



City of
Tecumseh
State of Michigan

**Popular
Annual
Financial
Report**

**For Fiscal Year Ended
June 30, 2020**



Tecumseh, Michigan

Innovative Timeless Inviting



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Message to the Citizens

To the Citizens of the City of Tecumseh:



Dan Swallow
City Manager

We are pleased to present to you the city of Tecumseh’s eleventh Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2020. The intent of this report is to summarize and report the city’s financial condition in a concise and user-friendly manner.

The information in this report is derived primarily from the City’s Comprehensive Annual Financial Report (CAFR), which contains more technical and complex information, for the fiscal year ended June 30, 2020. The financial information in the CAFR was prepared in accordance with generally accepted accounting principles (GAAP) and was independently audited by Rehmann Robson, LLC, Certified Public Accountants. The City received an unmodified (“clean”) opinion from our auditors, which is the highest form of financial assurance that an auditor can issue.

Unlike the CAFR, this PAFR is unaudited and not prepared in accordance with GAAP. Only the financial data for the primary government is included in this report and all of the City’s discretely presented components units are excluded. Information in this report is condensed and summarized and certain financial statements and note disclosures required by GAAP are not included. A copy of the City’s 2020 CAFR prepared in accordance with GAAP is located at <http://www.mytecumseh.org>.

We are proud to have received the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA) for the 22nd consecutive year for the fiscal year ended June 30, 2019 CAFR.

Thank you for your interest in the City of Tecumseh. We welcome any questions, comments or suggestions regarding the information included in this report.

Sincerely,

Daniel E. Swallow
City Manager

(Signatures not shown for security purposes.)

Rachel Peters
City Treasurer



Government Finance Officers Association

Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to

**City of Tecumseh
Michigan**

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2019

Christopher P. Morrell
Executive Director/CEO

Glossary of Terms (found in this PAFR)

Debt. Just like a homeowner takes out a mortgage, governments can borrow money to pay for certain types of projects. The City has both short-term debt (paid back within the fiscal year) and long-term debt. Debt can be either **general obligation** debt, meaning that the City pays back the debt with regular tax collections and other revenues, or **special revenue** debt, which is paid off over time with revenue from specified sources beyond the usual taxes and service fees.

Fiscal year (FY). The 12-month period of time during which budgets are allocated or finances are planned. Most households have a fiscal year that runs from January 1 to December 31 (that's the period for which we pay personal income taxes in April), while the City uses a July 1 - June 30 fiscal year.

Fund balance. Once all the bills for the year have been paid out of a certain fund, whatever is left over is called the fund balance. When a fund balance is less than zero, you'll see the number shown with parentheses around it. Deficits cause fund balances to decrease, while surpluses cause them to increase.

About Tecumseh

Tecumseh, Michigan is a vibrant community, situated 25 miles southwest of Ann Arbor, Michigan and 40 miles northwest of Toledo, Ohio. The city currently has a land area of approximately 5.4 square miles and a population of 8,466 based on a July 1, 2019 estimate.

The Mission and Vision of the City of Tecumseh is to provide excellent services and embrace change that enhances the quality of life, encourages a strong economy, and promotes a world class place to live, work and play.

The government is empowered to levy a property tax on both real and personal property located within its boundaries. 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 City Council is required to adopt a final budget prior to the start of the fiscal year to which it pertains.

Prior to the COVID-19 shutdowns, the City was experiencing an expanding economic environment; however, the impacts of COVID-19 have slowed growth and resulted in significant unemployment. Following the national unemployment rate of 11.2%, Lenawee County as of June 30, 2020 was experiencing a 1.9% higher rate and considerably higher compared to last year at this time. The region has a significant manufacturing base that contributed to this higher unemployment rate. This fiscal year showed continued strength in residential development with permits for 17 new residential units, one new commercial building, 448 building additions or improvements, and sales data indicating rising values.

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 redevelopment proposal has been started for the former Tecumseh Products site in the south-central area of the City; and investment in this area should lead to improvements in property values.

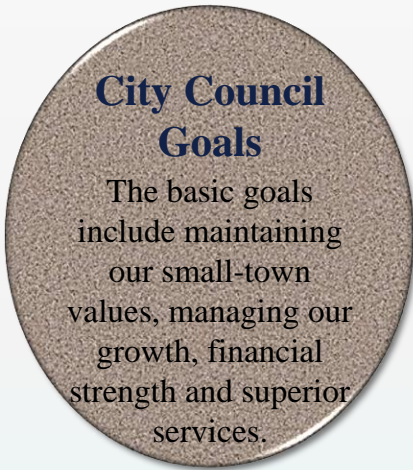
Despite these positive trends, the changes in the assessed value of taxable property in the City continues to be constrained by the Headlee Amendment (which limits the annual increase in the State Equalized Value of real property) and the provisions of Proposal A (which limits increases in taxable property values to 5% or the rate of inflation, whichever is less). In 2020, the Michigan Department of Treasury accepted inflation rate was 1.9%. Additionally, the full economic impact of COVID-19 is still unknown. Taken together, these fiscal factors create a trend toward ever-tightening budgets under which the City must operate.



