



Michigan Municipal Services Authority

PO BOX 12012, LANSING MI 48901-2012

**AUTHORITY BOARD
REGULAR MEETING**

Thursday, March 10, 2016 at 1:30 p.m.

Capitol View Building
201 Townsend St Suite 900
Lansing, MI 48933

AGENDA

- I. Call to Order**
- II. Roll Call**
- III. Approval of Agenda**
- IV. Approval of Minutes**
 - a. Minutes of the December 10, 2015 regular Authority Board meeting
- V. Administrative Report**
 - a. Financial Report
 - b. FMS Program Update
 - c. VHWM Program Update
 - d. Program Development Update
- VI. Audits**
 - a. Resolution 2016-A Approval of Audit for Fiscal Year 2014-2015
- VII. New Business**
- VIII. Public Comment**
- IX. Other Business**
- X. Adjournment**

A copy of the proposed minutes of the meeting will be available for public inspection at the principal office of the Authority within 8 business days. A copy of the approved minutes of the meeting, including any corrections, will be available for public inspection at the principal office of the Authority within 5 business days after approval.

AUTHORITY BOARD

Thursday, December 10, 2015 at 1:30 p.m.

Cadillac Place, Conference Room C-100
3044 W Grand Blvd
Detroit, MI 48202

MINUTES

Proposed Minutes Approved Minutes

MEETING TYPE: Regular Special

I. Call to Order

The meeting was called to order at 1:30 p.m. by the Chairperson.

II. Roll Call

Authority Board Member Attendance:

Stacie Behler, Chairperson	<input checked="" type="checkbox"/> Present	<input type="checkbox"/> Absent
Doug Wiescinski, Vice-Chairperson*	<input checked="" type="checkbox"/> Present	<input type="checkbox"/> Absent
James Cambridge, Secretary	<input checked="" type="checkbox"/> Present	<input type="checkbox"/> Absent
Eric DeLong, Treasurer	<input checked="" type="checkbox"/> Present	<input type="checkbox"/> Absent
Scott Buhner	<input checked="" type="checkbox"/> Present	<input type="checkbox"/> Absent
Doug Smith	<input checked="" type="checkbox"/> Present	<input type="checkbox"/> Absent
Peggy Jury*	<input checked="" type="checkbox"/> Present	<input type="checkbox"/> Absent
Brian Meakin	<input checked="" type="checkbox"/> Present	<input type="checkbox"/> Absent
Donald Snider	<input type="checkbox"/> Present	<input checked="" type="checkbox"/> Absent
Al Vanderberg*	<input checked="" type="checkbox"/> Present	<input type="checkbox"/> Absent
Vacant		
Vacant		

*Participated via teleconference.

Other attendees:

- Robert Bruner, Michigan Municipal Services Authority
- Kristen Delaney, Michigan Municipal Services Authority
- Kimberly Wixson, The Segal Group

III. Approval of Agenda

Moved by: Meakin

Supported by: Smith

Yes: X No: ___

IV. Approval of Minutes from September 24, 2015 Regular Meeting of the Authority Board.

Moved by: Smith

Supported by: Meakin

Yes: X No: ___

V. Administrative Report

The administrative report was delivered by CEO Robert Bruner.

VI. Audit Reports

None.

VII. New Business

- a. Resolution 2015-E Schedule of Regular Meetings for Calendar Year 2016

Moved by: Vanderberg

Supported by: Smith

Yes: X No: ___

VIII. Public Comment

None.

IX. Other Business

None.

X. Adjournment

Moved by: DeLong

Supported by: Smith

Yes: X No:

Meeting adjourned at 2:26 PM

Certification of Minutes

Approved by the Authority Board on March 10, 2016.

Authority Secretary

Date

PROPOSED



Michigan Municipal Services Authority

Administrative Report

Prepared March 8, 2016

Collaborate • Innovate • Serve

Financial Report

MMSA Administrative Report

**Michigan Municipal Services Authority
General Fund**

Fund	Activity	FYE 2016 Adopted	February 2016	FYE 2016 Year to Date	FYE 2016 Budget to Date	Variance
Operating Revenues						
101	539		\$ -	\$ -	\$ -	
		\$ 126,315	\$ 9,227	\$ 51,917	\$ 52,631	-1.4%
		\$ 126,315	\$ 9,227	\$ 51,917	\$ 52,631	-1.4%
TOTAL OPERATING REVENUES		\$ 252,629	\$ 18,454	\$ 103,834	\$ 105,263	-1.4%
Operating Expenses						
101	101	\$ 2,000		\$ 2,209	\$ 833	165.1%
101	173	\$ 219,429	\$ 16,544	\$ 94,665	\$ 91,429	3.5%
101	191	\$ 5,000	\$ 751	\$ 2,366	\$ 2,083	13.6%
101	223	\$ 10,200		\$ -	\$ 4,250	-100.0%
101	228	\$ 4,000		\$ -	\$ 1,667	-100.0%
101	266	\$ 12,000	\$ 1,159	\$ 4,594	\$ 5,000	-8.1%
TOTAL OPERATING EXPENSES		\$ 252,629	\$ 18,454	\$ 103,834	\$ 105,262	-1.4%
Change in Net Position		\$ -	\$ -	\$ -	\$ 0	

**Michigan Municipal Services Authority
FMS**

Fund	Activity	FYE 2016 Adopted	February 2016	FYE 2016 Year to Date	FYE 2016 Budget to Date	Variance	
Operating Revenues							
502	539	State Grants	\$ 145,549	\$ -	\$ 59,758	\$ 60,645	-1.5%
502	600	Charges for Services	\$ 2,863,430	\$ -	\$ 973,810	\$ 1,193,096	-18.4%
TOTAL OPERATING REVENUES			\$ 3,008,979	\$ -	\$ 1,033,568	\$ 1,253,741	-17.6%
Operating Expenses							
502	266	Attorney	\$ 12,000			\$ 5,000	-100.0%
502	271	Program Management	\$ 60,000	\$ 8,124	\$ 32,547	\$ 25,000	30.2%
502	272	Contractual Services	\$ 2,680,000	\$ -	\$ 912,001	\$ 1,116,667	-18.3%
502		Transfer to General Fund	\$ 126,315	\$ 9,227	\$ 51,917	\$ 52,631	-1.4%
TOTAL OPERATING EXPENSES			\$ 2,878,315	\$ 17,351	\$ 996,465	\$ 1,199,298	-16.9%
Change in Net Position			\$ 130,664	\$ (17,351)	\$ 37,103	\$ 54,443	-31.9%

**Michigan Municipal Services Authority
VHWM**

Fund	Activity	FYE 2016 Adopted	February 2016	FYE 2016 Year to Date	FYE 2016 Budget to Date	Variance
Operating Revenues						
501	539	State Grants	\$ 80,968	\$ -	\$ 64,340	\$ 33,737 90.7%
501	600	Charges for Services	\$ 1,320,000	\$ 90,588	\$ 466,441	\$ 550,000 -15.2%
TOTAL OPERATING REVENUES			\$ 1,400,968	\$ 90,588	\$ 530,781	\$ 583,737 -9.1%
Operating Expenses						
501	266	Attorney	\$ 2,000	\$ -	\$ 1,362	\$ 833 63.4%
501	271	Program Management	\$ 180,000	\$ -	\$ 45,000	\$ 75,000 -40.0%
501	272	Contractual Services	\$ 1,070,000	\$ 70,997	\$ 415,350	\$ 445,833 -6.8%
501		Transfer to General Fund	\$ 126,315	\$ 9,227	\$ 51,917	\$ 52,631 -1.4%
TOTAL OPERATING EXPENSES			\$ 1,378,315	\$ 80,224	\$ 513,629	\$ 574,298 -10.6%
Change in Net Position			\$ 22,653	\$ 10,364	\$ 17,152	\$ 9,439 81.7%

**Michigan Municipal Services Authority
All Funds**

	FYE 2016 Adopted	February 2016	FYE 2016 Year to Date	FYE 2016 Budget to Date	Variance
OPERATING REVENUES					
General	\$ 252,629	\$ 18,454	\$ 103,834	\$ 105,262	-1.4%
VHWM	\$ 1,400,968	\$ 90,588	\$ 530,781	\$ 583,737	-9.1%
FMS	\$ 3,008,979	\$ -	\$ 1,033,568	\$ 1,253,741	-17.6%
TOTAL OPERATING REVENUES	\$ 4,662,576	\$ 109,042	\$ 1,668,183	\$ 1,942,740	-14.1%
OPERATING EXPENSES					
General	\$ 252,629	\$ 18,454	\$ 103,834	\$ 105,262	-1.4%
VHWM	\$ 1,378,315	\$ 80,224	\$ 513,629	\$ 574,298	-10.6%
FMS	\$ 2,878,315	\$ 17,351	\$ 996,465	\$ 1,199,298	-16.9%
TOTAL OPERATING EXPENSES	\$ 4,509,259	\$ 116,029	\$ 1,613,928	\$ 1,878,858	-14.1%
CHANGE IN NET POSITION	\$ 153,317	\$ (6,987)	\$ 54,255	\$ 63,882	-15.1%

