



plante moran | Audit. Tax. Consulting.
Wealth Management.

Financial Health Assessment: Village of Newberry, MI

October 3, 2018



Plante Moran overview

FAST FACTS



1924
Year
founded



2,200+
Staff



45+
Services
available



25+
Industries
served



23
Offices
worldwide



49
States
with clients



72
Countries
with clients



27
Languages
spoken firmwide



Brian Camiller, CPA

- Joined the firm in 1998
- Elected to Partnership in 2016
- 15 years as auditor serving local units of government
- 5 years leading Plante Moran Government Accounting Professionals (PMGAP)
- Serving Newberry since 2017
 - Chart of accounts conversion, 2017 budget analysis, 2018 budget creation, bank account consolidation, fiscal health assessment



Financial Health Assessment

- 10 year analysis – information from audited financial statements
- Identify trends and provide insight as to possible cause and effect
- Make suggestions for possible improvements

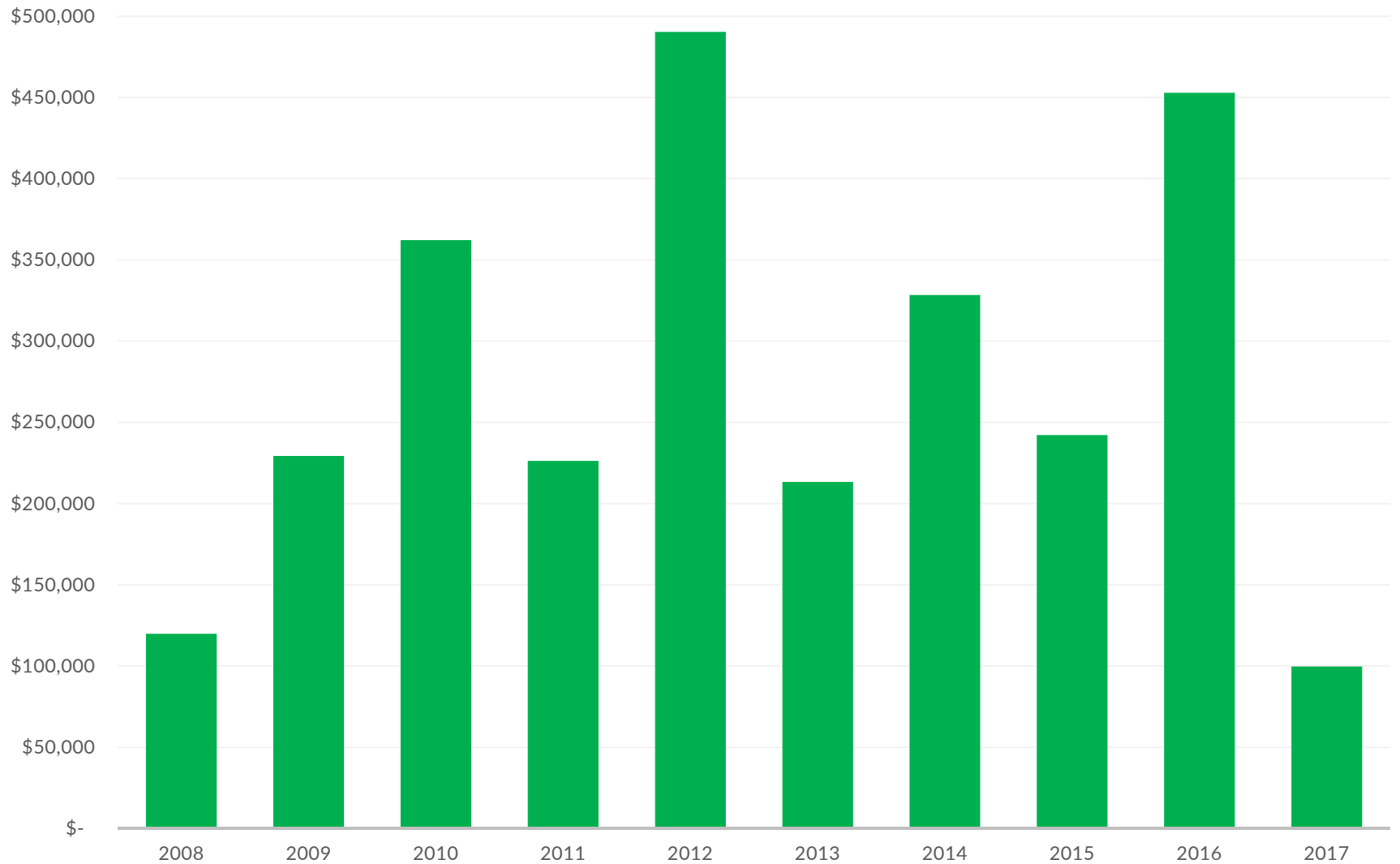


General Fund

- Primary operating fund of the Village
- Pays for general management and public works
- When another fund needs financial help, General Fund steps in