Community Profile

- The City of Tecumseh was founded in 1824 and incorporated as a city in 1954.
- Population: 8,466 (2019 Estimate)
- Per capita income: \$39,600 (2019)
- Landmass: Area - Total 5.4 square miles
- Median age: 39.8 (2010)
- Median household value - \$135,600 (2019)
- Average household size – 2.57 (2019)
- Unemployment rate: 13.0% (2019)

(Source: U.S. Census Bureau, Population and Unemployment Rate – Michigan Department of Energy, Labor and Economic Growth Personal and Per Capital Income – Bureau of Economic Analysis)



2020 Top 10 Principal Employers

Employer	Employees
Kirchoff Van-Rob Tecumseh	760
Tecumseh Public Schools	352
Cambrian Assisted Living	90
Busch's	90
Herrick Memorial Hospital	76
Ervin Industries	69
City of Tecumseh	58
GLOVE	47
Ididit	44
Tecumseh Packaging Solutions	30

2020 Top 10 Principal Property Taxpayers

Taxpayer	Taxable Value
Kirchoff Van-Rob Tecumseh	\$ 8,979,605
Consumer Energy Company	6,552,704
Cambrian of Tecumseh LLC	3,371,007
Ervin Industries, Inc.	3,175,935
D.J. Martin	2,424,263
Tecumseh Place Apartments	2,111,600
Old National Bank	1,962,555
Tri-Bros. (Busch's)	1,482,616
SETO	1,159,928
Roberts Investments	1,110,342

Location



City of *Tecumseh*

25

Ann Arbor

60

Detroit

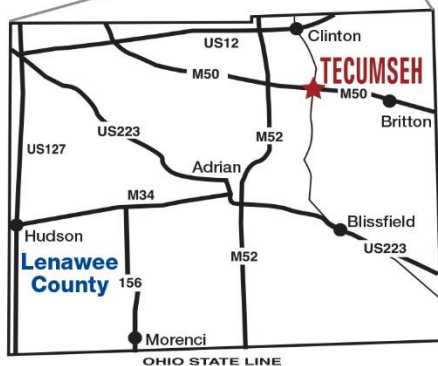
40

Toledo

Tecumseh is located in Lenawee County, MI:
60 miles SW of Detroit
25 miles south of Ann Arbor
40 miles NW of Toledo, OH



Lenawee County
Michigan



Area Attractions



Downtown Tecumseh

Nestled inside historic buildings you'll find an interesting mix of specialty shops, boutiques and dining options. Tecumseh hosts many great festivals and events throughout the year,

including an Ice Sculpture Festival in January, a Sand Sculpting Event in July and our largest event in October, the Appleumpkin Festival, which brings over 35,000 people to town each year. Our merchants also host many other smaller events during the year which showcase our unique shops and restaurants.



Art Trail Tecumseh

Art Trail Tecumseh is a free self-guided outdoor sculpture exhibit, waiting for you to explore, on your own time, at your own pace. The sculptures will be on display in Tecumseh throughout the year, with new sculptures installed in the spring each year. It is a pleasant way to spend an afternoon with family and friends.



Stone Mountain Family Fun Center

Stone Mountain Family Fun Center offers fun for the whole family. Grab your club and enjoy an exciting game of putt-putt golf including a waterwheel, stream and cave. Afterward grab a bite to eat and an ice cream treat.

Tecumseh's River Raisin Run - Looped Canoe Adventure

The River Raisin Run is a looped water trail nestled into the heart of Indian Crossing Trails. Grab your canoe or kayak and enjoy nearly three miles of waterways as you take in the splendor of a natural Michigan forest, filled with native plant species and wildlife.

