds is reported with business-type activities.</p>	
Deduct - net operating loss from business-type activities in internal service fund	<u>-</u>
Change in net assets of business-type activities	<u><u>\$ 435,800</u></u>

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

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Wastewater</u>	<u>Water</u>	<u>Total</u>	<u>Internal Service Fund</u>
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 1,152,404	\$ 532,320	\$ 1,684,724	\$ 51,001
Cash received from interfund services	-	-	-	228,156
Cash payments to employees	(472,879)	(292,401)	(765,280)	(67,208)
Cash payments to suppliers for goods and services	(371,408)	(237,035)	(608,443)	(196,450)
Net cash provided by operating activities	<u>308,117</u>	<u>2,884</u>	<u>311,001</u>	<u>15,499</u>
<b>Cash flows from noncapital financing activities</b>				
Transfer to other fund	-	-	-	(30,000)
<b>Cash flows from capital and related financing activities</b>				
Purchase of capital assets	(32,311)	(43,629)	(75,940)	(7,759)
Bond principal payments	(80,000)	-	(80,000)	-
Bond interest payments	(28,147)	-	(28,147)	-
Proceeds from sale of capital assets	-	-	-	80,865
Net cash provided (used) by capital and related financing activities	<u>(140,458)</u>	<u>(43,629)</u>	<u>(184,087)</u>	<u>73,106</u>
<b>Cash flows from investing activities</b>				
Investment income	<u>5,849</u>	<u>4,558</u>	<u>10,407</u>	<u>1,049</u>
Net change in cash and cash equivalents	173,508	(36,187)	137,321	59,654
Cash and cash equivalents, beginning of year	<u>1,000,962</u>	<u>784,318</u>	<u>1,785,280</u>	<u>199,165</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,174,470</u>	<u>\$ 748,131</u>	<u>\$ 1,922,601</u>	<u>\$ 258,819</u>
<b>Reconciliation to statement of net assets</b>				
Cash and cash equivalents	\$ 613,611	\$ 236,183	\$ 849,794	\$ 258,819
Restricted cash and cash equivalents	<u>560,859</u>	<u>511,948</u>	<u>1,072,807</u>	<u>-</u>
	<u>\$ 1,174,470</u>	<u>\$ 748,131</u>	<u>\$ 1,922,601</u>	<u>\$ 258,819</u>

Continued...

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Cash Flows (Concluded)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Wastewater</u>	<u>Water</u>	<u>Total</u>	<u>Internal</u> <u>Service Fund</u>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>				
Operating loss	\$ (143,507)	\$ (66,350)	\$ (209,857)	\$ (47,685)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation/amortization	336,058	70,318	406,376	65,428
Changes in assets and liabilities:				
Accounts receivable	98,047	4,094	102,141	-
Accounts payable and accrued liabilities	16,259	2,668	18,927	(2,244)
Accrued compensated absences	1,260	(7,846)	(6,586)	-
<b>Net cash provided by operating activities</b>	<u>\$ 308,117</u>	<u>\$ 2,884</u>	<u>\$ 311,001</u>	<u>\$ 15,499</u>
<b>Non-Cash</b>				
Capital contributions	<u>\$ 434,568</u>	<u>\$ 228,504</u>	<u>\$ 663,072</u>	<u>\$ -</u>

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

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2011**

	<b>Pension and Other Employee Benefit Trust Funds</b>	<b>Agency Funds</b>
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
Cash and cash equivalents	\$ 149,798	\$ 5,903
Investments:		
Domestic equities	9,120,591	-
U.S. treasuries	524,774	-
U.S. agencies	1,531,477	-
Corporate securities	3,540,864	-
Foreign equities	1,537,460	-
Money market accounts	694,851	-
Accrued interest receivable	51,986	-
Delinquent taxes receivable	-	7,039
	<u>                    </u>	<u>                    </u>
Total assets	<u>17,151,801</u>	<u>\$ 12,942</u>
<b>Liabilities</b>		
Accounts payable	723	\$ 2,145
Due to other governments	-	10,797
	<u>                    </u>	<u>                    </u>
Total liabilities	<u>723</u>	<u>\$ 12,942</u>
<b>Net assets</b>		
Held in trust for pension and postemployment healthcare benefits	<u>\$ 17,151,078</u>	

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

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Changes in Fiduciary Net Assets**  
**Pension and Other Employee Benefits Trust Funds**  
**For the Year Ended June 30, 2011**

**Additions**

Investment income:

Net realized and unrealized appreciation in fair value of investments	\$ 2,453,291
Interest and dividends	317,065
Less investment management fees	<u>(130,075)</u>

Total investment income	<u>2,640,281</u>
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Contributions:

City of Tecumseh	525,812
Participants	<u>152,399</u>

Total contributions	<u>678,211</u>
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Total additions	<u>3,318,492</u>
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**Deductions**

Participant benefits	928,906
Administrative expenses	29,853
Participant refunds	<u>22,642</u>

Total deductions	<u>981,401</u>
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Net change to net assets held in trust for benefits	2,337,091
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Net assets held in trust for benefits, beginning of year	<u>14,813,987</u>
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<b>Net assets held in trust for benefits, end of year</b>	<u><u>\$ 17,151,078</u></u>
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The accompanying notes are an integral part of these financial statements.

## NOTES to the FINANCIAL STATEMENTS

# CITY OF TECUMSEH, MICHIGAN

## Index

### Notes to the Financial Statements

June 30, 2011

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	<u>PAGE</u>
<b>I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</b>	
A. Reporting entity .....	29
B. Government-wide and fund financial statements .....	30
C. Measurement focus, basis of accounting, and financial statement presentation .....	30
D. Assets, liabilities net assets/equity.....	33
<b>II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY</b>	
A. Budgetary information.....	36
B. Excess of expenditures over appropriations .....	36
<b>III. DETAILED NOTES ON ALL FUNDS</b>	
A. Deposits and investments .....	38
B. Receivables.....	43
C. Capital assets .....	43
D. Payables.....	45
E. Interfund receivables, payables and transfers.....	45
F. Operating leases.....	46
G. Long-term debt .....	47
H. Segment information – enterprise funds.....	49
I. Restricted assets.....	50
J. Endowments .....	50
<b>IV. OTHER INFORMATION</b>	
A. Risk management .....	51
B. Property taxes .....	51
C. Defined benefit pension plan.....	52
D. Postemployment health care benefit plan .....	54
E. Net assets invested in capital assets, net of related debt.....	57
F. Restatement .....	57
G. Financial statements of individual pension and employee benefit plans .....	57

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting entity

The City of Tecumseh, Michigan is a municipal corporation governed by a seven-member council and administered by an appointed city manager. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The blended and discretely presented component units have June 30 year ends.

*Blended component units.* The Building Authority is governed by a three member board appointed by the City Council. Its sole function is to oversee the financing and construction, if any, of the City's public buildings; therefore, it is reported as if it were part of the primary government. Currently, there are no such capital projects in process and, therefore, there are no Building Authority funds or activities reported herein.

The Brownfield Redevelopment Authority of the City of Tecumseh (BRA) is governed by a seven-member board consisting of the members of the City Council as appointed by the City Council and, as such, is reported as a blended component unit. The BRA was formed to encourage and support the redevelopment of under-utilized and environmentally contaminated properties in the City of Tecumseh, pursuant to Public Act 381 of 1996.

*Discretely presented component units.* The Tecumseh Downtown Development Authority (DDA) is responsible for certain projects and activities whose purpose is to revitalize the downtown business district. The members of the DDA's governing board are appointed by the government's council. The DDA is also fiscally dependent upon the government because the government's council approves the DDA's budget and any debt issuances. The DDA does not issue separate financial statements; accordingly, DDA fund financial statements are included herein as supplementary information.

The Local Development Finance Authority of the City of Tecumseh (LDFA) is governed by a ten-member board consisting of seven members appointed by the City Manager (subject to City Council approval), one member appointed by Lenawee County, and two members appointed by Tecumseh Public Schools. The LDFA was formed to promote economic growth in the City of Tecumseh, pursuant to Public Act 281 of 1986. The LDFA has no financial activity; as such, no financial statements or information is presented.



# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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The Economic Development Corporation of the City of Tecumseh (EDC) is governed by a nine-member board appointed by the City Manager (subject to City Council approval). The EDC was formed in December 2004 to strengthen and revitalize the City's economy, pursuant to Public Act 338 of 1974, as amended. The EDC has no financial activity; as such, no financial statements or information is presented.

### **B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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Governmental fund financial statements are 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for reimbursement-based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, intergovernmental revenue, licenses, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *business and technology park capital project fund* accounts for monies used for the business and technology project.

The *civic auditorium endowment fund* (a permanent fund) accounts for monies held in trust by the City, the investment earnings from which may only be used for the operation and maintenance of the cultural facility.

The *civic auditorium special revenue fund* accounts for the activities of this facility; its primary revenue source is charges for services.

The government reports the following major proprietary funds:

The *wastewater fund* accounts for the activities of the government's sewage disposal and treatment system.

The *water fund* accounts for the activities of the government's water distribution and treatment system.

Additionally, the government reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted or committed to expenditures for specific purposes other than debt service or capital projects.

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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The *debt service funds* account for the resources that are restricted, committed or assigned to expenditures for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects funds* account for resources that are restricted, committed or assigned to expenditure for capital outlay, including the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

The *permanent fund* accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

The *internal service fund* accounts for fleet and equipment management to other departments or agencies of the government on a cost reimbursement basis.

The *pension and other employee benefits trust funds* account for the activities of the employees' retirement system and retiree health insurance plan.

The *agency funds* account for assets held for other governments in an agency capacity, including tax collections, delinquent taxes receivable and other monies.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the wastewater and water enterprise funds and of the government's internal service fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **D. Assets, liabilities and net assets/equity**

#### **1. Deposits and investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

The pension and other employee benefits trust funds are authorized by the State's Pension Investment Act, as amended, to invest in common stocks, real estate, and various other investment instruments, subject to certain limitations.

Investments are reported at fair value.

#### **2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* (i.e., the current portion of interfund loans) or *advances to/from other funds* (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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### 3. *Prepaid items*

Certain payments to vendors, if any, reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

### 4. *Restricted assets*

Certain resources have been set aside, primarily in the wastewater and water funds, to finance future capital asset replacements pursuant to City ordinance.

### 5. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 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 are recorded at estimated fair value at the date of donation. In accordance with the provisions of GASB Statement No. 34, the government has only capitalized infrastructure assets acquired or constructed since 1980.

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 of business-type activities, 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.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	15-40
Buildings	20-50
Public domain infrastructure	15-50
System infrastructure	15-50
Vehicles	7-25
Equipment	3-20

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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### 6. *Compensated absences*

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and 50 percent of sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, as a result of employee resignations or retirements.

### 7. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while 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.

### 8. *Fund equity*

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 City Council. A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports *assigned fund balance* for amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. *Unassigned fund balance* is the residual classification for the general fund.

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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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 fund balance, assigned fund balance, and finally unassigned fund balance.

## II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

On or before the third Monday in April of each year, the City Manager must present the proposed budget to the government's council for review. The Council holds public hearings and a final budget must be prepared and adopted no later than the second Monday in May.

The appropriated budget is prepared by fund, function and department. The government's department heads may make transfers of appropriations within a department. The *general government* function of the general fund is treated as a department for budgetary purposes and its budget is adopted at the object level. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level. Certain supplemental budgetary appropriations were made during the year, which were not considered material.

### B. Excess of expenditures over appropriations

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2011, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General fund</b>			
General government:			
Salaries and wages	\$ 408,938	\$ 409,345	\$ (407)
Fringe benefits	199,618	203,190	(3,572)
Contractual services	368,161	383,564	(15,403)
Street lighting	154,000	156,765	(2,765)
Cemetary	189,252	192,400	(3,148)
Transfers out	647,273	707,268	(59,995)
<b>Civic auditorium fund</b>			
Civic auditorium:			
Contractual services	94,979	94,999	(20)
Repair and maintenance	10,811	12,488	(1,677)
Utilities	45,000	46,671	(1,671)
Other expenditures	33,982	35,399	(1,417)
<b>Nonmajor special revenue funds</b>			
Major street fund -			
Truckline maintenance	21,946	24,474	(2,528)
Local street fund -			
Winter maintenance	47,546	47,839	(293)



# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and investments

Following is a reconciliation of deposits and investments as of June 30, 2011:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
<b>Statement of net assets</b>			
Cash and cash equivalents	\$ 2,722,938	\$ 267,487	\$ 2,990,425
Investments	2,019,241	-	2,019,241
Restricted cash	1,083,030	-	1,083,030
 <b>Statement of fiduciary net assets</b>			
Pension trust fund:			
Cash and cash equivalents	149,798	-	149,798
Investments	16,950,017	-	16,950,017
Agency funds -			
Cash and cash equivalents	<u>5,903</u>	<u>-</u>	<u>5,903</u>
<b>Total</b>	<b><u>\$ 22,930,927</u></b>	<b><u>\$ 267,487</u></b>	<b><u>\$ 23,198,414</u></b>
 <b>Deposits and investments:</b>			
Bank deposits (checking accounts and certificates of deposit)			\$ 420,767
Investments in securities, mutual funds and similar vehicles:			
Treasurer's investment pool			5,825,730
Pension trust fund			16,950,017
Cash on hand			<u>1,900</u>
<b>Total</b>			<b><u>\$ 23,198,414</u></b>

#### **Bank Deposits and Treasurer's Investment Pool**

*Custodial Credit Risk - Deposits.* Deposits are exposed to custodial credit risk if they are not covered by depository insurance. As of June 30, 2011, \$420,642 of the City's total bank balance of \$670,642 (total book balance was \$420,767) was exposed to custodial credit risk as it was uninsured and uncollateralized.

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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In accordance with the City's investment policy and State law, all deposits are uncollateralized and held in the City's name. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the City believes it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. The City has no policy regarding custodial credit risk for deposits.