MICHIGAN MUNICIPAL SERVICES AUTHORITY

Summary of Revenues and Expenditures

Date	Check Number	Invoice Number	Description	Check Amount	Deposits/ Other Credits	Account Balance
1/31/16			Beginning Balance			\$ 497,524.51
2/4/16		Deposit	Incoming Wire		\$ 90,588.18	\$ 588,112.69
2/5/16	ACH	Expenses Reim	Robert J Bruner	\$ 591.99		\$ 587,520.70
	ACH	Expenses Reim	Robert J Bruner	\$ 395.97		\$ 587,124.73
2/10/16	ACH	Expenses Reim	Kristen Delaney	\$ 70.20		\$ 587,054.53
	ACH		Plante Moran	\$ 8,124.87		\$ 578,929.66
	ACH		Segal Consulting	\$ 11,400.00		\$ 567,529.66
	ACH		Benefits Express	\$ 59,597.08		\$ 507,932.58
		Service Charge		\$ 149.78		\$ 507,782.80
2/11/16	Direct Deposits		Payroll	\$ 5,409.69		\$ 502,373.11
	ACH	Payroll Tax	EFTPS Federal Withholding Tax	\$ 3,944.90		\$ 498,428.21
	ACH	Payroll Tax	MI Tax Payment	\$ 552.38		\$ 497,875.83
2/25/16	ACH		Dykema Gossett	\$ 1,159.20		\$ 496,716.63
	ACH		Michael A Tawney & Co	\$ 600.00		\$ 496,116.63
1/28/16	Direct Deposits		Payroll	\$ 5,409.67		\$ 490,706.96
TOTAL MI MUN SERV AUTH CASH BALANCE						<u>\$ 490,706.96</u>

Michigan Municipal Services Authority
Balance Sheet
As of February 29, 2016

ASSETS

CURRENT ASSETS

Cash in Bank	\$ 490,706.96
Due From Cities	153,790.56
Due from State	<u>48,027.55</u>

Total Current Assets 692,525.07

PROPERTY AND EQUIPMENT

TOTAL ASSETS \$ 692,525.07

CURRENT LIABILITIES

Accounts Payable	\$ 183,883.88
Accrued State W/H	552.38
Accrued Federal W/H	1,768.00
Accrued FICA	2,865.27
Accrued MESC	690.01
Accrued FUTA	84.00
Accrued Salaries & Wages	<u>8,998.33</u>

Total Current Liabilities 198,841.87

LONG-TERM LIABILITIES

Total Liabilities 198,841.87

FUND BALANCE

Fund Balance Retained	439,429.24
Current Revenue over Expenses	<u>54,253.96</u>

Total Fund Balance 493,683.20

TOTAL LIABILITIES AND FUND BALANCE \$ 692,525.07

Michigan Municipal Services Authority
Statement of Income
For the 1 Month and 5 Months Ended February 29, 2016

	<u>1 Month Ended</u> <u>February 29, 2016</u>	<u>5 Months Ended</u> <u>February 29, 2016</u>
Revenues		
Contract Revenue	\$ 90,588.18	\$ 1,564,347.45
Operating Expenses		
Salary Director	\$ 9,461.54	\$ 50,692.30
Wages - Administrative Staff	4,766.66	26,216.63
Outside Service Contractors	70,997.08	1,372,349.45
Payroll Taxes	1,088.44	5,883.45
MESC Taxes	155.78	662.38
FUTA Taxes	13.40	84.00
Office Expense	591.99	1,919.04
Legal & Accounting	9,884.07	40,279.02
Seminars & Education	0.00	20.00
Insurance - General	0.00	2,209.00
Mileage Reimbursement	466.17	4,069.76
Travel Expenses	0.00	5,118.21
Bank Service Charges	149.78	590.25
Total Operating Expenses	97,574.91	1,510,093.49
Revenues over Expenses	\$ <u>(6,986.73)</u>	\$ <u>54,253.96</u>

**Michigan Municipal Services Authority
Check Register**

Check Number	Check Date	Payee	Amount
Payroll Checks			
5249	02/11/16	Robert J. Bruner Jr.	0.00
5250	02/11/16	Kristen A. Delaney	0.00
			<u>0.00</u>
Vendor Checks			
5247	02/11/16	EFTPS - FICA	3,944.90
5248	02/11/16	State of Michigan - WH	552.38
20160201	02/05/16	Robert J. Bruner Jr.	591.99
20160202	02/05/16	Robert J. Bruner Jr.	395.97
20160203	02/10/16	Plante Moran	8,124.87
20160204	02/10/16	Segal Consulting	11,400.00
20160205	02/10/16	Benefit Express Services LLC	59,597.08
20160206	02/10/16	Kristen Delaney	70.20
20160207	02/25/16	Dykema Gossett PLLC	1,159.20
20160208	02/25/16	Michael A. Tawney & Co PC	600.00
			<u>86,436.59</u>
Total checks	12	Total	<u><u>86,436.59</u></u>



**MICHIGAN MUNICIPAL SERVICES
 AUTHORITY**
 PO BOX 12012
 LANSING MI 48901-2012



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4610

Statement Period Date: 2/1/2016 - 2/29/2016

Account Type: Comm'l 53 Analyzed

Account Number: 7166385711

Banking Center: Grand Rapids

Banking Center Phone: 616-653-5440

Commercial Client Services: 866-475-0729

Account Summary - 7166385711

02/01	Beginning Balance	\$513,381.51	Number of Days in Period	29
	Checks			
14	Withdrawals / Debits	\$(97,755.73)		
1	Deposits / Credits	\$90,588.18		
02/29	Ending Balance	\$506,213.96		

Withdrawals / Debits

14 items totaling \$97,755.73

Date	Amount	Description
02/02	395.97 ✓	Michigan Municip CREDITS 4616288140 020216 OFFSET TRANSACTION
02/02	591.99 ✓	Michigan Municip CREDITS 4616288140 020216 OFFSET TRANSACTION
02/09	70.20 ✓	Michigan Municip CREDITS 4616288140 020916 OFFSET TRANSACTION
02/09	8,124.87 ✓	Michigan Municip PAYMENTS 4616288140 020916 OFFSET TRANSACTION
02/09	11,400.00 ✓	Michigan Municip PAYMENTS 4616288140 020916 OFFSET TRANSACTION
02/09	59,597.08 ✓	Michigan Municip PAYMENTS 4616288140 020916 OFFSET TRANSACTION
02/10	5,409.69 ✓	MICHIGAN MUNICIP CSI PAYROLL PAYROLL MICHIGAN MUNICIPAL SER 021016
02/10	149.78 ✓	SERVICE CHARGE
02/12	3,944.90 ✓	IRS USATAXPYMT 270644333547302 MICHIGAN MUNICIPAL SER 021216
02/19	552.38 ✓	MI Business Tax Payment SMIBUS000087666 TawneyMichael 021916
02/23	350.00 ✓	Michigan Municip PAYMENTS 4616288140 022316 OFFSET TRANSACTION
02/23	600.00 ✓	Michigan Municip PAYMENTS 4616288140 022316 OFFSET TRANSACTION
02/23	1,159.20 ✓	Michigan Municip PAYMENTS 4616288140 022316 OFFSET TRANSACTION
02/26	5,409.67 ✓	MICHIGAN MUNICIP CSI PAYROLL PAYROLL MICHIGAN MUNICIPAL SER 022616

Deposits / Credits

1 item totaling \$90,588.18

Date	Amount	Description
02/04	90,588.18	INCOMING WIRE TRANS 020416

Daily Balance Summary

Date	Amount	Date	Amount	Date	Amount
02/02	512,393.55	02/10	518,230.11	02/23	511,623.63
02/04	602,981.73	02/12	514,285.21	02/26	506,213.96
02/09	523,789.58	02/19	513,732.83		

FMS Program Update

MMSA Administrative Report

FMS Program Update

Program Management

- No new issues identified during March 3 FMS Leadership meeting
- February meetings with CGI executives went well
- Q1 2016 CGAP grant report is due in April

FMS Program Update

Tier I Program Development

- City of Lansing: Still waiting
- Wayne County: Still waiting
- Oakland County: Plans to issue RFP this year
- Oakland Schools: Wed, February 17 conference call was rescheduled to Tue, March 15
- Genesee ISD: On hold pending ISD research
- Wayne RESA: On hold pending ISD research

FMS Program Update

Tier II Program Development

- Kalamazoo: Fri, February 26 meeting was rescheduled to Mon, March 14
- Michigan Municipal League (MML) Capital Conference Concurrent Session scheduled for Wed, March 23
- Port Huron: Still waiting

VHWM Program Update

MMSA Administrative Report

VHWM Project Update

Invoices

- January 2016: Invoice sent to the City of Detroit for payment on February 2, 2016. The City's payment system is currently shut down for upgrades and will be back online on March 7, 2016. Payment will be issued as soon as possible.
- February 2016: Invoice sent to the City of Detroit for payment on March 1, 2016.

VHWM Program Update

Call Center Update

- The call center is currently staffed with two dedicated CSRs.
- Average wait times in the queue are between 30 seconds and 2 minutes for the month of February.
- Staffing for the post-January period has been discussed with the Director of Labor Relations, Mike Hall, and pricing for moving servicing to the BE general pool of CSRs rather than the dedicated CSRs has been provided. Note that the City is also considering bringing customer service in-house once the Ultipro system is active as the benefit team's workload will be greatly reduced when this occurs.

VHWM Program Update

Scope Changes and Other Updates

- Work Order #52 for ACA eligibility tracking and reporting services was signed by the City on September 11, 2015. Implementation continues and 1095-C forms are expected to be completed and distributed to participants by the due date of March 31st. Test forms are currently being reviewed by the City with assistance from Segal. In addition, we will begin our work with completing the implementation of the tracking component of this project, which will include additional payroll file testing with Ultipro.

VHWM Program Update

Scope Changes and Other Updates

- The City signed Work Order #62 to send file updates for ACA-related employee data. The file was loaded on January 15th. We are still working on resolving some load issues (e.g., validating inconsistent codes and/or missing data).
- Work Order #63 was sent to the City to terminate dependents who did not provide documentation of full time student status. We are awaiting signature of the work order.

VHWM Program Update

Retiree Transition Changes

- Benefit Express will provide one final refresh file to each VEBA. Segal reviewed the files and sent feedback to the VBAs on February 5, 2016.
- Segal has provided support in reviewing and resolving issues with the FlexPlan (Navia Benefits) files due to data clean up required, allowing retroactive changes and the ability to report all retroactivity correctly. This function has transitioned to the pre-2015 retiree VEBA administrators. One additional set of files showing any retroactivity through the end of January will be provided to Navia Benefits in March.