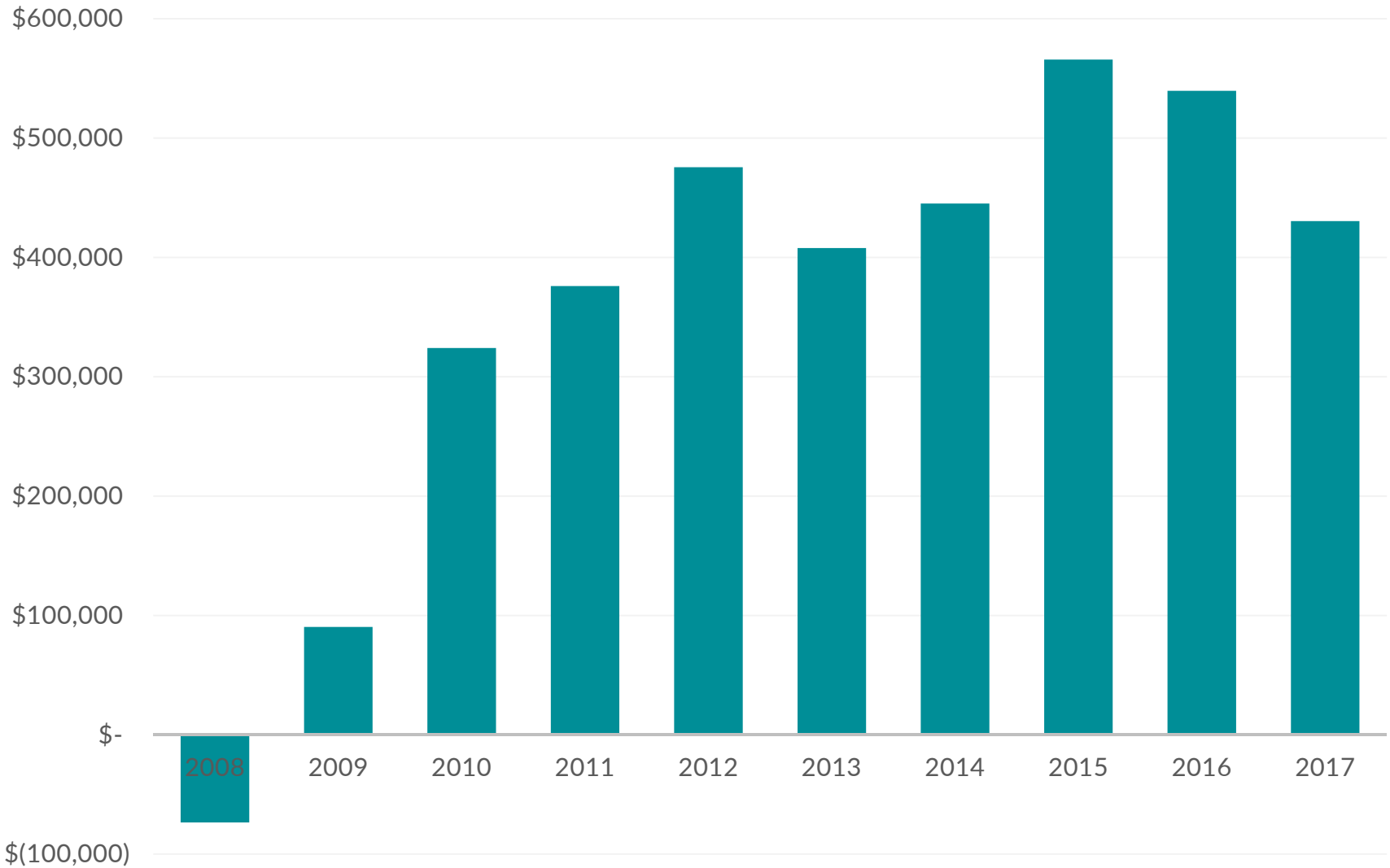


General Fund Cash Position Years Ended December 31





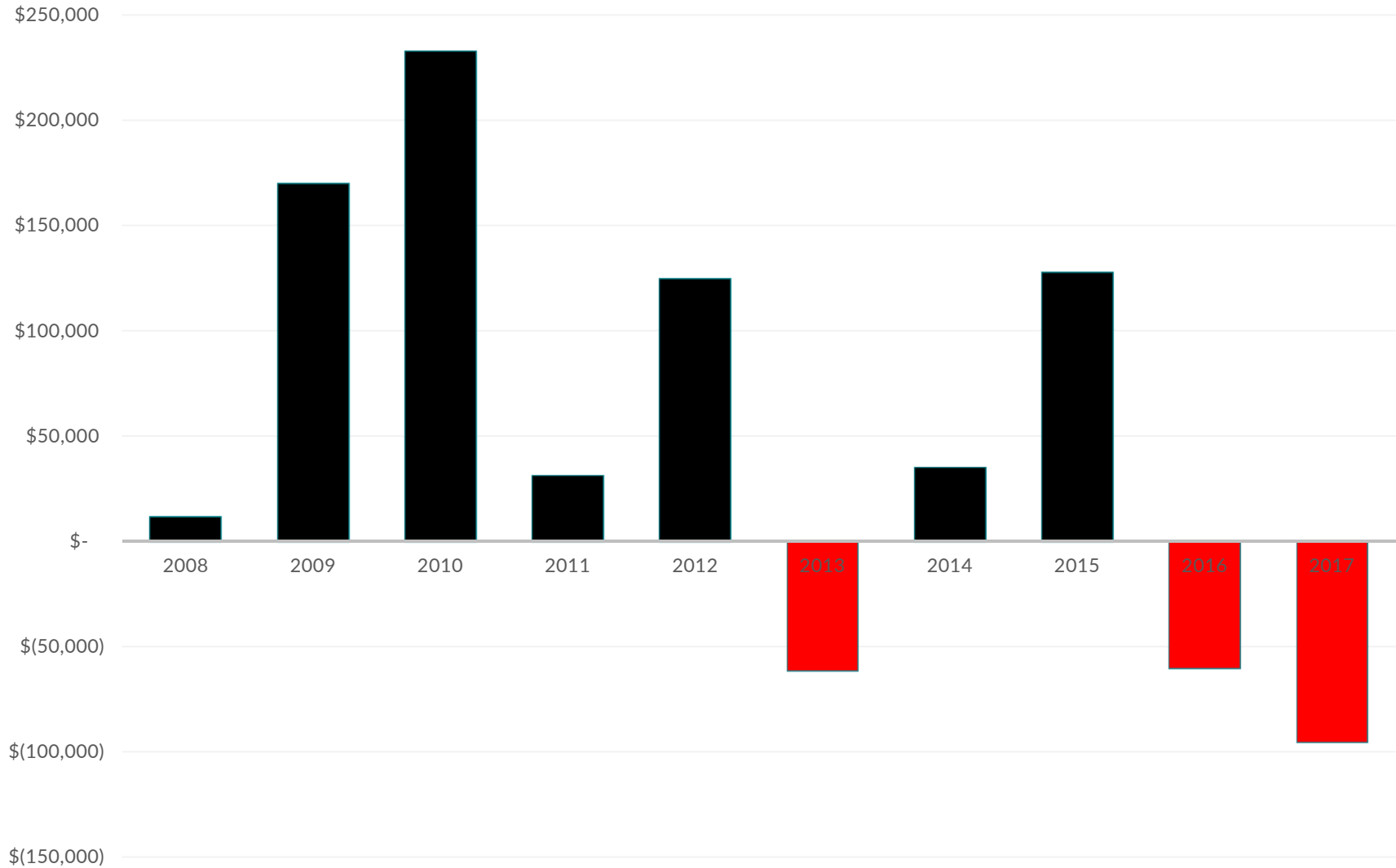
General Fund Cash Position – Net Cash* Years Ended December 31