*Custodial Credit Risk - Investments.* Following is a summary of the City's investments as of June 30, 2011:

U.S. treasuries	\$ 531,491
U.S. agencies	1,180,900
Local government bonds	295,229
External investment pool	291,140
Money market	<u>3,526,970</u>
<b>Total</b>	<b><u>\$ 5,825,730</u></b>

In accordance with the City's investment policy, all investments are held in the name of the City and are evidenced by a safekeeping receipt confirmation, and thus not exposed to custodial credit risk.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In accordance with the City's investment policy, the City will limit investments to the safest types of securities, pre-qualify financial institutions the City will do business with and diversify the investment portfolio, thus minimizing credit risk. As of June 30, 2011, Standard & Poor's rated the City's investments as follows: securities of U.S. agencies were rated AAA, securities of local governments were rated AAA (\$186,940) and AA (\$108,289), and the external local government investment pool was rated AAA. Ratings are not required for U.S. treasuries or money market accounts.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy requires diversification by security type and institution, but does not place a fixed percentage limit for any one issuer.

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

At June 30, 2011, the City had greater than 5% of its total investment portfolio concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>% of Portfolio</u>
Money market	United Bank & Trust money	33.7%
	First Federal Bank money market	20.0%
	Marshall Government money market	5.3%
U.S. agencies	Federal Home Loan Bank	9.5%
	Federal Farm Credit Bank	6.5%

*Interest Rate Risk.* Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of investments. In accordance with the City's investment policy, the City will limit interest rate risk by purchasing a mix of short and longer term investments. This laddering approach also matches investment maturities to projected cash flow needs, thus minimizing interest rate risk and the need to liquidate securities at a loss.

As of June 30, 2011, maturities of the City's fixed income securities were as follows:

	<u>Fair Value</u>	<u>Investment Maturities (fair value by years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
U.S. treasuries	\$ 531,491	\$ 78,587	\$ 191,949	\$ -	\$260,955
U.S. agencies	1,180,900	-	897,956	168,381	114,563
Local government bonds	295,229	50,298	-	55,351	189,580
	<u>\$ 2,007,620</u>	<u>\$ 128,885</u>	<u>\$ 1,089,905</u>	<u>\$223,732</u>	<u>\$565,098</u>

The average maturity of the portfolio investments in the external investment pool was less than 60 days as of June 30, 2011.

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

### Pension and Other Employee Benefits Trust Funds Investments

The pension and other employee benefits trust funds' investments are primarily held in a broker-administered trust fund. Following is a summary of the trust funds' investments at fair value, as determined by quoted market price, as of June 30, 2011:

Domestic equities	\$ 9,120,591
U.S. treasuries	524,774
U.S. agencies	1,531,477
Corporate bonds	3,540,864
Foreign equities	1,537,460
Money market funds	<u>694,851</u>
<b>Total investments</b>	<b><u>\$ 16,950,017</u></b>

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The trust funds' investment policy provides that investments in fixed income securities be limited to those rated BBB- or better at the time of purchase by a nationally recognized statistical rating organization, except for United States treasury securities which are explicitly guaranteed by the U.S. government and not considered to have credit risk. As of June 30, 2011, the investments in fixed income securities, except for U.S. treasuries, were rated by Standard & Poor's as follows:

<u>Rating</u>	<u>U.S. agencies</u>	<u>Corporate bonds</u>
AAA	\$ 1,531,477	\$ -
AA+	-	173,983
AA	-	176,174
AA-	-	287,128
A+	-	417,354
A	-	868,538
A-	-	697,962
BBB+	-	114,966
BBB	-	689,768
BBB-	-	114,991
	<u>\$ 1,531,477</u>	<u>\$ 3,540,863</u>

Investments in money market funds are not rated.

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

*Custodial Credit Risk.* For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the trust funds will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although its investment policy does not specifically address custodial credit risk (and its investments are uninsured and unregistered), the trust funds' investments are not exposed to custodial credit risk since the securities are held by the counterparty or its agent in the trust funds' name. Short-term investments in money market funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of the trust funds' investment in a single issuer. The investment policy generally requires that no more than 8% to 10% of a particular portfolio may be invested in any one company or issuer, except for U.S. treasuries and agencies. At June 30, 2011, the investment portfolio was concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>% of Portfolio</u>
U.S. agencies	Federal National Mortgage Association	10.4%

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The trust funds' investment policy does not discuss the maximum maturity for any single fixed income security or the weighted average portfolio maturity.

As of June 30, 2011, maturities of the trust funds' debt securities were as follows:

	<u>Fair Value</u>	<u>Investment Maturities (fair value by years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
U.S. treasuries	\$ 524,774	\$ -	\$ 410,097	\$ 114,677	\$ -
U.S. agencies	1,531,477	-	1,531,477	-	-
Corporate bonds	3,540,863	-	2,157,865	-	1,382,998
	<u>\$ 5,597,114</u>	<u>\$ -</u>	<u>\$ 4,099,438</u>	<u>\$ 114,677</u>	<u>\$ 1,382,998</u>

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

### B. Receivables

Receivables in the governmental activities are 4 percent special assessments receivable and 96 percent other receivables. Business-type activities receivables are composed entirely of amounts due from customers.

### C. Capital assets

Capital assets activity for the year ended June 30, 2011 was as follows:

#### Primary government

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 4,567,873	\$ -	\$ (5,312)	\$ 4,562,561
Construction in progress	619,684	951,814	(1,571,498)	-
Total capital assets not being depreciated	5,187,557	951,814	(1,576,810)	4,562,561
Capital assets, being depreciated:				
Land improvements	1,237,818	-	-	1,237,818
Buildings	6,525,324	-	-	6,525,324
Vehicles	1,140,539	21,181	(57,886)	1,103,834
Equipment	4,010,074	31,536	(154,312)	3,887,298
Infrastructure	10,154,136	1,839,690	-	11,993,826
Total capital assets being depreciated	23,067,891	1,892,407	(212,198)	24,748,100
Less accumulated depreciation for:				
Land improvements	(209,836)	(31,229)	-	(241,065)
Buildings	(3,686,444)	(148,343)	-	(3,834,787)
Vehicles	(683,452)	(53,486)	57,886	(679,052)
Equipment	(3,172,839)	(164,309)	152,221	(3,184,927)
Infrastructure	(2,304,759)	(208,445)	-	(2,513,204)
Total accumulated depreciation	(10,057,330)	(605,812)	210,107	(10,453,035)
Total capital assets, being depreciated, net	13,010,561	1,286,595	(2,091)	14,295,065
<b>Governmental activities capital assets, net</b>	<b>\$ 18,198,118</b>	<b>\$ 2,238,409</b>	<b>\$ (1,578,901)</b>	<b>\$ 18,857,626</b>

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Business-type activities</b>				
Capital assets, being depreciated:				
Buildings and systems	\$ 18,724,964	\$ 731,253	\$ -	\$ 19,456,217
Equipment	306,414	7,759	(8,115)	306,058
Total capital assets being depreciated	19,031,378	739,012	(8,115)	19,762,275
Less accumulated depreciation for:				
Buildings and systems	(6,840,074)	(391,702)	-	(7,231,776)
Equipment	(233,578)	(14,674)	8,115	(240,137)
Total accumulated depreciation	(7,073,652)	(406,376)	8,115	(7,471,913)
<b>Business-type activities capital assets, net</b>	<b>\$ 11,957,726</b>	<b>\$ 332,636</b>	<b>\$ -</b>	<b>\$ 12,290,362</b>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 18,604
Public safety	173,448
Public works, including depreciation of general infrastructure assets	215,553
Parks and recreation	62,514
Civic auditorium	42,265
Community development	28,000
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	65,428
<b>Total depreciation expense - governmental activities</b>	<b>\$ 605,812</b>
Business-type activities:	
Wastewater	\$ 336,058
Water	70,318
<b>Total depreciation expense - business-type activities</b>	<b>\$ 406,376</b>

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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### Discretely presented component units

The DDA owns land that was originally purchased for \$56,000. There were no increases or decreases to the Authority's capital assets during the year.

The EDC formerly held \$2.0 million of land that was acquired by the City during fiscal 2004-05 and contributed at that time to the EDC by the City. The City has and continues to carry the debt obligation for the original land acquisition (see Note III.G.). During fiscal 2010, the EDC contributed the land back to the City pursuant to a condition of a grant agreement to develop the property into an industrial park.

### **D. Payables**

Payables in the governmental activities are 78 percent vendors and 22 percent deposits. Business-type activities payables are composed entirely of amounts due to vendors.

### **E. Interfund receivables, payables and transfers**

For the year then ended, interfund receivables and payables consisted of the following:

	<u>Receivable</u>	<u>Payable</u>
General fund	\$ 226,458	\$ -
Business and technology park capital projects fund	-	36,412
Civic auditorium	-	190,046
	<u>\$ 226,458</u>	<u>\$ 226,458</u>

Amounts reported as interfund payables are funds with negative cash pool balances, which are equal to the interfund receivable reported in the general fund.



# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

For the year then ended, interfund transfers consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 55,438	\$ 707,268
Civic auditorium endowment fund	-	43,293
Civic auditorium trust fund	131,561	-
Nonmajor governmental funds	644,000	50,438
Internal service funds	-	30,000
	<u>\$ 830,999</u>	<u>\$ 830,999</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; (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; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The more significant transfers were the \$644,000 transferred from the general fund to the nonmajor governmental funds in support of the activities in those funds, including major streets (\$100,000), local streets (\$335,000) and development services (\$91,000).

### F. Operating leases

The City has commitments under operating lease agreements that provide for annual minimum lease payments as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2012	\$ 6,192
2013	6,192
2014	5,160
<b>Total</b>	<b>\$ 17,544</b>

Rental expense for all operating leases was \$6,192 for the year ended June 30, 2011.

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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### G. Long-term debt

*General obligation bonds.* The government issues general obligation bonds to provide general funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities as well as for a component unit. The original amount of general obligation bonds issued in prior years for the items listed below was \$1,565,000 for the governmental activities, \$1,897,104 for the business-type activities and \$1,655,000 for the component unit.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year.

General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Governmental activities:</b>		
Public works	3.00% - 4.25%	\$ 390,000
Building and site development	4.00% - 4.60%	<u>1,100,000</u>
Total	1.625%	<u><b>\$ 1,490,000</b></u>
<b>Business-type activities:</b>		
Wastewater	1.625%	<u><b>\$ 1,652,104</b></u>
<b>Component unit - Downtown Development Authority:</b>		
General government	4.75% - 5.00%	<u><b>\$ 930,000</b></u>

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 25,000	\$ 63,890	\$ 85,000	\$ 26,847	\$ 120,000	\$ 45,592
2013	45,000	62,858	85,000	25,465	55,000	39,592
2014	50,000	61,320	85,000	24,084	60,000	36,980
2015	55,000	59,465	90,000	22,703	70,000	34,130
2016	55,000	57,370	90,000	21,240	80,000	30,805
2017-2021	370,000	248,137	465,000	84,022	415,000	79,555
2022-2026	470,000	153,362	530,000	44,290	130,000	6,435
2027-2030	420,000	37,925	290,000	5,431	-	-
	<u>1,490,000</u>	<u>744,327</u>	<u>1,720,000</u>	<u>254,082</u>	<u>930,000</u>	<u>273,089</u>
Remaining to draw	-	-	(67,896)	-	-	-
	<u><b>\$ 1,490,000</b></u>	<u><b>\$ 744,327</b></u>	<u><b>\$ 1,652,104</b></u>	<u><b>\$ 254,082</b></u>	<u><b>\$ 930,000</b></u>	<u><b>\$ 273,089</b></u>

**Purchase agreement.** The government entered into a purchase agreement for the acquisition of real property, which is interest only through July 1, 2019 at which time a balloon principal balance is due. Early principal payments on the agreement may be made without penalty. Such an early payment in the amount of \$63,019 was made during fiscal 2006 and another \$1,035,000 during fiscal 2010; the outstanding principal balance was \$1,051,981 as of June 30, 2011. The original amount of the outstanding obligation was \$2,150,000 and carries interest at 4.45 percent.

Annual debt service requirements to maturity are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ -	56,791
2013	-	56,636
2014	-	56,363
2015	-	56,791
2016	-	56,791
2017-2020	<u>1,051,981</u>	<u>141,357</u>
	<u><b>\$ 1,051,981</b></u>	<u><b>\$ 424,729</b></u>

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

**Changes in Long-Term Debt.** Long-term liability activity for the year ended June 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b><u>Primary Government</u></b>					
<b>Governmental activities</b>					
General obligation bonds	\$ 1,510,000	\$ -	\$ 20,000	\$ 1,490,000	\$ 25,000
Purchase agreements	1,051,981	-	-	1,051,981	-
Bond discount	(9,764)	-	(514)	(9,250)	-
Compensated absences	528,498	304,014	374,914	457,598	324,618
	<b><u>\$ 3,080,715</u></b>	<b><u>\$ 304,014</u></b>	<b><u>\$ 394,400</u></b>	<b><u>\$ 2,990,329</u></b>	<b><u>\$ 349,618</u></b>
<b>Business-type activities</b>					
General obligation bonds	\$ 1,732,104	\$ -	\$ 80,000	\$ 1,652,104	\$ 85,000
Compensated absences	125,516	59,578	66,164	118,930	46,289
	<b><u>\$ 1,857,620</u></b>	<b><u>\$ 59,578</u></b>	<b><u>\$ 146,164</u></b>	<b><u>\$ 1,771,034</u></b>	<b><u>\$ 131,289</u></b>
<b><u>Component Unit</u></b>					
General obligation bonds	\$ 1,045,000	\$ -	\$ 115,000	\$ 930,000	\$ 120,000
Unamortized bond premium	8,958	-	815	8,143	-
	<b><u>\$ 1,053,958</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 115,815</u></b>	<b><u>\$ 938,143</u></b>	<b><u>\$ 120,000</u></b>

For the governmental activities, compensated absences are generally liquidated by the general fund.

