Michigan Municipal Services Authority
PO BOX 12012, LANSING MI 48901-2012

PUBLIC NOTICE OF A REGULAR MEETING

The **Authority Board of the Michigan Municipal Services Authority** (Authority) will hold a regular meeting on the following date, at the following time, and at the following location:

Date	Time	Location
Thursday, March 8, 2018	1:30 PM	Capitol View Building Constitution Room – 9th Floor 201 Townsend Street Lansing, MI 48933

The meeting is open to the public and this notice is provided under the Open Meetings Act, 1976 PA 267, MCL 15.261 to 15.275.

The meeting location is barrier-free and accessible to individuals with special needs. Individuals needing special accommodations or assistance to attend or address the meeting should contact the Authority at (248) 925-9295 prior to the meeting to assure compliance with Subtitle A of Title II of the Americans with Disabilities Act of 1990, Public Law 101-336, and 42 USC 12131 to 12134.

A copy of the proposed meeting minutes 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.

Michigan Municipal Services Authority
PO BOX 12012, LANSING MI 48901-2012

AUTHORITY BOARD
REGULAR MEETING

Thursday, March 8, 2018 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 14, 2017 regular Authority Board meeting

V. **Administrative Report**

  a. Financial Report
  b. Program Reports

VI. **Audits**

  a. Resolution 2018-A Approval of Audit for Fiscal Year 2016-2017

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.

MMSA
Michigan Municipal Services Authority

AUTHORITY BOARD

Thursday, December 14, 2017 at 1:30 p.m.

Capitol View Building
Constitution Room – 9th Floor
201 Townsend Street
Lansing, MI 48933

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	☒ Present	☐ Absent
Doug Wiescinski, Vice-Chairperson*	☒ Present	☐ Absent
James Cambridge, Secretary*	☒ Present	☐ Absent
Eric DeLong, Treasurer*	☒Present	☐ Absent
Phil Bertolini*	☒ Present	☐ Absent
Jeff Dood*	☒ Present	☐ Absent
Peggy Jury*	☒ Present	☐ Absent
Brian Meakin*	☒ Present	☐ Absent
Dominick Pallone	☒ Present	☐ Absent
Kelli Scott*	☒ Present	☐ Absent
Doug Smith*	☒ Present	☐ Absent

*Participated via teleconference.

Other attendees:

- Robert Bruner, Michigan Municipal Services Authority
- Kristen Delaney, Michigan Municipal Services Authority
- Steven Liedel, Dykema

III. Approval of Agenda

Moved by: Wiescinski
Supported by: Pallone
Yes: X *No: __*

IV. Approval of Minutes from June 8, 2017 Regular Meeting of the Authority Board.

Moved by: Wiescinski
Supported by: Pallone
*Yes: _X_* *No: __*

V. Administrative Report

CEO Robert Bruner delivered the administrative report.

VI. Audit Reports

None.

VII. New Business

a. Resolution 2017-B Schedule of Regular Meetings for Calendar Year 2018

Moved by: Jury
Supported by: Pallone
*Yes: _X_* *No: __*

VIII. Public Comment

None.

IX. Other Business

None.

X. Adjournment

Moved by: Pallone
Supported by: Smith
*Yes: _X_* *No: __*

Meeting adjourned at 2:15 PM

Certification of Minutes

Approved by the Authority Board on March 8, 2018.

Authority Secretary

Date

Michigan Municipal Services Authority

Administrative Report

Prepared March 1, 2018

Collaborate • Innovate • Serve

Financial Report

MMSA Administrative Report

Michigan Municipal Services Authority
General Fund

Fund	Activity		FYE 2018 Adopted	January 2018	FYE 2018 Year to Date	FYE 2018 Budget to Date	Variance
		Operating Revenues					
101	539	State Grants		$ 37,500	$ 37,500	$ -	
		Transfer from VHWM	$ 128,500	$ -	$ 28,222	$ 42,833	-34.1%
		Transfer from FMS	$ 128,500	$ -	$ 28,222	$ 42,833	-34.1%
		TOTAL OPERATING REVENUES	$ 257,000	$ 37,500	$ 93,944	$ 85,667	9.7%
		Operating Expenses					
101	101	Governing Body	$ 2,000	$ -	$ -	$ 667	-100.0%
101	173	Chief Executive	$ 225,000	$ 19,086	$ 73,510	$ 75,000	-2.0%
101	191	Accounting	$ 16,000	$ 10,252	$ 12,272	$ 5,333	130.1%
101	228	Information Technology	$ 2,000	$ -	$ -	$ 667	-100.0%
101	266	Attorney	$ 12,000	$ -	$ -	$ 4,000	-100.0%
		TOTAL OPERATING EXPENSES	$ 257,000	$ 29,338	$ 85,782	$ 85,667	0.1%
		Change in Net Position	$ -	$ 8,162	$ 8,162	$ -	

Michigan Municipal Services Authority
VHWM

Fund	Activity		FYE 2018 Adopted	January 2018	FYE 2018 Year to Date	FYE 2018 Budget to Date	Variance
		Operating Revenues					
501	539	State Grants	$ -	$ -	$ -	$ -	
501	600	Charges for Services	$ 755,124	$ -	$ 174,295	$ 251,708	-30.8%
		TOTAL OPERATING REVENUES	$ 755,124	$ -	$ 174,295	$ 251,708	-30.8%
		Operating Expenses					
501	266	Attorney	$ 6,000	$ -	$ -	$ 2,000	-100.0%
501	271	Program Management	$ 6,000	$ -	$ -	$ 2,000	-100.0%
501	272	Contractual Services	$ 732,706	$ 123,563	$ 302,197	$ 244,235	23.7%
501		Transfer to General Fund	$ 128,500	$ -	$ 28,222	$ 42,833	-34.1%
		TOTAL OPERATING EXPENSES	$ 873,206	$ 123,563	$ 330,419	$ 291,069	13.5%
		Change in Net Position	$ (118,082)	$ (123,563)	$ (156,124)	$ (39,361)	296.7%

Michigan Municipal Services Authority
FMS

Fund	Activity		FYE 2018 Adopted	January 2018	FYE 2018 Year to Date	FYE 2018 Budget to Date	Variance
		Operating Revenues					
502	539	State Grants	$ -	$ -	$ -	$ -	0.0%
502	600	Charges for Services	$ 2,863,430	$ -	$ -	$ 954,477	-100.0%
		TOTAL OPERATING REVENUES	$ 2,863,430	$ -	$ -	$ 954,477	-100.0%
		Operating Expenses					
502	266	Attorney	$ 6,000			$ 2,000	-100.0%
502	271	Program Management	$ 45,000	$ -	$ -	$ 15,000	-100.0%
502	272	Contractual Services	$ 2,678,000	$ 900	$ 7,095	$ 892,667	-99.2%
502		Transfer to General Fund	$ 128,500	$ -	$ 28,222	$ 42,833	-34.1%
		TOTAL OPERATING EXPENSES	$ 2,857,500	$ 900	$ 35,317	$ 952,500	-96.3%
		Change in Net Position	$ 5,930	$ (900)	$ (35,317)	$ 1,977	-1886.7%

Michigan Municipal Services Authority
All Funds

	FYE 2018 Adopted	January 2018	FYE 2018 Year to Date	FYE 2018 Budget to Date	Variance
OPERATING REVENUES					
General	$ 257,000	$ 37,500	$ 93,944	$ 85,667	9.7%
VHWM	$ 755,124	$ -	$ 174,295	$ 251,708	-30.8%
FMS	$ 2,863,430	$ -	$ -	$ 954,477	-100.0%
TOTAL OPERATING REVENUES	$ 3,875,554	$ 37,500	$ 268,239	$ 1,291,851	-79.2%
OPERATING EXPENSES					
General	$ 257,000	$ 29,338	$ 85,782	$ 85,667	0.1%
VHWM	$ 873,206	$ 123,563	$ 330,419	$ 291,069	13.5%
FMS	$ 2,857,500	$ 900	$ 35,317	$ 952,500	-96.3%
TOTAL OPERATING EXPENSES	$ 3,987,706	$ 153,801	$ 451,518	$ 1,329,235	-66.0%
CHANGE IN NET POSITION	$ (112,152)	$ (116,301)	$ (183,280)	$ (37,384)	390.3%