**Cash balance net of Accounts Payable and Interfund balances

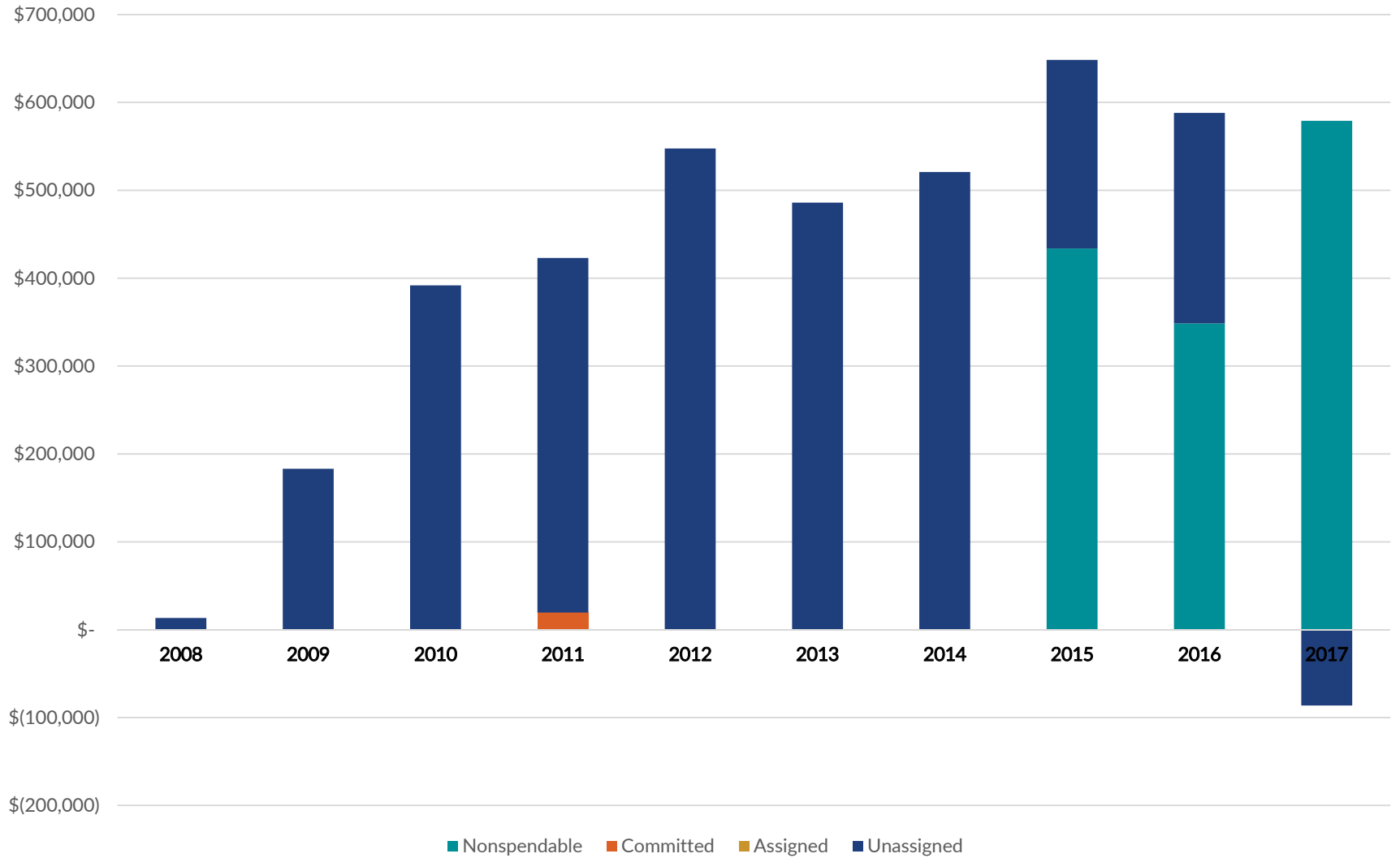


General Fund Net Income (Loss) Years Ended December 31



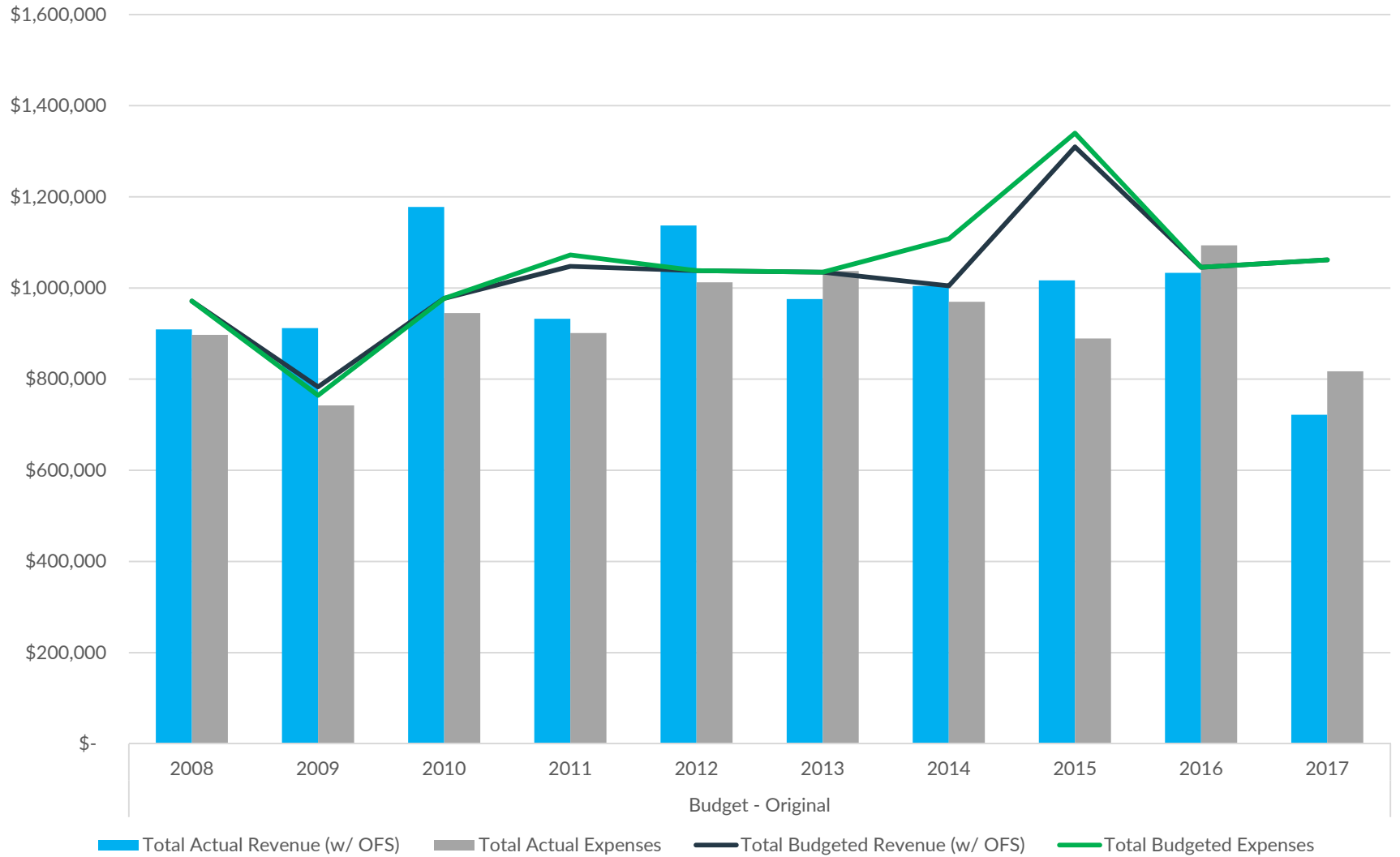


General Fund Fund Balance Years Ended December 31





General Fund Budget to Actual Revenue and Expenses Years Ended December 31





General Fund takeaways

1. GF is supporting other funds by either lending or outright giving away its cash
2. Sewer Fund has borrowed so much that GF has little left to give
3. If GF does not stabilize or start to collect its receivable from Sewer, GF cannot support other projects
4. If the Village suffered a financial emergency, GF may not have enough cash to take care of it.

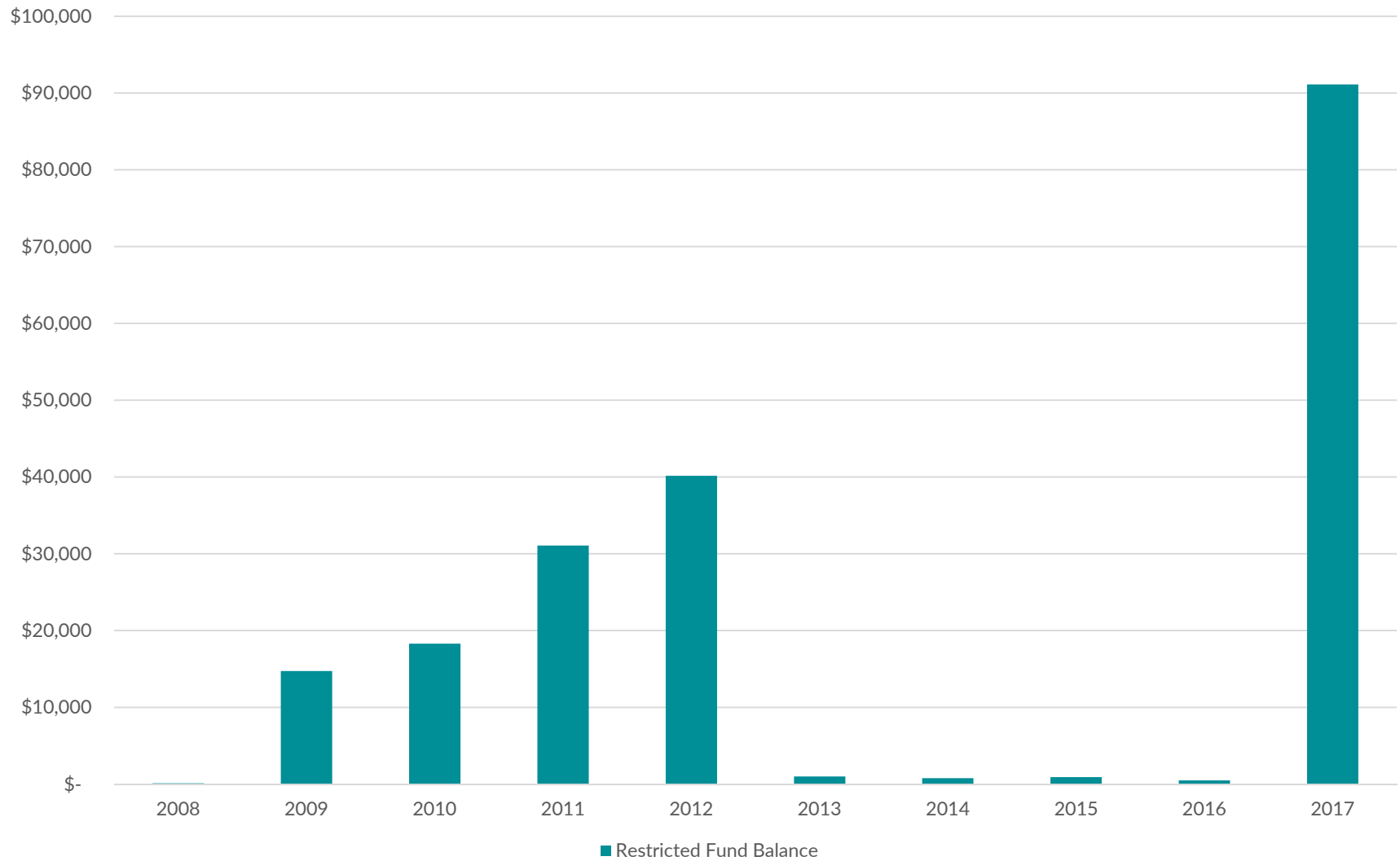


Major and Local Street Funds

- Responsible for street maintenance, snow plowing, and construction
- Funding comes from State of Michigan Department of Transportation (“Act 51”)
- When Act 51 isn’t enough, General Fund pitches in