### H. Segment information – enterprise funds

The government has issued debt to finance certain improvements to its wastewater and water systems. Because these enterprise funds account entirely for these respective activities, they are segments and are reported as major funds in the fund financial statements. Accordingly, segment disclosures herein are not required.

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

### I. Restricted assets

The balances of the restricted asset accounts are as follows:

	Governmental	Business-type activities		
	activities	Wastewater	Water	Total
<b>Restricted for:</b>				
Civic auditorium contribution	\$ 10,223	\$ -	\$ -	\$ -
Wastewater fund - capital replacement	-	560,859	-	560,859
Water fund - capital replacement	-	-	511,948	511,948
<b>Total restricted assets</b>	<b>\$ 10,223</b>	<b>\$ 560,859</b>	<b>\$ 511,948</b>	<b>\$ 1,072,807</b>
<b>Restricted cash</b>	<b>\$ 10,223</b>	<b>\$ 560,859</b>	<b>\$ 511,948</b>	<b>\$ 1,072,807</b>

### J. Endowments

*Civic Auditorium Permanent Trust Fund.* For the year ended June 30, 2011, the net investment earnings of donor-restricted endowments were \$27,956 (\$41,132 of interest earnings and \$13,176 of depreciation on fair value of investments). Under the terms of the endowment, the City is authorized to spend the interest earnings on a calendar year basis for the benefit of the civic auditorium. However, any such interest earnings not expended during a particular fiscal year must be added to the nonexpendable principal or endowment balance. Accordingly, no amounts are available for authorized expenditure at year-end.

*Cemetery Perpetual Care Permanent Trust Fund.* For the year ended June 30, 2011, the net investment earnings of perpetual care endowments were \$19,974 (\$29,768 of interest earnings and \$9,794 of depreciation on fair value of investments). Under local ordinances and State statutes, the City is authorized based on a total-return policy to spend the net appreciation on the maintenance of the community cemetery. At June 30, 2011, accumulated available net appreciation of \$199,068 is reported in restricted fund balance (whereas \$513,595 is reported in nonexpendable fund balance).

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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### IV. OTHER INFORMATION

#### A. Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2011, the government carried insurance through various commercial carriers, including the Michigan Municipal League, to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

#### B. Property taxes

The government's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through August 31; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Lenawee County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the City for the 2010 levy were assessed and equalized at \$259,798,231 (not including properties subject to Industrial Facilities Tax exemption), representing roughly 50% of estimated current market value. The government's general operating tax rate for fiscal year 2010-11 was 14.3966 mills.

Property taxes for the DDA are derived from a tax increment financing agreement between the DDA and other related taxing districts. Under this arrangement, the DDA receives those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the City of Tecumseh, which are within the DDA district. Property taxes are recognized in the fiscal year in which they are levied.

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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### C. Defined benefit pension plan

The City has a single-employer defined benefit contributory pension plan, the City of Tecumseh Employees' Retirement System (the "Plan"), which provides retirement, death and disability benefits covering all of the City's full-time employees. Plan membership consisted of the following at June 30, 2010, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	33
Terminated plan members entitled to but not yet receiving benefits	3
Active plan members	<u>52</u>
	<u><b>88</b></u>

Eligible members are required to contribute 5.5% to 6.73% of their annual compensation to the Plan with the City contributing such additional amounts, as necessary, to provide assets sufficient to pay for member benefits. The City's contribution to the Plan for the year ended June 30, 2011, represents 20.55% of the annual covered payroll.

The City of Tecumseh is the administrator of the Plan. Administrative costs of the Plan are financed through investment earnings. The Plan is included as a pension trust fund in the City's financial statements; a stand-alone financial report of the Plan has not been issued.

Plan amendments are under the authority of the City of Tecumseh Ordinances. Changes in required contributions are subject to the approval of the City of Tecumseh Employees' Retirement System Board and the City Council.

The Plan's financial statements are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which they are due. The City's contributions are recognized when due and the employer has made a formal commitment to provide them. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Investments are reported at fair value which is determined using selected bases as follows: short-term investments are reported at cost, which approximates fair value; securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the City Council, with the assistance of a valuation service; and cash deposits are reported at carrying amounts which reasonably approximates fair value.

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

The Plan's annual retirement benefits cost and net retirement benefits obligation for the current year were as follows:

Annual required contribution / retirement benefit cost	\$461,802
Contribution made	<u>461,802</u>
Decrease in net retirement benefit obligation	-
Net retirement benefit obligation, beginning of year	<u>          -</u>
<b>Net retirement benefit obligation, end of year</b>	<b><u>          -</u></b>

The annual required contribution for the current year was determined as part of an actuarial valuation of the Plan as of June 30, 2010, using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on investments of 7.5%; (b) projected salary increases of 4.75% attributable to inflation; (c) additional projected salary increases ranging from zero to 4.2%, depending on age, attributable to seniority/merit; and (d) projected pension benefit increases of 2.8% annually after retirement.

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a four-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over 28 years from June 30, 2010.

### Three-Year Trend Information

<u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Retirement</u> <u>Benefit</u> <u>Cost</u> <u>(ARBC)</u>	<u>Percentage</u> <u>of ARBC</u> <u>Contributed</u>	<u>Net</u> <u>Retirement</u> <u>Benefit</u> <u>Obligation</u>
6/30/09	\$ 539,487	100%	\$ -
6/30/10	518,487	100	-
6/30/11	461,802	100	-



# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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The funded status of the Plan as of June 30, 2010, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	(1)	\$ 19,151,492	
Actuarial value of assets	(2)	<u>16,278,508</u>	
Unfunded AAL (UAAL)	(3)	<u>\$ 2,872,984</u>	(1) - (2)
Funded ratio	(4)	<u>85.0%</u>	(2) / (1)
Covered payroll	(5)	<u>\$ 2,607,673</u>	
UAAL as % of covered payroll	(6)	<u>110.2%</u>	(3) / (5)

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### D. Postemployment health care benefits plan

The City provides postemployment health care benefits to certain retirees and their beneficiaries, which are advance-funded on an actuarially determined basis. The Plan is a single-employer defined benefit health care plan administered by the City. The City is the plan administrator; administrative costs are financed through investment earnings. The Plan is included as a pension and other employee benefits trust fund in the City's financial statements; a stand-alone financial report of the Plan has not been issued. Plan membership is the same as for the pension plan as described on page 52.

Plan amendments are under the authority of the City of Tecumseh Ordinances. Changes in required contributions are subject to the approval of the City of Tecumseh Employees' Retirement System Board and the City Council.

The plan's financial statements are prepared using the accrual basis of accounting. Plan contributions are recognized in the period in which the contributions are due and the employer has made a formal commitment to provide the contribution. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan investments, if any, are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Investments for which market quotations are not readily available are valued at their fair values as determined by the portfolio manager under the direction of the City.

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

The City has no obligation to make contributions in advance of when the insurance premiums or benefits are due for payment; in other words, the plan may be financed on a *pay-as-you-go* basis. Plan participants are not required to contribute to the plan. The City's contribution to the Plan for the year ended June 30, 2011, represents 2.39% of the annual covered payroll.

For the year ended June 30, 2011, the City estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2009. Such a valuation computes an *annual required contribution (ARC)* that represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

For fiscal 2011, the components of the City's annual OPEB (other postemployment benefit) cost for the year, the amount actually contributed to the plan (including *pay-as-you-go* amounts), and changes in the City's net OPEB obligation to the plan are as follows:

Annual required contribution	\$ 64,010
Contribution made	<u>64,010</u>
Change in net OPEB obligation	-
Net OPEB obligation, beginning of year	<u>-</u>
<b>Net OPEB obligation, end of year</b>	<b><u><u>\$ -</u></u></b>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2011 and the two preceding years, were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/09	\$ 56,990	100%	\$ -
6/30/10	71,867	100%	-
6/30/11	64,010	100%	-

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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The funded status of the Plan as of June 30, 2010, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	(1)	\$ 1,114,486	
Actuarial value of assets	(2)	<u>504,431</u>	
Unfunded AAL (UAAL)	(3)	<u>\$ 610,055</u>	(1) - (2)
Funded ratio	(4)	<u>45.3%</u>	(2) / (1)
Covered payroll	(5)	<u>\$ 2,607,673</u>	
UAAL as % of covered payroll	(6)	<u>23.4%</u>	(3) / (5)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant methods and assumptions were as follows:

Actuarial valuation date	6/30/10
Actuarial cost method	Entry age
Amortization method	Level percent of payroll or level of
contributions	dollar depending on division; open
Remaining amortization period	28 years; closed basis
Asset valuation method	4-year smoothing

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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### Actuarial assumptions:

Investment rate of return	7.5%
Projected salary increases	4.75%
Healthcare inflation rate	5.5%

### E. Net assets invested in capital assets, net of related debt

Following is a summary of net assets invested in capital assets, net of related debt, as presented in the government-wide statement of net assets:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital assets:		
Not depreciated	\$ 4,562,561	\$ -
Depreciated, net	<u>14,295,065</u>	<u>12,290,362</u>
Total capital assets, net	<u>18,857,626</u>	<u>12,290,362</u>
Long-term liabilities:		
Due within one year	349,618	131,289
Due in more than one year	<u>2,640,711</u>	<u>1,639,745</u>
	2,990,329	1,771,034
Less compensated absences	<u>(457,598)</u>	<u>(118,930)</u>
Net debt related to capital assets	<u>2,532,731</u>	<u>1,652,104</u>
Invested in capital assets, net of related debt	<u>\$ 16,324,895</u>	<u>\$ 10,638,258</u>

### F. Restatement

The beginning net assets of the governmental activities were increased by \$619,684 for construction in process costs from the prior year related to the business and technology park that were not capitalized.

### G. Financial statements of individual pension and employee benefit plans

Stand alone financial reports have not been issued for the plans. GASB Statement 25 and 43 required supplementary information is presented after the footnotes section. Financial statements for the individual pension and employee benefit plans are as follows:

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

### Statement of Plan Net Assets – June 30, 2011

	<b>Employees' Retirement System Pension Trust Fund</b>	<b>Other Postemployment Benefits Trust Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 149,798	\$ -	\$ 149,798
Investments:			
Domestic equities	8,193,779	926,812	9,120,591
U.S. treasuries	524,774	-	524,774
U.S. agencies	1,531,477	-	1,531,477
Corporate securities	3,540,864	-	3,540,864
Foreign equities	1,537,460	-	1,537,460
Money market accounts	694,851	-	694,851
Accrued interest receivable	51,986	-	51,986
	<u>16,224,989</u>	<u>926,812</u>	<u>17,151,801</u>
Total assets	16,224,989	926,812	17,151,801
<b>Liabilities</b>			
Accounts payable	<u>723</u>	<u>-</u>	<u>723</u>
<b>Net assets held in trust for pension and other postemployment healthcare benefits</b>	<u>\$ 16,224,266</u>	<u>\$ 926,812</u>	<u>\$ 17,151,078</u>

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

### Statement of Changes in Plan Net Assets - Year Ended June 30, 2011

	<b>Employees' Retirement System Pension Trust Fund</b>	<b>Other Postemployment Benefits Trust Fund</b>	<b>Total</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Additions</b>			
Investment income:			
Net realized and unrealized appreciation in fair value of investments	\$ 2,031,231	\$ 422,060	\$ 2,453,291
Interest and dividends	262,518	54,547	317,065
Less investment management fees	<u>(107,697)</u>	<u>(22,378)</u>	<u>(130,075)</u>
Total investment income	<u>2,186,052</u>	<u>454,229</u>	<u>2,640,281</u>
Contributions:			
City of Tecumseh	461,802	64,010	525,812
Participants	<u>152,399</u>	<u>-</u>	<u>152,399</u>
Total contributions	<u>614,201</u>	<u>64,010</u>	<u>678,211</u>
Total additions	<u>2,800,253</u>	<u>518,239</u>	<u>3,318,492</u>
<b>Deductions</b>			
Participant benefits	892,227	36,679	928,906
Administrative expenses	29,853	-	29,853
Participant refunds	<u>22,642</u>	<u>-</u>	<u>22,642</u>
Total deductions	<u>944,722</u>	<u>36,679</u>	<u>981,401</u>
<b>Net change to net assets held in trust for benefits</b>	1,855,531	481,560	2,337,091
Net assets held in trust for benefits, beginning of year	<u>14,368,735</u>	<u>445,252</u>	<u>14,813,987</u>
<b>Net assets held in trust for benefits, end of year</b>	<u><u>\$ 16,224,266</u></u>	<u><u>\$ 926,812</u></u>	<u><u>\$ 17,151,078</u></u>

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## REQUIRED SUPPLEMENTARY INFORMATION

# CITY OF TECUMSEH, MICHIGAN

## GASB Statement 25 Required Supplementary Information

### Employees Retirement System

#### Schedule of Funding Progress

Actuarial Valuation Date June 30	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Unfunded AAL (UAAL) (2-1)	(4) Funded Ratio (1/2)	(5) Covered Payroll	(6) UAAL as a % of Covered Payroll (3/5)
2005	\$ 12,620,082	\$ 15,147,703	\$ 2,527,621	83.3 %	\$ 2,602,453	97.1 %
2006	13,802,018	16,463,083	2,661,065	83.8	2,571,150	103.5
2007	15,256,256	17,760,549	2,504,293	85.9	2,734,958	91.6
2008	16,335,367	19,283,287	2,947,920	84.7	2,784,261	105.9
2009	16,145,336	17,788,227	1,642,891	90.8	2,862,258	57.4
2010	16,278,508	19,151,492	2,872,984	85.0	2,607,673	110.2

#### Schedule of Employer Contributions

Fiscal Year Ended June 30	Annual Required Contribution	Annual Actual Contribution	Percentage Contributed
2006	\$ 502,123	\$ 502,123	100.0 %
2007	516,972	516,972	100.0
2008	524,849	524,849	100.0
2009	539,487	539,487	100.0
2010	518,487	518,487	100.0
2011	461,802	461,802	100.0