VHWM Program Update

Retiree Transition Changes

- In addition, the City would like to formally close out the HRA plan and make no further reimbursements. In April, Segal will request a report of all outstanding HRA amounts that have not yet been paid, so that the City can reimburse the VEBAs accordingly and the VEBAs can then distribute those funds.
- Each VEBA will provide reimbursement for 2015 administrative services that were initially funded by the City. The City will provide the total amount owed to each VEBA by March 31, 2016. Segal will assist with these calculations.

VHWM Program Update

Next Steps - City of Detroit

- ACA Compliance and Reporting: Segal is working with BE and the City on ACA reporting and filing for 2015. Measurement and eligibility management will be implemented in 2016. A call was held on February 17, 2016 with Ultipro and BE to discuss set-up of the ACA hours and earnings file. Testing timeframes are currently TBD.

VHWM Program Update

Next Steps - City of Detroit

- Full implementation of Ultipro census and payroll system file interfaces: The transition from the current payroll systems to the Ultipro system has now been delayed until June 2016. Census (new hires, terminations, status changes) and payroll deductions are expected to be automated at that time. BE will receive/load census files from Ultipro and provide deduction files to Ultipro. Ultipro will also provide hours and earnings information to BE for ACA reporting (noted above). Ultipro provided an initial test census file to BE on February 16, 2016. Feedback was provided by BE on February 18, 2016 and is still under review by the City and Ultipro teams. On March 3, 2016, Ultipro requested an additional payroll deduction file, per BE, this additional file may be subject to a work order.

VHWM Program Update

Next Steps - City of Detroit

- Due to the departure of the retirees from City of Detroit Benefits Administration, the monthly reimbursement for Segal will be greatly reduced beginning in January, as the fees are based on a PEPM amount. In order for the City to continue receiving the same level of service from Segal, the MMSA proposes that the City is charged the same hourly rate that the MMSA is charged by Segal, \$100 per hour, capped at \$15,000 per month. This proposal has been discussed with Mike Hall. He agrees that this approach is appropriate. Steve Liedel drafted a pricing amendment on March 2, 2016 between the MMSA and the City that includes these provisions.

VHWM Program Update

Next Steps - City of Detroit

- The City of Detroit and Lieutenants and Sergeants Association (LSA) are currently evaluating the addition of a new Pharmacy Benefit Manager, ScriptGuideRx. Segal is providing assistance with the process by working with Caremark to obtaining necessary reporting and review by their pharmacy practice. ScriptGuideRx provided their final proposal to the City on January 14, 2016. Segal reviewed the proposal and provided recommendations to the City on January 29, 2016. These recommendations were passed to ScriptGuideRx on February 3, 2016 and are under review. BE has been notified that, if the City moves forward with this arrangement, all LSA members will move to ScriptGuide and an additional file feed will be necessary.

VHWM Program Update

Program Development

- Met with Wayne RESA on Mon, February 29
- Benefits Express demo scheduled for Fri, March 11

Program Development Update

MMSA Administrative Report

Program Development Update

- Kalamazoo: Fri, February 26 meeting was rescheduled to Mon, March 14
- Wed, March 23: Michigan Municipal League (MML) Capital Conference Concurrent Session
- Wed, March 23: Meeting with Treasurer Khouri as well as John Walsh and Claire Khouri from the Governor's Office of Strategic Policy

MI Self-Funded Healthcare Program (MI SHIP)

- The attached presentation outlines the program
- 42 of the largest local units in the state have been contacted
- Conference calls and meetings have been held or scheduled with more than 20
- They will be asked to provide the data required to develop illustrative rates



MMSA
Michigan Municipal Services Authority

MI SELF-FUNDED HEALTHCARE PROGRAM (MI SHIP)

Group Purchasing Power at Work for You

About the Authority

- The Michigan Municipal Services Authority: A “Michigan public body corporate” created in 2012 through an Interlocal Agreement between Grand Rapids and Livonia
- The Authority: A “virtual” municipality authorized to exercise the common powers, privileges, and authority of the founding cities but without geographic boundaries
- The Authority’s main purpose: Help local governments and other public agencies **collaborate, share services, and save money**



About the CEO

- Assistant to the City Manager of Oak Park, MI
- Assistant City Manager of Ypsilanti, MI
- City Manager of Ferndale, MI
- City Manager of Birmingham, MI
- Interim City Manager of Mount Clemens, MI
- CEO of the Michigan Municipal Services Authority (MMSA)

My Guiding Principles

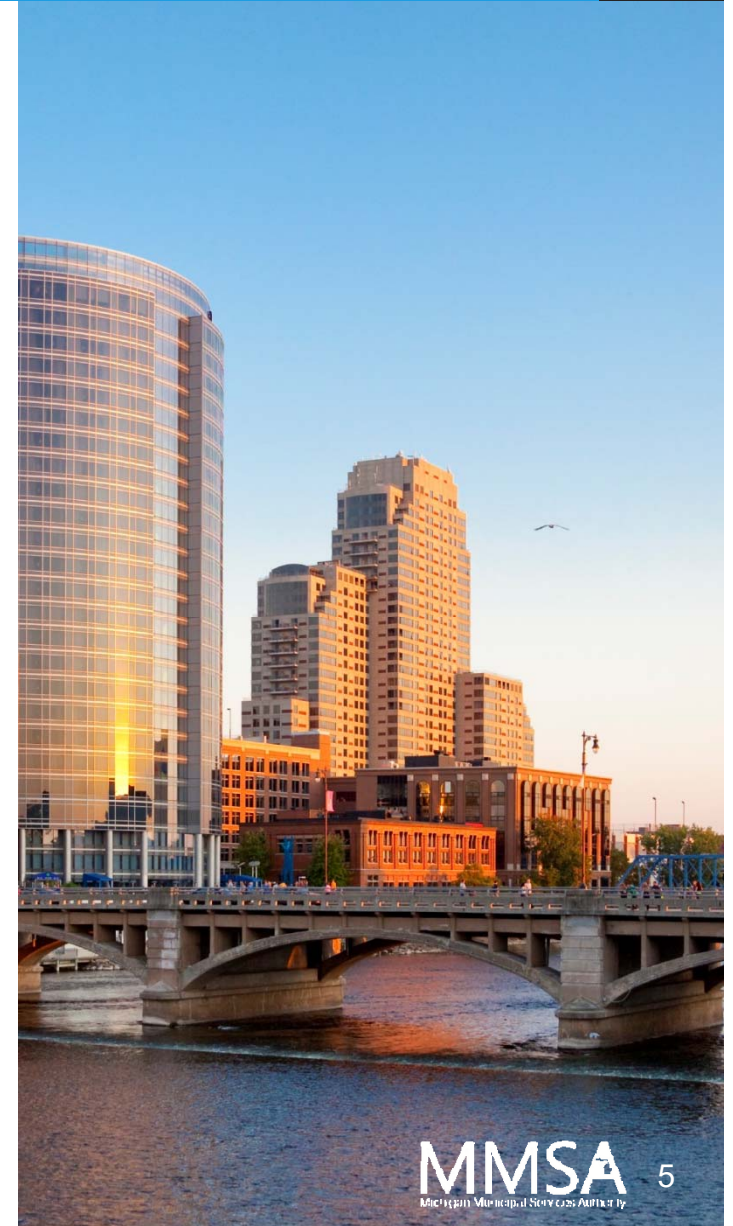
1. First, duplicate no effort
2. Second, the Authority must **add value** and **save money** or else there is no reason for agencies to collaborate or share services



MI SHIP Objective

Help Michigan public employers better manage and reduce healthcare costs by:

- Providing a multiple-employer, self-funded arrangement
- Giving employers more control over healthcare costs than fully insured and independently self-funded plans
- Eliminating the need for each independently self-funded group to buy higher-cost, individual administrative services
- Making monthly healthcare costs less volatile and more predictable



Why Not Fully Insure or Independently Self-Fund?

Independently Self-funded Groups

- Little or no ability to negotiate insurance rates
- Insurance rates include risk charges, taxes, and fees that self-funded groups do not pay!
- Less flexibility/control over plan design (some insurance companies dictate the plans that are available)
- Additional consulting advice may not be available/offered

Fully Insured Groups

- Smaller groups require relatively larger claims fluctuation reserves than larger groups, to account for larger claims variability
- Each group contracts for their own administrative services (claims administrator, pharmacy benefit manager, provider network)
- Each group pays higher fees than a larger, multiple-employer arrangements does

How Will MI SHIP Save Money?

- Pool risk among MI SHIP participating employers
- Lower costs through the joint purchasing power of multiple employers
- Actively manage plan design based on claims data analysis
 - Fully insured groups have little/no access to claims data, no ability to customize plan design, and no way to monitor utilization
- Receive expert consulting advice on plan design and financing
 - Plan customization helps employers increase benefits and/or reduce costs
- MI SHIP will collect claims data and work with participating employers to continually improve plan design (e.g., deductibles, coinsurance, wellness, utilization incentives)

How Will Risk Pooling Work?

Three Tiers of Risk Pooling

- **Tier 1:** Individual employers self-fund claims based on employer risk-tolerance, claims experience, number of employees, and other factors (e.g., \$10,000 - \$50,000)
- **Tier 2:** All employers share the risk for claims between Tier 1 and Tier 3 (e.g., \$10,001 - \$150,000)
- **Tier 3:** Reinsurer (stop-loss insurance company) pays claims greater than the agreed upon Tier 2 maximum (e.g., \$150,000)
- An “illustrative” premium rate will be established for each tier so monthly contributions remain consistent throughout the year and employers can more effectively budget health care costs
- Pooling smaller groups into a larger, single group offers significantly lower claims volatility (more predictable/consistent) and a dramatically lower Claims Fluctuation Reserve (allowing for a reduced reserve)

The Benefits of MI SHIP

- **Employers**

- Less work
- Lower costs
- Happier employees

- **Enrollees**

- Better benefits
- Lower costs



Next Steps

You provide the data, we do the rest!