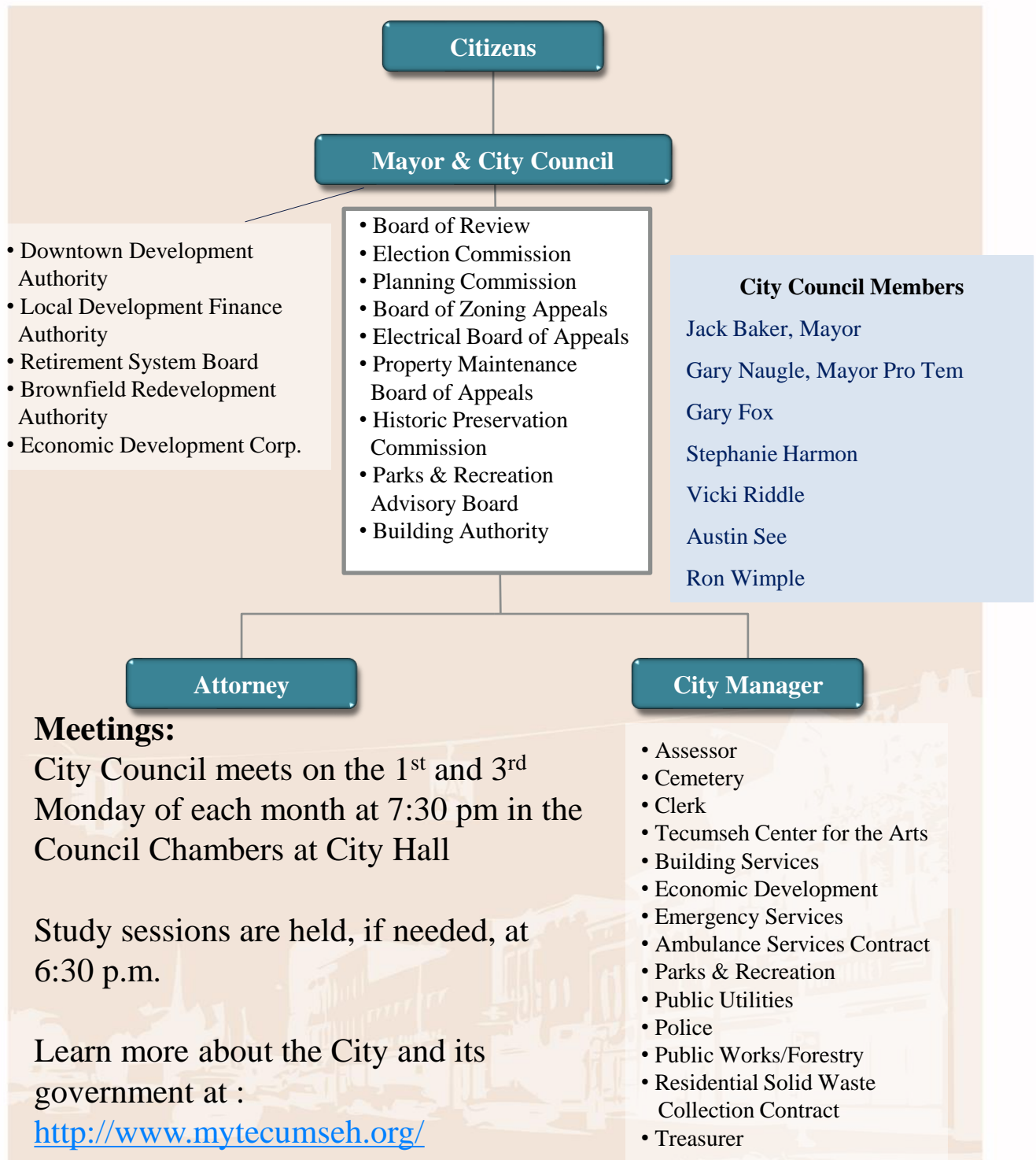


Tecumseh Center for the Arts

TCA has a state-of-the-art projection, sound and technical system, which can accommodate local productions as well as national touring companies. TCA can also be a comfortable venue for business meetings, conventions and special events of all types.



Government Structure



Meetings:

City Council meets on the 1st and 3rd Monday of each month at 7:30 pm in the Council Chambers at City Hall

Study sessions are held, if needed, at 6:30 p.m.

Learn more about the City and its government at :

<http://www.mytecumseh.org/>

Financial Highlights

The government's total net position increased by \$611,382.

The unassigned fund balance for the general fund was \$2,234,279 or 40 percent of total general fund expenditures.

The City's total bonded debt increased by a net amount of \$2,440,985 during the current fiscal year.

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$31,010,747 (net position). Of this amount, there is a deficit of \$2,089,385 in unrestricted net position which is a decline over past years primarily due to steps to address pension and other postemployment benefit liabilities.

Governmental Funds. Governmental funds include the General Fund, the chief operating fund of the City, and the Center for the Arts funds. They include most of the basic services of the city. As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,478,341, an increase of \$2,901,603 from the prior year. Approximately 27 percent of this total amount, or \$2,234,279, is available for spending at the government's discretion (unassigned fund balance).