**CITY OF TECUMSEH, MICHIGAN**

**GASB Statement 45 Required Supplementary Information**

**Other Postemployment Benefits Plan**

**Schedule of Funding Progress**

<b>Actuarial Valuation Date June 30</b>	<b>(1) Actuarial Value of Assets</b>	<b>(2) Actuarial Accrued Liability (AAL) Entry Age</b>	<b>(3) Unfunded AAL (UAAL) (2-1)</b>	<b>(4) Funded Ratio (1/2)</b>	<b>(5) Covered Payroll</b>	<b>(6) UAAL as a % of Covered Payroll (3/5)</b>
2008	\$ 738,480	\$ 1,066,264	\$ 327,784	69.3 %	\$ 2,784,261	11.8 %
2009	407,494	1,069,685	662,191	38.1	2,862,258	23.1
2010	504,431	1,114,486	610,055	45.3	2,607,673	23.4

**Schedule of Employer Contributions**

<b>Fiscal Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Annual Actual Contribution</b>	<b>Percentage Contributed</b>
2008	\$ 62,891	\$ 62,891	100.0 %
2009	56,990	56,990	100.0
2010	71,867	71,867	100.0
2011	64,010	64,010	100.0

**COMBINING and INDIVIDUAL FUND  
FINANCIAL STATEMENTS and SCHEDULES**

**CITY OF TECUMSEH, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2011**

	<u>Special Revenue Funds</u>					
	<u>Major Street</u>	<u>Local Street</u>	<u>Development Services</u>	<u>PA-48</u>	<u>Brownfield Redevelop</u>	<u>Drug Enforcement</u>
<b><u>ASSETS</u></b>						
Cash and cash equivalents	\$ 107,503	\$ 164,383	\$ 42,404	\$ 9,178	\$ 297	\$ -
Investments	-	-	-	-	-	-
Accounts receivable	37,657	11,065	17,114	-	-	-
Accrued interest receivable	-	-	-	-	-	-
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 145,160</u></b>	<b><u>\$ 175,448</u></b>	<b><u>\$ 59,518</u></b>	<b><u>\$ 9,178</u></b>	<b><u>\$ 297</u></b>	<b><u>\$ -</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
<b>Liabilities</b>						
Accounts payable / accrued liabilities	\$ 1,832	\$ 3,326	\$ 43,959	\$ -	\$ -	\$ -
<b>Fund Balances</b>						
Nonexpendable - cemetery perpetual care	-	-	-	-	-	-
Restricted	143,328	172,122	15,559	9,178	297	-
Committed	-	-	-	-	-	-
Total fund balances	143,328	172,122	15,559	9,178	297	-
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 145,160</u></b>	<b><u>\$ 175,448</u></b>	<b><u>\$ 59,518</u></b>	<b><u>\$ 9,178</u></b>	<b><u>\$ 297</u></b>	<b><u>\$ -</u></b>

Wastewater Sinking	Debt Service Funds			Capital Projects Funds			Permanent Fund Cemetery Care	Total Nonmajor Governmental Funds
	1996 GOB	MTF Bonds	2010 BABS	Streetscape Project	Capital Improvements	Non-Motorized Trail		
\$ 5,442	\$ 4,747	\$ 641	\$ 6,800	\$ -	\$ 1,723	\$ 21,249	\$ 65,622	\$ 429,989
-	-	-	-	-	-	-	642,490	642,490
-	-	-	-	-	-	-	-	65,836
-	-	-	-	-	-	-	4,551	4,551
<u>\$ 5,442</u>	<u>\$ 4,747</u>	<u>\$ 641</u>	<u>\$ 6,800</u>	<u>\$ -</u>	<u>\$ 1,723</u>	<u>\$ 21,249</u>	<u>\$ 712,663</u>	<u>\$ 1,142,866</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,117
-	-	-	-	-	-	-	513,595	513,595
-	-	-	6,800	-	-	-	199,068	546,352
5,442	4,747	641	-	-	1,723	21,249	-	33,802
<u>5,442</u>	<u>4,747</u>	<u>641</u>	<u>6,800</u>	<u>-</u>	<u>1,723</u>	<u>21,249</u>	<u>712,663</u>	<u>1,093,749</u>
<u>\$ 5,442</u>	<u>\$ 4,747</u>	<u>\$ 641</u>	<u>\$ 6,800</u>	<u>\$ -</u>	<u>\$ 1,723</u>	<u>\$ 21,249</u>	<u>\$ 712,663</u>	<u>\$ 1,142,866</u>

**CITY OF TECUMSEH, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2011**

	<b>Special Revenue Funds</b>					
	<b>Major Street</b>	<b>Local Street</b>	<b>Development Services</b>	<b>PA-48</b>	<b>Brownfield Redevelop</b>	<b>Drug Enforcement</b>
<b>Revenues</b>						
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	57,351	-	-	-
Intergovernmental - state	427,576	142,624	-	24,937	-	-
Charges for services	-	-	28,780	-	-	-
Investment earnings	300	98	111	51	1	32
Other revenues	-	-	-	-	-	-
<b>Total revenues</b>	<b>427,876</b>	<b>142,722</b>	<b>86,242</b>	<b>24,988</b>	<b>1</b>	<b>32</b>
<b>Expenditures</b>						
Public safety	-	-	-	-	-	-
Public works	574,470	454,280	-	-	-	-
Community development	-	-	181,232	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	<b>574,470</b>	<b>454,280</b>	<b>181,232</b>	<b>-</b>	<b>-</b>	<b>-</b>
Revenues over (under) expenditures	(146,594)	(311,558)	(94,990)	24,988	1	32
<b>Other financing sources (uses)</b>						
Transfers in	100,000	360,000	91,000	-	-	-
Transfers out	-	-	-	(25,000)	-	(11,014)
<b>Total other financing sources (uses)</b>	<b>100,000</b>	<b>360,000</b>	<b>91,000</b>	<b>(25,000)</b>	<b>-</b>	<b>(11,014)</b>
Net changes in fund balances	(46,594)	48,442	(3,990)	(12)	1	(10,982)
Fund balances, beginning of year	189,922	123,680	19,549	9,190	296	10,982
<b>Fund balances, end of year</b>	<b>\$ 143,328</b>	<b>\$ 172,122</b>	<b>\$ 15,559</b>	<b>\$ 9,178</b>	<b>\$ 297</b>	<b>\$ -</b>

Wastewater Sinking	Debt Service Funds			Capital Projects Funds			Permanent Fund	Total Nonmajor Governmental Funds
	1996 GOB	MTF Bonds	2010 BABS	Streetscape Project	Capital Improvements	Non-Motorized Trail	Cemetery Care	
\$ -	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2
-	-	-	-	-	-	-	-	57,351
-	-	-	-	-	-	-	-	595,137
-	-	-	-	-	-	-	9,380	38,160
24	19	-	136	2	184	111	19,974	21,043
-	-	-	-	-	1,100	-	-	1,100
<u>24</u>	<u>21</u>	<u>-</u>	<u>136</u>	<u>2</u>	<u>1,284</u>	<u>111</u>	<u>29,354</u>	<u>712,793</u>
-	-	-	-	-	67,082	-	-	67,082
-	-	-	-	-	-	-	-	1,028,750
-	-	-	-	1,374	-	-	-	182,606
-	-	20,000	-	-	-	-	-	20,000
-	-	15,525	47,462	-	-	-	-	62,987
-	-	35,525	47,462	1,374	67,082	-	-	1,361,425
<u>24</u>	<u>21</u>	<u>(35,525)</u>	<u>(47,326)</u>	<u>(1,372)</u>	<u>(65,798)</u>	<u>111</u>	<u>29,354</u>	<u>(648,632)</u>
-	-	35,000	48,000	-	10,000	-	-	644,000
-	-	-	-	-	-	(4,424)	(10,000)	(50,438)
-	-	35,000	48,000	-	10,000	(4,424)	(10,000)	593,562
24	21	(525)	674	(1,372)	(55,798)	(4,313)	19,354	(55,070)
5,418	4,726	1,166	6,126	1,372	57,521	25,562	693,309	1,148,819
<u>\$ 5,442</u>	<u>\$ 4,747</u>	<u>\$ 641</u>	<u>\$ 6,800</u>	<u>\$ -</u>	<u>\$ 1,723</u>	<u>\$ 21,249</u>	<u>\$ 712,663</u>	<u>\$ 1,093,749</u>

**CITY OF TECUMSEH, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Major Street and Trunkline Fund**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
<b>Revenues</b>				
Intergovernmental - state	\$ 391,000	\$ 419,570	\$ 427,576	\$ 8,006
Investment earnings	1,500	350	300	(50)
Other revenues	3,000	-	-	-
	<u>395,500</u>	<u>419,920</u>	<u>427,876</u>	<u>7,956</u>
<b>Expenditures</b>				
Public works:				
Street construction	50,500	111,498	108,138	(3,360)
Routine maintenance	460,500	334,175	304,526	(29,649)
Traffic services	10,100	10,200	9,795	(405)
Winter maintenance	43,728	57,227	57,219	(8)
Administration	75,000	70,518	70,318	(200)
Trunkline maintenance	15,300	21,946	24,474	2,528
	<u>655,128</u>	<u>605,564</u>	<u>574,470</u>	<u>(31,094)</u>
Total expenditures				
Revenues (under) expenditures	(259,628)	(185,644)	(146,594)	39,050
<b>Other financing sources</b>				
Transfers in	250,000	75,000	100,000	25,000
	<u>250,000</u>	<u>75,000</u>	<u>100,000</u>	<u>25,000</u>
Net changes in fund balance	(9,628)	(110,644)	(46,594)	64,050
Fund balance, beginning of year	189,922	189,922	189,922	-
	<u>189,922</u>	<u>189,922</u>	<u>189,922</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 180,294</u>	<u>\$ 79,278</u>	<u>\$ 143,328</u>	<u>\$ 64,050</u>

**CITY OF TECUMSEH, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Local Street Fund**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
<b>Revenues</b>				
Intergovernmental - state	\$ 125,577	\$ 141,577	\$ 142,624	\$ 1,047
Investment earnings	150	150	98	(52)
	<u>125,727</u>	<u>141,727</u>	<u>142,722</u>	<u>995</u>
<b>Expenditures</b>				
Public works:				
Street construction	99,500	137,918	137,875	(43)
Routine maintenance	318,000	263,310	237,607	(25,703)
Winter maintenance	42,600	47,546	47,839	293
Administration	40,000	31,026	30,959	(67)
	<u>500,100</u>	<u>479,800</u>	<u>454,280</u>	<u>(25,520)</u>
Revenues (under) expenditures	(374,373)	(338,073)	(311,558)	26,515
<b>Other financing sources</b>				
Transfers in	<u>370,000</u>	<u>325,000</u>	<u>360,000</u>	<u>35,000</u>
Net changes in fund balance	(4,373)	(13,073)	48,442	61,515
Fund balance, beginning of year	<u>123,680</u>	<u>123,680</u>	<u>123,680</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 119,307</u></u>	<u><u>\$ 110,607</u></u>	<u><u>\$ 172,122</u></u>	<u><u>\$ 61,515</u></u>



**CITY OF TECUMSEH, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Development Services Fund**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
<b>Revenues</b>				
Licenses and permits	\$ 50,000	\$ 54,000	\$ 57,351	\$ 3,351
Charges for services	19,200	22,230	28,780	6,550
Investment earnings	750	150	111	(39)
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	69,950	76,380	86,242	9,862
<b>Expenditures</b>				
Community development	182,370	185,383	181,232	(4,151)
	<hr/>	<hr/>	<hr/>	<hr/>
Revenues (under) expenditures	(112,420)	(109,003)	(94,990)	14,013
<b>Other financing sources</b>				
Transfers in	98,500	91,000	91,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net changes in fund balance	(13,920)	(18,003)	(3,990)	14,013
Fund balance, beginning of year	19,549	19,549	19,549	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balance, end of year</b>	<u>\$ 5,629</u>	<u>\$ 1,546</u>	<u>\$ 15,559</u>	<u>\$ 14,013</u>

**CITY OF TECUMSEH, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**PA-48 Fund**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
<b>Revenues</b>				
Intergovernmental	\$ 26,000	\$ 26,000	\$ 24,937	\$ (1,063)
Investment earnings	100	100	51	(49)
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	26,100	26,100	24,988	(1,112)
<b>Expenditures</b>				
Public works	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Revenues over expenditures	26,100	26,100	24,988	(1,112)
<b>Other financing uses</b>				
Transfers out	(25,000)	(25,000)	(25,000)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net changes in fund balance	1,100	1,100	(12)	(1,112)
Fund balance, beginning of year	9,190	9,190	9,190	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balance, end of year</b>	<u>\$ 10,290</u>	<u>\$ 10,290</u>	<u>\$ 9,178</u>	<u>\$ (1,112)</u>

**CITY OF TECUMSEH, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Brownfield Redevelopment Authority**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
<b>Revenues</b>				
Investment earnings	\$ -	\$ -	\$ 1	\$ 1
<b>Expenditures</b>				
Community development	6,000	-	-	-
Revenues over (under) expenditures	(6,000)	-	1	1
<b>Other financing sources</b>				
Transfers in	10,000	-	-	-
Net changes in fund balance	4,000	-	1	1
Fund balance, beginning of year	296	296	296	-
<b>Fund balance, end of year</b>	<u>\$ 4,296</u>	<u>\$ 296</u>	<u>\$ 297</u>	<u>\$ 1</u>