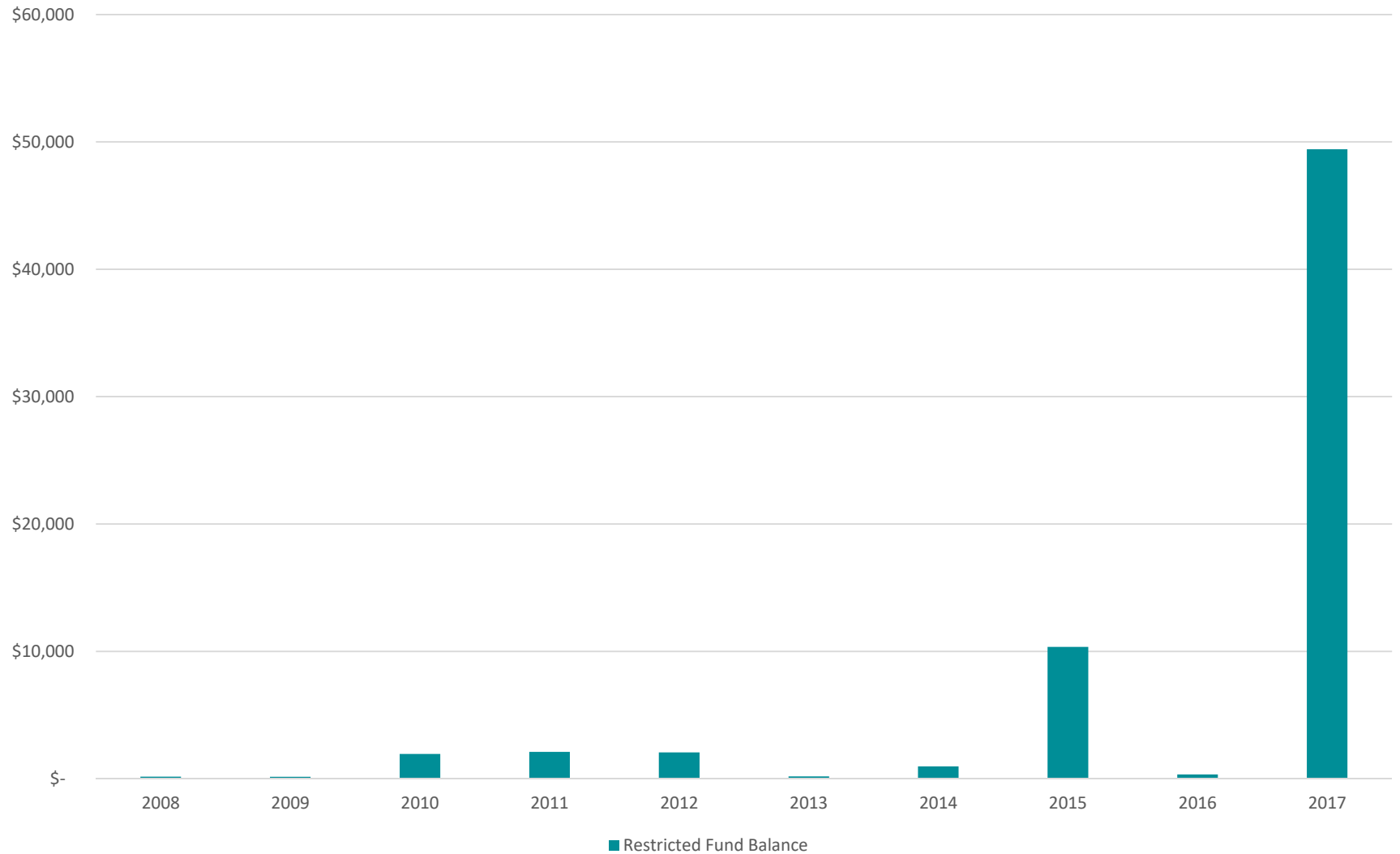


Major Streets Fund Fund Balance Years Ended December 31



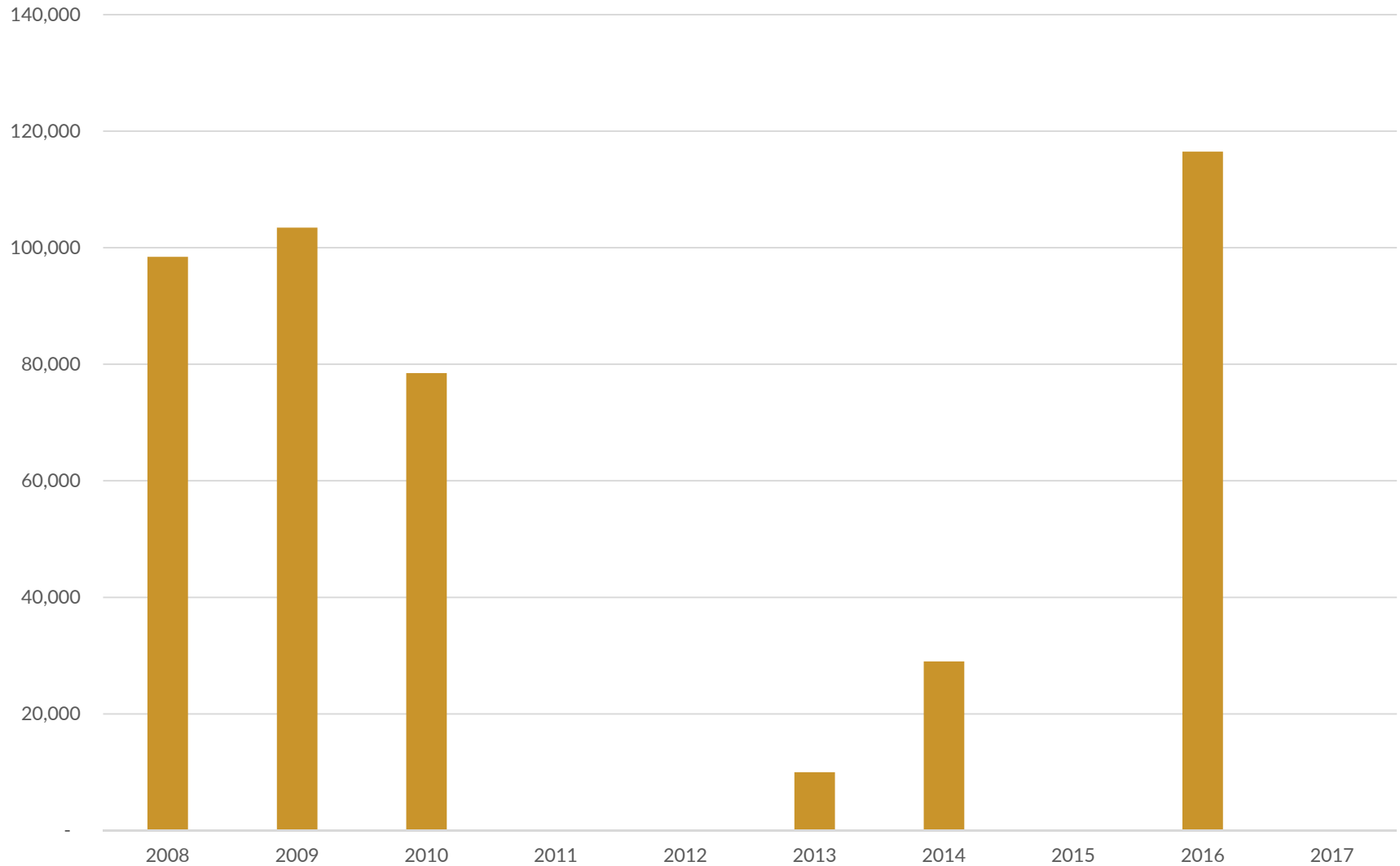


Local Streets Fund Fund Balance Years Ended December 31





Major and Local Streets Funds Net Transfers In(Out) Years Ended December 31





Major and Local Street Funds takeaways

1. The Village is appropriately spending all of its street funding on projects
2. GF has been subsidizing street projects when M&L do not have enough money
3. GF cannot subsidize projects any longer until GF stabilizes and rebuilds its cash position.

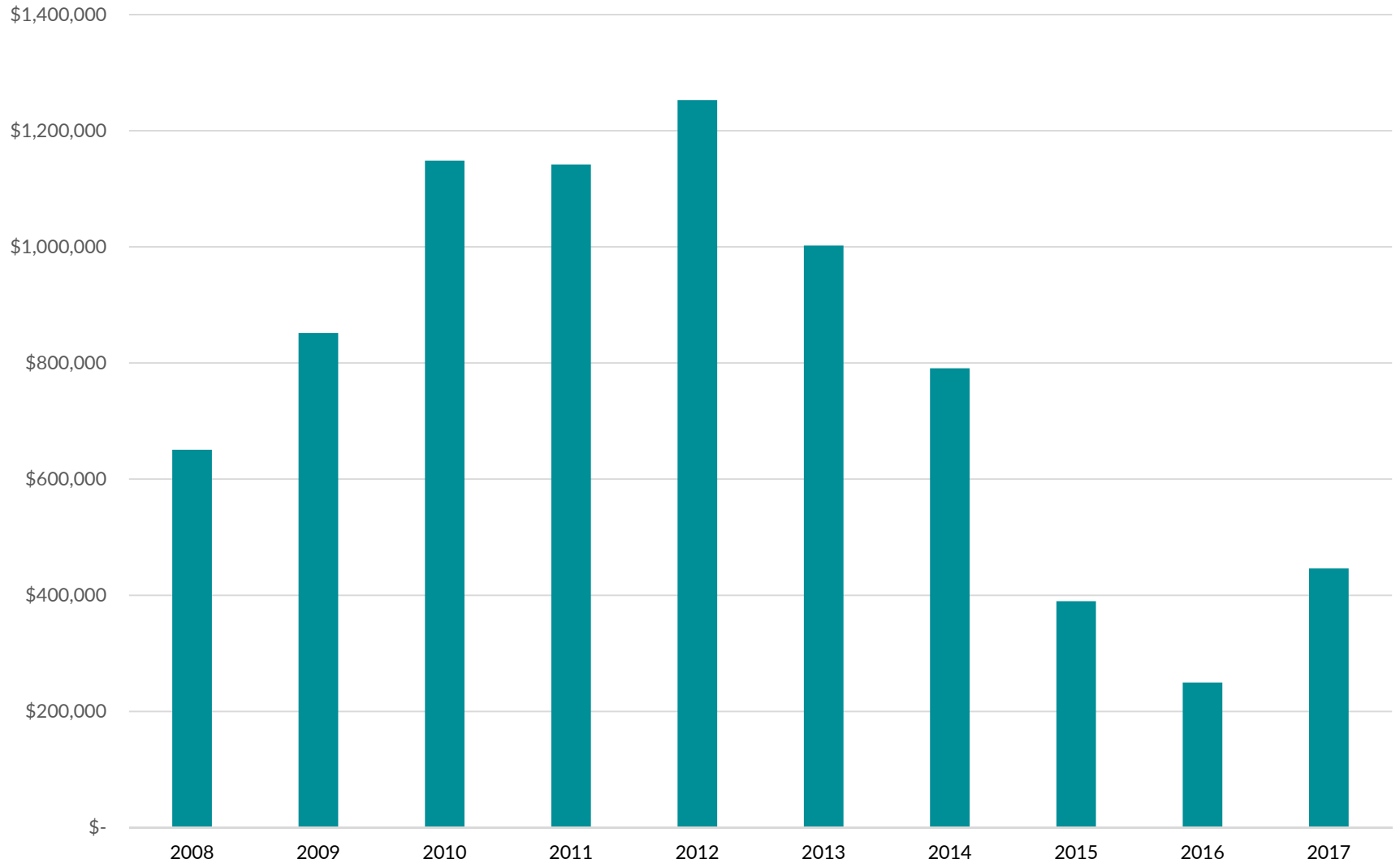


Enterprise Funds

- Electric, Water, and Sewer are “Enterprise” or “Proprietary” funds
- Enterprise Funds are supposed to operate “Like a business”
- Enterprise Funds charge users a fee for service and that fee is supposed to be sufficient for the fund to stand on its own



