

MILITARY INSTALLATION DEVELOPMENT AUTHORITY

P3. FINANCIAL CONTROL POLICY

P3-1. Purpose.

MIDA is committed to maintaining financial integrity and conducting business in a fiscally responsible manner. Adoption of a financial policy is a key element for both objectives. The set of procedures provide insight into the standards and guidelines that govern the financial health of MIDA and its subsidiaries.

P3-2. Effective Date and Scope.

- (1) This policy is effective April 1, 2023.
- (2) This policy is intended to provide a general framework for the management of financial assets, accounting, recording of financial activities, and reporting of financial results for MIDA and its subsidiaries.
- (3) Specific procedures, desk manuals, guides, and checklists exist to support compliance with this policy. If a conflict exists between these supporting documents and this policy, the policy prevails.

P3-3. Authority.

- (1) The MIDA Board ("Board") and Executive Director have delegated responsibility for maintaining this policy to the MIDA Chief Financial Officer ("CFO") and have assigned additional oversight of financial control policies to the MIDA Audit Review Committee.
 - (a) The CFO and the Finance Department ("Department") may also be responsible for certain aspects of administrative policies established by legislation, the Board, and/or the Executive Director.
- (2) MIDA is specifically exempt from several state statutes governing state agencies (Utah Code section 63E-2-109) and is authorized to adopt its own policies to govern fund management, audits, and personnel. MIDA's powers are further defined in the MIDA Act, Utah Code §63H-1.

P3-4. Organization and Roles

- (1) The Department is composed of the CFO, an accountant ("Accountant"), and a contracted accountant ("Contract Accountant").
 - (a) The CFO is the director of the Department.
- (2) The Audit Review Committee is made up of two members appointed by the Executive Director.
 - (a) The Audit Review Committee shall perform the following duties:
 - (i) recommend to the MIDA Board an independent firm of certified public accountants to perform the annual audit of MIDA;

- (ii) analyze and report to the MIDA Board significant findings in the annual audit report and make recommendations regarding such findings;
 - (iii) make recommendations to the MIDA Board regarding MIDA's annual financial statements, the management letter submitted by the independent auditor, and the response to management letter submitted by MIDA staff; and
 - (iv) review purchases over \$50,000 as provided in P4. Procurement Policy.
- (3) The Department shall maintain a separation of duties between payment authorization, custody of assets, and record keeping:
 - (a) The MIDA Board, the Executive Director, or the Executive Director's designee(s) may authorize payment in accordance with the MIDA Procurement Procedures and budgetary process.
 - (b) The Accountant or Contract Accountant shall:
 - (i) process and post transactions and journal entries;
 - (ii) reconcile bank accounts, including credit cards and pay cards;
 - (iii) obtain evidence of authorization for payment; and
 - (iv) prepare the trial balance.
 - (c) The CFO shall serve as the Treasurer and perform the following duties:
 - (i) administer the investment policy;
 - (ii) transfer funds between accounts;
 - (iii) sign checks;
 - (iv) approve automated clearing house ("ACH") payments; and
 - (v) manage the banking relationships for MIDA.
 - (d) When separation of duties is not practical, the Department shall implement mitigating controls such as dual control or secondary review.

P3-5. Accounting, Financial Reporting, and Audits.

Accounting and financial reporting programs shall be based on a framework of internal controls designed to manage and mitigate the financial risks exposures of MIDA. The Department shall periodically review the effectiveness of internal controls and adjust as needed.

- (1) "Internal Control" means a process within an organization's structure, workflow, and management information system designed to prevent and detect fraud and protect the organization's resources, both physical and intangible.
 - (a) MIDA's
 - (b) Internal Control framework shall assure that:
 - (i) data and information published either internally or externally is accurate, reliable, complete, and timely;