MICHIGAN MUNICIPAL SERVICES AUTHORITY

Summary of Revenues and Expenditures

Date	Check Number	Invoice Number	Description	Check Amount	Deposits/ Other Credits		Account Balance
12/31/17			Beginning Balance			$	270,730.25
1/5/18	Deposit		Deposit		37,500.00	$	308,230.25
1/11/18	Direct Deposits		Payroll	5,068.25		$	303,162.00
		payroll Taxes	Internal Revenue Service	1,617.46		$	301,544.54
		payroll Taxes	State of Michigan	472.94		$	301,071.60
	s/c		Bank Service Charge	252.15		$	300,819.45
1/12/18	7510		Stevens Kirinovic & Tucker	10,000.00		$	290,819.45
	ACH		Benefits Express	58,251.52		$	232,567.93
	ACH	expenses	Robert Bruner	10.00		$	232,557.93
	ACH	expenses	Robert Bruner	367.20		$	232,190.73
	ACH	expenses	Robert Bruner	98.23		$	232,092.50
	ACH		Segal Consulting	900.00		$	231,192.50
	ACH		Segal Consulting	2,800.00		$	228,392.50
1/19/18	ACH	expenses	Kristin Delaney	804.63		$	227,587.87
	ACH		Benefits Express	62,511.70		$	165,076.17
1/25/18	Direct Deposits		Payroll	5,068.26		$	160,007.91
		payroll Taxes	Internal Revenue Service	1,617.44		$	158,390.47
1/26/18	7511		Cincinnati Insurance Comp	2,406.00		$	155,984.47
1/30/18	ACH		Blue Cross Blue Sheild	1,172.75		$	154,811.72
			TOTAL MI MUN SERV AUTH CASH BALANCE			$	154,811.72

Michigan Municipal Services Authority
Balance Sheet
As of January 31, 2018

ASSETS

CURRENT ASSETS		
Cash in Bank	$ 154,811.72	
Due From Cities	136,647.65	
Total Current Assets		291,459.37
PROPERTY AND EQUIPMENT		
TOTAL ASSETS		$ 291,459.37
CURRENT LIABILITIES		
Accounts Payable	$ 132,744.79	
Accrued State W/H	472.94	
Accrued MESC	314.74	
Accrued FUTA	68.40	
Accrued Salaries & Wages	6,930.77	
Total Current Liabilities		140,531.64
LONG-TERM LIABILITIES		
Total Liabilities		140,531.64
FUND BALANCE		
Fund Balance Retained	334,208.59	
Current Revenue over Expenses	(183,280.86)	
Total Fund Balance		150,927.73
TOTAL LIABILITIES AND FUND BALANCE		$ 291,459.37

See Accountants' Compilation Report

Michigan Municipal Services Authority
Statement of Income
For the 1 Month and 4 Months Ended January 31, 2018

	1 Month Ended January 31, 2018	4 Months Ended January 31, 2018
Revenues		
Contract Revenue	$ 37,500.00	$ 211,794.95
Operating Expenses		
Salary Director	$ 8,498.90	$ 38,245.05
Wages - Administrative Staff	4,400.00	19,800.00
Outside Service Contractors	124,463.22	310,074.18
Payroll Taxes	945.45	4,254.55
MESC Taxes	314.74	314.74
FUTA Taxes	68.40	68.40
Office Expense	1,181.83	3,039.28
Legal & Accounting	10,000.00	10,800.00
Insurance - General	2,406.00	2,406.00
Insurance - Health	1,172.75	4,431.22
Mileage Reimbursement	0.00	854.11
Travel Expenses	98.23	98.23
Bank Service Charges	252.15	690.05
Total Operating Expenses	153,801.67	395,075.81
Revenues over Expenses	$ (116,301.67)	$ (183,280.86)

See Accountants' Compilation Report

BANK RECONCILIATION

Name of Client: Michigan Municipal Services Authority — Month: January, 2017

Bank: Fifth Third — Prepared By:

General Ledger Acct Balance:		$ 270,730.25	Balance per bank statement: 1/31/18		$ 206,072.83
Add Debits:			Add Deposits in Transit:		
Deposits	$ 37,500.00				
Total Dr $	$ 37,500.00				
Total		$ 308,230.25			
Less Credits:					
checks	$ 12,406.00		Total in Transit:	$ -	
Payroll	$ 13,844.35		Total:		$ 206,072.83
Online payments	$ 125,743.28				
SC	$ 252.15		Less Checks Outstanding:		
BCBS	$ 1,172.75		(see list below)		
Total Cr $	$ 153,418.53		Total:	$ 51,261.11	
Bank Balance - Per General Ledger:		$ 154,811.72			$ 154,811.72

Checks Outstanding

Number	Amount	Number	Amount	Number	Amount
	$ 892.00	8/15/2017	Blackwell Ins Serv		
	$ 47,963.11	8/18/2017	Benefit Express		
7511	$ 2,406.00				
	$ 51,261.11		$ -		$ -

FIFTH THIRD BANK

(WESTERN MICHIGAN)
P.O. BOX 630900 CINCINNATI OH 45263-0900

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

0

4459

Statement Period Date: 1/1/2018 - 1/31/2018
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 -

01/01	**Beginning Balance**	**$321,202.80**	Number of Days in Period	31
1	Checks	$(10,000.00)		
16	Withdrawals / Debits	$(142,629.97)		
1	Deposits / Credits	$37,500.00		
01/31	**Ending Balance**	**$206,072.83**		

Check

1 check totaling $10,000.00

* Indicates gap in check sequence   i = Electronic Image   s = Substitute Check

Number	Date Paid	Amount
7510 i	01/22	10,000.00

Withdrawals / Debits

16 items totaling $142,629.97

Date	Amount	Description
01/03	1,617.44	IRS USATAXPYMT 270840363054964 MICHIGAN MUNICIPAL SER 010318
01/09	10.00	Michigan Municip CREDITS 4616288140 010918 OFFSET TRANSACTION
01/09	98.23	Michigan Municip CREDITS 4616288140 010918 OFFSET TRANSACTION
01/09	367.20	Michigan Municip CREDITS 4616288140 010918 OFFSET TRANSACTION
01/09	900.00	Michigan Municip PAYMENTS 4616288140 010918 OFFSET TRANSACTION
01/09	2,800.00	Michigan Municip PAYMENTS 4616288140 010918 OFFSET TRANSACTION
01/09	58,251.52	Michigan Municip PAYMENTS 4616288140 010918 OFFSET TRANSACTION
01/10	5,068.25	Michigan Municip CSI PAYROLL PAYROLL Michigan Municipal Ser 011018
01/11	252.15	SERVICE CHARGE
01/16	804.63	Michigan Municip CREDITS 4616288140 011618 OFFSET TRANSACTION
01/16	62,511.70	Michigan Municip PAYMENTS 4616288140 011618 OFFSET TRANSACTION
01/17	1,617.46	IRS USATAXPYMT 270841790638841 MICHIGAN MUNICIPAL SER 011718
01/22	472.94	MI Business Tax Payment SMIBUS001726884 TawneyMichael 012218
01/24	5,068.26	Michigan Municip CSI PAYROLL PAYROLL Michigan Municipal Ser 012418
01/30	1,172.75	BCBS Michigan PREMIUM MS283851 MICHIGAN MUNICIPAL SER 013018
01/31	1,617.44	IRS USATAXPYMT 270843102229160 MICHIGAN MUNICIPAL SER 013118

Deposits / Credits

1 item totaling $37,500.00

Date	Amount	Description
01/05	37,500.00	DEPOSIT

Daily Balance Summary

Date	Amount	Date	Amount	Date	Amount
01/03	319,585.36	01/11	289,338.01	01/24	208,863.02
01/05	357,085.36	01/16	226,021.68	01/30	207,690.27
01/09	294,658.41	01/17	224,404.22	01/31	206,072.83
01/10	289,590.16	01/22	213,931.28		