- We develop funding rates to illustrate potential savings (e.g., in taxes and fees, administrative and stop-loss fees, claims reserves)
- We review your benefit plans and offer efficiency recommendations
- We assist with all aspects of implementation
 - We track each implementation step and ensure benefit plans and enrollment data are loaded correctly and on time
- We provide open enrollment support to ensure your employees understand their benefits and any changes to plans and/or administration

New arrangement effective January 1, 2017

Appendix

Data Needed

Data We Need from You

- Detailed census file
 - Age
 - Sex
 - Zip Code
 - Plan enrolled in (Plan Name or “Waived Coverage”)
 - Coverage tier (Single, Two Person, Family, “Waived Coverage”)
 - Member-level data, if available, or number of dependents
- Paid claims and enrollment data
 - Three years of paid claims data by month, split by line of business (medical, drug), and plan election
 - Three years of corresponding enrollment data by month, split by coverage tier (Single, Two Person, Family)
 - Three to four years of historical large claims information (number of claims over \$25,000 each year and amount paid for each claim)

Data We Need from You (*continued*)

- Current COBRA rates
- Benefit summary/Summary of Benefits and Coverage (SBC) for all plans offered
- Any plan changes that occurred during the provided data period
- Three most recent renewals

Contact

Robert (Bob) Bruner, Chief Executive Officer

rbruner@michiganmsa.org

(248) 925-9294



Michigan Municipal Services Authority

PO BOX 12012, LANSING MI 48901-2012

FREQUENTLY ASKED QUESTIONS

MI Self-Funded Healthcare Program (MI SHIP)

Contact Name: Robert Bruner

Telephone Number: (248) 925-9294

E-Mail Address: rbruner@michiganmsa.org

Q: Why is the MMSA offering the MI Self-Funded Healthcare Program—a self-funded group health plan purchasing arrangement—to Michigan public employers?

A: The MMSA is offering the MI Self-Funded Healthcare Program to Michigan public employers because it is difficult for many of these employers to offer quality, cost-effective health plans to their employees under the fully insured or independently self-funded health plan arrangements they now have. The difficulties include the following:

- Fully insured public employers pay certain “insurance” costs, such as risk charges, premium taxes, and the Affordable Care Act’s upcoming “Cadillac” tax.
- Most public employers have little or no purchasing power to negotiate the best rates for health plans.
- There are substantial variations in insurance costs from one insurance carrier to another, and most public employers have little way to know if they are getting the best rates.
- Claims data vital to understanding cost drivers and making key plan design decisions are often unavailable to fully insured public employers.
- Many small and mid-size public employers typically do not have the on-staff expertise and/or time to evaluate healthcare options and may not use benefit consultants who can provide valuable advice about plan design and plan financing.

While the primary employer audience for the MI Self-Funded Healthcare Program is small- to mid-size public employers, the MMSA is also offering the MI Self-Funded Healthcare Program to larger public employers. These larger employers will be able to gain additional purchasing power for administrative services and reinsurance (stop-loss coverage). And, they can simplify plan administration by reducing the number of contracted vendors to be managed (e.g., for third-party administration, benefits consulting, reporting, analytics).

Q: What is the advantage to my organization if it joins the MI Self-Funded Healthcare Program?

A: First and foremost, public employers who join the MI Self-Funded Healthcare Program —and their employees—will pay less for healthcare coverage. Public employers will also have greater financial flexibility and more control over financial risk, through group employer self-funding. Self-funding is a financial arrangement where employers pay claims for active employees and retirees from their budget, rather than paying a premium to an insurance company to pay claims. The program will include claims analysis and expert consulting advice to help employers manage their benefit plans in the most cost effective way possible.

Q: How will the MI Self-Funded Healthcare Program work?

A: The MMSA will provide an illustrative premium rate per enrolled employee per month to fund the pooled, self-funded arrangement consisting of the following tiers:

- **Tier 1:** Each employer will self-fund healthcare claims up to a set amount of claims per enrolled employee (e.g., up to \$10,000). This self-funded amount will be converted into an affordable and consistent illustrative premium amount per month.
- **Tier 2:** All employers will share the risk for healthcare claims between Tier 1 and Tier 3 (e.g., \$10,001 - \$150,000). This claims amount will also be converted into an affordable and consistent illustrative premium, but will be based on the entire pool's claims experience with adjustments for benefit design and demographic differences, including the age, gender composition and geographic area of the enrollees. This means public employers with younger workforces in lower-cost areas will pay less for the same healthcare coverage than employers with older workforces in high-cost areas.
- **Tier 3:** A reinsurance company (also known as a stop-loss insurance company) will pay healthcare claims over the Tier 2 maximum (e.g., over \$150,000). This will be a set premium payment per employee per month, which will be set by the reinsurance carrier.

Q: How much will it cost my organization to join the MI Self-Funded Healthcare Program?

A: Under the MI-Self-Funded Healthcare Program, each employer will pay their claims costs as set by the MMSA: In addition, there will be a set fee per employer the MMSA will retain to manage the pool, provide consulting and reporting analysis, and negotiate with third-party administrators.

Q: How much can my organization save each year if we join the MI Self-Funded Healthcare Program?

A: The amount your organization can save each year by joining the MI Self-Funded Healthcare Arrangement will depend on many factors, such as your organization's current funding arrangement, pricing and administrative complexity. Fully insured employers will likely experience greater savings than those now in an independently self-funded arrangement.

Q: Will there be more than one healthcare plan for employees to choose from?

A: We understand most public employers are bound by their current collective bargaining agreements. We will provide the healthcare plans included in these agreements; employers will not need to negotiate collective bargaining agreement changes unless the agreement includes a specific health insurance carrier. In addition, we will provide consulting advice to help employees and employers understand how to maximize benefits and minimize costs under future collective bargaining agreements.

Q: Who will design the healthcare plans and what kind of plans will they be (e.g., PPO, HMO, HSA, etc.)?

A: As stated above, employers can join the MI-Self-Funded Healthcare Program and continue the healthcare plans specified in their current collective bargaining agreements. In addition, we will provide consulting advice on how to make healthcare plans more cost effective. Segal Consulting, an independent Human Resources consulting firm, will advise the MMSA about healthcare plan design and will help the MMSA determine the kinds of healthcare plans to make available in the future.

Q: How much will my employees pay for healthcare coverage in 2017 under the MI Self-Funded Healthcare Program?

A: The amount your employees will pay for coverage under the MI Self-Funded Healthcare Program will depend on your current collective bargaining agreements and adherence to PA 152. The MMSA will assist you in calculating the cost of employee coverage.

Q: Who will manage and administer the healthcare plan(s)?

A: Segal Consulting will work with the MMSA to evaluate and select a plan administrator to manage and administer the healthcare plan(s).

Q: Who will my employees call if they have a question about their healthcare coverage or about a claim?

A: Your employees will call the customer service center of the plan administrator selected to manage and administer the healthcare plan(s).

Q: What kind of data will you need from my organization if I decide to join?

A: We would like the following data from employers:

- Detailed census file:
 - Age
 - Sex
 - Zip Code
 - Plan enrolled in (Plan Name or “Waived Coverage”)
 - Coverage tier (Single, Two Person, Family, Waived Coverage)
 - Member-level data, if available, and/or number of dependents
- Paid claims and enrollment data:
 - Three years of paid claims data by month split by line of business (medical, drug)
 - Three years of corresponding enrollment data by month split by coverage tier (Single, Two Person, Family), and plan election
 - Three to four years of historical large claims information—the number of claims over \$25,000 each year and the amount paid for each claim
- Current COBRA rates
- Benefit summary/Summary of Benefits and Coverage (SBC) for all plans offered
- Any plan changes that occurred during the provided data period
- Last three Renewals.

Q: When will my employees go through open enrollment for their healthcare coverage?

A: Open enrollment for healthcare coverage effective January 1, 2017 will be in the fall of 2016. Later this year we will provide you with more information about the timing of open enrollment and the enrollment process.

Q: What is the enabling legislation for public employers to establish and maintain a pooled plan to provide healthcare benefits?

A: The Intergovernmental Contracts Between Municipal Corporations Act, Act 35 of 1951, states in relevant part:

*Sec. 5. (1) Notwithstanding any other provision of law to the contrary, **any 2 or more municipal corporations, by intergovernmental contract, may form a group self-insurance pool** to provide for joint or cooperative action relative to their financial and administrative resources for the purpose of providing to the participating municipal corporations risk management and coverage for pool members and employees of pool members, for acts or omissions arising out of the scope of their employment...*

*(2) **A group self-insurance pool may not provide for hospital, medical, surgical, or dental benefits** to the employees of the member municipalities in the pool **except as follows:***

*(a) **If the municipal corporation is providing hospital, medical, surgical, or dental benefits as permitted under the public employees health benefit act.***

The Public Employees Health Benefit Act, Act 106 of 2007, states in relevant part:

*Sec. 5. (1) Subject to collective bargaining requirements, **a public employer may provide medical, optical, or dental benefits to public employees and their dependents by any of the following methods:***

*(b) **By joining with other public employers and establishing and maintaining a public employer pooled plan to provide medical, optical, or dental benefits to not fewer than 250 public employees on a self-insured basis as provided in this act.** A pooled plan shall accept any public employer that applies to become a member of the pooled plan, agrees to make the required payments, agrees to remain in the pool for a 3-year period, and satisfies the other reasonable provisions of the pooled plan. A public employer that leaves a pooled plan may not rejoin the pooled plan for 2 years after leaving the plan. A pooled plan under this subdivision does not constitute doing the business of insurance in this state and, except as provided in this act, is not subject to the insurance laws of this state. A pooled plan under this subdivision may enter into contracts and sue or be sued in its own name.*