Both the increase in fund balance and the increase in total bonded debt can be primarily attributed to the issuance of a new \$2,500,000 general obligation bond for road construction.



Where The Money Comes From

The revenue chart to the right presents the percentage of sources of total revenues from the City's Statement of Activities, including charges for services, operating and capital grants, and property taxes. The City's major revenue sources are property taxes (41%) and charges for services (32%). Revenues are the monies brought in to run the city.

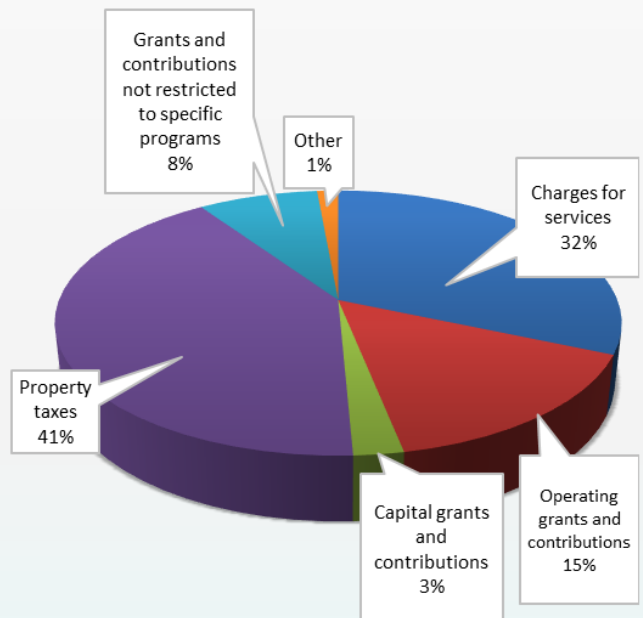
Operating Grant. Provides support for the day-to-day costs of government operations.

Capital Grant. Provides support specifically for capital costs.

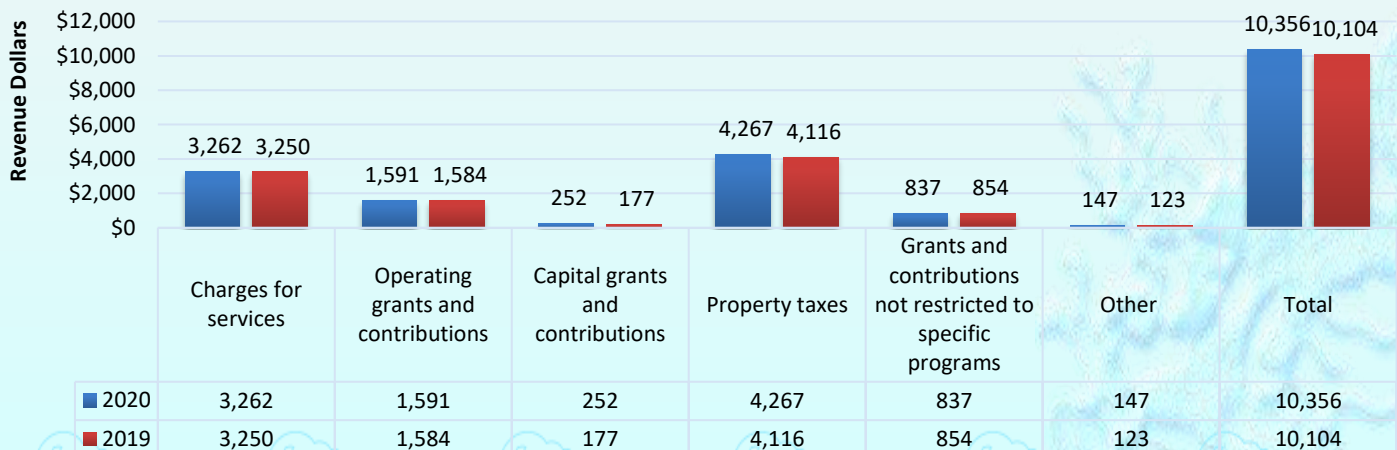
Program Revenues. Revenues derived directly from specific government programs.