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FMS Program Report

MMSA Administrative Report

FMS Program Update

Grant Management

- New CGAP applications now being accepted
- $3.7 Million available
- Applications are due March 2, 2018
- Funding expires September 30, 2018

Program Management

- Executive Committee and Kent County approved Amendment No. 1
- Genesee County and Grand Rapids are in the processing of considering Amendment No. 1

MMSA
Michigan Municipal Services Authority
PO BOX 12012, LANSING MI 48901-2012

September 1, 2017

CGI Technologies and Solutions Inc.
Attn: John E. Roggemann, VP, Consulting Services
300 S. Washington Square, Suite 405
Lansing, MI 48933
Fax: (517) 346-2914

Dear John,

Genesee County has notified the Michigan Municipal Services Authority ("MMSA") of a disputed amount pursuant to Section 2 (d) of the Participation Agreement between the Authority, CGI, and Genesee County. Accordingly, the MMSA is notifying CGI of the disputed amount pursuant to Section 4 (F) of the Service Agreement between the MMSA, CGI, and each Participating Municipality. The amount disputed is the $912,000.00 Year 3 Annual SaaS Subscription. The reason for the dispute is included in the attached notice from Genesee County.

Sincerely,

Robert J. Bruner, Jr.

Robert J. Bruner, Jr., Chief Executive Officer

Attachments

MMSA
Michigan Municipal Services Authority

Robert Bruner <rbruner@michiganmsa.org>

Kronos Adapter Dispute

Hemraj, Nerahoo <NHemraj@co.genesee.mi.us> Fri, Sep 1, 2017 at 11:35 AM
To: Robert Bruner <rbruner@michiganmsa.org>
Cc: "Hemraj, Nerahoo" <NHemraj@co.genesee.mi.us>

Good Morning Bob:

Sorry for the delay as I was researching these items further with our team. Of course I am protesting the charges for the Kronos Adapter. This is an was an unworkable product from CGI after they have added resources to correct their deficiency. More so, CGI was aware that Genesee was experiencing major difficulties with the FIN module and moving to the HRMS and the other modules would have been a disaster. Unfortunately I can say that CGI was only concerned with meeting their billing quotas and not the interest of Genesee County. I can say that 360 is an unstable product and should not been deployed. I am angry that we have to pay CGI to correct their product deficiencies; we are their Beta site tester and we have to pay for that privilege? Bob I am protesting the quality of the "free" reports that came with the system, the configuration of the G/L, A/P, Purchasing, Object classification, PB, training, and I can go on continuously. Additionally this is a defective product and we should not pay the SaaS fees. I am therefore requesting a refund for all the SaaS and Kronos Adapter fees paid to date. Moving forward I am requesting that CGI work to help us stabilize this product at no cost to Genesee county.

Finally, as an end product user I am totally dissatisfied with this product as what was marketed to the County is totally different from what was delivered.

Nerahoo Hemraj

From: Robert Bruner [mailto:rbruner@michiganmsa.org]
Sent: Thursday, August 31, 2017 5:47 PM
To: Hemraj, Nerahoo <NHemraj@co.genesee.mi.us>
Subject: Kronos Adapter Dispute

Nerahoo,

I'm glad we talked today. The County must notify the Authority in writing of the disputed amount tomorrow (08/17/17 + 15 days = 09/01/17).

Per my voicemail, Section 2 (Fees) of the Participation Agreement is between the Authority, CGI, and Genesee County provides as follows:

(d) The Participating Municipality may withhold payment of amounts it does not in good faith believe are due to the MMSA if all of the following are satisfied:

1. *the Participating Municipality notifies the MMSA in writing of the disputed amount and the reason for the dispute before the payment due date within 15 days of submission of the invoice by the MMSA;*
2. *the Participating Municipality timely pays all other amounts specified on the invoice;*
3. *the Participating Municipality works in good faith with the MMSA to resolve the dispute in a prompt and mutually acceptable manner; and*
4. *the Participating Municipality pays any amounts ultimately determined to be due to the MMSA within five days after the dispute is resolved and the MMSA adjusts the amount due from the Participating Municipality to reflect the dispute resolution. If a disputed amount is not resolved within 30 days after the original payment due date, the parties will resolve the dispute as provided in section 13 of the Services Agreement.*

The County must provide notice pursuant to Section 6 (Notice) of the Participation Agreement. E-mail is a valid method to deliver notice but only if the party to which the email is addressed acknowledges that email. For an email notice to the Authority to be valid, it must be addressed to fms@michiganmsa.org.

Please be advised the Authority must provide notice to CGI tomorrow and I need you to provide me with the reason for the dispute first so I can include it in the Authority's notice to CGI.

Please call me if you have any questions.

Thanks,

Bob Bruner

Robert Bruner
Chief Executive Officer, Michigan Municipal Services Authority
Mobile: (248) 925-9294
Email: rbruner@michiganmsa.org
Website: www.michiganmsa.org
Address: PO Box 12012, Lansing MI 48901-2012

INVOICE

MICHIGAN MUNICIPAL SERVICES AUTHORITY

PO BOX 12012, LANSING MI 48901-2012

Financial Management System (FMS) Program

Date: 08/17/17

To: County of Genesee, Michigan
Nerahoo Hemraj, Controller
nhemraj@co.genesee.mi.us
(810) 257-2627

INVOICE DATE	INVOICE NUMBER	VENDOR	DESCRIPTION	AMOUNT
08/17/17	US312043507	CGI - Technologies and Solutions	Year 3 Annual SaaS Subscription	$883,000.00
08/17/17		Michigan Municipal Services Authority	Administration fee (7%)	$61,810.00
08/17/17	US312043507	CGI - Technologies and Solutions	Kronos Adaptor Subscription	$29,000.00
			TOTAL DUE:	**$973,810.00**

ELECTRONIC PAYMENT INFORMATION:
Bank: Fifth Third Bank
Address: 5050 Kingsley Drive, Cincinnati, OH 45227
Account #: 7166385711
Domestic Wires ABA: 042000314
ACH Payments ABA: 072400052
Remittance Contact: fms@michiganmsa.org

DIRECT INQUIRIES TO:
Robert Bruner, Chief Executive Officer
(248) 925-9294
rbruner@michiganmsa.org

INVOICE

CGI - Technologies and Solutions
11325 Random Hills Road
Fairfax (VA) 22030

Genesee County
Attention: Michigan Municipal Services Authority
200 Townsend St., Ste. 900
Lansing MI 48933
United States

Customer number:	120000314
Invoice:	US312043507
Invoice date:	August 17, 2017
Page:	1 of 1
Payment due date:	October 1, 2017
Contract:	US31200001069
Project:	000000000073780

Activity: Annual Subscription

Ship To Address: Genesee County - 1101 Beach Streat - Flint MI 48502 - United States

Description: Genesee County Advantage 360

For billing inquiries please contact:
client.services.crp@cgi.com / 514 841-3484 / 1 866 624-9056

Amount due: 912,000.00 USD

Description	MM-DD-YYYY	Quantity	UOM	Rate	Amount
Year 3 Annual SaaS Subscription					
	From 10-01-2017 To 09-30-2018				912,000.00

Total amount:	912,000.00
MI SALES TAX 0%	0.00
Total tax:	0.00
Amount due:	**912,000.00 USD**

Payment Terms: Net 45 Days

REMIT PAYMENT TO:

CHECK PAYMENT
CGI Technologies and Solutions Inc.
12907 Collections Center Drive
Chicago (IL) 60693

ELECTRONIC PAYMENT INFORMATION
Bank: Bank of America
Address: 1401 Elm Street 2nd floor, Dallas (TX) 75202
Account #: 3752064485
SWIFT: BOFAUS3N
Domestic Wires ABA: 026009593
ACH Payments ABA: 111000012
Remittance Contact: client.services.crp@cgi.com