Michigan Talent Pipeline

- The attached presentation outlines the idea
- I have already met with or contacted several potential clients and the idea has been well received



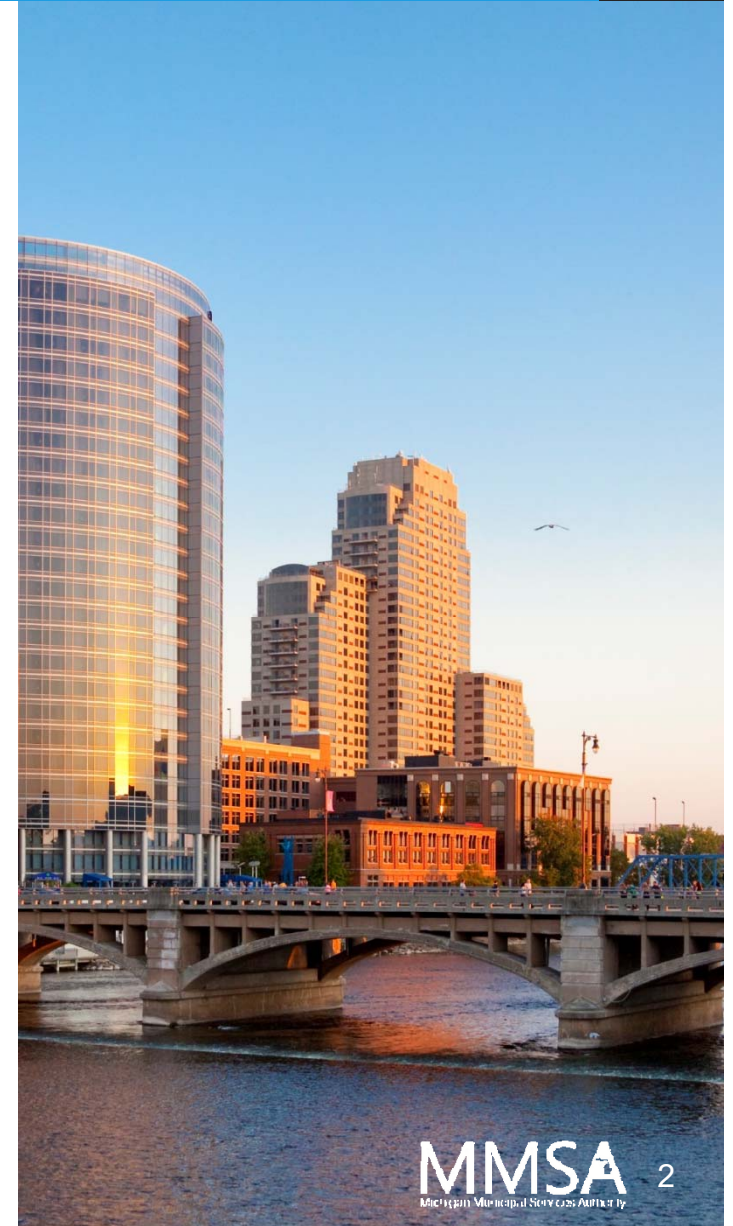
MMSA
Michigan Municipal Services Authority

Municipal Talent Pipeline

March 7, 2016 DRAFT

The Problem

- Public employers are having difficulty attracting and retaining talent
- Vacant positions may be left unfilled for lack of qualified candidates
- Most public agencies are smaller today than they were before the Great Recession so these vacancies strain an already stressed workforce



The Reasons: Supply & Demand

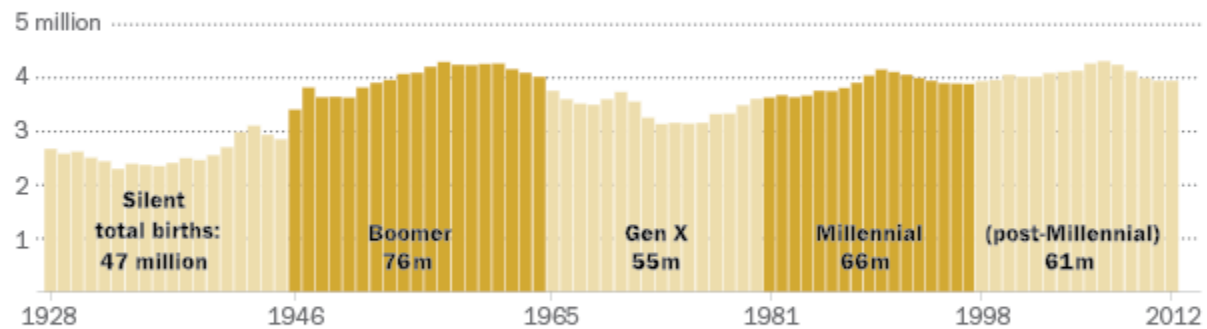
Demographics

- The Baby Boom generation peaked at 78.8 million in 1999
- Generation X will peak at 65.8 million in 2018
- The Millennial generation will peak at 81.1 million in 2036
- The Generation X peak will be 16% less than the Baby Boomer peak
- This creates a demographic “talent gap” in the labor force
- The Great Recession delayed some retirements but it also created a kink in the talent pipeline as entry level positions were eliminated

Demographics

Births Underlying Each Generation

Number of U.S. births by year and generation



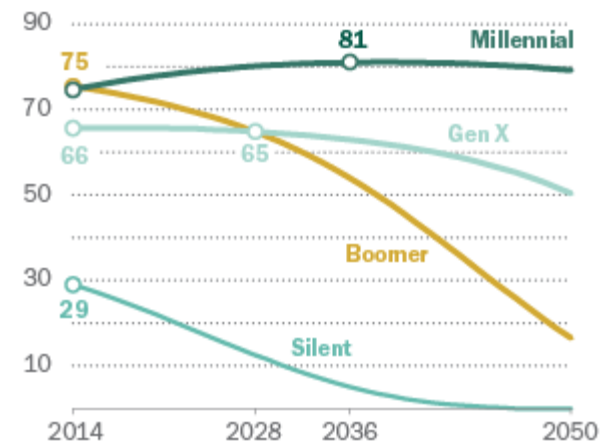
Source: U.S. Dept. of Health and Human Services National Center for Health Statistics

PEW RESEARCH CENTER

Demographics

Projected Population by Generation

In millions



Note: Millennials refers to the population ages 18 to 34 as of 2015.

Source: Pew Research Center tabulations of U.S. Census Bureau population projections released December 2014

PEW RESEARCH CENTER

The Reasons: Supply & Demand

Talent Development

- Human capital management (HCM) is an approach to human resource management (HR or HRM) that treats employees as assets (human capital) whose current value can be measured and whose future value can be enhanced through investment
- “Talent development” refers to a variety of investment strategies (training, education, development, organizational development, etc) to increase the future value of human capital
- Based on a survey asking nearly 200 executives to self-report how they believed they learned, researchers surmised lessons learned by successful and effective managers are roughly:
 - 70% from tough jobs
 - 20% from people (mostly the boss)
 - 10% from courses and reading

Talent Development

- “Bench strength” refers to the capabilities and readiness of potential internal successors to ascend into key positions
- Developing bench strength is a long-term talent investment strategy
- Most public employers are too small to develop all the talent they need internally so they rely on talent developed by other public employers
- For example, the following slide illustrates typical external and internal development paths for a city manager

Talent Development

External Development

- Assistant to the City Manager, City 1
- Assistant City Manager, City 2
- City Manager, City 3
- City Manager, City 4

Internal Development

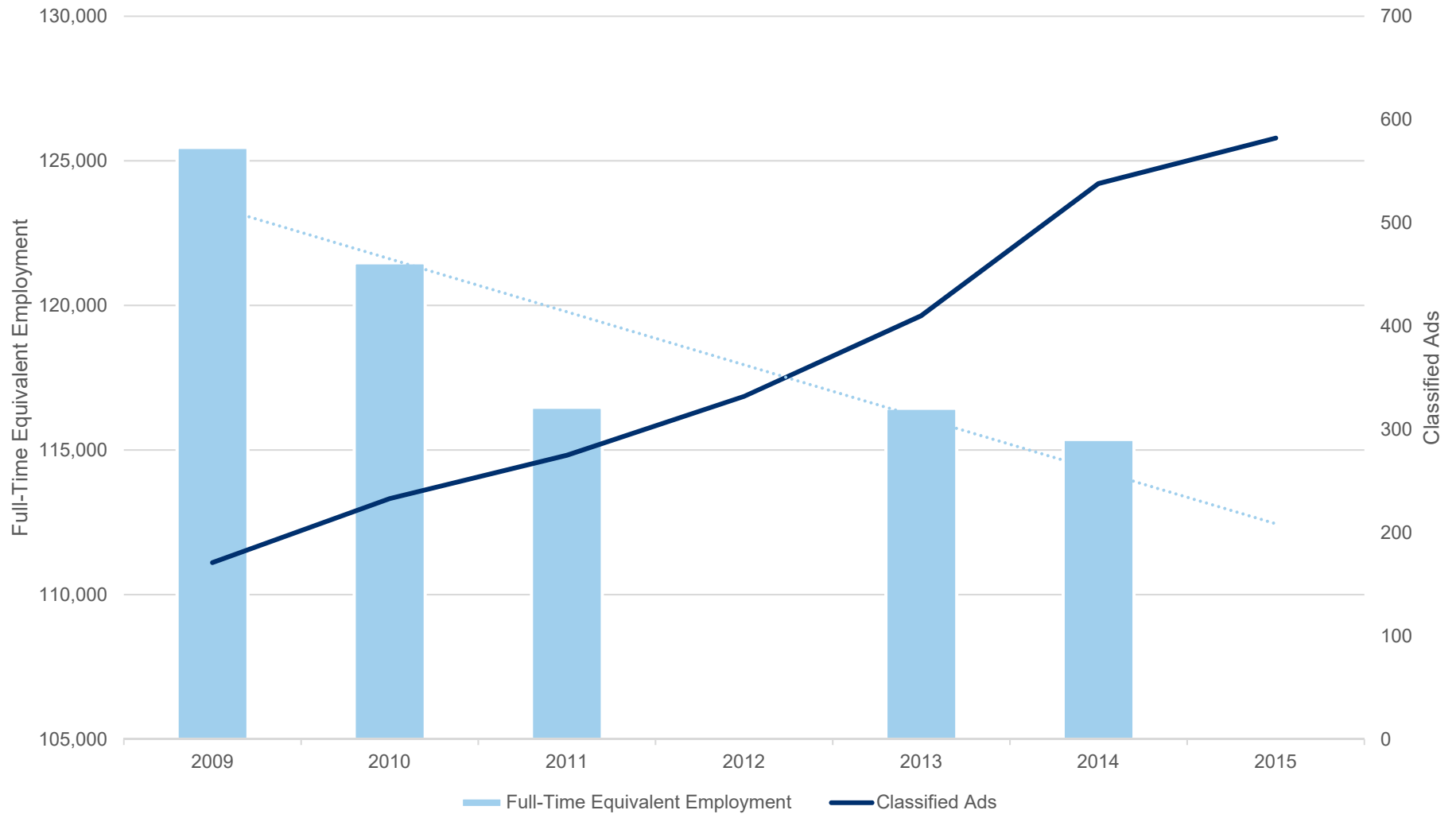
- Management Specialist, City 4
- Human Resources Director, City 4
- Assistant City Manager, City 4
- City Manager, City 4