Revenue by Source - 2020

- Charges for services
- Operating grants and contributions
- Capital grants and contributions
- Property taxes
- Grants and contributions not restricted to specific programs

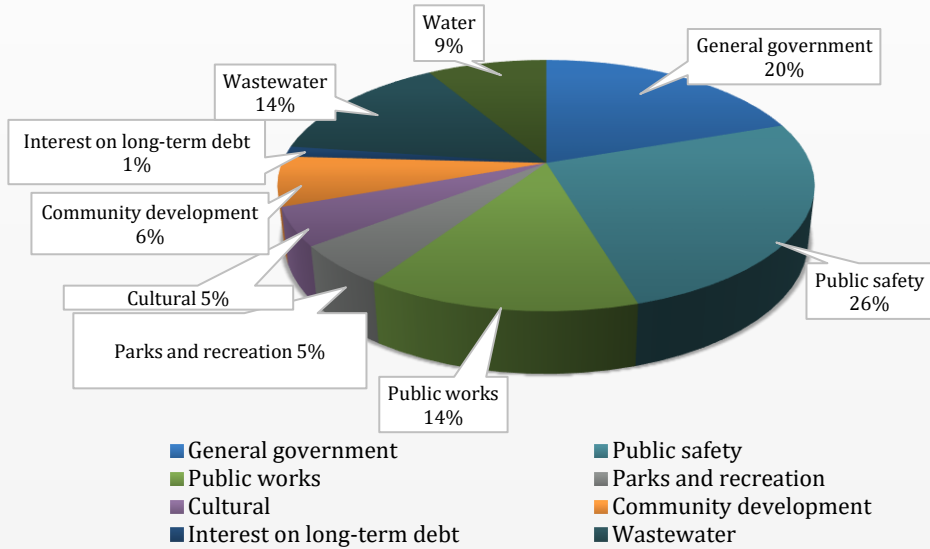


Revenue by Source - 2019 vs 2020 (in thousands)



Where The Money Goes

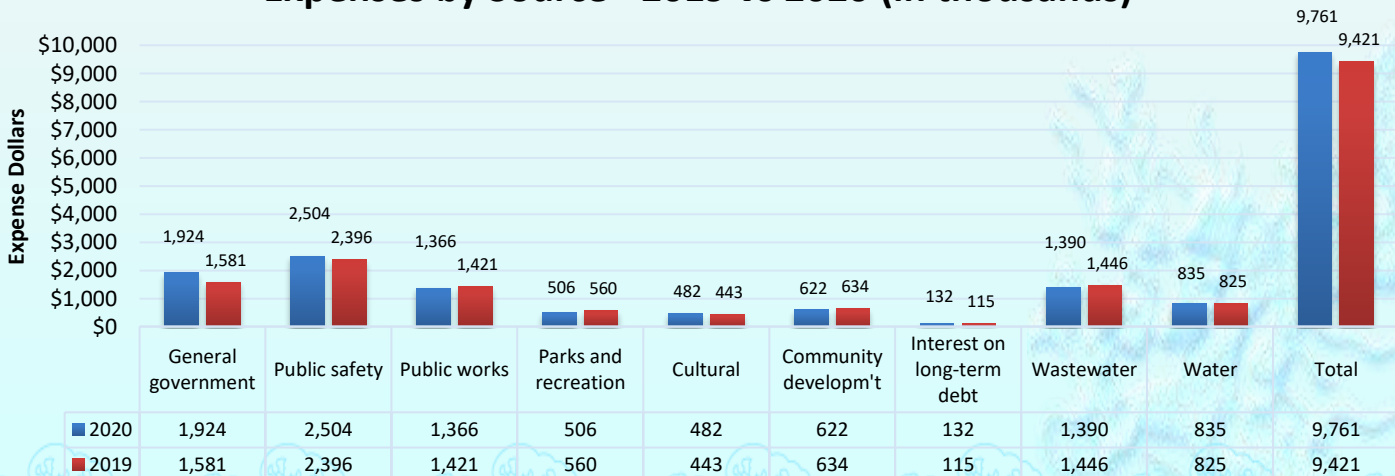
Expenses by Source - 2020



The expense chart above presents the percentage of the City’s total expenses by function from the Statement of Activities. The functions include general government, public safety, public works, parks and recreation, cultural and community development, wastewater and water. The City’s largest expenses are Public Safety (26%), General Government (20%), and Public Works (14%). Expenses are the costs that the city incurs to run the city.

The largest increase in expenses was in general government, in large part due to the addition of the School Resource Officer in the Police Department, followed by salary and benefits increases implemented with new collective bargaining agreements as well as for non-union employees. There were also significant information technology expenses in the implementation of the new phone system.