**CITY OF TECUMSEH, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Drug Enforcement Fund**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
<b>Revenues</b>				
Intergovernmental	\$ 12,000	\$ -	\$ -	\$ -
Fines and forfeits	14,000	-	-	-
Investment earnings	100	40	32	(8)
Total revenues	26,100	40	32	(8)
<b>Expenditures</b>				
Public safety	101,811	-	-	-
Revenues over (under) expenditures	(75,711)	40	32	(8)
<b>Other financing sources (uses)</b>				
Transfers in	76,000	-	-	-
Transfers in	-	(11,014)	(11,014)	-
Total other financing sources (uses)	76,000	(11,014)	(11,014)	-
Net changes in fund balance	289	(10,974)	(10,982)	(8)
Fund balance, beginning of year	10,982	10,982	10,982	-
<b>Fund balance, end of year</b>	<u>\$ 11,271</u>	<u>\$ 8</u>	<u>\$ -</u>	<u>\$ (8)</u>

**CITY OF TECUMSEH, MICHIGAN**  
**Combining Statement of Fiduciary Net Assets**  
**Pension and Other Employee Benefits Trust Funds**  
**June 30, 2011**

	<b>Employees' Retirement System Pension Trust Fund</b>	<b>Other Postemployment Benefits Trust Fund</b>	<b>Total</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets</b>			
Cash and cash equivalents	\$ 149,798	\$ -	\$ 149,798
Investments:			
Domestic equities	8,193,779	926,812	9,120,591
U.S. treasuries	524,774	-	524,774
U.S. agencies	1,531,477	-	1,531,477
Corporate securities	3,540,864	-	3,540,864
Foreign equities	1,537,460	-	1,537,460
Money market accounts	694,851	-	694,851
Accrued interest receivable	51,986	-	51,986
	<u>16,224,989</u>	<u>926,812</u>	<u>17,151,801</u>
 Total assets	 16,224,989	 926,812	 17,151,801
<b>Liabilities</b>			
Accounts payable	723	-	723
	<u>723</u>	<u>-</u>	<u>723</u>
 <b>Net assets held in trust for pension and other postemployment healthcare benefits</b>	 <u>\$ 16,224,266</u>	 <u>\$ 926,812</u>	 <u>\$ 17,151,078</u>

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Changes in Fiduciary Net Assets**  
**Pension and Other Employee Benefits Trust Funds**  
**For the Year Ended June 30, 2011**

	<b>Employees' Retirement System Pension Trust Fund</b>	<b>Other Postemployment Benefits Trust Fund</b>	<b>Total</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Additions</b>			
Investment income:			
Net realized and unrealized appreciation in fair value of investments	\$ 2,031,231	\$ 422,060	\$ 2,453,291
Interest and dividends	262,518	54,547	317,065
Less investment management fees	<u>(107,697)</u>	<u>(22,378)</u>	<u>(130,075)</u>
Total investment income	<u>2,186,052</u>	<u>454,229</u>	<u>2,640,281</u>
Contributions:			
City of Tecumseh	461,802	64,010	525,812
Participants	<u>152,399</u>	<u>-</u>	<u>152,399</u>
Total contributions	<u>614,201</u>	<u>64,010</u>	<u>678,211</u>
Total additions	<u>2,800,253</u>	<u>518,239</u>	<u>3,318,492</u>
<b>Deductions</b>			
Participant benefits	892,227	36,679	928,906
Administrative expenses	29,853	-	29,853
Participant refunds	<u>22,642</u>	<u>-</u>	<u>22,642</u>
Total deductions	<u>944,722</u>	<u>36,679</u>	<u>981,401</u>
<b>Net change to net assets held in trust for benefits</b>	1,855,531	481,560	2,337,091
Net assets held in trust for benefits, beginning of year	<u>14,368,735</u>	<u>445,252</u>	<u>14,813,987</u>
<b>Net assets held in trust for benefits, end of year</b>	<u>\$ 16,224,266</u>	<u>\$ 926,812</u>	<u>\$ 17,151,078</u>

**CITY OF TECUMSEH, MICHIGAN**  
**Combining Statement of Fiduciary Net Assets**  
**Agency Funds**  
**June 30, 2011**

	<u>Current Tax</u>	<u>Delinquent Tax</u>	<u>Police Officers Emergency</u>	<u>Memorial Day Parade</u>	<u>John Damelio Fund</u>	<u>Flower Fund</u>	<u>Total</u>
<b>Assets</b>							
Cash and cash equivalents	\$ 2,500	\$ -	\$ -	\$ 1,865	\$ 1,334	\$ 204	\$ 5,903
Delinquent taxes receivable	-	7,039	-	-	-	-	7,039
Total assets	<u>\$ 2,500</u>	<u>\$ 7,039</u>	<u>\$ -</u>	<u>\$ 1,865</u>	<u>\$ 1,334</u>	<u>\$ 204</u>	<u>\$ 12,942</u>
<b>Liabilities</b>							
Accounts payable	\$ -	\$ 2,145	\$ -	\$ -	\$ -	\$ -	\$ 2,145
Due to other governments	2,500	4,894	-	1,865	1,334	204	10,797
Total liabilities	<u>\$ 2,500</u>	<u>\$ 7,039</u>	<u>\$ -</u>	<u>\$ 1,865</u>	<u>\$ 1,334</u>	<u>\$ 204</u>	<u>\$ 12,942</u>

**CITY OF TECUMSEH, MICHIGAN**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2011**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b><u>Current Tax</u></b>				
<b>Assets</b>				
Cash	\$ 2,500	\$ 14,719,892	\$ 14,719,892	\$ 2,500
<b>Liabilities</b>				
Due to other governments	\$ 2,500	\$ 14,719,892	\$ 14,719,892	\$ 2,500
<b><u>Delinquent Tax</u></b>				
<b>Assets</b>				
Cash	\$ -	\$ 38,504	\$ 38,504	\$ -
Delinquent taxes receivable	10,125	3,811	6,897	7,039
Total assets	<u>\$ 10,125</u>	<u>\$ 42,315</u>	<u>\$ 45,401</u>	<u>\$ 7,039</u>
<b>Liabilities</b>				
Accounts payable	\$ 3,318	\$ 26,886	\$ 28,059	\$ 2,145
Due to other governments	6,807	15,429	17,342	4,894
Total liabilities	<u>\$ 10,125</u>	<u>\$ 42,315</u>	<u>\$ 45,401</u>	<u>\$ 7,039</u>
<b><u>Police Officers Emergency</u></b>				
<b>Assets</b>				
Cash	\$ -	\$ -	\$ -	\$ -
<b>Liabilities</b>				
Due to other governments	\$ -	\$ -	\$ -	\$ -

Continued...



**CITY OF TECUMSEH, MICHIGAN**  
**Combining Statement of Changes in Assets and Liabilities (Concluded)**  
**Agency Funds**  
**For the Year Ended June 30, 2011**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b><u>Memorial Day Parade</u></b>				
<b>Assets</b>				
Cash	\$ 1,233	\$ 7,455	\$ 6,823	\$ 1,865
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 3,449	\$ 3,449	\$ -
Due to other governments	1,233	4,006	3,374	1,865
	<u>\$ 1,233</u>	<u>\$ 7,455</u>	<u>\$ 6,823</u>	<u>\$ 1,865</u>
<b><u>John Kamelio Fund</u></b>				
<b>Assets</b>				
Cash	\$ 1,328	\$ 6	\$ -	\$ 1,334
<b>Liabilities</b>				
Due to other governments	\$ 1,328	\$ 6	\$ -	\$ 1,334
	<u>\$ 1,328</u>	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ 1,334</u>
<b><u>Flower Fund</u></b>				
<b>Assets</b>				
Cash	\$ 18	\$ 700	\$ 514	\$ 204
<b>Liabilities</b>				
Due to other governments	\$ 18	\$ 700	\$ 514	\$ 204
	<u>\$ 18</u>	<u>\$ 700</u>	<u>\$ 514</u>	<u>\$ 204</u>
<b><u>Total All Agency Funds</u></b>				
<b>Assets</b>				
Cash	\$ 5,079	\$ 14,766,557	\$ 14,765,733	\$ 5,903
Delinquent taxes receivable	10,125	3,811	6,897	7,039
Total assets	<u>\$ 15,204</u>	<u>\$ 14,770,368</u>	<u>\$ 14,772,630</u>	<u>\$ 12,942</u>
<b>Liabilities</b>				
Accounts payable	\$ 3,318	\$ 30,335	\$ 31,508	\$ 2,145
Due to other governments	11,886	14,740,033	14,741,122	10,797
Total liabilities	<u>\$ 15,204</u>	<u>\$ 14,770,368</u>	<u>\$ 14,772,630</u>	<u>\$ 12,942</u>

## DISCRETELY PRESENTED COMPONENT UNIT

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Net Assets and**  
**Governmental Funds Balance Sheet**  
**Downtown Development Authority Component Unit**  
**June 30, 2011**

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
	<u>Operating</u>	<u>Public Art</u>				
<b>Assets</b>						
Cash and cash equivalents	\$ 242,021	\$ 22,944	\$ 2,522	\$ 267,487	\$ -	\$ 267,487
Unamortized bond issuance costs	-	-	-	-	34,720	34,720
Capital assets, net	-	-	-	-	56,000	56,000
<b>Total assets</b>	<u>\$ 242,021</u>	<u>\$ 22,944</u>	<u>\$ 2,522</u>	<u>\$ 267,487</u>	<u>90,720</u>	<u>358,207</u>
<b>Liabilities</b>						
Accounts payable / accrued liabilities	\$ 5,000	\$ -	\$ -	\$ 5,000	-	5,000
Accrued interest payable	-	-	-	-	3,799	3,799
Long-term liabilities:						
Due within one year	-	-	-	-	120,000	120,000
Due in more than one year	-	-	-	-	818,143	818,143
<b>Total liabilities</b>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>941,942</u>	<u>946,942</u>
<b>Fund balances / net assets</b>						
Restricted for grant program	-	22,944	-	22,944	(22,944)	-
Committed for debt service	-	-	2,522	2,522	(2,522)	-
Unassigned	237,021	-	-	237,021	(237,021)	-
<b>Total fund balances</b>	<u>237,021</u>	<u>22,944</u>	<u>2,522</u>	<u>262,487</u>	<u>(262,487)</u>	<u>-</u>
<b>Total liabilities and fund balances</b>	<u>\$ 242,021</u>	<u>\$ 22,944</u>	<u>\$ 2,522</u>	<u>\$ 267,487</u>		
<b>Net assets:</b>						
Invested in capital assets					56,000	56,000
Restricted for debt service					2,522	2,522
Unrestricted (deficit)					(647,257)	(647,257)
<b>Total net assets (deficit)</b>					<u>\$ (588,735)</u>	<u>\$ (588,735)</u>

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Activities and**  
**Governmental Fund Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Downtown Development Authority Component Unit**  
**For the Year Ended June 30, 2011**

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
	<u>Operating</u>	<u>Public Art</u>				
<b>Expenditures/expenses</b>						
Community development	\$ 61,554	\$ 15,706	\$ -	\$ 77,260	\$ -	\$ 77,260
Debt service:						
Principal	-	-	115,000	115,000	(115,000)	-
Interest and fiscal charges	-	-	51,618	51,618	2,991	54,609
Total expenditures/expenses	61,554	15,706	166,618	243,878	(112,009)	131,869
<b>Program revenues - operating grants</b>	-	21,800	-	21,800	-	21,800
Net program (expense) revenue	(61,554)	6,094	(166,618)	(222,078)	112,009	(110,069)
<b>General revenues</b>						
Property taxes	248,648	-	-	248,648	-	248,648
Investment earnings	979	76	11	1,066	814	1,880
Total general revenues	249,627	76	11	249,714	814	250,528
Excess of revenues over (under) expenditures/expenses	188,073	6,170	(166,607)	27,636	112,823	140,459
<b>Other financing sources (uses)</b>						
Transfers in	-	5,000	166,618	171,618	-	171,618
Transfers out	(171,618)	-	-	(171,618)	-	(171,618)
Total other financing sources (uses)	(171,618)	5,000	166,618	-	-	-
Net changes in fund balances	16,455	11,170	11	27,636	(27,636)	-
Change in net assets	-	-	-	-	140,459	140,459
Fund balance/net assets (deficit), beginning of year	220,566	11,774	2,511	234,851	(964,045)	(729,194)
<b>Fund balance/net assets (deficit), end of year</b>	<u>\$ 237,021</u>	<u>\$ 22,944</u>	<u>\$ 2,522</u>	<u>\$ 262,487</u>	<u>\$ (851,222)</u>	<u>\$ (588,735)</u>

## Statistical Section

This part of the City of Tecumseh's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	80-91
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	92-95
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	96-100
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	101-102
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	103-105

**Sources:** Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

# STATISTICAL SECTION

## **Financial Trends**

# CITY OF TECUMSEH, MICHIGAN

## Net Assets by Component

### Last Ten Fiscal Years

*(accrual basis of accounting)*

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 11,790,604	\$ 12,828,065	\$ 14,575,225	\$ 14,344,766	\$ 15,610,207
Restricted	4,007,336	3,283,400	3,214,150	4,102,632	2,747,827
Unrestricted	594,724	553,666	1,023,204	(736,355)	(402,533)
Total governmental activities net assets	<u>\$ 16,392,664</u>	<u>\$ 16,665,131</u>	<u>\$ 18,812,579</u>	<u>\$ 17,711,043</u>	<u>\$ 17,955,501</u>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$ 10,197,348	\$ 9,993,100	\$ 10,276,538	\$ 11,043,768	\$ 11,079,267
Restricted	1,233,958	1,297,957	1,356,359	1,129,549	1,318,870
Unrestricted	836,603	753,033	502,389	467,147	627,398
Total business-type activities net assets	<u>\$ 12,267,909</u>	<u>\$ 12,044,090</u>	<u>\$ 12,135,286</u>	<u>\$ 12,640,464</u>	<u>\$ 13,025,535</u>
<b>Primary government</b>					
Invested in capital assets, net of related debt	\$ 21,987,952	\$ 22,821,165	\$ 24,851,763	\$ 25,388,534	\$ 26,689,474
Restricted	5,241,294	4,581,357	4,570,509	5,232,181	4,066,697
Unrestricted	1,431,327	1,306,699	1,525,593	(269,208)	224,865
Total primary government net assets	<u>\$ 28,660,573</u>	<u>\$ 28,709,221</u>	<u>\$ 30,947,865</u>	<u>\$ 30,351,507</u>	<u>\$ 30,981,036</u>