Tax registration #: ME-0256464

120000314 / V03_9999CC

CGI Technologies and Solutions Inc.
300 S. Washington Square, Suite 405
Lansing, MI 48933Tel. 248.496.4336

cgi.com

February 21, 2018

By Email

Genesee County
1101 Beach Street
Flint, MI 48502
Attn: Nerahoo Hemraj, Controller
Email: NHemrag@co.genesee.mi.us

Michigan Municipal Services Authority
c/o Dykema Gossett PLLC
200 Townsend St., Ste. 900
Lansing, MI 48933-1529
Attn: Robert J. Bruner, Jr., CEO
Email: rbruner@michiganmsa.org

Re: CGI Advantage360® Subscription and Implementation Project

Dear Nerahoo and Bob:

This letter addresses the concern of CGI Technologies and Solutions Inc. ("CGI") regarding unpaid invoices in connection with the above-captioned project pursuant to the following contracts between and among CGI, the Michigan Municipal Services Authority ("MMSA"), and Genesee County ("County"):

- The FMS Program – CGI Advantage360 Service Agreement ("Service Agreement") dated March 31, 2016 among MMSA, the County, and CGI
- The Participation Agreement dated June 1, 2016, among MMSA, the County, and CGI
- The Implementation and Support Services Agreement ("ISSA"), dated June 1, 2016, between the County and CGI

(These contracts are referred to collectively in this letter as "Contracts.")

Pursuant to the terms and conditions of the Contracts, CGI has provided to the County a subscription to the CGI Advantage360 solution ("Solution") and services to implement the Solution. In connection with provision of the Solution and associated implementation services, CGI has submitted a series of invoices to the MMSA and the County in accordance with the payment terms of Contracts. These invoices, which total $1,573,931.80 (*see* Exhibit A, attached) have not been paid and, as evidenced by Bob's September 1, 2017 letter (*see* Exhibit B, attached), are in fact disputed by the County and MMSA under Section 4.F of the Service Agreement.

Numerous discussions concerning the disputed invoices over the months since September 1, 2017, have failed to resolve the payment dispute. CGI and Genesee County met on this subject on February 14, 2018. Other than the request for prompt payment of invoice US312043890 for Retainage, CGI believes that the Revised Amount Due column of Exhibit A reflects Genesee County's position noted in our meeting of February 14, 2018. Accordingly, by this letter CGI requests that the MMSA and the County provide payment, or their agreement to pay, as per Genesee County's verbally stated position on the disputed invoices, by February 27, 2018 (as noted in the Revised Amount Due column of Exhibit A). Failing receipt of payment or agreement to pay the disputed invoices by that date, CGI invokes the informal dispute resolution process under Section 13.C of the Service Agreement.

Once CGI receives Genesee County's written agreement, CGI will issue adjusted invoices for invoice numbers US312043507, US312043884 and US312043890 to reflect Revised Amount Due column of Exhibit A, and CGI will also document the cancellation of invoice US312043881.

Separately, a Change Order will be needed to document the removal of the Kronos Adaptor from the scope of the ISSA and Participation Agreement, and removal of the BSA interface from the ISSA.

We look forward to prompt resolution of this payment issue. Please call me if you have any questions.

Sincerely,

Jon Jasper
Vice President, Consulting Services

cc (by Email): Dykema Gossett PLLC
200 Townsend St., Ste. 900
Lansing, MI 48933
Attn: Steven C. Liedel
Email: SLiedel@Dykema.com

CGI Technologies and Solutions Inc.
300 S. Washington Square, Suite 405
Lansing, MI 48933Tel. 248.496.4336

cgi.com

Exhibit A – Unpaid Invoices

Invoice	Description	Original Invoice Amount	Due Date	Revised Amount Due
US312042648	CCR 6 BPR Support	$66,435.00	7-Jul-17	$5,462.87
US312042895	HRM Milestone BPD Inventory	$15,379.20	7-Aug-17	$8,207.53
US312043507	Yr. 3 SAAS Subscription (includes reversal of $87,000 for 3 years of Kronos Adaptor)	$912,000.00	1-Oct-17	$825,000.00
US312043880	CCR5 Finance Extension	266,117.40	11-Nov-17	266,117.40
US312043881	HRM Milestone August Services (full reversal)	$95,000.00	11-Nov-17	$0.00
US312043883	FM Milestone Reports Complete	$31,202.10	29-Sep-17	$31,202.10
US312043884	FM Milestone Interfaces (includes credit of $6,408 for BSA interface	$92,227.00	11-Nov-17	$85,819.00
US312043890	Retainage (includes reversal for removal of BSA interface from scope)	$95,571.10	12-Nov-17	$94,858.71
Total		**$1,573,931.80**		**$1,316,667.61**

February 26, 2018

By Email

Jon Jasper
Vice President, Consulting Services
CGI Technologies and Solutions Inc.
jon.jasper@cgi.com

RE: Genesee County CGI Advantage360® Subscription

Dear Jon,

I am in receipt of your letter dated February 21, 2018 addressing the concern of CGI Technologies and Solutions Inc. regarding Genesee County's unpaid invoices. Thank you for discussing these concerns and meeting with Genesee County on this subject. This letter is provided in response to CGI's request that the Michigan Municipal Services Authority provide payment, or agreement to pay, by February 27, 2018. The Authority invoiced the County for SaaS Subscription Fees pursuant to the Contract Documents and will pay those fees to CGI if/when the County pays those fees to the Authority.

Sincerely,

Robert J. Bruner Jr.
Chief Executive Officer

cc (via email): Nerahoo Hemraj, Controller
Genesee County
nhemrag@co.genesee.mi.us

Steven C. Liedel
Dykema Gossett PLLC
sliedel@dykema.com

VHWM Program Report

MMSA Administrative Report

VHWM Program Report

- Ended the Program 12/31/2017
- Remaining deposit was refunded to the City of Detroit in February
- Developing a new stop-loss insurance cooperative

Stop-loss Insurance Cooperative Program Development Report

MMSA Administrative Report

Stop-loss Insurance Cooperative Program Development Report

Participants

- Calhoun County (provided data)
- Grand Rapids (verbal commitment)
- Livonia (verbal commitment)
- Oakland County (provided data)

Schedule

- March 30 Feasibility Study Deadline
- April 27 Complete data collection
- June 1 Complete feasibility study
- June 29 RFP participation deadline
- July 27 Complete data collection
- August 31 Issue RFP

Municipal Talent Pipeline (MTP) Report

MMSA Administrative Report

MTP Program Report

MTA Township Focus Magazine

- February 2018 cover story (attached)

MTA Annual Educational Conference & Expo

- “Bridging the Talent Gap” educational session on April 24

Surviving the 'Silver Tsunami'

In 2016, *Governing* magazine announced, "The 'Silver Tsunami' Has Arrived in Government." Silver Tsunami is a metaphor used to describe the wave of retirements created by baby boomers leaving the workforce.

This is important for all employers because the generation that follows, Generation X, is substantially smaller than the baby boom generation. That means that the supply of experienced workers is decreasing at the same time demand for them is increasing. This is *especially* important for public employers like Michigan's townships because public-sector workers tend to be older, and often must possess higher levels of education or necessary certifications than private-sector workers. State and local governmental employers have the oldest average workforce of any major industry.

While this demographic reality could be seen coming decades in advance, few employers are prepared for it. In 2010, *The Economist* stated, "There was a flicker of interest in the problem a few years ago but it was snuffed out by the recession." The Great Recession created both the economic and political leverage public employers needed to reduce local government compensation and employment.