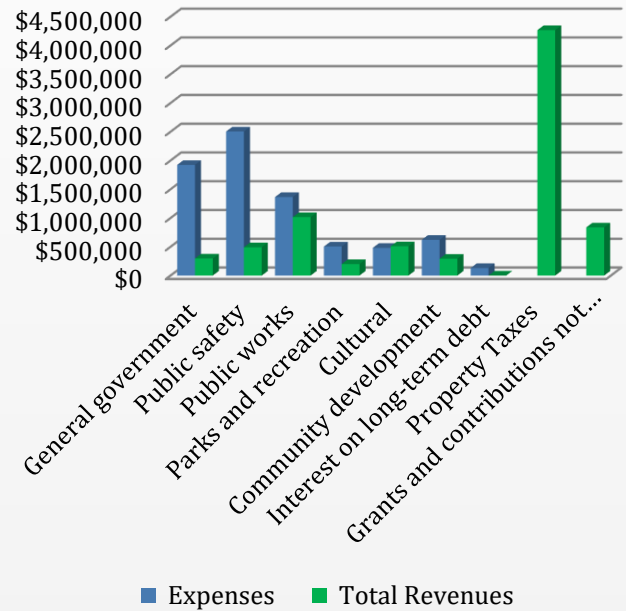
Expenses by Source - 2019 vs 2020 (in thousands)



Expenses and Total Revenues (Governmental Activities)

Governmental activities are the services the City provides to citizens such as protection of life and property, public works, parks and recreation programs and culture and social services. The revenues are what the City brings in from taxes, permits and fines. Governmental activities increased the City's net position by \$532,540 in the current fiscal year; by comparison, in the prior year, governmental activities net position increased by \$715,481. Key elements of this change include: Property tax revenues grew slightly with new development and incremental increases in taxable values. The City also saw small increases in the operating grants from the State of Michigan including Constitutional State Shared Revenue. However, the restrictions in Headlee and Proposal A limited gains to inflationary increases. The largest increase in expenses was in general government, in large part due to the addition of the School Resource Officer in the Police Department, followed by salary and benefits increases implemented with new collective bargaining agreements as well as for non-union employees. There were also significant information technology expenses in the implementation of the new phone system.

Governmental Activities



Expenses and Program Revenues (Business-Type Activities)

Business-Type Activities are commercial type activities of the City and include the City's water and wastewater utilities. Business-type activities increased the City's net position by \$78,842 as compared to a decrease of \$17,789 the prior year. Key elements of this change include:

- Small increases in capital grants and contributions to ensure the City is covering operational expenses as well as long-term debt obligations.
- Completion of significant upgrades and additions to the sanitary sewer system as a result of planned capital improvements funded through the State Revolving Fund as well as acceptance of infrastructure in a new residential development.