Source: City of Tecumseh Finance Department



**Schedule 1**  
**UNAUDITED**

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 15,811,861	\$ 15,908,055	\$ 15,636,009	\$ 15,645,901	\$ 16,324,895
2,623,049	2,246,052	2,066,266	2,025,437	2,013,560
(129,668)	581,093	402,653	2,084,683	1,627,960
<u>\$ 18,305,242</u>	<u>\$ 18,735,200</u>	<u>\$ 18,104,928</u>	<u>\$ 19,756,021</u>	<u>\$ 19,966,415</u>
\$ 11,016,909	\$ 10,815,479	\$ 10,550,344	\$ 10,225,622	\$ 10,638,258
1,540,395	1,042,748	1,062,575	976,612	1,072,807
370,372	473,686	573,747	710,817	637,786
<u>\$ 12,927,676</u>	<u>\$ 12,331,913</u>	<u>\$ 12,186,666</u>	<u>\$ 11,913,051</u>	<u>\$ 12,348,851</u>
\$ 26,828,770	\$ 26,723,534	\$ 26,186,353	\$ 25,871,523	\$ 26,963,153
4,163,444	3,288,800	3,128,841	3,002,049	3,086,367
240,704	1,054,779	976,400	2,795,500	2,265,746
<u>\$ 31,232,918</u>	<u>\$ 31,067,113</u>	<u>\$ 30,291,594</u>	<u>\$ 31,669,072</u>	<u>\$ 32,315,266</u>

# CITY OF TECUMSEH, MICHIGAN

## Changes in Net Assets Last Ten Fiscal Years

*(accrual basis of accounting)*

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Expenses</b>					
Governmental activities:					
General government	\$ 1,563,111	\$ 1,968,749	\$ 1,902,129	\$ 1,929,198	\$ 1,575,053
Public safety	1,844,880	2,026,623	1,959,801	2,115,183	2,163,553
Public works	1,071,418	968,094	879,861	996,158	996,024
Parks and recreation	938,994	532,872	509,510	499,599	661,173
Civic auditorium	377,877	506,451	554,277	632,450	555,002
Community development	145,892	169,014	200,407	2,240,235	522,402
Interest on long-term debt	49,387	55,084	32,422	81,822	125,960
Total governmental activities expenses	<u>5,991,559</u>	<u>6,226,887</u>	<u>6,038,407</u>	<u>8,494,645</u>	<u>6,599,167</u>
Business-type activities:					
Wastewater	1,006,304	1,026,630	1,063,244	1,043,927	1,054,516
Water	589,486	590,288	617,593	630,347	654,754
Total business-type activities expenses	<u>1,595,790</u>	<u>1,616,918</u>	<u>1,680,837</u>	<u>1,674,274</u>	<u>1,709,270</u>
Total primary government expenses	<u>7,587,349</u>	<u>7,843,805</u>	<u>7,719,244</u>	<u>10,168,919</u>	<u>8,308,437</u>
<b>Program revenues</b>					
Governmental activities:					
Charges for services:					
General government	399,882	371,472	422,343	538,265	319,857
Public safety	80,935	87,185	94,445	94,584	102,961
Public works	-	-	-	-	-
Parks and recreation	101,667	84,429	88,576	98,947	112,605
Civic auditorium	51,935	79,967	101,079	100,626	49,006
Community development	-	-	-	-	206,686
Operating grants and contributions	1,109,205	711,872	1,297,695	635,127	684,781
Capital grants and contributions	947,286	482,508	1,415,418	436,220	475,034
Total governmental activities program revenues	<u>2,690,910</u>	<u>1,817,433</u>	<u>3,419,556</u>	<u>1,903,769</u>	<u>1,950,930</u>
Business-type activities:					
Charges for services:					
Wastewater	735,516	756,367	673,296	841,426	986,383
Water	496,814	520,098	493,398	626,143	629,868
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	352,418	176,250	658,979	975,000	96,678
Total business-type activities program revenues	<u>1,584,748</u>	<u>1,452,715</u>	<u>1,825,673</u>	<u>2,442,569</u>	<u>1,712,929</u>
Total primary government program revenues	<u>4,275,658</u>	<u>3,270,148</u>	<u>5,245,229</u>	<u>4,346,338</u>	<u>3,663,859</u>
<b>Net (Expense)/Revenue</b>					
Government activities	(3,300,649)	(4,409,454)	(2,618,851)	(6,590,876)	(4,648,237)
Business-type activities	(11,042)	(164,203)	144,836	768,295	3,659
Total primary government net expense	<u>(3,311,691)</u>	<u>(4,573,657)</u>	<u>(2,474,015)</u>	<u>(5,822,581)</u>	<u>(4,644,578)</u>

**Schedule 2**  
**UNAUDITED**

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 1,624,898	\$ 1,523,991	\$ 1,597,338	\$ 1,489,319	\$ 1,461,557
2,206,194	2,351,821	2,403,269	2,309,317	2,278,206
1,082,985	1,231,859	1,455,518	1,362,358	1,198,267
751,336	746,924	626,829	516,725	492,775
501,271	507,926	548,724	492,848	497,689
531,668	611,858	592,850	1,025,510	413,785
113,637	111,211	109,029	128,633	120,130
<u>6,811,989</u>	<u>7,085,590</u>	<u>7,333,557</u>	<u>7,324,710</u>	<u>6,462,409</u>
1,166,237	1,169,574	1,177,137	1,238,467	1,225,686
630,444	630,631	581,417	577,776	594,576
<u>1,796,681</u>	<u>1,800,205</u>	<u>1,758,554</u>	<u>1,816,243</u>	<u>1,820,262</u>
<u>8,608,670</u>	<u>8,885,795</u>	<u>9,092,111</u>	<u>9,140,953</u>	<u>8,282,671</u>
400,253	387,166	381,086	376,479	382,938
117,064	117,563	108,636	111,742	110,892
4,396	-	266	-	-
115,235	120,804	112,164	101,187	109,338
120,333	137,096	143,589	140,692	125,723
120,398	120,186	100,714	104,857	93,786
801,648	1,030,456	874,905	839,335	830,299
380,302	76,141	48,157	2,627,327	483,701
<u>2,059,629</u>	<u>1,989,412</u>	<u>1,769,517</u>	<u>4,301,619</u>	<u>2,136,677</u>
980,262	980,591	1,039,201	1,033,069	1,054,357
568,008	555,385	549,381	493,099	528,226
-	-	-	-	-
49,028	39,383	-	-	663,072
<u>1,597,298</u>	<u>1,575,359</u>	<u>1,588,582</u>	<u>1,526,168</u>	<u>2,245,655</u>
<u>3,656,927</u>	<u>3,564,771</u>	<u>3,358,099</u>	<u>5,827,787</u>	<u>4,382,332</u>
(4,752,360)	(5,096,178)	(5,564,040)	(3,023,091)	(4,325,732)
<u>(199,383)</u>	<u>(224,846)</u>	<u>(169,972)</u>	<u>(290,075)</u>	<u>425,393</u>
<u>(4,951,743)</u>	<u>(5,321,024)</u>	<u>(5,734,012)</u>	<u>(3,313,166)</u>	<u>(3,900,339)</u>

Continued...

**CITY OF TECUMSEH, MICHIGAN**  
**Changes in Net Assets (Concluded)**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>General Revenues</b>					
Governmental activities:					
Property taxes	\$ 3,316,311	\$ 3,578,655	\$ 3,730,787	\$ 3,780,738	\$ 3,875,075
Unrestricted grants and contributions	1,058,907	930,877	900,596	881,177	824,403
Investment earnings	77,283	42,496	19,223	66,782	183,542
Gain on sale of capital assets	30,880	25,335	22,950	749,592	-
Contributions to permanent funds	15,387	19,213	24,747	11,050	9,675
Transfers	89,000	85,345	67,996	-	-
Total governmental activities	<u>4,587,768</u>	<u>4,681,921</u>	<u>4,766,299</u>	<u>5,489,339</u>	<u>4,892,695</u>
Business-type activities:					
Investment earnings	52,219	25,729	14,356	36,883	81,412
Transfers	(89,000)	(85,345)	(67,996)	-	-
Total business-type activities	<u>(36,781)</u>	<u>(59,616)</u>	<u>(53,640)</u>	<u>36,883</u>	<u>81,412</u>
Total primary government	<u>4,550,987</u>	<u>4,622,305</u>	<u>4,712,659</u>	<u>5,526,222</u>	<u>4,974,107</u>
<b>Change in Net Assets</b>					
Government activities	1,287,119	272,467	2,147,448	(1,101,537)	244,458
Business-type activities	(47,823)	(223,819)	91,196	805,178	85,071
Total primary government	<u>\$ 1,239,296</u>	<u>\$ 48,648</u>	<u>\$ 2,238,644</u>	<u>\$ (296,359)</u>	<u>\$ 329,529</u>

Source: City of Tecumseh Finance Department

**Schedule 2**  
**UNAUDITED**

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 4,056,239	\$ 4,078,900	\$ 4,051,279	\$ 3,893,346	\$ 3,720,112
815,190	797,401	792,056	684,953	694,653
214,897	184,636	78,074	82,945	31,116
-	-	-	-	80,865
15,775	11,575	10,225	12,940	9,380
-	453,624	-	-	-
5,102,101	5,526,136	4,931,634	4,674,184	4,536,126
101,524	82,707	24,725	16,460	10,407
-	(453,624)	-	-	-
101,524	(370,917)	24,725	16,460	10,407
5,203,625	5,155,219	4,956,359	4,690,644	4,546,533
349,741	429,958	(632,406)	1,651,093	210,394
(97,859)	(595,763)	(145,247)	(273,615)	435,800
\$ 251,882	\$ (165,805)	\$ (777,653)	\$ 1,377,478	\$ 646,194

**CITY OF TECUMSEH, MICHIGAN**  
**Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>General Fund</b>					
Restricted					
Committed					
Unassigned					
Reserved	\$ 439,020	\$ 112,116	\$ 64,138	\$ 84,369	\$ 263,665
Unreserved	643,085	576,652	1,073,024	1,115,671	892,025
	<u>643,085</u>	<u>576,652</u>	<u>1,073,024</u>	<u>1,115,671</u>	<u>892,025</u>
Total general fund	<u>\$ 1,082,105</u>	<u>\$ 688,768</u>	<u>\$ 1,137,162</u>	<u>\$ 1,200,040</u>	<u>\$ 1,155,690</u>
<b>All Other Governmental Funds</b>					
Nonexpendable					
Restricted					
Committed					
Reserved	\$ 1,629,163	\$ 1,669,903	\$ 2,139,814	\$ 1,658,587	\$ 1,638,011
Unreserved, reported in:					
Special revenue funds	1,771,885	1,084,375	833,239	1,280,489	1,251,109
Debt service funds	77,039	72,279	61,460	124,453	48,771
Capital projects funds	394,380	357,813	148,727	1,383,922	511,063
Permanent fund	125,614	127,784	70,081	91,748	86,890
	<u>1,771,885</u>	<u>1,084,375</u>	<u>833,239</u>	<u>1,280,489</u>	<u>1,251,109</u>
	<u>77,039</u>	<u>72,279</u>	<u>61,460</u>	<u>124,453</u>	<u>48,771</u>
	<u>394,380</u>	<u>357,813</u>	<u>148,727</u>	<u>1,383,922</u>	<u>511,063</u>
	<u>125,614</u>	<u>127,784</u>	<u>70,081</u>	<u>91,748</u>	<u>86,890</u>
Total all other governmental funds	<u>\$ 3,998,081</u>	<u>\$ 3,312,154</u>	<u>\$ 3,253,321</u>	<u>\$ 4,539,199</u>	<u>\$ 3,535,844</u>

Note: GASB 54 first adopted and implemented with fiscal 2011.