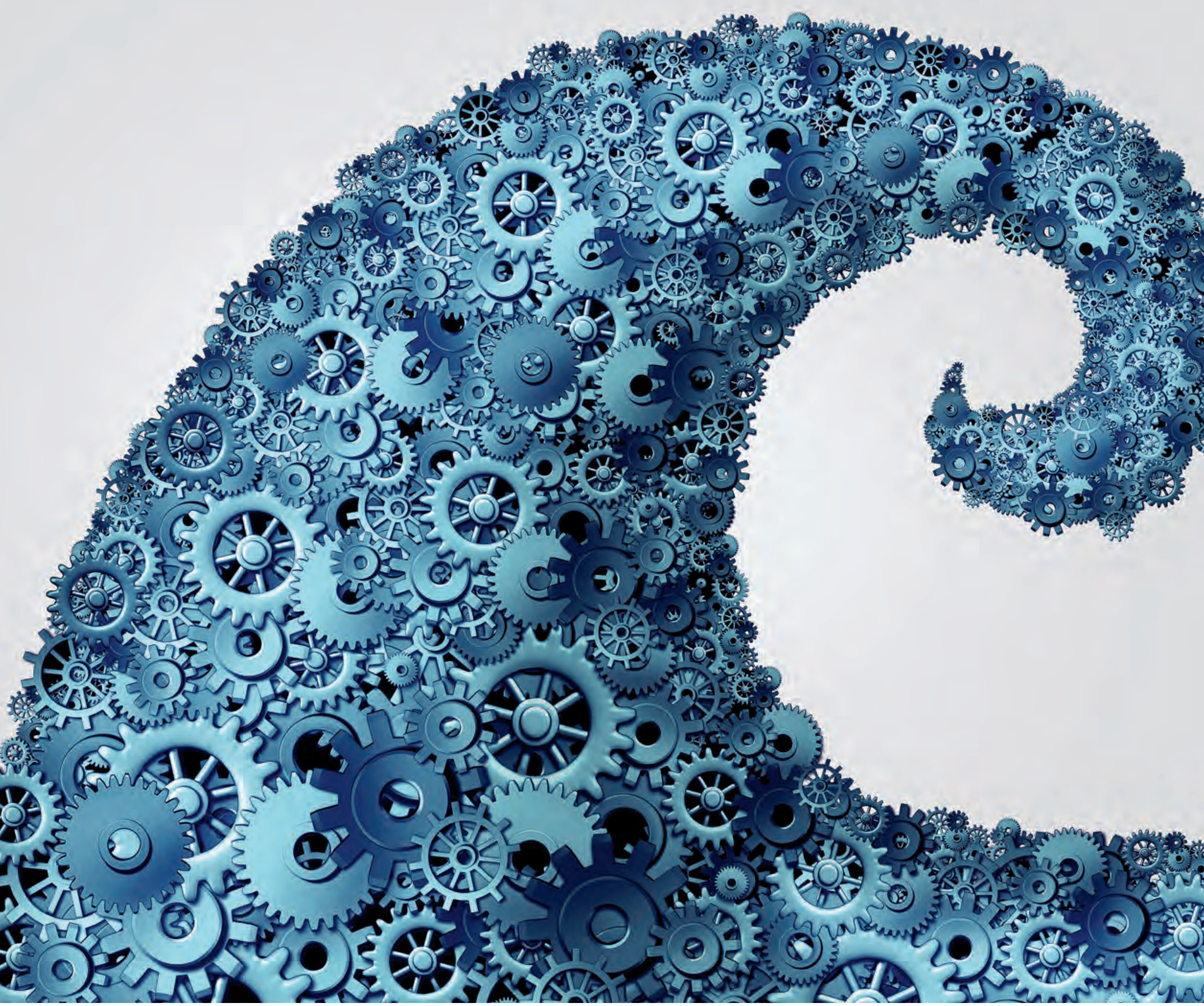
Government employment is the only sector that has not recovered from the Great Recession. Public employers struggle in vain to fill vacancies created by baby boomer retirements as full employment has transformed the war "on" public workers into a war "for" public workers. Shortages in specialized professions requiring certifications, licenses or registration—such as assessors, building inspectors and even public safety workers—aptly demonstrate this quiet crisis.

Public employers, like townships, must learn how to attract and retain younger workers, or taxpayers and residents will pay the consequences of failure.

Causing waves

Demographic

World War II ended in 1945 and 3.4 million Americans were born in 1946. This was a nearly 20 percent increase from 1945, and more births than any year before. Births continued



Michigan's public employers—like townships—now find themselves competing for talent more directly with private employers than they have before. To make matters worse, Michigan's broken municipal funding model makes careers in local government less attractive than ever.

to increase and peaked at 4.3 million in 1957. The baby boom ended in 1965 when births dropped below four million—a level not exceeded again until 1989, when baby boomers were having children of their own (millennials).

Approximately 76 million Americans were born during the baby boom between 1946 and 1964, and this age cohort peaked at 78.8 million in 1999. Age cohorts continue to grow after births stop as individuals born outside the U.S. immigrate. The following age cohort, Generation X, is expected to peak at 65.8 million in 2018. This peak will be 16 percent less than the baby boom peak—creating a "talent gap" in the workforce.

The baby boomers began reaching normal retirement age—65 years old—on Jan. 1, 2011. Americans age 65 years and over accounted for nearly 13 percent of the population that year. Approximately 10,000 baby boomers turned 65 each day since then and will continue to do so through 2029, when the last baby boomers reach 65. As a result, Americans age 65 years and over accounted for nearly 15 percent of the population in 2016 and are expected to account for more than 20 percent by 2029.

Economic

Public employers traditionally competed for talent by offering lower wages and more generous health care and retirement benefits than their private-sector competition. A 2010 study by the Center for State and Local Government Excellence and the National Institute on Retirement Security found state and local government employees earned 11 to 12 percent less than comparable private-sector workers when factors such as education and experience were accounted for. However, defined benefit retirement plans and other postemployment benefits (OPEB) discouraged turnover in the public sector.

The State of Michigan and other public employers closed defined benefit retirement plans to new hires and replaced them with defined contribution plans in 1997. The Dow Jones Industrial Average nearly doubled between 1996 and 1999. The stock market seemed unstoppable, so many public employees embraced the change. Then, the dot-com bubble burst. The NASDAQ Composite peaked on March 10, 2000, and fell 78 percent in the following 30 months. This made defined contribution plans much less attractive to public employees who still enjoyed the security of defined benefit plans.

In 2004, Governmental Accounting Standards Board (GASB) Statement No. 45 reinvigorated interest in replacing defined benefit plans with defined contribution plans. GASB 45 required state and local government employers to measure and disclose their OPEB liabilities. Implementation began for the largest governments in 2006 and for the smallest governments in 2008.

No offense intended

Older workers, those age 55 and over, accounted for more than 20 percent of employed adults in 2011, the year the oldest baby boomers reached normal retirement age (65). That number exceeded 23 percent in 2017 and older workers are projected to account for about 25 percent of the U.S. labor force by 2020. The resulting wave of baby boomer retirements is sometimes, and controversially, called the Silver Tsunami.

Critics of the Silver Tsunami metaphor believe equating our aging population with a natural catastrophe is ageist and promotes negative perceptions of older people. Demographers have likened the baby boom generation to “the pig in the python” (a sharp statistical increase represented as a bulge in an otherwise level pattern), so there is more than one undesirable metaphor in use. In any event, the Silver Tsunami metaphor is used here because it is the most common phrase used to describe this demographic phenomenon and its implications. The word “silver” is used here as a term of endearment, the way one might use it when describing an older person as a silver fox, rather than a pejorative.

Then the Great Recession sparked what *The Nation* called a “War on Public Workers” as economic suffering increased tensions between public employees and taxpayers. One high-profile battle was launched by Wisconsin Gov. Scott Walker in 2011 when he introduced a plan to limit the collective bargaining rights of most Wisconsin public employees. The response included protests at the Wisconsin State Capitol and a 2012 recall election.

The Great Recession created both the economic and political leverage public employers needed to close defined benefit plans and replace them with defined contribution plans. It also radically reduced Michigan’s local government payroll relative to other states.

According to the U.S. Census Bureau’s Annual Survey of Public Employment & Payroll, Michigan ranked 20th in the nation in per capita local government payroll ($137 per capita; only 2 percent greater than the $134 national average) when the Great Recession began in 2007. This includes data for all local governments (i.e., counties, townships, cities, villages, special districts, and school districts). When the Great Recession ended in 2012, Michigan ranked 39th ($128 per capita; 14 percent less than the $150 national average)

By 2016, Michigan had dropped to 42nd (less than $131 per capita; nearly 20 percent less than the $163 national average). Government employment is the only sector that has not recovered from the Great Recession.