Alternatively, managers and other professionals may begin their careers with smaller agencies and advance by moving to progressively larger and more complex agencies

Supply & Demand

- The supply of local government talent can be measured by Full-Time Equivalent Employment in the Local Government Employment & Payroll Data from the U.S. Census Bureau's Annual Survey of Public Employment & Payroll between 2009 and 2014 (latest data)
 - 2012 data is omitted from the following chart due to data quality concerns
- The demand for local government talent can be measured by the number of classified advertisements posted on the Michigan Municipal League website between 2009 and 2015
- While the supply of local government talent decreased by more than 8% between 2009 and 2014, demand increased by more than 214% during the same period and increased another 8% between 2014 and 2015
- The following chart illustrates supply decrease and demand increase

Supply & Demand

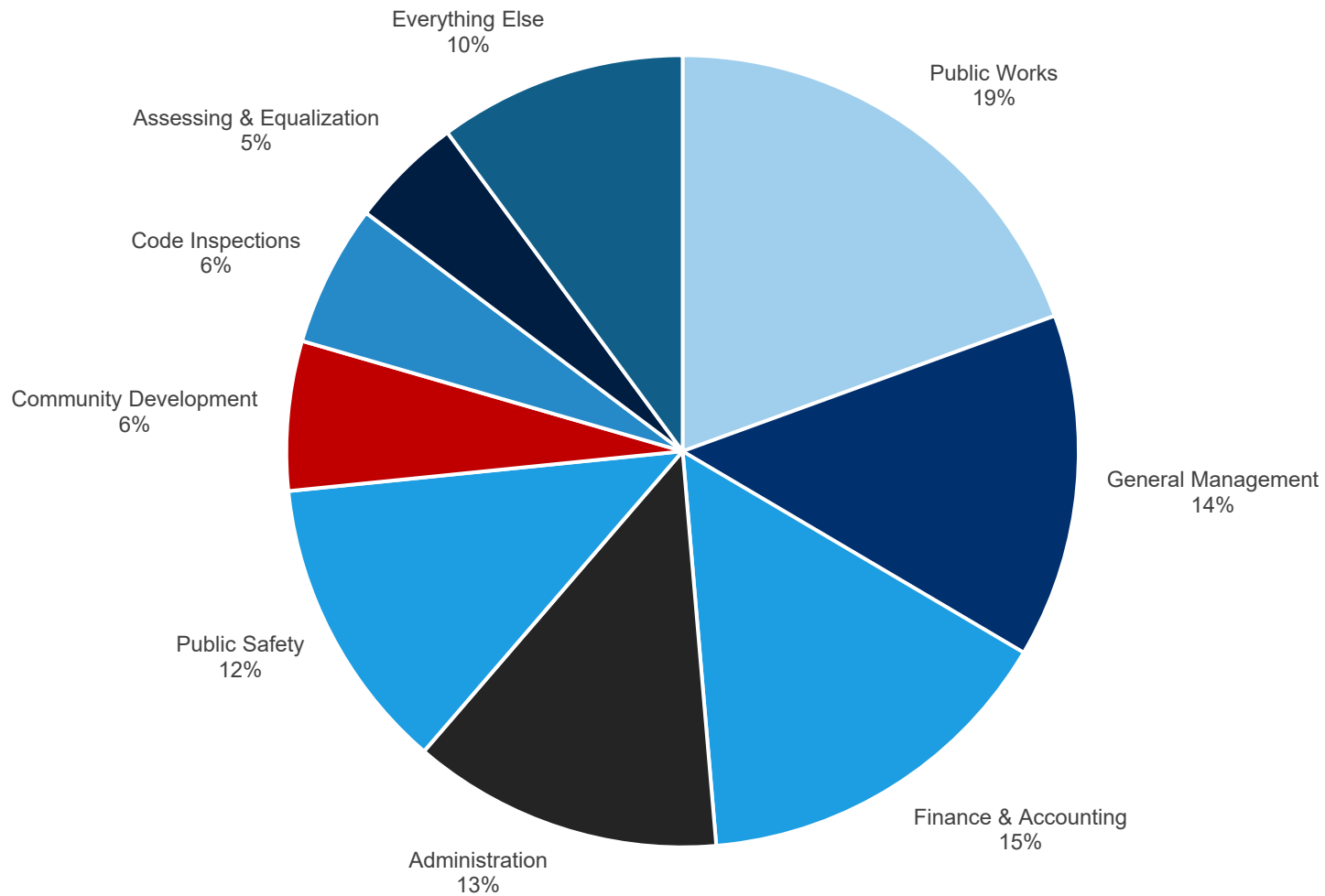


Supply & Demand

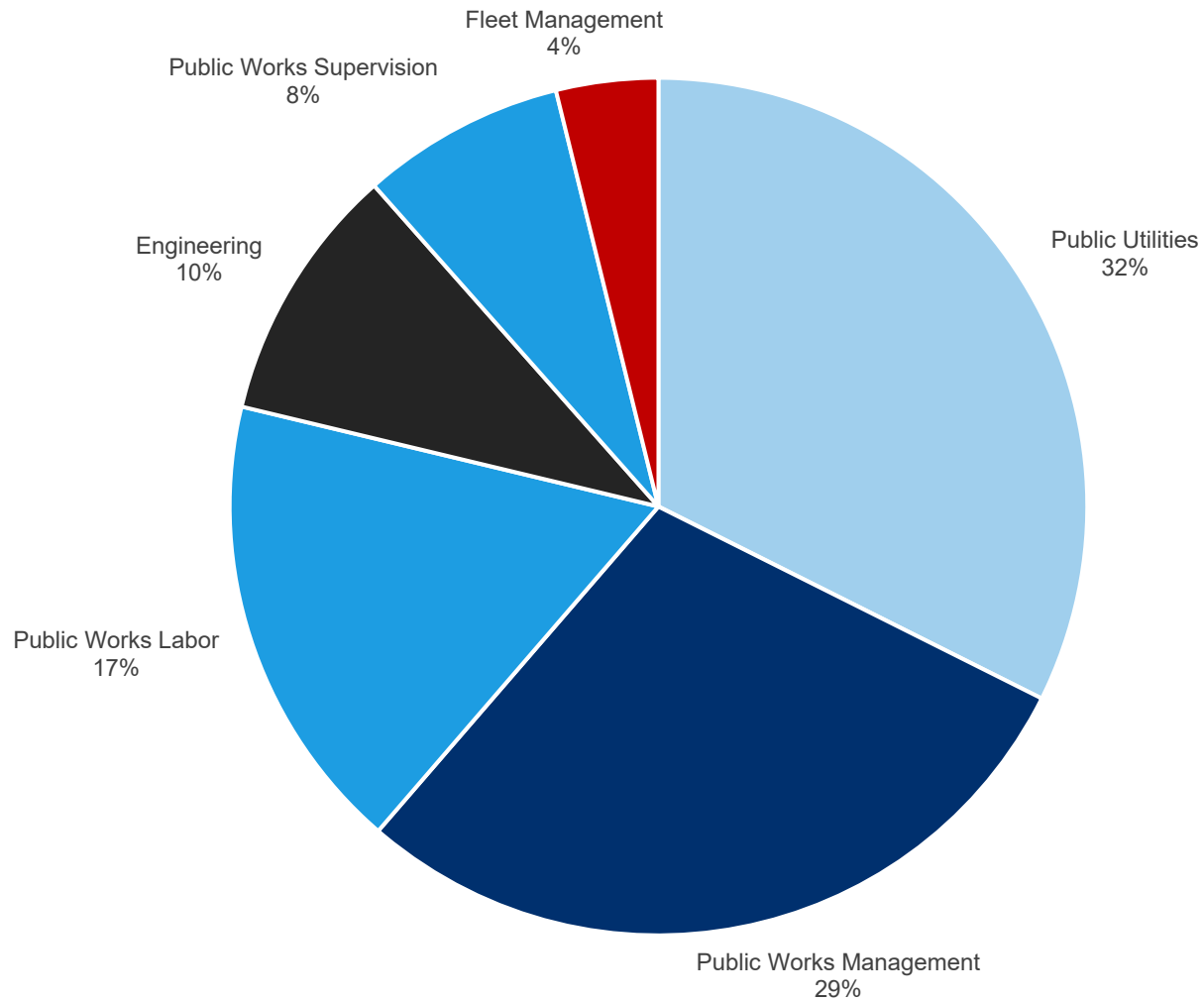
- Some professions are in greater demand than others
- Public works, general management, and finance and accounting positions accounted for nearly 50% of all classified advertisements