Source: City of Tecumseh Finance Department

**Schedule 3  
UNAUDITED**

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
				\$ 102,222
				120,589
				1,210,475
\$ 339,310	\$ 107,980	\$ 119,428	\$ 132,814	-
889,241	1,248,996	1,244,519	1,236,996	-
<u>\$ 1,228,551</u>	<u>\$ 1,356,976</u>	<u>\$ 1,363,947</u>	<u>\$ 1,369,810</u>	<u>\$ 1,433,286</u>
				\$ 1,733,710
				546,352
				73,982
\$ 1,655,730	\$ 1,684,824	\$ 1,713,608	\$ 1,739,162	-
1,177,290	700,881	471,907	506,946	-
10,100	10,520	11,208	17,436	-
612,164	1,282,423	1,160,311	577,769	-
110,503	129,934	162,214	189,094	-
<u>\$ 3,565,787</u>	<u>\$ 3,808,582</u>	<u>\$ 3,519,248</u>	<u>\$ 3,030,407</u>	<u>\$ 2,354,044</u>

**CITY OF TECUMSEH, MICHIGAN**  
**Changes in Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Revenues</b>					
Taxes and special assessments	\$ 3,390,541	\$ 3,615,385	\$ 3,730,787	\$ 3,780,738	\$ 3,895,428
Licenses and permits	207,669	171,027	194,289	213,289	244,834
Intergovernmental	1,842,030	1,527,797	1,543,543	1,496,708	1,467,171
Charges for services	562,692	463,016	510,974	509,798	567,748
Fines and forfeits	33,357	36,482	40,445	36,584	42,961
Investment earnings	364,988	37,694	76,644	77,953	97,534
Contributions and other revenues	594,781	179,302	681,979	118,679	199,169
Total revenues	<u>6,996,058</u>	<u>6,030,703</u>	<u>6,778,661</u>	<u>6,233,749</u>	<u>6,514,845</u>
<b>Expenditures</b>					
General government	1,892,067	1,952,095	1,848,328	1,841,889	1,484,463
Public safety	1,991,089	2,217,056	1,871,376	1,940,903	2,039,417
Public works	1,319,727	1,512,683	1,057,214	941,134	1,004,618
Parks and recreation	895,397	498,390	542,412	502,449	671,670
Civic auditorium	409,440	481,801	570,952	580,206	511,491
Community development	152,964	168,393	170,177	2,349,616	1,500,105
Debt service:					
Principal	280,000	355,400	360,400	180,400	253,419
Interest and fiscal charges	52,710	58,740	36,237	66,637	122,367
Total expenditures	<u>6,993,394</u>	<u>7,244,558</u>	<u>6,457,096</u>	<u>8,403,234</u>	<u>7,587,550</u>
Revenues over (under) expenditures	<u>2,664</u>	<u>(1,213,855)</u>	<u>321,565</u>	<u>(2,169,485)</u>	<u>(1,072,705)</u>
<b>Other financing sources (uses)</b>					
Transfers in	990,000	1,051,760	754,707	2,542,859	1,470,816
Transfers out	(901,000)	(966,415)	(686,711)	(2,542,859)	(1,470,816)
Long-term debt issued	-	-	-	2,620,901	-
Discount on long-term debt	-	-	-	-	-
Proceeds from sale of capital assets	-	49,246	-	897,340	25,000
Total other financing sources (uses)	<u>89,000</u>	<u>134,591</u>	<u>67,996</u>	<u>3,518,241</u>	<u>25,000</u>
<b>Net changes in fund balances</b>	<u>\$ 91,664</u>	<u>\$ (1,079,264)</u>	<u>\$ 389,561</u>	<u>\$ 1,348,756</u>	<u>\$ (1,047,705)</u>
Debt services as a percentage of noncapital expenditures	<u>5.91%</u>	<u>7.56%</u>	<u>9.81%</u>	<u>3.31%</u>	<u>6.55%</u>

Source: City of Tecumseh Finance Department



**Schedule 4**  
**UNAUDITED**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	4,098,447	\$ 4,093,605	\$ 4,069,349	\$ 3,894,441	\$ 3,723,894
	210,499	166,161	152,736	172,719	179,238
	1,498,842	1,477,053	1,476,570	1,902,396	1,789,102
	611,019	635,161	581,499	581,305	574,551
	50,874	52,651	42,636	43,742	40,892
	296,598	452,671	174,073	187,852	86,373
	357,161	113,920	158,370	154,759	170,435
	<u>7,123,440</u>	<u>6,991,222</u>	<u>6,655,233</u>	<u>6,937,214</u>	<u>6,564,485</u>
	1,535,475	1,495,271	1,510,682	1,435,347	1,427,076
	2,332,862	2,470,519	2,341,796	2,151,213	2,190,751
	1,265,558	1,434,538	1,398,705	1,194,679	1,197,468
	637,344	553,539	575,267	471,201	433,973
	444,353	452,475	497,112	452,074	463,444
	466,477	545,600	567,223	1,617,386	1,338,397
	221,873	16,540	15,796	1,050,000	20,000
	116,694	111,152	110,918	168,014	136,263
	<u>7,020,636</u>	<u>7,079,634</u>	<u>7,017,499</u>	<u>8,539,914</u>	<u>7,207,372</u>
	<u>102,804</u>	<u>(88,412)</u>	<u>(362,266)</u>	<u>(1,602,700)</u>	<u>(642,887)</u>
	1,447,420	2,329,823	1,210,833	3,157,948	830,999
	(1,447,420)	(1,876,199)	(1,135,833)	(3,127,948)	(800,999)
	-	-	-	1,100,000	-
	-	-	-	(10,278)	-
	-	6,008	2,770	-	-
	<u>-</u>	<u>459,632</u>	<u>77,770</u>	<u>1,119,722</u>	<u>30,000</u>
\$	<u>102,804</u>	<u>\$ 371,220</u>	<u>\$ (284,496)</u>	<u>\$ (482,978)</u>	<u>\$ (612,887)</u>
	<u>5.35%</u>	<u>2.03%</u>	<u>1.91%</u>	<u>14.52%</u>	<u>2.63%</u>

**CITY OF TECUMSEH, MICHIGAN**  
**Changes in Fund Balances - General Fund**  
**Last Ten Fiscal Years**

*(modified accrual basis of accounting)*

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Revenues</b>					
Taxes and special assessments	\$ 3,160,381	\$ 3,366,139	\$ 3,478,190	\$ 3,641,641	\$ 3,762,383
Licenses and permits	207,669	171,027	194,289	213,289	94,631
Intergovernmental	1,079,532	951,777	914,333	862,887	844,411
Charges for services	491,370	327,336	354,148	381,122	357,116
Fines and forfeits	33,357	36,482	40,445	36,584	42,961
Investment earnings	74,170	45,235	27,108	72,524	138,395
Contributions	557,934	103,784	113,417	42,878	156,735
Other revenues	23,445	21,346	34,138	56,447	23,350
	<u>5,627,858</u>	<u>5,023,126</u>	<u>5,156,068</u>	<u>5,307,372</u>	<u>5,419,982</u>
<b>Expenditures</b>					
Current:					
General government	1,892,067	1,952,095	1,848,328	1,841,889	1,484,463
Public safety	1,991,089	2,217,056	1,871,376	1,894,503	2,020,567
Public works	150,121	107,859	-	46,483	6,220
Parks and recreation	895,397	498,390	542,412	502,449	564,985
Community development	-	-	-	-	-
Debt Service:					
Principal	-	55,400	55,400	55,400	55,400
Interest and fiscal charges	-	18,465	9,435	15,243	101,313
	<u>4,928,674</u>	<u>4,849,265</u>	<u>4,326,951</u>	<u>4,355,967</u>	<u>4,232,948</u>
Total revenues	<u>5,627,858</u>	<u>5,023,126</u>	<u>5,156,068</u>	<u>5,307,372</u>	<u>5,419,982</u>
Revenues over expenditures	<u>699,184</u>	<u>173,861</u>	<u>829,117</u>	<u>951,405</u>	<u>1,187,034</u>
<b>Other financing sources (uses)</b>					
Transfers in	36,000	140,328	125,027	99,000	65,191
Transfers out	(865,000)	(756,772)	(505,750)	(1,890,768)	(1,321,575)
Issuance of capital lease	-	-	-	5,901	-
Proceeds from sale of capital assets	-	49,246	-	897,340	25,000
	<u>(829,000)</u>	<u>(567,198)</u>	<u>(380,723)</u>	<u>(888,527)</u>	<u>(1,231,384)</u>
Total other financing sources (uses)	<u>(829,000)</u>	<u>(567,198)</u>	<u>(380,723)</u>	<u>(888,527)</u>	<u>(1,231,384)</u>
<b>Net changes in fund balances</b>	<u>\$ (129,816)</u>	<u>\$ (393,337)</u>	<u>\$ 448,394</u>	<u>\$ 62,878</u>	<u>\$ (44,350)</u>

Source: City of Tecumseh Finance Department

**Schedule 5**  
**UNAUDITED**

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 3,978,434	\$ 4,093,454	\$ 4,069,225	\$ 3,894,440	\$ 3,723,892
121,823	100,731	104,869	114,366	121,887
836,584	845,591	894,608	692,633	705,146
395,307	415,868	367,670	360,454	382,398
50,874	52,651	42,636	33,996	40,892
181,584	153,396	64,458	40,883	29,310
290,156	10,480	450	2,901	181
15,239	13,604	17,447	6,558	19,085
5,870,001	5,685,775	5,561,363	5,146,231	5,022,791
1,514,871	1,484,959	1,503,865	1,435,347	1,427,076
2,078,109	2,164,260	2,299,997	2,010,750	2,123,669
174,522	134,614	151,918	241,236	168,718
555,465	539,364	562,463	471,201	433,973
-	-	15,000	-	203,977
55,400	-	-	-	-
95,430	94,161	94,419	103,334	73,276
4,473,797	4,417,358	4,627,662	4,261,868	4,430,689
1,396,204	1,268,417	933,701	884,363	592,102
-	5,000	82,000	70,000	55,438
(1,323,343)	(1,151,000)	(1,011,500)	(948,500)	(707,268)
-	-	-	-	-
-	6,008	2,770	-	-
(1,323,343)	(1,139,992)	(926,730)	(878,500)	(651,830)
\$ 72,861	\$ 128,425	\$ 6,971	\$ 5,863	\$ (59,728)

# **Revenue Capacity**

**CITY OF TECUMSEH, MICHIGAN**  
**Taxable and Estimated Actual Value of Property**  
**Last Ten Fiscal Years**

As of December 31,	FYE June 30,	Real Property (1)		Personal Property (1)		Total		(2) Total Direct Tax Rate
		Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	
2009	2011	\$ 240,359,999	\$ 480,719,998	\$ 28,439,300	\$ 56,878,600	\$ 268,799,299	\$ 537,598,598	14.3966
2008	2010	258,714,678	517,429,356	24,092,100	48,184,200	282,806,778	565,613,556	14.3966
2007	2009	264,974,248	529,948,496	28,724,200	57,448,400	293,698,448	587,396,896	14.3966
2006	2008	265,669,626	531,339,252	29,479,700	58,959,400	295,149,326	590,298,652	14.3966
2005	2007	256,179,277	512,358,554	32,867,900	65,735,800	289,047,177	578,094,354	14.8246
2004	2006	241,516,924	483,033,848	34,521,900	69,043,800	276,038,824	552,077,648	14.8966
2003	2005	233,506,933	467,013,866	32,207,900	64,415,800	265,714,833	531,429,666	14.8450
2002	2004	222,713,306	445,426,612	33,086,448	66,172,896	255,799,754	511,599,508	15.5300
2001	2003	211,902,460	423,804,920	31,026,231	62,052,462	242,928,691	485,857,382	15.5600
2000	2002	198,823,574	397,647,148	31,962,803	63,925,606	230,786,377	461,572,754	15.5600

(1) Includes properties subject to Industrial Facility Tax exemptions.

(2) Per \$1,000 of taxable value.

**CITY OF TECUMSEH, MICHIGAN**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**  
*(rate per \$1,000 of taxable value)*

Fiscal Year Ended June 30,	Direct	Overlapping Rates					Totals (2)	
	(1)	Tecumseh Public Schools	State Education Tax	Lenawee		Tecumseh District Library	Homestead	Non- Homestead
	City General Operating			Intermediate School District	County			
2011	14.3966	25.2000	6.0000	7.2796	5.7128	1.1472	41.7362	59.7362
2010	14.3966	25.2000	6.0000	7.2796	5.6128	1.1472	41.6362	59.6362
2009	14.3966	25.2000	6.0000	7.2796	5.6128	1.1472	41.6362	59.6362
2008	14.3966	25.2000	6.0000	7.2796	5.6128	1.1472	41.6362	59.6362
2007	14.8246	25.2000	6.0000	7.2900	5.6270	1.1472	42.0888	60.0888
2006	14.8966	25.2000	6.0000	7.3409	5.6663	1.1472	42.2510	60.2510
2005	14.8450	25.1567	6.0000	7.4102	5.7145	1.1472	42.3169	60.2736
2004	15.5300	23.2906	5.0000	7.4867	5.7730	1.1500	42.1397	58.2303
2003	15.5600	23.2907	6.0000	7.5465	5.8191	-	42.1256	58.2163
2002	15.5600	25.0290	6.0000	7.6449	5.6165	-	42.0214	59.8504

SOURCES: Treasurer, City of Tecumseh

- (1) The City has only a general operating levy; there are no other components -- i.e., other voted tax rates/levies.
- (2) Homesteads do not pay 18 mills of the Tecumseh Public Schools total rate whereas non-homesteads do.

**CITY OF TECUMSEH, MICHIGAN**  
**Principal Property Taxpayers**  
**Current Year and Nine Years Ago**

Taxpayer	2011			2002		
	(1) Taxable Valuation	Rank	% of Total City Taxable Value	(1) Taxable Valuation	Rank	% of Total City Taxable Value
Lenawee Stamping Corporation	\$ 17,104,500	1	6.36%	\$ 17,792,784	1	7.71%
United Bank & Trust	3,012,287	2	1.12%	1,958,937	7	0.85%
Consumer Energy Company	2,764,880	3	1.03%	3,029,900	4	1.31%
D.J. Martin	2,651,221	4	0.99%	1,354,854	10	0.59%
D & P Communications	2,591,100	5	0.96%	-	-	-
Tecumseh Place Apartments	2,527,700	6	0.94%	2,173,734	6	0.94%
Ervin Industries, Inc.	2,245,685	7	0.84%	3,264,281	3	1.41%
Tecumseh Bakery (Tecumseh Products Company - 02)	1,757,400	8	0.65%	15,348,828	2	6.65%
Cambrian of Tecumseh LLC	1,586,700	9	0.59%	-	-	-
SETO	1,196,900	10	0.45%	-	-	-
Tecumseh Plaza	-	-	-	2,212,700	5	0.96%
Faraday, Inc.	-	-	-	1,455,900	9	0.63%
Glycon Corporation	-	-	-	1,545,900	8	0.67%
	<u>\$ 37,438,373</u>		<u>13.93%</u>	<u>\$ 50,137,818</u>		<u>21.72%</u>

(1) Includes ad valorem and Industrials Facilities Tax property (at full value).