The 2010 study by the Center for State and Local Government Excellence and the National Institute on Retirement Security that found local government workers were paid substantially less than their private-sector counterparts analyzed wages between 1983 and 2008—before most of the local government payroll cuts that followed the Great Recession. Public employees already earned less than comparable private-sector workers. Replacing defined benefit plans with defined contribution plans eliminated one of the public sector’s few competitive advantages.

Michigan’s public employers now find themselves competing for talent more directly with private employers than they have before. To make matters worse, Michigan’s broken municipal funding model makes careers in local government less attractive than ever.

Supply and demand

Competing for talent was not a challenge during the Great Recession. Public employers shed more jobs than they filled and economic anxiety discouraged the turnover that normally occurs during times of economic stability. Accordingly, the demand for talent was low. In addition, the national unemployment rate peaked at 10 percent in October 2009, the highest unemployment rate since 1983. Thus, the supply of labor was high.

Michigan's full-time equivalent local government employment declined nearly 14 percent between 2009 and 2013. Many of these were entry-level positions, preventing younger workers from entering the local government workforce and creating a kink in the talent pipeline. However, the demand for talent appeared to be increasing. For example, the number of classified advertisements posted on MTA's and other local government association websites saw an increase during that time period, and maintained those increased number in subsequent years. Employers were presumably trying to fill vacant positions, likely resulting from baby boomer retirements, because local government employment was decreasing while advertisements were increasing.

After peaking at 10 percent in October 2009, unemployment has steadily declined and currently hovers around 4 percent. Many economists consider this full employment, a condition in which everyone in the labor market is employed in the most efficient way possible and the remaining unemployment is frictional, structural or voluntary. Long story short: public employers are ill-equipped to compete in today's red-hot labor market. The war "on" public workers has become a war "for" public workers.

The effects on local government

Suffice it to say, public employers are having difficulty attracting and retaining talent. Shortages are especially pronounced in specialized professions requiring certifications, licenses or other training. These include, but are not limited to certified assessors; registered building officials, building inspectors, electrical inspectors, mechanical inspectors, and plumbing inspectors; and certified municipal wastewater treatment plant and water treatment and distribution system operators. While your township may not employ all these public servants directly, your residents rely on the services they provide regardless who employs them.

For example, a survey conducted by Empco, Inc., a Michigan-based company specializing in testing services for public safety, estimated Michigan municipal police departments planned to hire at least 915 officers in 2017. This excludes large law enforcement agencies like the City of Detroit and the Michigan State Police that run their own academies. However, only 767 candidates graduated from Michigan police academies in 2015 and a similar number graduated in 2016.

A survey of assessing and equalization professionals conducted by the Michigan Municipal Services Authority (MMSA) in 2017 revealed 92 percent of respondents believe there is a shortage of qualified assessing and equalization staff in Michigan. Sixty-three percent of respondents believe uncompetitive compensation is the primary reason. The shortage seems to be especially challenging in Michigan's rural counties.

Looking at solutions

The demographic facts are clear: baby boomers will not work forever and must eventually be replaced by younger workers.

Law enforcement among the areas facing shortages

According to the U.S. Census Bureau's Annual Survey of Public Employment & Payroll (ASPEP), the number of full-time police officers in Michigan peaked in 2002, well before the Great Recession began in 2007. That number decreased nearly 15 percent in the pre-recession period between 2002 and 2007. It decreased more than 8 percent during the Great Recession, between 2007 and 2012, and has continued to decrease since then. In total, the number of full-time police officers in Michigan decreased more than 23 percent between its 2002 peak and 2016, the most recent year for which data is available.

This trend is supported by data from the Michigan Commission on Law Enforcement Standards (MCOLES). Michigan police officers are licensed through MCOLES, so the commission is well-positioned to collect good data. Its "Monthly Snapshot of Law Enforcement Officer Positions" includes data from 2001 to the present and tracks both law enforcement positions and officers. Unlike the Census Bureau, the commission does not track full-time and part-time positions separately.

More recently, a shortage of qualified candidates has hindered the ability of law enforcement agencies to replenish their ranks as older officers retire. Candidates without prior law enforcement training and experience must successfully complete an MCOLES law enforcement basic training academy, usually at their own expense. Employers will have to sponsor candidates if they want to attract talented individuals into these demanding and important public service careers.

Grow your talent

Public employers traditionally competed for talent by offering lower wages and more generous health care and retirement benefits than their private-sector competition. The "post and pray" recruiting strategy worked in those days. Then, many public employers altered their compensation plans and began competing for talent more directly with private employers than they did before the Great Recession. Unfortunately, few public employers adopted new strategies to compete for talent during today's red-hot labor market.

The Michigan Municipal Services Authority is a public body created in 2012 through an interlocal agreement between the cities of Grand Rapids and Livonia. The authority is a "virtual" municipality authorized to exercise the common powers, privileges, and authority of the founding cities but without geographic boundaries. Its purpose is to deliver value-based solutions that save staff time and taxpayer money.

The authority is developing the capacity to provide public employers with a one-stop talent management shop, including everything you need to attract, develop and retain employees. This will include strategic human resource planning services to help organizations anticipate their human capital needs and the services necessary to meet those needs. Many of the services will be familiar. Others are more innovative.

For example, one approach to help fill the opportunity gap is to pair an experienced part-time worker with an early or mid-career full-time candidate. The experienced worker will provide on-the-job development and oversight to help ensure the candidate's success. The hours and services provided by the experienced worker will depend on the candidate's needs. Hopefully, the candidate will steadily become less dependent on the experienced part-time worker and eventually become independent. Otherwise, another candidate may be provided until a match is made. This approach allows even small employers to "grow your own" talent.

The authority is working with a variety of individuals and organizations to provide cost-effective talent solutions. Interested townships should contact the authority's CEO to discuss their needs.

However, some employers seem resistant. A lot has been said and written about Generation X and millennials—much of it is negative. Older people have likely found it difficult to relate to younger people since the dawn of human existence. The fact remains: there are two factors employers must face to attract and retain younger workers—opportunity and compensation.

Opportunity

Many members of Generation X entered the workforce before the Great Recession and had the opportunity to gain experience and ascend into leadership positions relatively quickly. The high demand for and low supply of talented workers in this generation gives them a significant advantage in a competitive "seller's" labor market. In addition, defined benefit plans no longer encourage longevity, so employers should expect these workers to leave if they are not competitively compensated. What was considered "job hopping" before the Great Recession is now normal and longevity is the exception rather than the rule.

On the other hand, few millennials had similar opportunities to gain experience. The oldest millennials entered the workforce while unemployment was rising after the dot-com bubble burst. Unemployment hovered around 6 percent in 2003, then declined briefly between 2004 and 2006. However, it began to rise again during the Great Recession and prevented many millennials from entering the workforce in the same way prior generations did.

The only solution is to provide younger workers with the opportunities they need to get their proverbial feet in the door. This is especially important for public employers because they employ workers in specialized professions requiring certifications, licenses, trainings or registration that often require experience candidates cannot get anywhere else. On-the-job training must become the new norm. This idea is not new. For example, the number of active apprentices reported by the U.S. Department of Labor increased by more than 26 percent between 2011 and 2016. The number of Registered Apprenticeship programs increased by more than 10 percent between 2014 and 2016. In March 2017, the Great Lakes Water Authority (GLWA) announced the launch of a three-year apprenticeship program to hire and train electrical instrumentation control technicians.

While smaller employers may not be able to launch their own apprenticeship programs, they can work with larger employers or other regional partners to meet their needs. Townships can find a variety of ways to provide on-the-job training, mentorship and other forms of knowledge transfer, including paid or unpaid internships, which can offer a glimpse into the hard work—and intangible rewards—that a career a local government can offer. Check out the August issue of *Township Focus* for an article illustrating the benefits of township internships.

Compensation
Local government workers were paid substantially less than their private-sector counterparts before the Great Recession and have not fared well since. In the big picture, a major cause of the pay disparity is the fact that many government careers require more education on average than other industries, particularly when looking at state government or large local government positions.