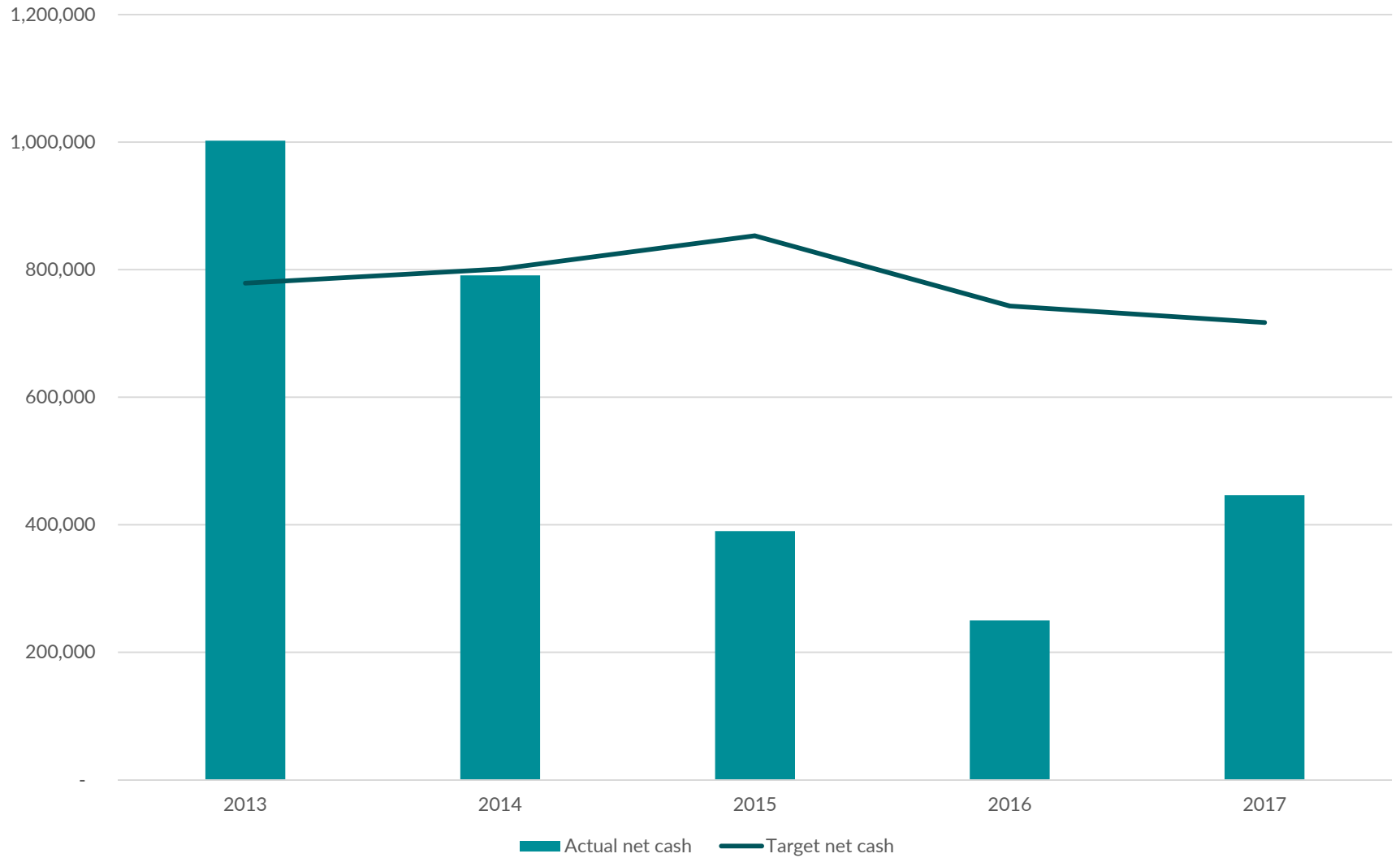
Electric Fund Cash Position – Net Cash* Years Ended December 31



**Cash balance net of interfund balances



Electric Fund Cash Reserves Years Ended December 31





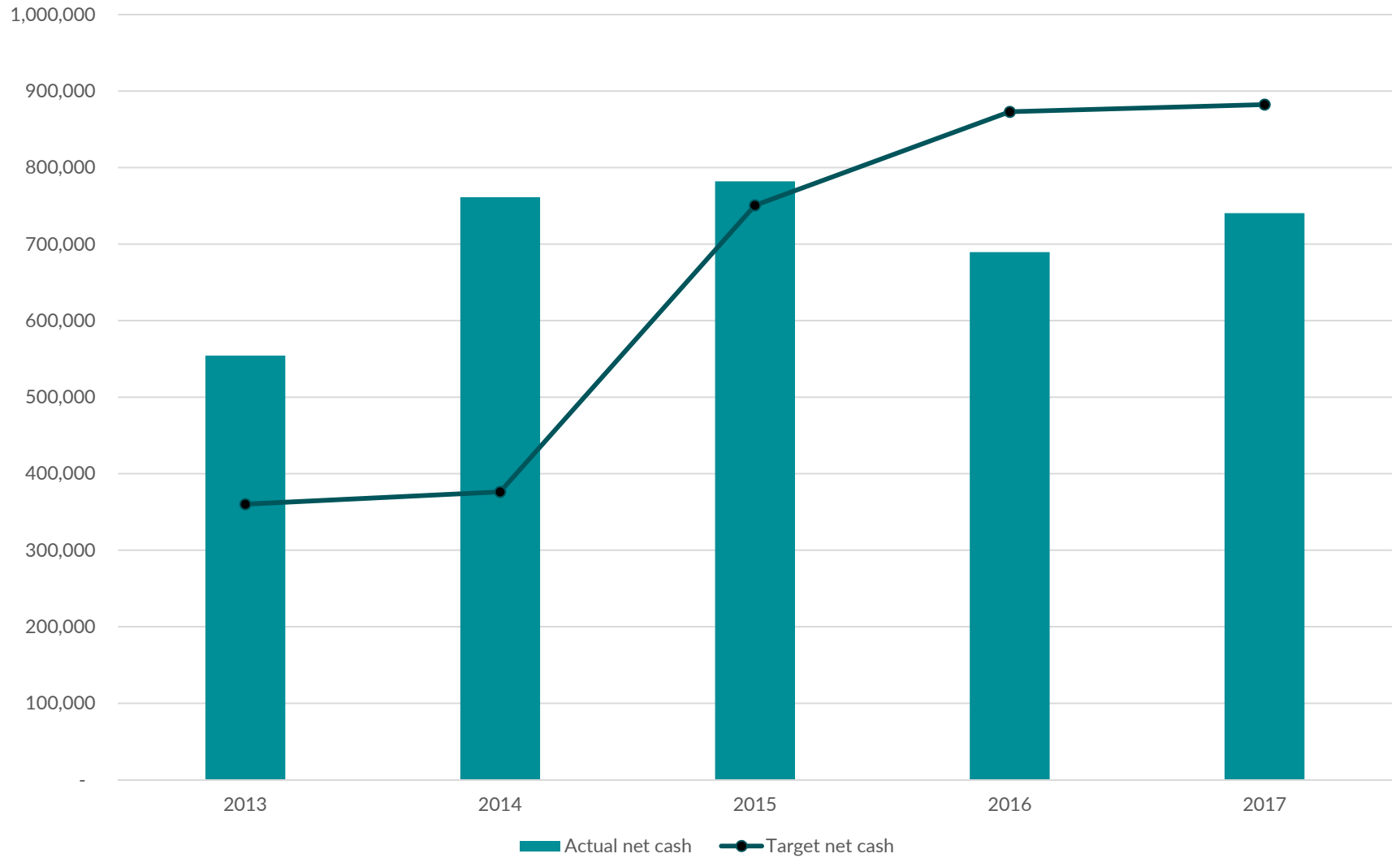
Water Fund Cash Position – Net Cash* Years Ended December 31