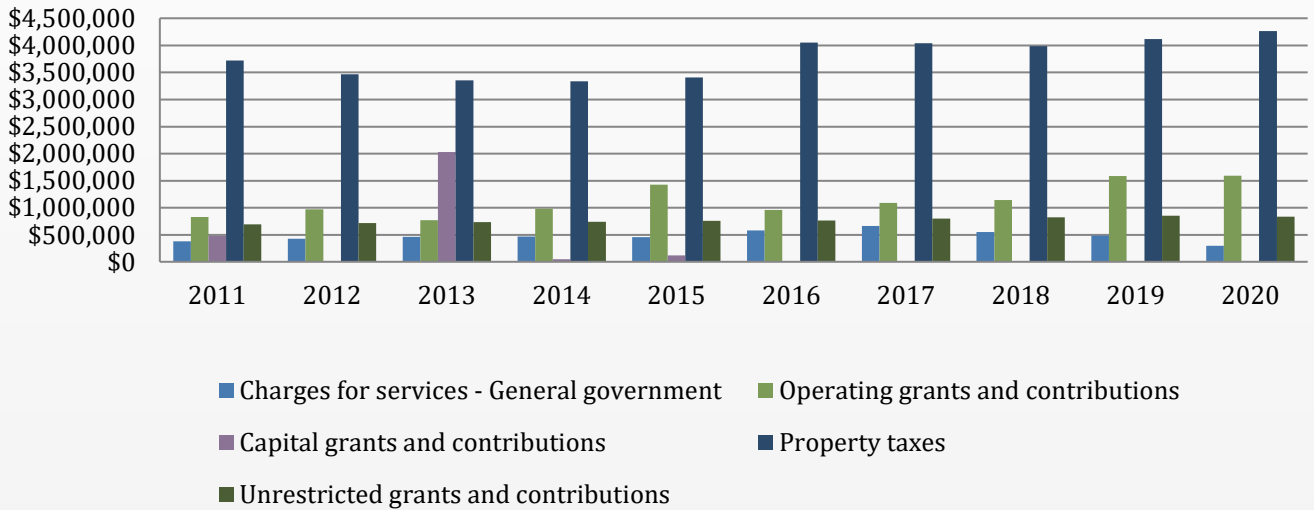
Business-type activities



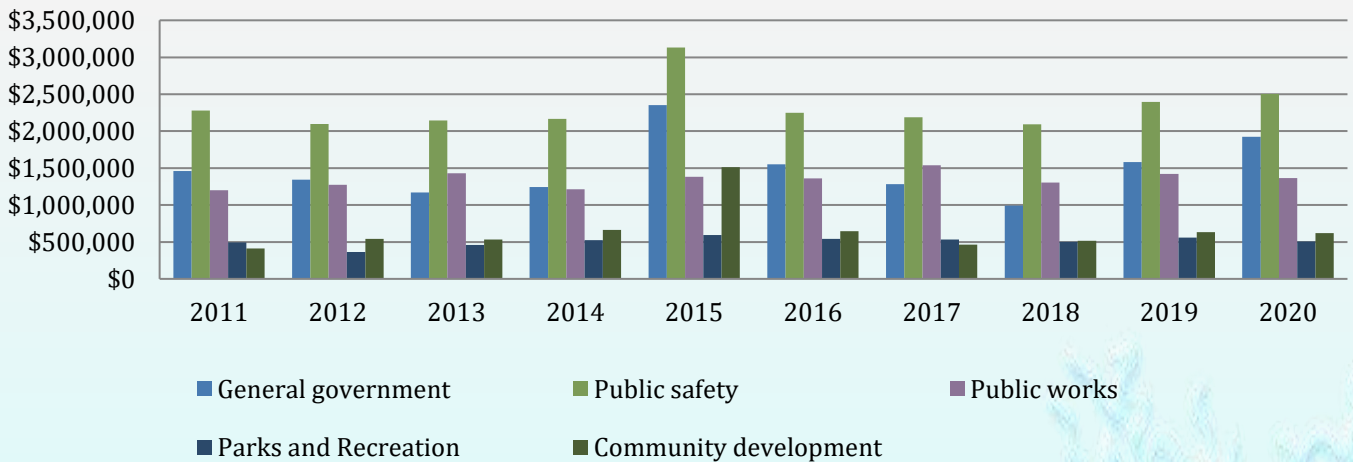
Last Ten Fiscal Years

Financial Trends in Revenues and Expenses – Governmental Activities

Top Five Revenues



Top Five Expenses



The significant increase in fiscal year 2015 expenses was due to the City adopting GASB 68, *Accounting and Financial Reporting for Pensions*, which significantly increased pension expense.

Tecumseh's Change in Net Position At June 30, 2020

When looking at the financial position of the city, there are two different sets of numbers to look at. The first set would be the Net Position of the city. When one looks at this number, they want to make sure the city has enough assets to cover their liabilities.

-**Assets** are items of value owned by the City that will provide future economic benefits.

-**Deferred Outflows of Resources** represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources until then.

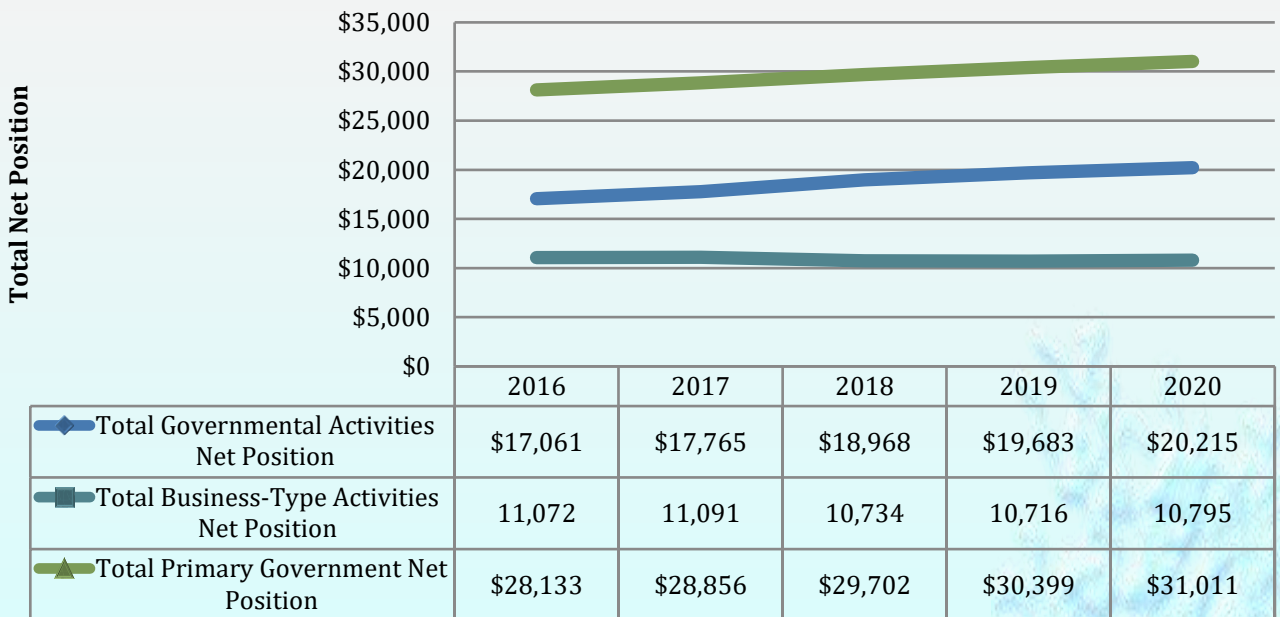
-**Liabilities** are amounts owed to others.

