MILITARY INSTALLATION DEVELOPMENT AUTHORITY

(A Component Unit of the State of Utah)

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Military Installation Development Authority
Kaysville, Utah

Report on the Financial Statements

We have audited the accompanying basic financial statements of Military Installation Development Authority as of and for the year ended June 30, 2013, and the related notes to the 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 of 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 financial statement presentation.

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 Military Installation Development Authority as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2013 on our consideration of Military Installation Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Military Installation Development Authority's internal control over financial reporting and compliance.

Pinnock, Robbins, Posey & Richins

Salt Lake City, Utah
September 30, 2013

MILITARY INSTALLATION DEVELOPMENT AUTHORITY
(A Component Unit of the State of Utah)

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2013

This section of the Military Installation Development Authority's (the Authority) annual financial report presents our analysis of the Authority's financial performance during the year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the financial statements and accompanying notes to enhance their understanding of the Authority's financial activities.

Financial Highlights:

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by $415,010 (net position). The Authority has a negative unrestricted net position of ($271,519) at June 30, 2013.

- The Authority's total net position decreased by $744,368.

Overview of Financial Report:

This annual report consists of two parts: Management's Discussion and Analysis and Financial Statements. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

The Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's analysis of the Authority's financial condition and performance.

The Financial Statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector. They include a balance sheet; a statement of revenues, expenses and changes in net position; a statement of cash flows; and notes to the financial statements. The balance sheet presents the financial position of the Authority on a full accrual historical cost basis. While the balance sheet provides information about the nature and amount of resources and obligations at year end, the statement of revenues, expenses and changes in net assets presents the results of business activities over the course of the year and information as to how the net assets changed during the year. The statement of cash flows presents changes in cash and cash equivalents, resulting from operating, non-capital and related financing, capital and related financing, and investing activities. In other words, it provides information regarding where the cash came from and how it was used, and the change in cash balance during the reporting period. The notes to the financial statements provide required disclosures and other information that are essential to the full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances, obligations, commitments, contingencies and subsequent events, if any.

Financial Analysis:

To begin our analysis, a summary of the Authority's balance sheet is presented in the schedule below.

Military Installation Development Authority
(A Component Unit of the State of Utah)
Condensed Balance Sheet

	2013	2012
Current and other assets	$ 3,008,202	$ 3,805,449
Capital assets	1,695	5,084
Total assets	$ 3,009,897	$ 3,810,533
Current liabilities	$ 187,708	$ 216,155
Noncurrent Liabilities	2,407,179	2,435,000
Total liabilities	2,594,887	2,651,155
Net position:		
Net investment in capital assets	1,695	5,084
Restricted	684,834	685,369
Unrestricted	(271,519)	468,925
Total net position	415,010	1,159,378
Total liabilities and net position	$ 3,009,897	$ 3,810,533

The balance sheet includes all of the Authority's assets and liabilities, and net position which are categorized as either net investment in capital assets; restricted; or unrestricted. Net position may serve as a useful indicator of a government's financial position. As can be seen from the schedule above, assets exceeded liabilities by $415,010 at the end of the year.

Current and other assets decreased by $797,247 due primarily to a decrease in governmental receivables associated with the data center and cash and cash equivalents. Liabilities decreased by $56,268 due to the annual payment on the tax increment revenue bonds and an increase in account accounts payable and accrued payroll costs.

While the balance sheet shows the change in financial position, the summary of the Authority's statement of revenues, expenses and changes in net position, provides information regarding the nature and source of these changes as seen in the following schedule. Net position decreased in 2013 by $744,368.

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	2013	2012
Operating revenues	$ 4,400,603	$ 9,178,310
Nonoperating revenues	279,396	22,445
Total revenues	4,679,999	9,200,755
Direct project costs	4,310,148	16,396,463
Other operating expense	994,985	930,909
Nonoperating Expense	119,234	89,886
Total expenses	5,424,367	17,417,258
Net income (loss)	(744,368)	(8,216,503)
Change in net position	(744,368)	(8,216,503)
Net position, beginning	1,159,378	9,375,881
Net position, ending	$ 415,010	$ 1,159,378

Capital Asset and Debt Administration:

Capital Assets. The Authority's investment in capital assets as of June 30, 2013 amounts to $1,695 (net of accumulated depreciation). This investment in capital assets includes vehicles. The Authority's investment in capital assets, net of accumulated depreciation, decreased by $3,389 (67%) for 2013.

Capital Assets
Net of Depreciation

	2013	2012
Vehicles	$ 1,695	$ 5,084
TOTAL	$ 1,695	$ 5,084

Additional information on the Authority's capital assets can be found in Note 3.

Long-term Debt. At the end of the current fiscal year, the Authority had total debt of $2,435,000. The debt represents bonds secured solely by specified revenue sources. The Authority's debt decreased by $65,000 during the current fiscal year due to the payment on the Tax Increment Revenue bonds, Series 2011A. The Authority has no outstanding general obligation debt.

Long-Term Debt

	2013	2012
Revenue bonds	$ 2,435,000	$ 2,500,000

Additional information on the Authority's noncurrent liabilities can be found in Note 4.

Final Comments:

This financial report is designed to provide taxpayers, customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the Finance Officer of Military Installation Development Authority, 450 Simmons Way, Suite 400, Kaysville, Utah 84037.