**Cash balance net of Interfund balances

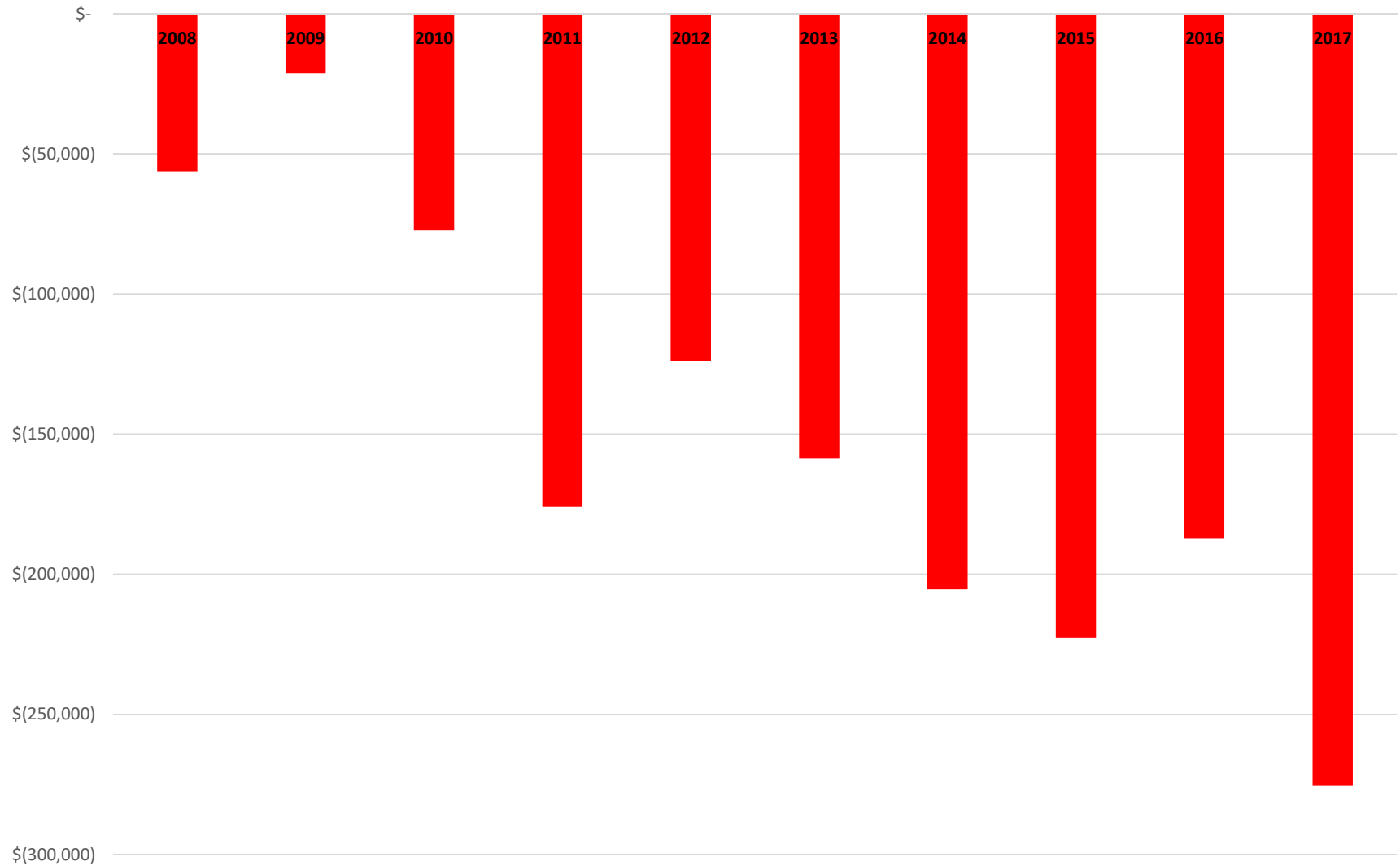


Water Fund Cash Reserves Years Ended December 31





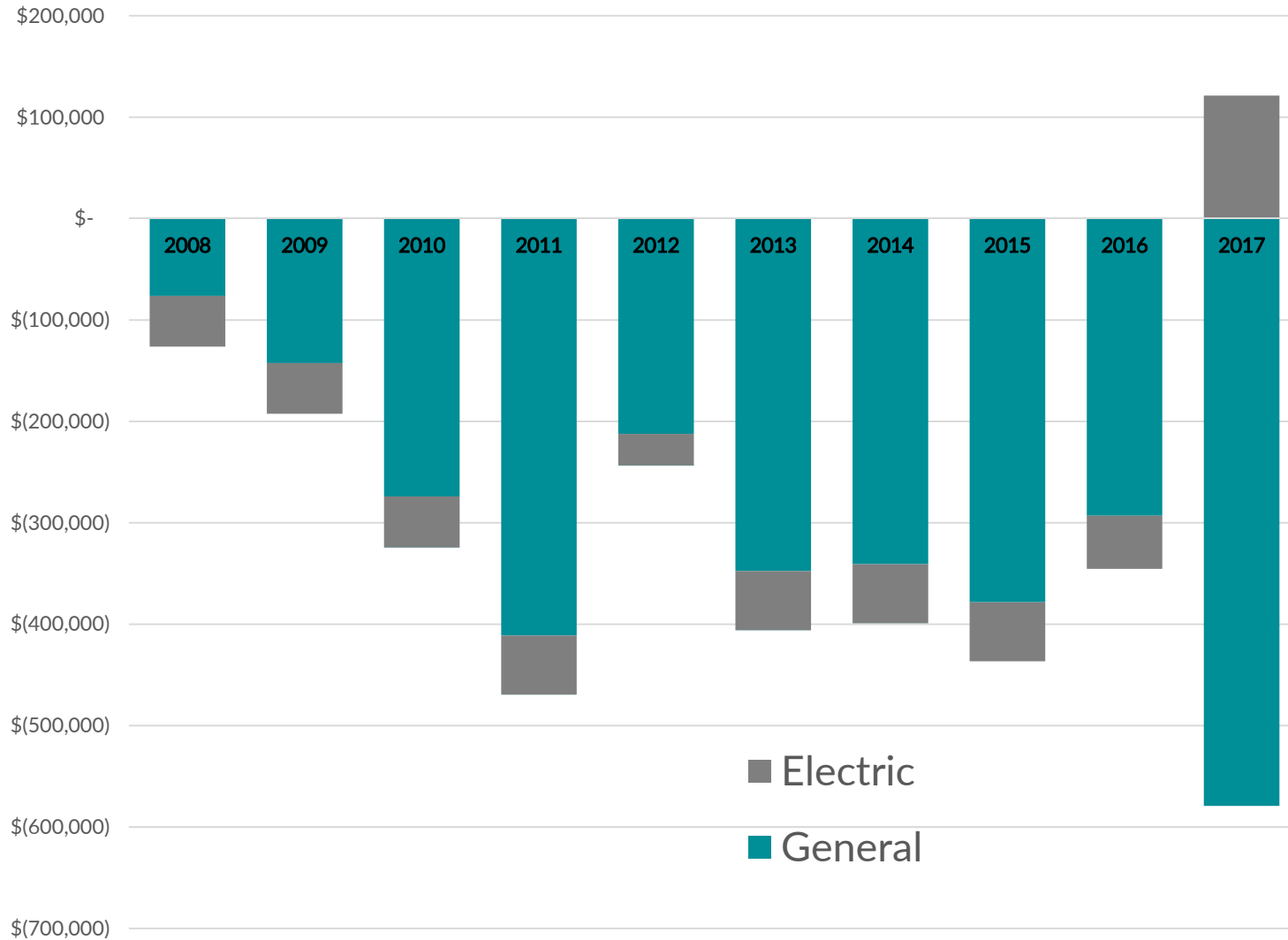
Sewer Fund Cash Position Analysis - Net Cash* Years Ended December 31