- (ii) actions of MIDA staff and supervisors comply with MIDA policies, standards, procedures, and all relevant laws and regulations;
 - (iii) MIDA's resources, including people, systems, data, and information, are adequately protected; and
 - (iv) MIDA's Internal Controls promote the achievement of plans, programs, goals, and objectives.
- (2) The Department shall maintain financial activities in a secured electronic financial system that monitors revenues, expenditures, and program performance on an ongoing basis. The Department shall maintain records in sufficient detail to meet operational, grant, audit, and legal requirements.
- (3) The Department shall follow Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) to record financial transactions.
- (4) The CFO shall create new funds for accounting and reporting based on type and level of activity. The current funds are described below:
 - (a) General. MIDA revenues are primarily derived from taxes, fees, assessments, and bond proceeds, which support a single general fund.
 - (b) Fiduciary. MIDA is custodian for Hill Air Force Payment in Kind ("PIK") funds generated from ground rent in MIDA's Falcon Hill Project Area. These funds are accounted for and reported in a fiduciary fund.
 - (c) Special Revenue. MIDA subsidiaries are blended component units with limited activity. Each is assigned a general fund, which is converted to a special revenue fund when consolidated for year-end reporting.
- (5) Each quarter, the Department shall draft financial statements on a government fund basis (modified accrual basis) and distribute a report of the previous quarter's financial results to Board members and MIDA staff.
- (6) The Department shall publish government-wide statements (full-accrual basis) annually after the end of each fiscal year.
- (7) MIDA's fiscal year is a June 30 fiscal year-end. After the Department completes the year-end closing procedures, an independent audit firm shall perform an audit of MIDA's annual financial statements, and the Department shall publish the audit report and financial statements within 180 days of the end of the fiscal year. At the conclusion of the audit, the auditor will be directly available to the Audit Review Committee or the Board to discuss the audit results. The results of the audit shall be available to the public.

P3-6. Fund Balance and Reserves.

Fund balance is an approximate measure of liquidity. Reserves provide flexibility and options to respond to unexpected issues and buffer against minor fiscal challenges. This section defines the types of fund balance and methodology used to determine reserve amounts. The CFO shall monitor reserve levels and report current and projected reserves during each budget development cycle.

(1) As defined by GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions are:

- (a) Non-spendable Fund Balance. Inherently non-spendable portions of net resources that cannot be spent because of their form or portions of net resources that cannot be spent because they must be maintained intact.
- (b) Restricted Fund Balance. Externally enforceable limitations, on the use of funds, that are imposed by creditors, grantors, contributors, or laws and regulations of other governments or limitations imposed by law through constitutional provisions or enabling legislation. Debt Service balances will be designated as restricted.
- (c) Committed Fund Balance. Self-imposed limitations, on the use of funds, that are set in place prior to the end of a period. Limitations imposed by the Board that requires formal action at the same level to remove. Capital Project fund balances typically will consist of funds designated by the Board for future capital improvement projects.
- (d) Assigned Fund Balance. Limitations resulting from intended use that is established by the highest level of decision making or intended use established by the Board for a specific purpose. The resources for these funds may be acquired through the budgeting process or funds that are deposited with MIDA for specific purposes.
- (e) Unassigned Fund Balance. Residual net resources that make up the fund balance in the general fund more than non-spendable, restricted, committed, and assigned fund balance (i.e., surplus) or excess of non-spendable, restricted, and committed fund balance over total fund balance (i.e., deficit). The General operating fund balance typically will consist of unassigned funds for use by MIDA.

(2) Reserve Level Target – General Fund. A healthy unassigned fund balance is needed to provide cash flow to pay expenditures when due. A fund balance reserve target allows for cash flow while MIDA waits to receive its tax collections and shared revenues. The unassigned fund balance is also a security against unforeseen changes or needs.

- (a) The general fund unassigned fund balance should be approximately 15-20% of expenditures of the general fund. The unassigned fund balance of the general fund shall not fall below 15% of operating expenditures unless authorized by the Board.

(3) Conditions for Using General Fund Reserves. MIDA shall endeavor to avoid the appropriation of fund balance for recurring operating expenditures. If at any time the utilization of a fund balance to pay for operating expenditures is necessary to maintain the quality or a defined level of

services, an explanation of the circumstances for the utilization of fund balance and strategic plan on future fund balance targets shall be made by the Executive Director to the Board.

- (4) Replenishment of Reserves. Should unassigned fund balance targets fall below a 15% threshold, MIDA shall strive toward regaining the minimum threshold during the next budget cycle and forecast the timing of the unassigned fund balance improvement within the long-term financial plan.
- (5) Excess Reserves. Reserves above the targeted reserve levels may be used for new expenditures, with emphasis on one-time uses that achieve future operating cost reductions, capital asset investments with a long-term benefit of prepaying existing debt. Use of excess reserves will be determined by the Board through the next available budget cycle or budget amendment.
- (6) Reserves or Surplus cash funds are deposited in the Public Treasurers Investment Fund, as permitted by Utah Code Title 51, Chapter 7, State Money Management Act.