-**Deferred Inflows of Resources** represents revenue that applies to one or more future periods and so will not be recognized as an inflow of resources until that time.

-**Net Position** equals assets and deferred outflows minus liabilities and deferred inflows and may serve as a useful indicator of the City's financial position.

At the close of the most recent fiscal year, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$31,010,747, which reflects good financial position for the City as of June 30, 2020.

Total Net Position (in thousands) Over a Five Year Period (2016 - 2020)



City Departments

City Manager

The City Manager reports to the City Council and is responsible for the day-to-day operations of the City, including the various departments. Dan is also responsible for preparing and administering the various city budgets and ensuring the various goals of the City are met.

Dan Swallow was appointed the Director of Economic and Community Development for the City of Monroe in January of 2011 where he served for 5-years, until starting as City Manager in Tecumseh in December of 2015. He has credentials from the American Institute of Certified Planners and actively participates in the Michigan Association of Planning and Michigan Economic Developers Association.



City Clerk

The City Clerk administers elections, registers voters, serves as clerk to City Council and is the official record keeper for the City. The City Clerk's office is responsible for maintenance of City records, which includes all recorded actions of the City Council as well as deeds, easements, contracts and other general records, including Brookside Cemetery, which is owned and managed by the City.

Brookside Cemetery

Brookside Cemetery has a serene park like setting, filled with historic monuments and tombstones, dating back to the early 1800's.



City Departments

City Assessor

The Assessing department has a website that taxpayers can access regarding their property taxes free of charge. The City's Tax and Assessing Software allows citizens to access property details, such as current assessments, digital photos, building data, sales transactions, and recent tax bills. This website is also found on the City Treasurer's home page under Tax and Assessing Info.

Fire Department

The Fire Department provides fire, rescue, and EMS response to the community. The department is involved in providing fire prevention education, fire suppression and Medical First Response. The number of calls answered in 2020 was 1,018.



Police Department

The Police Department provides public safety services for the community.

2020 Service Accomplishments

<u>Accomplishment</u>	<u>Number</u>
• Uniform crime reporting	436
• Traffic violations	897
• Arrests	241
• Parking violations	24



City Departments

Parks and Recreation Department

There are over 300 acres of parkland within Tecumseh, brimming with green space, wildlife, waterways, and hiking/biking trails.

In addition to parks, we offer a full slate of activities, such as basketball, soccer, baseball/softball, volleyball, tennis and golf lessons, and activities at the recreation center.



Center for the Arts (TCA)

TCA provides arts and entertainment events for the community. There were 13 shows at the Civic Auditorium in 2020, with an average attendance of 324.



Public Works

Public works department is responsible for construction and maintenance of streets and storm sewers, as well as snow removal of streets and city-owned parking lots. There were 28 miles of local streets and 17 miles of major streets maintained in 2020.

City Departments

Economic Development

The Economic Development Department is the resource center and liaison for commercial and industrial businesses.



Utilities Department

The Utilities Department takes care of public water as well as wastewater treatment. For 2020, there were 4,427 service connections and 488 fire hydrants. In 2020, the Utilities Department maintained 53 miles of sanitary sewers, 20 miles of storm sewers, and 56 miles of water mains.

City Treasurer

The Treasurer's office is responsible for all financial transactions of the City, including the collection of taxes and fees. Under the direction of the Treasurer's Department, the City has received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada for the past twenty-two years.

Building Services Department

This Department oversees all new construction or additions to existing buildings in the city, including industrial, commercial and residential properties.



Tecumseh, Michigan

Innovative Timeless Inviting