While state government and large local employers may employ more individuals with college or advanced degrees than smaller local employers do, *all* public employers—large and small—employ individuals in professions requiring certifications, licenses or registration. There are nearly 600 law enforcement agencies and more than 1,000 fire departments in the state, and every local unit needs an assessor. These are just a few examples of the specialized professions in local government that require experience and training candidates cannot get anywhere else.

Maintenance of the status quo is unsustainable. It is unreasonable to expect potential employees to invest their time and money in education if their investment does not provide a reasonable return. Public employers have three options: Go back to competing for talent by offering pre-recession compensation plans; assess and adjust their compensation plans to compete with the private sector; or do nothing and risk the consequences.

Private employers have a competitive advantage because they can offer a variety of both traditional and non-traditional benefits public employers cannot provide for legal or political reasons. About a dozen Michigan public employers have recently begun assessing and adjusting their compensation plans by conducting classification and compensation analyses. The employers range in size from Barry County (population less than 60,000) to Oakland County (population more than 1.2 million). Small employers may not be able to commission their own analyses, but they can work with other regional employers and workforce development resources to assess their competitiveness in their local labor market. MTA's online salary survey also allows township board members and managers/superintendents to compare your township to other townships—and create reports to share the information. (Access via the members-only section of www.michigantownships.org.)

Becoming competitive may increase costs. However, the cost of remaining uncompetitive may be even greater. The consequences will include vacancies that strain an already stressed township workforce and lowering standards, or "settling" for candidates willing to accept the compensation uncompetitive public employers are offering. The cost of these consequences may be direct, like overtime, or indirect, like the cost of bad decisions. An ounce of prevention may be worth a pound of cure, but, unfortunately, cure is often more politically convenient than prevention.

For example, the U.S. 7th Fleet had seven major non-combat accidents in 2017, killing 17 sailors and costing taxpayers hundreds of millions of dollars in damage. According to the U.S. Government Accountability Office, the Navy reduced crew sizes to decrease personnel costs in the early 2000s. This led to sailor overwork and sleep deprivation. A 2014 Navy study found sailors were on duty 108 hours a week and slept less than allotted. Exhausted crews can make bad decisions. These and other factors contributed to the accidental deaths and destruction in 2017. Perhaps in part because of this, the Navy has difficulty filling authorized positions. Approximately 14,000 (10 percent) are currently vacant, and the vicious cycle of overwork continues.

Your township may not employ 20,000 sailors and span more than 124 million square kilometers (thank goodness!). But, Michigan's public employees make life and death decisions each day. Like the Navy, your township may be expected to do too much with too little if your costs are increasing faster than your tax revenue.

The Great Recession cut property taxes by reducing taxable value. Statewide property values declined by more than 31 percent between 2007 and 2013. Values remain less than 2008 levels in more than 1,200 cities and townships. Some communities have an even smaller tax base than they did before Michigan's one-state recession began in 2001.

There are only three ways to increase tax revenue: increase the tax base, increase the tax rate, or both. The only way to increase the tax base is by adding new development to the tax rolls (easier said than done!). Few local governments can increase their tax rate without voter approval. As a result, many communities have voted to give back the property tax cuts created by the Great Recession by approving tax rate increases. This requires local officials to have honest conversations with constituents about the realities of hiring and retaining the public servants they rely on to provide public services. You get what you pay for.

An aging workforce
As "Politico" recently put it, "America's government is getting old." Aging in the American workforce affects all industries, but it does not affect them all equally. Two factors create unique challenges for government that other industries do not face: the government workforce is the oldest of any major industry, and job cuts during the Great Recession shrank the government workforce and created a kink in the talent pipeline that public employers are now struggling to deal with. Younger workers either cannot or do not want to join the government workforce.

While many public employers altered their compensation plans during the Great Recession to reflect private-sector trends, few also adopted private-sector strategies to compete for talent during today's red-hot labor market. Public employers must adapt to attract and retain younger workers to replace retiring baby boomers, or risk paying the high cost of poor planning.

Robert Bruner, CEO, Michigan Municipal Services Authority

Contact Bruner at rbruner@michiganmsa.org or visit www.michiganmsa.org. Learn more from Bruner at his educational session, "Bridging the Talent Gap," at MTA's Annual Educational Conference & Expo this April.

Program Development Report

MMSA Administrative Report

Program Development Report

21st Century Infrastructure

- Great Lakes Water Authority (GLWA) is preparing a CGAP application for Aquasight's real-time water and wastewater utility intelligence

Friend of the Court (FOC) Independent Security Audits

- Each FOC must obtain an independent IT security audit
- Working to determine if the Authority can facilitate a shared service

Collaborate • Innovate • Serve

February 2018 LCSS Distribution

LCSA Administrative Report

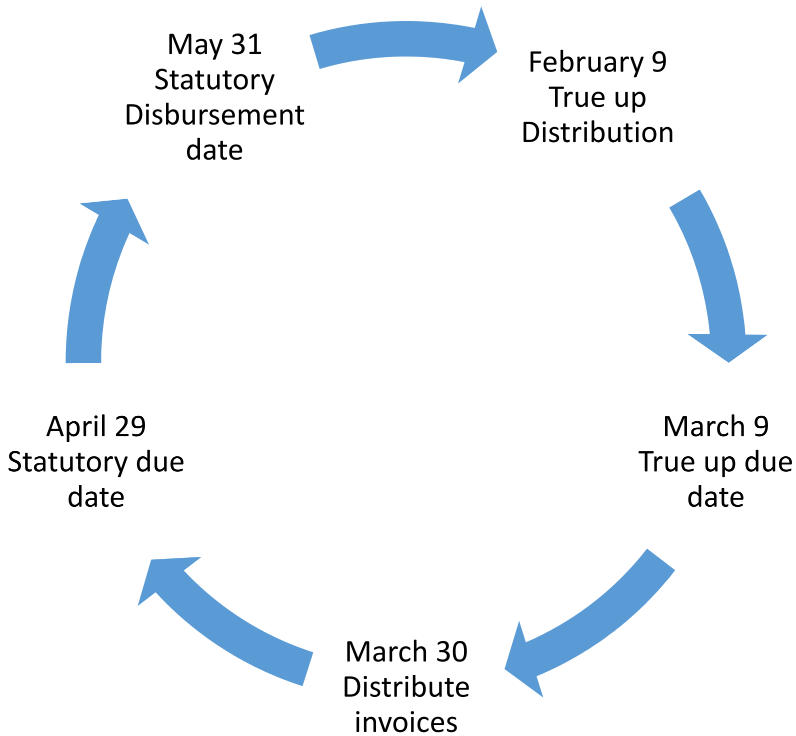
February 2018 LCSS Distribution

- 1,630 checks totaling $80 million
  - $69 million to municipalities
  - $11 million to schools

METRO

LCSA Administrative Report

2018 METRO Act Schedule



- 28 days for providers to submit true ups
- 21 days for Authority to determine fees
- 30 days for providers to submit fees
- 32 days for Authority to allocate fees

2018 METRO Act True Up

- 9 Broadband Providers
- 22 Cable Providers
- 54 CLEC Providers
- 38 ILEC Providers
- 123 total

2018 METRO Act Schedule

Next Steps

- Collect data from providers
- Calculate maintenance fees
- Generate and distribute invoices to providers
- Collect maintenance fees from providers
- Calculate fee sharing payments
- Distribute fee sharing to local governments

Michigan Municipal Services Authority
PO BOX 12012, LANSING MI 48901-2012

February 27, 2018

Stevens, Kirinovic & Tucker, P.C.
3511 Coolidge Road, Suite 100
East Lansing, MI 48823

This representation letter is provided in connection with your audit of the financial statements of the Michigan Municipal Services Authority (the Authority), which comprise the respective financial position of the business-type activity, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of February 27, 2018, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 18, 2014, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.

2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

3) We acknowledge our responsibility for 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.

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

8) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.