P3-7. Revenues and Expenditures.

- (1) Revenue objective. MIDA aspires to generate sufficient revenue from its project areas to fund its economic development goals and provide municipal services within the area, as well as pay for MIDA administrative expenses. Other revenue processes include:
 - (a) Basis of accounting. The Department shall record revenue when earned and available, using a modified accrual basis of accounting. The Accountant maintains accurate records of revenue transactions and receipts collected on accounts, posting entries timely and in the period in which they were earned.
 - (b) Charges for Services. Department and Project Area Managers will periodically review and update fees and other charges for services based on factors such as impact of inflation, other cost increases, adequacy of coverage of costs, and current competitive rates. On a periodic basis, fee schedules, as adopted by resolution, which may be amended in conjunction with a budget development cycle.
 - (c) Cash Management. Only authorized personnel may take cash receipts from customers. MIDA accepts checks, credit card payments, wires, and other electronic banking deposits as payment. The CFO, through financial procedures, shall provide guidance and strict enforcement of Internal Control, deposit of collections and oversight on all changes to revenue items in the financial system.
 - (d) Bad Debt and Collections. The CFO shall establish revenue collection guidelines and provide processes for the recognition of bad debt and the computation of an allowance of doubtful accounts.

- (e) Grants. MIDA is committed to pursuing grant funding as an appropriate funding source to benefit project areas, with the consent of the Board. Any grant programs shall be consistent with MIDA's mission and goals.
 - (i) The Deputy Director is assigned the responsibility to oversee grant applications. Before any grant above \$50,000 is pursued, the Deputy Director shall provide detailed pro-forma information to the Executive Director and CFO that addresses the immediate and long-term costs and benefits to MIDA and its mission. The Department shall review all grants, regardless of the amount, prior to pursuit of the funding to ensure that financial statement preparation and grant reporting requirements can be met. Financial procedures define the requirements for grant administration and compliance as per state and federal law.
 - (ii) Responsibility for the administration of a grant, after it is received, is assigned by the Executive Director.
- (2) Expenditure Objective. Expenditures shall be reasonably tied to MIDA's mission and purpose. The MIDA Act establishes the policy for the annual budget of revenues and expenses.
 - (a) The Department shall establish procedures that control the payment of expenditures to comply with:
 - (i) budget practices;
 - (ii) MIDA's Procurement Policy;
 - (iii) MIDA's Human Resource Policy governing travel and expense; and
 - (iv) This Financial Control Policy.

P3-8. Asset Management.

The Department shall establish procedures that encourage good stewardship over MIDA resources through a uniform method of accountability and inventory of MIDA assets.

- (1) Capitalization threshold. All tangible fixed assets having a life exceeding one year and costing more than \$5,000 (including tax) shall be capitalized.
- (2) Small and Attractive Assets. These are Items that fall below the capitalization threshold that have a heightened risk of theft such as laptop computers, video cam, portable monitors.
 - (a) In conjunction with HR Policy P2-9, employees shall exercise care to secure and safeguard any equipment furnished to them against theft or damage.
- (3) Additions, transfers, disposals and losses.
 - (a) MIDA staff shall report all fixed assets acquired by purchase, construction, donation, or leases to the Department.
 - (b) MIDA staff shall report all fixed asset dispositions, transfers, or losses to the Department.

- (c) The Department shall maintain an accurate fixed asset system based on the correctness of the information provided.
- (4) Depreciation. The Department will calculate and record depreciation for all capital assets unless specifically exempted for MIDA government-wide reporting. Depreciation is calculated using the straight-line method: the cost of the asset (less salvage value) is pro-rated over the estimated useful life of the asset. Non-depreciable assets include land and construction work in progress.

P3-9. Banking and Investments

The CFO is a public treasurer, as defined in Utah Code Section §51-7-3. The CFO shall establish banking and investment procedures that comply with the portions of the State Money Management Act applicable to MIDA.

P3-10. Debt Management

The MIDA Act establishes the debt policy. The Department shall establish post-issuance procedures to comply with contractual terms, continuing disclosure agreements, and IRS requirements for tax exempt municipal securities associated with bonds issued by MIDA.