**Cash balance net of Interfund balances

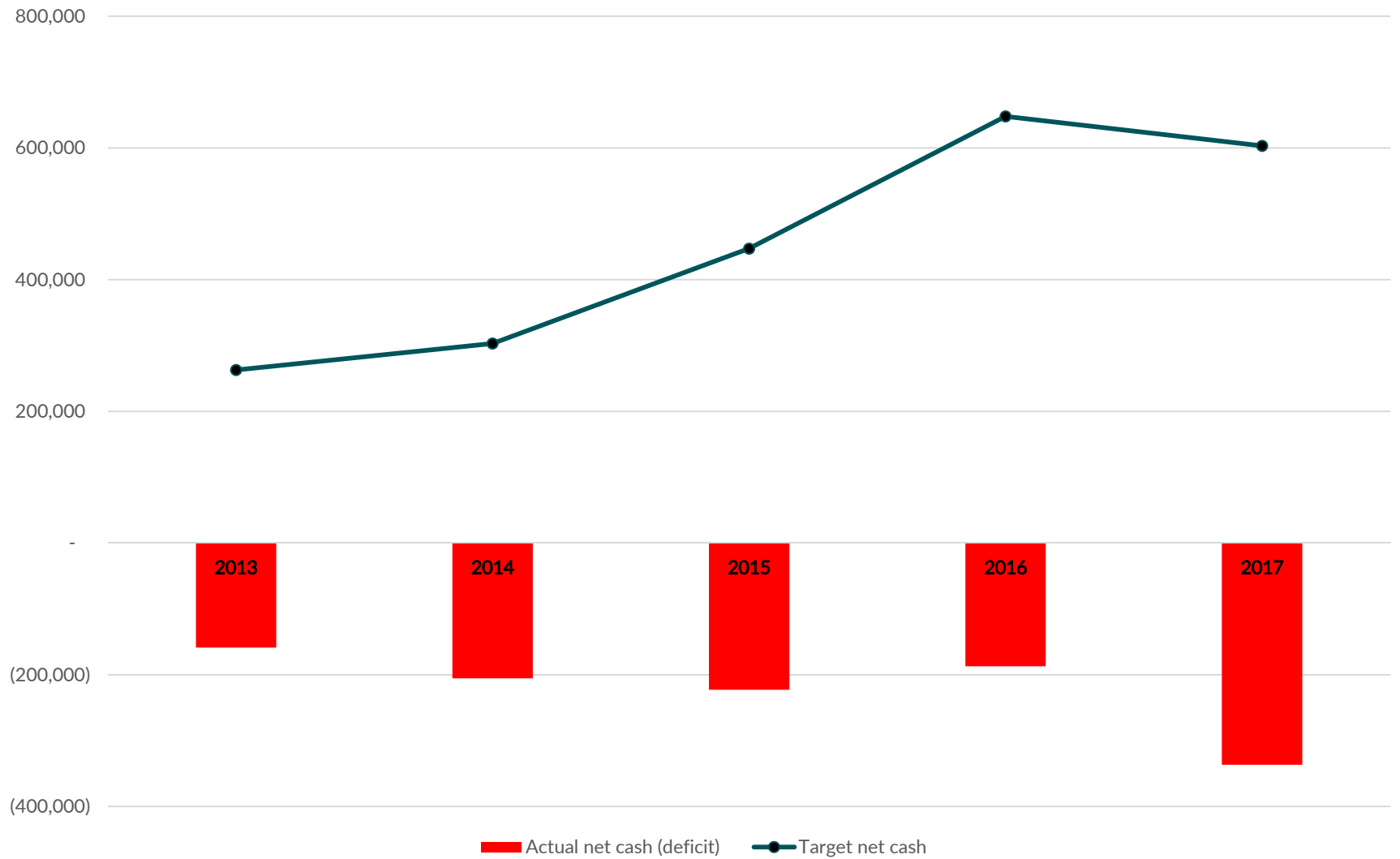


Sewer Fund Analysis of Interfund Balances Years Ended December 31





Sewer Fund Analysis of Cash Reserves Years Ended December 31





Enterprise Funds takeaways

1. Enterprise Funds are underfunded
 - Sewer is severely underfunded
2. 2017 rate increase for W&S was necessary
3. Expect more rate increases for all 3 Enterprise funds
4. Sewer Fund is heavily borrowing from GF and impairing GF's ability to operate
5. Sewer needs to collect its non-resident receivables or else the necessary rate increases to the Village customers will be even greater

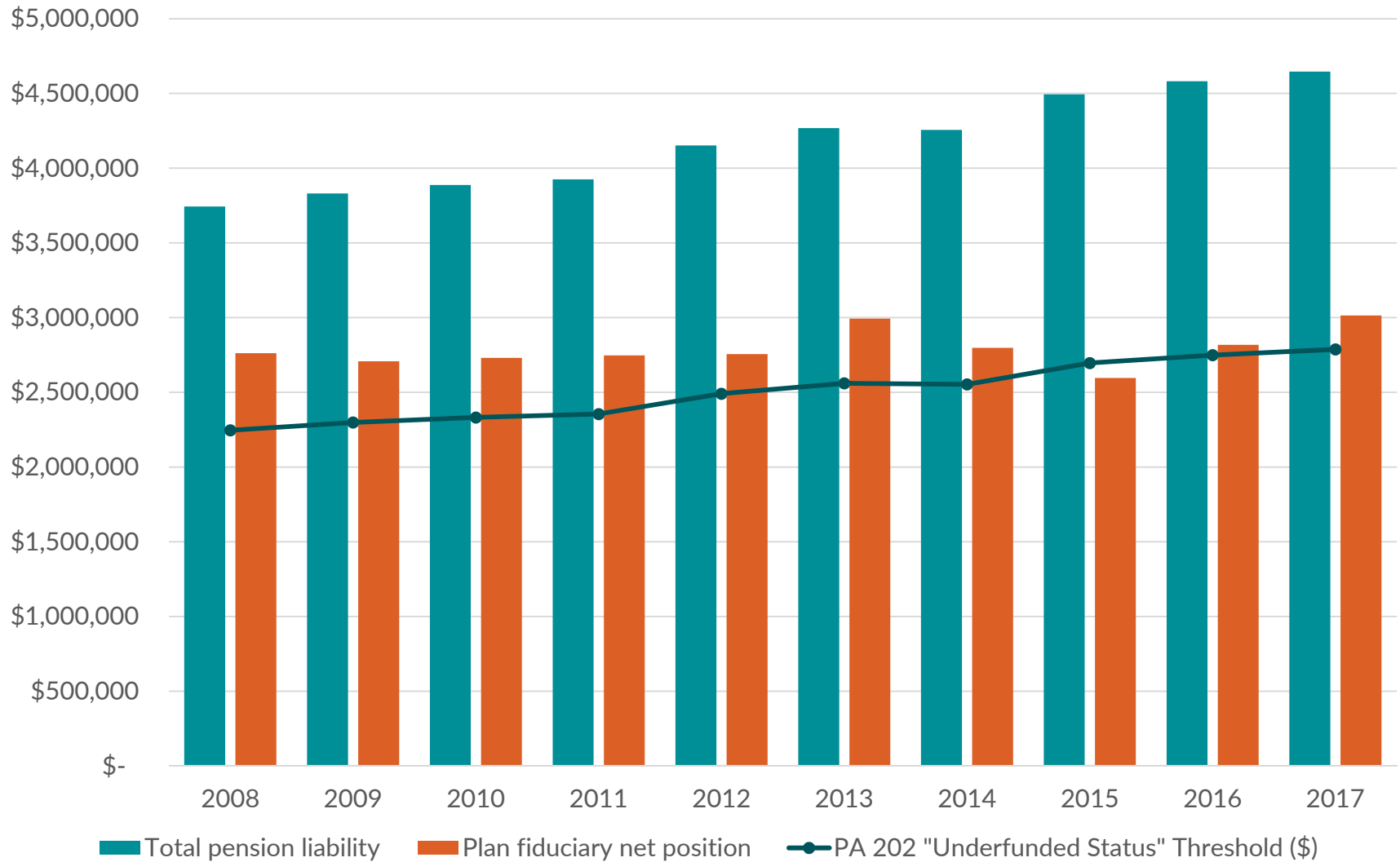


Legacy Costs

- Village is required by law to make annual pension contributions based on the calculation of an actuary
- Village has also promised healthcare benefits to its retirees. This is referred to as Other Postemployment Benefits or “OPEB”
- OPEB is not required to be funded like pension is

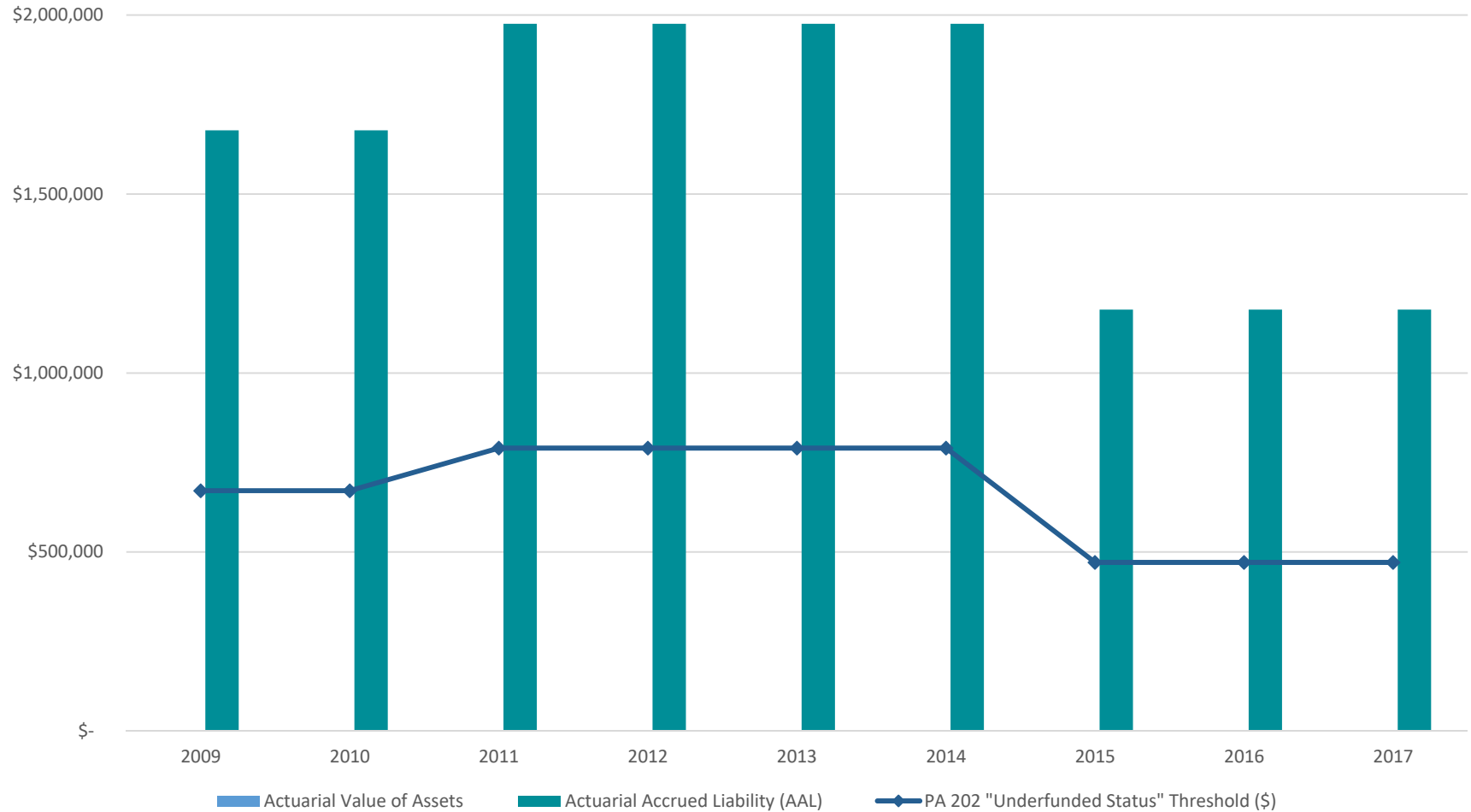


Pension Funding Progress Actual vs. "Underfunded Status" Threshold Years Ended December 31