9) Guarantees, whether written or oral, under which the Authority is contingently liable, if any, have been properly recorded or disclosed

10) Regarding the non-attest services performed by you as identified in the attached addendum, we have:

   a) Made all management decisions and performed all management functions.

   b) Designated an individual who has suitable skill, knowledge, or experience to oversee the services.

   c) Evaluated the adequacy and results of the services performed.

   d) Accepted responsibility for the results of the services.

Information Provided

11) We have provided you with:
   a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
   b) Additional information that you have requested from us for the purpose of the audit.
   c) Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
   d) Minutes of the meetings of Executive Committee or summaries of actions of recent meetings for which minutes have not yet been prepared.

12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14) We have no knowledge of any fraud or suspected fraud that affects the Authority and involves:
   - Management,
   - Employees who have significant roles in internal control, or
   - Others where the fraud could have a material effect on the financial statements.

15) We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements communicated by employees, former employees, regulators, or others.

16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

17) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.

18) We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

21) The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.

23) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

24) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

25) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

27) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

28) The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

29) The Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

30) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

31) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.

32) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

33) Components of net position (net investment in capital assets; restricted; and unrestricted), and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

34) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.

35) Provisions for uncollectible receivables have been properly identified and recorded.

36) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

37) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

38) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

39) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.

40) We have appropriately disclosed the Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

41) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

Signature:

Title: Chief Executive Officer

ADDENDUM TO REPRESENTATION LETTER

As part of the audit engagement, you have provided these services as “non-attest” or “non-audit” services.

- Preparation of the financial statements, including the related notes, and required supplementary information.

STEVENS KIRINOVIC & TUCKER P.C.

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, 2017. 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 15, 2017. 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, 2017. 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.

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Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 27, 2018.

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.

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

February 27, 2018

Michigan Municipal Services Authority
Lansing, Michigan

FINANCIAL STATEMENTS

September 30, 2017

Michigan Municipal Services Authority

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September 30, 2017

STEVENS KIRINOVIC & TUCKER P.C.

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, 2017, 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, 2017, 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.

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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 considerers 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2018, 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.

Stevens Krinovic & Tucker, P.C.

STEVENS, KRINOVIC & TUCKER, P.C.
Certified Public Accountants

February 27, 2018

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, 2017. 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 $322,659 as of September 30, 2017. This unrestricted net position may be used to meet the Authority's ongoing obligations.
- ❖ The total net position decreased by $215,973 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 2017. 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 and new or changed government legislation also need to be considered in determining the Authority's financial health.

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, 2017	Restated September 30, 2016
Current assets	$ 453,311	$ 1,657,062
Current liabilities	130,652	1,118,430
Unrestricted net position	$ 322,659	$ 538,632

TABLE 2

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

	2017	Restated 2016
Operating revenues	$ 5,094,654	$ 3,929,622
Operating expenses	5,310,627	3,830,419
Changes in net position	(215,973)	99,203
Restated beginning net position	538,632	439,429
Ending net position	$ 322,659	$ 538,632

The Authority's operating revenues increased by $1,165,032 from the prior year because of additional grant funding from the State of Michigan for the financial management software program.

The Authority's operating expenses increased by $1,480,208 from the prior year as a result of distributing that grant revenue from the State of Michigan to the program participants.

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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Authority's budget for the fiscal year ending September 30, 2018, reflects maintenance of the status quo and includes no changes in revenues or expenses.

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, 2017

ASSETS	
Current assets	
Cash	$ 337,709
Due from other governmental units	115,602
TOTAL ASSETS	453,311
LIABILITIES	
Current liabilities	
Accounts payable	126,033
Accrued wages	4,146
Other accrued liabilities	473
TOTAL LIABILITIES	130,652
NET POSITION	
Unrestricted	$ 322,659

See accompanying notes to financial statements.

Michigan Municipal Services Authority

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended September 30, 2017

OPERATING REVENUES	
Intergovernmental	$ 5,094,654
OPERATING EXPENSES	
Chief executive	217,363
Accounting	6,486
Information technology	600
Attorney	30,775
Contractual services	5,055,403
TOTAL OPERATING EXPENSES	5,310,627
CHANGE IN NET POSITION	(215,973)
Restated net position, beginning of year	538,632
Net position, end of year	$ 322,659

See accompanying notes to financial statements.

Michigan Municipal Services Authority

STATEMENT OF CASH FLOWS

Year Ended September 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	$ 4,141,890
Cash paid to suppliers	(4,214,190)
Cash paid to employees	(171,055)
Cash paid for employee benefits	(27,350)
NET CASH (USED) BY OPERATING ACTIVITIES	(270,705)
Cash, beginning of year	608,414
Cash, end of year	$ 337,709
Reconciliation of operating (loss) to net cash (used) by operating activities	
Operating (loss)	$ (215,973)
Adjustment to reconcile operating (loss) to net cash (used) by operating activities	
Decrease in:	
Due from other governmental units	21,046
Prepaid expense	912,000
(Decrease) in:	
Accounts payable	(6,712)
Accrued wages	(2,785)
Unearned revenue	(973,810)
Other accrued liabilities	(4,471)
NET CASH (USED) BY OPERATING ACTIVITIES	$ (270,705)

See accompanying notes to financial statements.

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 that save staff time and taxpayer money.

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 five member Executive Committee. The Governor shall designate a member of the Executive Committee to serve as its Chairperson at the pleasure of the Governor. The Executive Committee shall elect from among the serving members of the Executive Committee a Vice-Chairperson of the Executive Committee and a Secretary of the Authority.

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.

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 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.

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, 2017, the carrying amount of the Authority's deposits was $337,709 and the bank balance was $386,565, $250,000 of which was covered by federal deposit insurance. The remaining $136,565 was uninsured and uncollateralized.

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, 2017, the Authority did not have any investments that would be subject to rating by an NRSRO.

Interest Rate Risk

The Authority will minimize 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, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Authority's cash requirements.

Concentration of Credit Risk

The Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk

The Authority will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Authority will do business in accordance with Board approved policy.

NOTE C: 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, if any, relating to the commercial insurance have not exceeded the amount of insurance coverage in either of the past three (3) fiscal years.

NOTE D: RESTATEMENT OF NET POSITION

Beginning net position has been restated due to a correction of accounting error in the prior period.

Beginning net position	$ 600,442
Prepaid expenses	912,000
Unearned revenue	(973,810)
Restated beginning net position	$ 538,632

OTHER SUPPLEMENTARY INFORMATION

Michigan Municipal Services Authority

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY PROGRAM

Year Ended September 30, 2017

	Operating Fund	Virtual Health and Wellness Marketplace	Financial Management System	Internal Eliminations	Total
OPERATING REVENUES					
Intergovernmental	$ -	$ 731,224	$ 4,363,430	$ -	$ 5,094,654
OPERATING EXPENSES					
Chief executive	217,363	-	-	-	217,363
Accounting	6,486	-	-	-	6,486
Information technology	600	-	-	-	600
Attorney	-	30,775	-	-	30,775
Contractual services	10,000	838,819	4,206,584	-	5,055,403
TOTAL OPERATING EXPENSES	234,449	869,594	4,206,584	-0-	5,310,627
OPERATING INCOME (LOSS)	(234,449)	(138,370)	156,846	-0-	(215,973)
TRANSFERS					
Transfers in	240,072	-	-	(240,072)	-0-
Transfers out	-	(120,036)	(120,036)	240,072	-0-
CHANGE IN NET POSITION	$ 5,623	$ (258,406)	$ 36,810	$ -0-	$ (215,973)

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, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated February 27, 2018.

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.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

February 27, 2018

Michigan Municipal Services Authority
PO BOX 12012, LANSING MI 48901-2012

AUTHORITY BOARD
RESOLUTION 2018-A

Approval of Audit for Fiscal Year 2016-2017

The Authority Board of the Michigan Municipal Services Authority ("Authority") resolves that the audit of the Authority for the fiscal year ending September 30, 2017 prepared by Stevens, Kirinovic & Tucker, P.C. and presented to the Authority Board at its regular meeting on March 8, 2018 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 March 8, 2018.

By: ____________________________
James Cambridge
Authority Secretary