SOURCE: Assessor and Treasurer, City of Tecumseh

**CITY OF TECUMSEH, MICHIGAN**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

(1) Fiscal Year Ended June 30,	(2) Taxes Levied for the Fiscal Year	Collected within the		(3) Delinquent Collections	Total Collections to Date	
		Fiscal Year of the Levy			Amount	% of Levy
		Amount	% of Levy		Amount	% of Levy
2011	\$ 3,802,136	\$ 3,659,201	96.2%	\$ 143,614	\$ 3,802,815	100.0%
2010	4,011,043	3,838,188	95.7%	171,795	4,009,983	100.0%
2009	4,170,769	3,990,235	95.7%	176,682	4,166,917	99.9%
2008	4,185,847	3,938,272	94.1%	138,843	4,077,115	97.4%
2007	4,159,786	4,028,312	96.8%	128,795	4,157,107	99.9%
2006	3,985,374	3,857,201	96.8%	104,780	3,961,981	99.4%
2005	3,828,177	3,725,289	97.3%	94,875	3,820,164	99.8%
2004	3,830,362	3,733,713	97.5%	85,249	3,818,962	99.7%
2003	3,676,747	3,579,371	97.4%	81,419	3,660,790	99.6%
2002	3,400,837	3,242,042	95.3%	75,641	3,317,683	97.6%

(1) Property taxes are levied July 1 of the current fiscal year based on taxable property values as of the preceding December 31. Unpaid property taxes become delinquent as of September 1 of the current fiscal year. The City's delinquent real property taxes are purchased by the Lenawee County Delinquent Tax Revolving Fund. Uncollected personal property taxes must be collected by the City Treasurer.

(2) Includes Industrial Facility Tax.

(3) Includes settlement from Lenawee County Delinquent Tax Revolving for purchase of delinquent real property taxes.



## **Debt Capacity**

**CITY OF TECUMSEH, MICHIGAN**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Years**

Year	General Bonded Debt Outstanding			% of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Total		
2011	\$ 1,490,000	\$ 7,440	\$ 1,482,560	0.55%	\$ 173.99
2010	1,510,000	7,292	1,502,708	0.53%	177.23
2009	425,000	1,225	423,775	0.14%	49.22
2008	440,000	724	439,276	0.15%	50.50
2007	455,000	605	454,395	0.16%	51.89
2006	620,000	48,771	571,229	0.21%	66.62
2005	755,000	124,453	630,547	0.24%	73.54
2004	415,000	61,460	353,540	0.14%	41.23
2003	720,000	72,279	647,721	0.27%	75.54
2002	1,020,000	77,039	942,961	0.41%	109.98

Source: City of Tecumseh Finance Department

**CITY OF TECUMSEH, MICHIGAN**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Years**

<u>Year</u>	<u>Governmental Activities</u>				<u>Business-type Activities</u>	
	<u>General Obligation Bonds</u>	<u>Amounts Restricted to Repaying Principal</u>	<u>Purchase Agreement</u>	<u>Capital Lease</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>
2011	\$ 1,490,000	\$ (7,440)	\$ 1,051,981	\$ -	\$ 1,652,104	\$ -
2010	1,510,000	(7,292)	1,051,981	-	1,732,104	-
2009	425,000	(1,225)	2,086,981	-	1,812,104	-
2008	440,000	(724)	2,086,981	796	1,379,872	-
2007	455,000	(605)	2,086,981	2,336	-	65,000
2006	620,000	(48,771)	2,142,381	3,809	-	125,000
2005	755,000	(124,453)	2,260,800	5,219	-	180,000
2004	415,000	(61,460)	166,200	-	-	230,000
2003	720,000	(72,279)	221,600	-	-	280,000
2002	1,020,000	(77,039)	-	-	-	325,000

Source: City of Tecumseh Finance Department

Details regarding the City's debt can be found in the notes to the financial statements.

**Schedule 11  
UNAUDITED**

	<b>Total Primary Government</b>	<b>% of Personal Income</b>	<b>% of Actual Taxable Value of Property</b>	<b>Per Capita</b>
\$	4,186,645	1.42%	1.56%	\$ 491.33
	4,286,793	1.45%	1.52%	505.58
	4,322,860	1.41%	1.47%	502.07
	3,906,925	1.30%	1.32%	449.12
	2,608,712	0.88%	0.90%	297.90
	2,842,419	0.98%	1.03%	331.52
	3,076,566	1.08%	1.16%	358.83
	749,740	0.26%	0.29%	87.44
	1,149,321	0.43%	0.47%	134.05
	1,267,961	0.48%	0.55%	147.88

**CITY OF TECUMSEH, MICHIGAN**  
**Computation of Net Direct and Overlapping Debt**  
**As of June 30, 2011**

	<u>Gross Amount Outstanding</u>	<u>Self-Supporting or Paid by Benefited Entity</u>	<u>Net Amount Outstanding</u>
<b>Direct debt</b>			
General obligation bonds	\$ 1,490,000	\$ -	\$ 1,490,000
General obligation bonds - wastewater	1,652,104	1,652,104	-
General obligation bonds - DDA	930,000	-	930,000
Purchase agreements and capital leases	<u>1,051,981</u>	<u>-</u>	<u>1,051,981</u>
Net direct debt	<u>\$ 5,124,085</u>	<u>\$ 1,652,104</u>	<u>3,471,981</u>
<b>Overlapping debt (1)</b>			
Lenawee County (7.8%)			1,112,538
Tecumseh Public Schools (43.3%)			<u>18,570,310</u>
Net overlapping debt			<u>19,682,848</u>
<b>Net direct and overlapping debt</b>			<u>\$ 23,154,829</u>

Source: 2010 Lenawee County, Tecumseh Public Schools, and City of Tecumseh L-4029.

- (1) The percentage of overlapping debt applicable is estimated using taxable assessed values. Applicable percentages were estimated by dividing the portion of the county's taxable assessed value that is within the City's boundaries and dividing it by the county's total taxable assessed value.

**CITY OF TECUMSEH, MICHIGAN**  
**Legal Debt Margin**  
**Last Ten Years**

**Legal Debt Margin Calculation for Fiscal 2011**

Assessed value	\$ 268,799,299
Debt limit (10% of assessed value)	\$ 26,879,930
Less: debt applicable to limit - general obligation bonds	3,471,981
Add: amounts available for repayment of general obligation bonds	724
<b>Legal debt margin</b>	<b>\$ 23,408,673</b>

	<u>Debt Limit</u>	<u>Total Net Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Total Net Debt Applicable to Limit as a Percentage of Debt Limit</u>
2011	\$ 26,879,930	\$ 3,471,257	\$ 23,408,673	12.91%
2010	28,280,678	3,658,206	24,622,472	12.94%
2009	29,369,845	1,780,632	27,589,213	6.06%
2008	29,514,933	1,981,229	27,533,704	6.71%
2007	28,904,718	2,110,547	26,794,171	7.30%
2006	27,603,882	1,887,721	25,716,161	6.84%
2005	26,571,483	2,247,721	24,323,762	8.46%
2004	25,579,975	2,597,961	22,982,014	10.16%
2003	24,292,869	1,866,646	22,426,223	7.68%
2002	23,078,638	2,163,171	20,915,467	9.37%

Source: City of Tecumseh Treasurer

## **Demographic and Economic Information**

**CITY OF TECUMSEH, MICHIGAN**  
**Demographic and Economic Statistics**  
**Last Ten Years**

<u>Year</u>	<u>Population</u>	<u>Total Personal Income</u> (8)	<u>Per Capita Income</u> (8)	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2010	8,521 (6)	\$ 295,235,200 (7)	\$ 29,572 (7)	2,943	12.5%
2009	8,479 (5)	295,235,200	29,572	3,066	16.1%
2008	8,610 (4)	306,781,300	30,459	3,190	13.6%
2007	8,699 (3)	300,654,400	29,714	3,250	8.6%
2006	8,757 (2)	296,287,900	29,263	3,405	6.9%
2005	8,574 (1)	291,373,000	28,866	3,451	6.9%
2004	8,574 (1)	285,548,000	28,297	3,430	6.5%
2003	8,574 (1)	283,217,700	28,190	3,460	6.6%
2002	8,574 (1)	268,249,100	26,780	3,413	5.9%
2001	8,574 (1)	262,994,900	26,412	3,312	5.3%

<u>Year</u>	<u>Population</u>	<u>Median Age</u>
2010	8,521	39.8
2000	8,574	36.3
1990	7,462	33.6
1980	7,320	30.0
1970	7,120	27.4
1960	7,045	-
1950	4,020	-

(1) Per 2000 Census

(2) Estimate as of July 2006

(3) Estimate as of July 2007

(4) Estimate as of July 2008

(5) Estimate as of July 2009

(6) Per 2010 Census

(7) Data not yet available; as such, used prior year amount

(8) Lenawee County (of which City of Tecumseh is part of); city data not available

SOURCES:

School Enrollment - Tecumseh Public Schools

Population and Unemployment Rate - Michigan Department of Energy, Labor and Economic Growth

Personal and Per Capita Income - Bureau of Economic Analysis



**CITY OF TECUMSEH, MICHIGAN**  
**Principal Employers**  
**Current Year and Nine Years Ago**

Employer	2011			2002		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
Lenawee Stamping Corporation	500	1	6.27%	425	2	5.33%
Tecumseh Public Schools	276	2	3.46%	360	3	4.51%
Herrick Memorial Hospital	276	2	3.46%	254	4	3.18%
United Bank and Trust	129	4	1.62%	138	7	1.73%
City of Tecumseh	62	5	0.78%	57	8	0.71%
Tecumseh Products Company	40	6	0.50%	1,000	1	12.54%
Ididit	38	7	0.48%	-	-	-
Ervin Industries, Inc.	35	8	0.44%	35	9	0.44%
Tecumseh Packaging Solutions, Inc.	35	8	0.44%	140	6	1.76%
Spectrum Printers	-	-	-	31	10	0.39%
Faraday, Inc.	-	-	-	225	5	2.82%
MWC Global	30	10	0.38%	-	-	-
	<u>1,421</u>		<u>17.82%</u>	<u>2,665</u>		<u>33.42%</u>

Source: Economic Development Department, City of Tecumseh  
Employer Human Resource Departments

## **Operating Information**

**CITY OF TECUMSEH, MICHIGAN**  
**Full-Time Equivalent City Government Employees by Function/Program**  
**Last Eight Years (1)**

Function/Program	Full-time Equivalent Employees as of June 30							
	2004	2005	2006	2007	2008	2009	2010	2011
General Government								
City Council	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
City Manager	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.3
City Clerk	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.0
City Treasurer	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
City Assessor	1.5	1.75	1.75	1.0	1.0	1.0	1.0	1.0
Development Services	3.5	3.5	2.45	2.45	2.45	2.45	2.60	2.17
Economic Development	2.5	2.5	2.75	2.75	2.75	2.75	2.50	2.50
Public Safety								
Police	21.0	22.0	21.0	20.66	17.95	18.09	18.08	15.13
Emergency Services (Fire)	4.0	4.5	4.2	4.03	4.07	4.0	3.0	3.0
Public Works								
Department of Public Works	10.5	9.0	9.0	9.0	9.0	9.0	7.0	6.0
Cemetery	3.0	3.0	2.5	3.0	2.63	2.0	2.0	1.0
Culture & Recreation								
Parks & Recreation	4.0	4.5	4.0	3.8	5.14	4.11	3.50	2.42
Civic Auditorium	3.5	4.5	4.75	4.38	4.03	2.75	2.75	2.50
Public Utilities	11.5	10.0	8.25	8.0	7.0	8.0	8.0	8.0
	<u>80.0</u>	<u>80.3</u>	<u>75.6</u>	<u>74.1</u>	<u>71.0</u>	<u>69.2</u>	<u>64.4</u>	<u>57.0</u>

(1) Only eight years were available. Information will be collected and added each year from this point on.

SOURCE: City of Tecumseh

**CITY OF TECUMSEH, MICHIGAN**  
**Operating Indicators by Function/Program**  
**Last Ten Years**

<b>Function/Program</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Public Safety</b>										
Police:										
Number of uniform crime reporting	606	812	489	416	436	368	687	515	819	885
Number of traffic violations	1,568	1,018	980	944	985	849	1,005	673	697	1,293
Number of arrests	244	234	237	222	249	320	355	243	344	629
Number of parking violations	34	31	27	23	27	20	14	17	26	41
Fire:										
Number of calls answered	597	622	598	598	685	690	679	711	720	780
Number of inspections conducted	4	8	15	15	10	15	15	6	3	15
<b>Public Works</b>										
Miles of local streets maintained	28	28	28	28	28	28	28	28	28	28.27
Miles of major streets maintained	16	16.57	16.57	16.57	16.57	16.57	16.57	16.57	16.57	16.57
<b>Culture &amp; Recreation</b>										
Parks & Recreation:										
Basketball participation	212	206	120	181	219	238	227	218	161	330
Soccer participation	949	906	914	951	985	947	877	851	736	766
Floor/inline hockey participation	113	109	87	62	57	51	48	56	48	96
Flag football participation	133	182	193	192	128	128	86	74	86	172
Baseball/softball participation	408	475	530	382	443	412	401	300	219	123
Volleyball participation	65	46	64	93	97	93	83	48	64	30
Tennis lessons	18	21	48	35	70	19	55	52	23	45
Golf lessons	11	15	7	10	18	9	39	17	4	27
Recreation center activities participation	1,678	1,746	2,102	2,550	2,611	2,669	2,704	2,605	2,800	2,600
Picnic shelter rentals	-	-	-	75	91	85	60	57	74	66
Glass room/main room rentals	-	-	-	139	92	107	91	99	79	72
Civic Auditorium:										
Number of shows	14	6	6	6	7	33	27	29	23	19
Average show attendance	150	400	350	300	350	340	340	380	385	395
Number of rentals	13	12	12	14	15	17	46	61	58	70
<b>Public Utilities</b>										
Miles of sanitary sewers maintained	49	49	52	53	53	53	53	53	53	53
Miles of storm sewers	20	20	20	20	20	20	20	20	20	20
Miles of water mains	53	53	56	56	56	56	56	56	56	56
Number of service connections	3,546	3,646	3,689	3,762	3,866	3,874	3,874	3,878	3,878	3,891
Number of fire hydrants	399	399	411	431	431	433	433	433	433	444

Source: City of Tecumseh