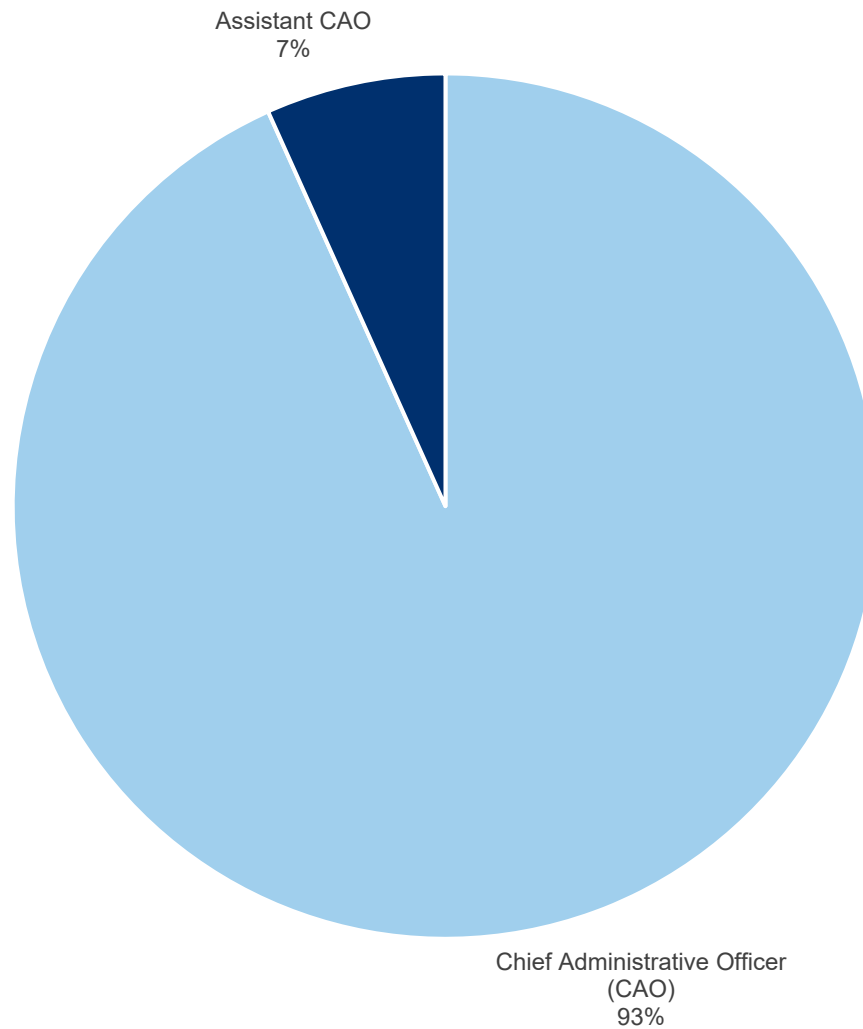
Classified Advertisements, 2009-2015



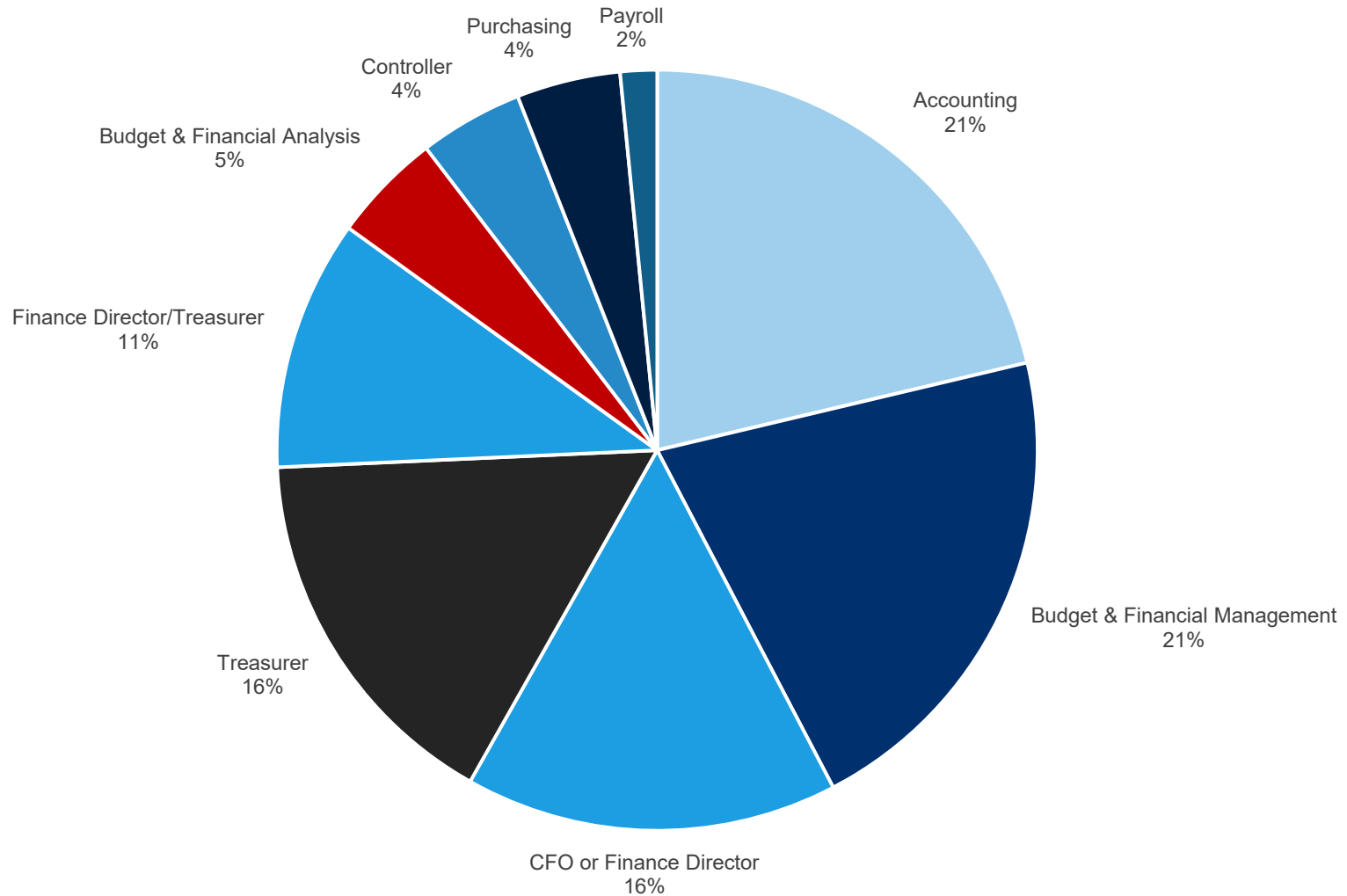
Public Works Advertisements, 2009-2015



General Management Advertisements, 2009-2015



Finance & Accounting Advertisements, 2009-2015



Supply & Demand

- A shortage of certified assessors has made MAAO (3) and MMAO (4) positions particularly difficult to fill
- The State Tax Commission announced new assessor education programs in December 2015
 - The new MAAO (3) Program will begin in April 2016
 - The new MMAO (4) Program will begin in October 2016
- The programs cost \$1,000 and are each limited to 35 students
- Self-Paced Options are also available
- The Authority will monitor the program to determine whether or not they will increase the supply of certified assessors enough to meet demand

Supply & Demand

- A shortage of registered Building Officials, Building Inspectors, Electrical Inspectors, Mechanical Inspectors, and Plumbing Inspectors has made these positions particularly difficult to fill



The Solution: The Municipal Talent Pipeline

- The Authority will become the preferred municipal talent provider by taking the hassle out of developing bench strength and increasing the talent in the pipeline
- Instead of filling a position with an individual employee, the Authority will provide early or mid-career candidate to fill the position with support from a team of experienced municipal executives
- The experienced executives will provide on-the-job development to ensure the candidate's success
- If/when the candidate and employer agree, the candidate may fill the position indefinitely
- Otherwise, the Authority will provide another candidate until a match is made

Next Steps

- The Authority is working with OHM Advisors, Orion Solutions Group, and Plante Moran, as well as other individuals and organizations to develop the program and provide experienced executives to work with the candidates
- Interested employers should contact the Authority's CEO, Bob Bruner, to discuss their needs



Contact

Robert (Bob) Bruner, Chief Executive Officer

rbruner@michiganmsa.org

(248) 925-9294

Program Development Update

311/CRM Systems

- Nothing new
- Waiting for Ferndale

Analytics, Benchmarking, and Transparency (ABT) Program

- Working with Ferndale, Kalamazoo, Midland, and Novi
- Meeting with Kalamazoo on Mon, March 14
- RFP has been drafted
- May issue RFP in Q2

Program Development Update

Assessing & Equalization

- Thu, February 25 Grand Rapids meeting produced new ideas
- No luck connecting with the City of Howell yet
- City of Auburn is interested
- Registered for Michigan Certified Assessing Technician (MCAT) program in May

Code Inspections

- Thu, February 25 Grand Rapids meeting produced new ideas
- Seeking interested municipalities

Program Development Update

Equipment & Service Sharing Program

- Missed February 24 Eight Mile Boulevard Association meeting due to snow
- RFP has been drafted
- Seeking interested municipalities

Fleet Management

- Meeting with Kalamazoo on Mon, March 14
- RFP has been drafted
- Seeking other interested agencies

Program Development Update

Learning Management System (LMS)