OPEB Funding Progress Actual vs. "Underfunded Status" Threshold Years Ended December 31





Legacy Costs takeaways

1. Pension is adequately funded for now, but the funding percentage has been in decline for years.
2. The Village has not set aside any money for OPEB because it has not been required to do so.
3. The Village owes its employees and retirees \$2.8M for these 2 benefits
4. All funds that have employees or retirees should be contributing toward these benefits

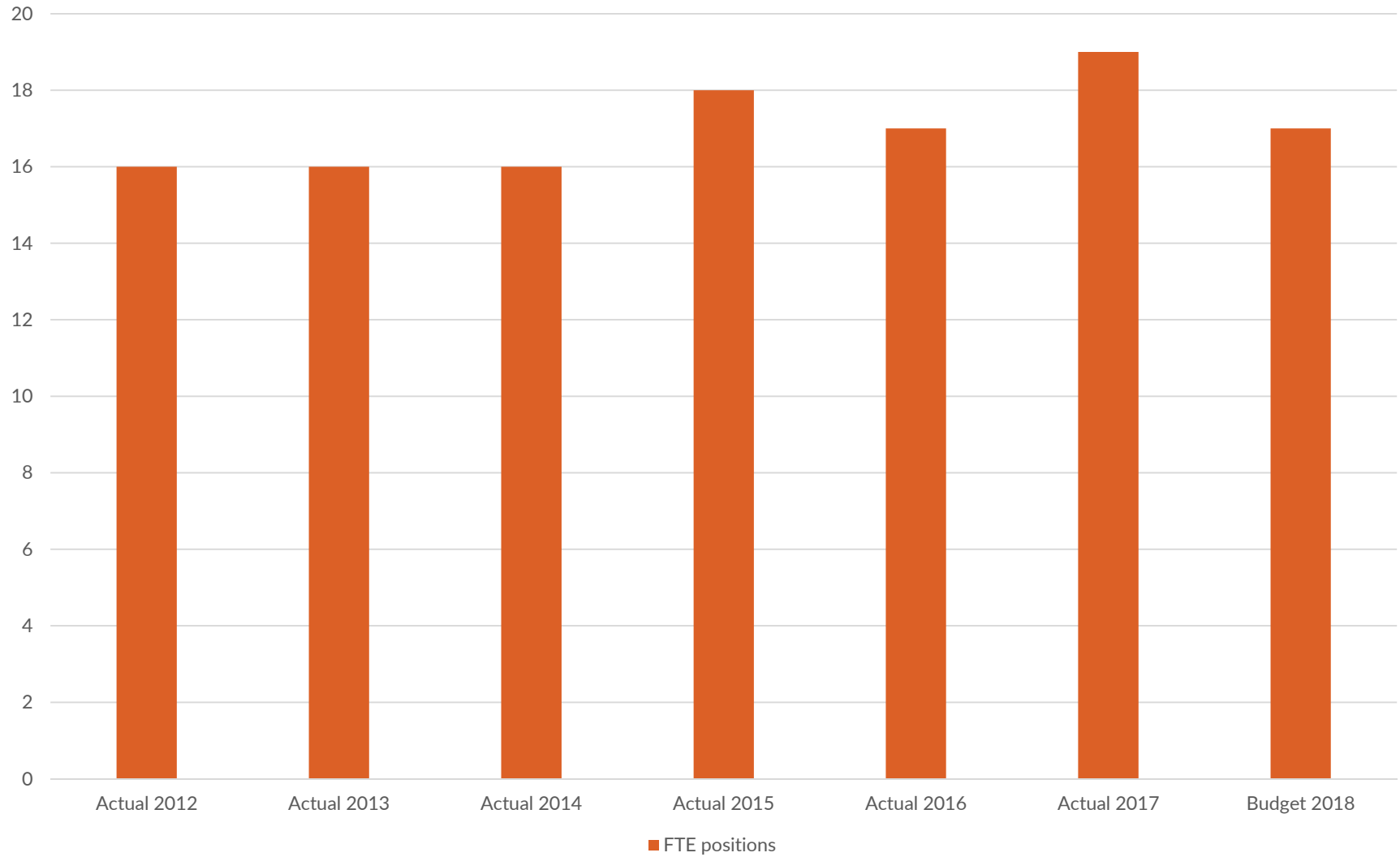


Personnel

- The Village has a mix of full-time, part-time, and paid volunteer (fire) employees
- Recently, the Village has experienced some turnover due to retirements and other



Personnel Full Time Employees Years Ended December 31

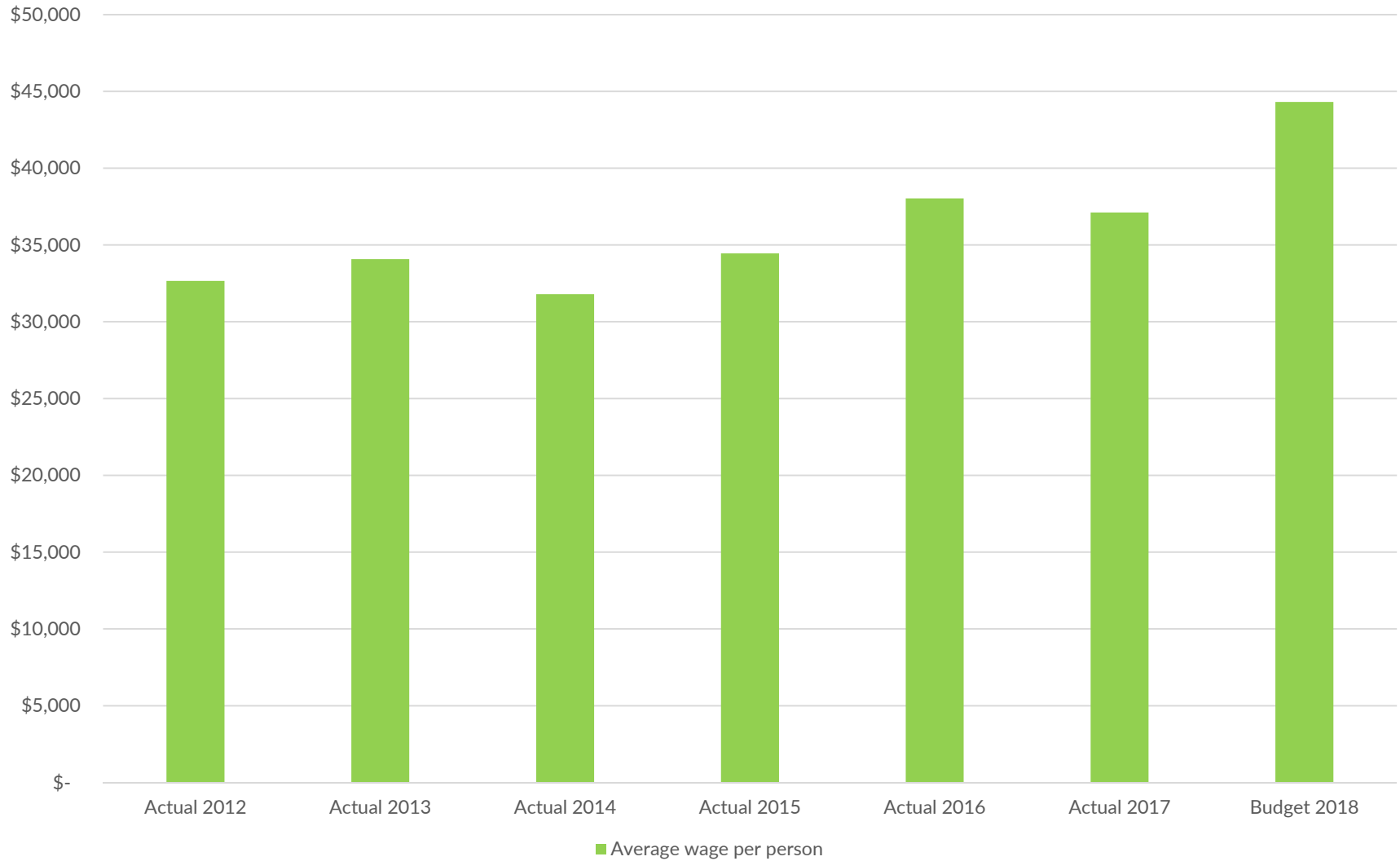




Personnel

Average Wage Per Full Time Employee

Years Ended December 31





Personnel takeaways

1. Village full-time employee total has stayed very consistent
2. Average compensation for full-time employees has been under \$40,000/year
3. The financial difficulties the Village has experienced are not tied to personnel wages



Financial Health Assessment takeaways

1. All funds are interconnected and interdependent – If one fund falters, the other funds are affected.
2. The enterprise funds (W, S, E) are underfunded. Expect more rate increases.
3. General Fund cannot afford to continue subsidizing Sewer and other funds to this extent. General Fund must be protected and stay strong.
4. Fix the enterprise funds → Fix GF → Provide service and meet obligations



**Thank you for the
opportunity to serve the
Village of Newberry**



Thank you

For more information contact:

Brian Camiller
248.223.3840
Brian.Camiller@plantemoran.com

Kari Shea
248.223.3287
Kari.Shea@plantemoran.com