- Software application for the administration, documentation, tracking, reporting and delivery of electronic educational technology (also called e-learning) courses or training program
- Seeking interested agencies

Payment Service Provider (PSP)

- Plainfield Township and Wayne RESA expressed interest
- Seeking other interested agencies

Program Development Update

VoIP Program

- Waiting for Plante Moran

Principals

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Aaron M. Stevens, CPA
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Alan D. Panter, CPA
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Board of Directors
Michigan Municipal Services Authority
Lansing, Michigan

We have audited the financial statements of the Michigan Municipal Services Authority (the Authority), for the year ended September 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 23, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended September 30, 2015. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no sensitive estimates affecting the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 7, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, which is required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Michigan Municipal Services Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 7, 2016

**Michigan Municipal Services Authority
Lansing, Michigan**

FINANCIAL STATEMENTS

September 30, 2015

Michigan Municipal Services Authority

TABLE OF CONTENTS

September 30, 2015

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii-v
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	1
Statement of Revenues, Expenses, and Changes in Net Position	2
Statement of Cash Flows	3
Notes to Financial Statements	4-7
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	8-9

Principals

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Michigan Municipal Services Authority
Lansing, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the Michigan Municipal Services Authority (the Authority), a component unit of the State of Michigan, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Michigan Municipal Services Authority, a component unit of the State of Michigan, as of September 30, 2015, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2016, on our consideration of the Michigan Municipal Services Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Michigan Municipal Services Authority's internal control over financial reporting and compliance.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 7, 2016

Michigan Municipal Services Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2015

The intent of the management's discussion and analysis is to provide highlights of the Authority's financial activities for the fiscal year ended September 30, 2015. Readers are encouraged to read this section in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- ❖ Net Position: The assets of the Authority exceeded its liabilities by \$439,429 as of September 30, 2015. This unrestricted net position may be used to meet the Authority's ongoing obligations.
- ❖ The total net position increased by \$236,987 as a result of current year activity.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of the Authority, including notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements report information of the Authority using accounting methods similar to those used by private-sector companies. These statements offer short and long-term financial information about its activities.

The Statement of Net Position includes all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to their creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing their liquidity and financial flexibility.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Authority's operations over the past year.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE AUTHORITY

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position provide information to determine how the Authority did financially during 2015. The net position, or the difference between assets and liabilities, and the changes in them can indicate whether financial health is improving or deteriorating over time. However, other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation also need to be considered in determining the Authority's financial health.

Michigan Municipal Services Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015

NET POSITION

The Authority's Condensed Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position are presented in the following comparative tables.

TABLE 1
CONDENSED STATEMENT OF NET POSITION

	September 30, 2015	September 30, 2014
Current assets	\$ 637,745	\$ 600,812
Current liabilities	198,316	398,370
Unrestricted net position	\$ 439,429	\$ 202,442

TABLE 2
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	2015	2014
Operating revenues	\$ 3,311,528	\$ 2,196,995
Operating expenses	3,074,541	2,003,988
Changes in net position	236,987	193,007
Beginning net position	202,442	9,435
Ending net position	\$ 439,429	\$ 202,442

The Authority's operating revenues increased by \$1,114,533 from the prior year because the Authority began providing financial management software (FMS) services to the City of Grand Rapids and Kent County in April 2015.

The Authority's operating expenses increased by \$1,068,185 from the prior year because the Authority subcontracts service provision to CGI Technologies and Solutions Inc. and retains an administrative fee.

BUDGETARY HIGHLIGHTS

The Authority is an enterprise fund and is not required to adopt an annual budget. However, the Authority Board does adopt an annual operating budget. The operating budget includes proposed expenses and the means of financing them. The Authority's operating budget remains in effect but can be revised with the Authority Board approval prior to the September 30 year-end.

Michigan Municipal Services Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Authority's budget for the fiscal year ending September 30, 2016 includes projected increases in revenues from a financial management software (FMS) participation agreement with Genesee County.

CONTACT INFORMATION

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate its accountability for the funds it receives. Questions regarding this report or requests for additional information should be addressed to the Michigan Municipal Services Authority, P.O. Box 12012, Lansing, MI 48901-2012.

BASIC FINANCIAL STATEMENTS

Michigan Municipal Services Authority

STATEMENT OF NET POSITION

September 30, 2015

ASSETS

Current assets

Cash

\$ 435,927

Due from other governmental units

201,818

TOTAL ASSETS

637,745

LIABILITIES

Current liabilities

Accounts payable

183,884

Accrued wages

8,998

Other accrued liabilities

5,434

TOTAL LIABILITIES

198,316

NET POSITION

Unrestricted

\$ 439,429

Michigan Municipal Services Authority

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended September 30, 2015

OPERATING REVENUES	
Intergovernmental	\$ 3,311,528
OPERATING EXPENSES	
Salaries and wages	131,965
Payroll taxes and benefits	11,201
Insurance	3,193
Professional services	276,472
Service contracts	2,624,150
Travel	13,856
Dues and subscriptions	1,922
Miscellaneous	11,782
	<hr/>
TOTAL OPERATING EXPENSES	3,074,541
	<hr/>
CHANGE IN NET POSITION	236,987
Net position, beginning of year	<hr/> 202,442
Net position, end of year	<hr/> <hr/> \$ 439,429

See accompanying notes to financial statements.

Michigan Municipal Services Authority

STATEMENT OF CASH FLOWS

Year Ended September 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 3,543,542
Cash paid to suppliers	(3,136,711)
Cash paid to employees	(128,413)
Cash paid for employee benefits	<u>(9,471)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	268,947
Cash, beginning of year	<u>166,980</u>
Cash, end of year	<u><u>\$ 435,927</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 236,987
Adjustment to reconcile operating income to net cash provided by operating activities	
Decrease in:	
Due from other governmental units	232,014
Increase (decrease) in:	
Accounts payable	(205,336)
Accrued wages	3,552
Other accrued liabilities	<u>1,730</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 268,947</u></u>

See accompanying notes to financial statements.

Michigan Municipal Services Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Michigan Municipal Services Authority (the Authority) was established on August 1, 2012 pursuant to the Urban Cooperation Act of 1967, as part of an interlocal agreement between the City of Grand Rapids and the City of Livonia. The purpose of the Authority is to engage in cooperative activities with other public agencies on behalf of the two governmental entities.

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles.

The following is a summary of the significant accounting policies:

1. Reporting Entity

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the Michigan Municipal Services Authority. The Authority is considered a component unit of the State of Michigan.

The Authority is controlled by a twelve member Board. The Authority elects from its members a Chairperson, Vice-Chairperson, Treasurer, and Secretary.

2. Basis of Presentation

The operations of the Authority are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. The Authority's resources are allocated to and accounted for in the individual fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The fund in the basic financial statements in this report is described as follows:

PROPRIETARY FUND

Enterprise Fund - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

3. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of this fund are included on the Statement of Net Position. Fund equity (i.e., net position) is segregated into net investment in capital assets, restricted, and unrestricted components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The proprietary fund is accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred, regardless of the timing of related cash flows.

Michigan Municipal Services Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- CONTINUED

4. Basis of Accounting - continued

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 Authority are contract fees to other governmental units for services provided. Operating expenses for the Authority include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

5. Cash

Cash consists of a checking account.

6. Due from Other Governmental Units

Due from other governmental units consist of amounts due from the State of Michigan and participating municipalities related to services provided.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The Authority currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority currently does not have any items that qualify for reporting in this category.

8. Comparative Data

Comparative data for the prior year have not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH

In accordance with Michigan Compiled Laws, the Authority is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.

Michigan Municipal Services Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE B: CASH - CONTINUED

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States Banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Deposits

There is a custodial risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of September 30, 2015, the carrying amount of the Authority's deposits was \$435,927 and the bank balance was \$451,970, \$250,000 of which was covered by federal deposit insurance.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of September 30, 2015, the Authority did not have any investments that would be subject to rating by an NRSRO.

Interest Rate Risk

The Authority's investment policy does not address interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates.

Concentration of Credit Risk

The Authority's investment policy does not address concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer.

Custodial Credit Risk

The Authority's investment policy does not address custodial credit risk, which is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments that are in possession of an outside party.

NOTE C: DUE FROM OTHER GOVERNMENTAL UNITS / CONTRACT REVENUE

The Authority has entered into an agreement with the State of Michigan for specific shared services consolidation consulting and implementation services to provide a Virtual Health and Wellness Marketplace. Under this agreement the State provides funding in the amount of \$1,250,000 for initial startup costs to cover the first two years of operations, with one-year renewals. The Authority receives monies on a reimbursement basis under this agreement. As of September 30, 2015, the Authority had recognized \$782,758 under this agreement with \$48,028 due from the State of Michigan.

Michigan Municipal Services Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE D: RISK MANAGEMENT

The Authority is exposed to various risks of loss for liability and workers' compensation claims. For workers' compensation claims the Authority carries commercial insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in either of the past three (3) fiscal years.

Principals

Dale J. Abraham, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Michigan Municipal Services Authority
Lansing, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Michigan Municipal Services Authority (the Authority), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 7, 2016



Michigan Municipal Services Authority

PO BOX 12012, LANSING MI 48901-2012

**AUTHORITY BOARD
RESOLUTION 2016-A**

Approval of Audit for Fiscal Year 2014-2015

The Authority Board of the Michigan Municipal Services Authority ("Authority") resolves that the audit of the Authority for the fiscal year ending September 30, 2015 prepared by Abraham & Gaffney, P.C. and presented to the Authority Board at its regular meeting on June 9, 2016 is approved as provided under Section 4.02 of the interlocal agreement that created the Authority.

Secretary's Certification:

I certify that this resolution was adopted by the Authority Board of the Michigan Municipal Services Authority at a properly-noticed open meeting held with a quorum present on June 9, 2016.

By: _____

James Cambridge
Authority Secretary