MILITARY INSTALLATION DEVELOPMENT AUTHORITY
(A Component Unit of the State of Utah)

BALANCE SHEET

JUNE 30, 2013

ASSETS

Current assets:	
Cash and cash equivalents	$ 2,172,720
Intergovernmental receivable	8,344
TOTAL CURRENT ASSETS	2,181,064
Noncurrent assets:	
Capital assets being depreciated, net of accumulated depreciation	1,695
Restricted cash and cash equivalents	684,834
Deferred bond issuance costs, net	142,304
TOTAL NONCURRENT ASSETS	828,833
TOTAL ASSETS	$ 3,009,897

LIABILITIES AND NET POSITION

Current liabilities:	
Accounts payable	$ 51,387
Accrued liabilities	16,261
Accrued bond interest payable	29,835
Compensated absences	24,225
Revenue bonds payable - current	66,000
TOTAL CURRENT LIABILITIES	187,708
Noncurrent liabilities:	
Compensated absences	38,179
Revenue bonds payable	2,369,000
TOTAL NONCURRENT LIABILITIES	2,407,179
TOTAL LIABILITIES	2,594,887
Net postion:	
Net investment in capital assets	1,695
Restricted for debt service	684,834
Unrestricted	(271,519)
TOTAL NET POSITION	415,010
TOTAL LIABILITIES AND NET POSITION	$ 3,009,897

The notes to the financial statements are an integral part of this statement.

MILITARY INSTALLATION DEVELOPMENT AUTHORITY
(A Component Unit of the State of Utah)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

OPERATING REVENUES:	
Intergovernmental and contract revenue	$ 4,352,202
Miscellaneous	48,401
TOTAL OPERATING REVENUES	4,400,603
OPERATING EXPENSES:	
Project construction costs	4,310,148
Salaries and wages	197,202
Employee benefits	71,680
Travel and training	9,550
Office and other supplies	6,332
Utilities	1,256
Auto	2,240
Professional services	675,400
Insurance	5,518
Licenses, fees and dues	1,383
Rent and lease	14,204
Depreciation and amotization	9,644
Public relations	380
Miscellaneous	196
TOTAL OPERATING EXPENSES	5,305,133
OPERATING LOSS	(904,530)
NONOPERATING REVENUES/(EXPENSES):	
Property tax increment	271,523
Investment earnings	7,873
Interest expense	(119,234)
TOTAL NONOPERATING REVENUES/(EXPENSES)	160,162
NET LOSS	(744,368)
NET POSITION, BEGINNING	1,159,378
NET POSITION, ENDING	$ 415,010

The notes to the financial statements are an integral part of this statement.

MILITARY INSTALLATION DEVELOPMENT AUTHORITY
(A Component Unit of the State of Utah)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from other governmental units	4,440,481
Payments to suppliers	(5,089,555)
Payments to employees	(197,202)
NET CASH (USED IN) OPERATING ACTIVITIES	(846,276)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:	
Property tax increment received	87,289
NET CASH PROVIDED BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES	87,289
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Property tax increment received	184,234
Principal payment on capital debt	(65,000)
Interest paid on capital debt	(119,234)
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	7,873
NET CASH PROVIDED BY INVESTING ACTIVITIES	7,873
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(751,114)
CASH AND CASH EQUIVALENTS, BEGINNING	3,608,668
CASH AND CASH EQUIVALENTS, ENDING	$ 2,857,554
CASH APPEARS ON THE BALANCE SHEET AS FOLLOWS:	
Cash and cash equivalents	$ 2,172,720
Restricted cash and cash equivalents	684,834
	$ 2,857,554

The notes to the financial statements are an integral part of this statement.

MILITARY INSTALLATION DEVELOPMENT AUTHORITY
(A Component Unit of the State of Utah)

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES:	
Operating (loss)	$ (904,530)
Adjustments to reconcile operating income to net cash (used in) operating activities:	
Depreciation and amortization	9,644
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	39,878
Increase (decrease) in:	
Accounts payable	(9,814)
Accrued liabilities	548
Compensated absences	17,998
NET CASH (USED IN) OPERATING ACTIVITIES	$ (846,276)

The notes to the financial statements are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Military Installation Development Authority (the Authority) derives its legal authority and responsibilities from Military Installation Development Authority Act, Utah Code 63H-1-101. The objective of the Authority is to assist in the development of military property or property that is adjacent to a military installation throughout the State of Utah. The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Authority is a component unit of the State of Utah and its financial statements are included in the general purpose financial statements of the State of Utah.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority is an enterprise fund, which is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 intergovernmental revenues received from contracts. Operating expenses include the project construction costs and other administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use the restricted resources first, then unrestricted resources as they are needed.

C. Budgetary Procedures and Budgetary Accounting

Budgetary procedures for the Authority have been established by the Uniform Fiscal Procedures Act adopted by the State of Utah, which requires the legal adoption of a budget for all funds. Furthermore, in accordance with state law, all appropriations lapse at the end of the budget year; accordingly, no encumbrances are recorded. The basis of accounting applied to the budget is the same basis as the related financial statements.

A formal budget has been adopted and is used as a control device during the year ended June 30, 2013. State law allows the Authority to amend the proprietary funds budget without public hearing or public notice.

No budget is required to be presented in these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

For purposes of the statement of cash flows, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

E. Capital Assets

Capital assets include improvements and equipment. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets, if any, are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

F. Compensated Absences

All vacation pay is accrued when incurred. Accrued vacation is accumulated and up to 320 hours may be carried over into the next year. In the event of termination, employees are reimbursed for the entire amount of accumulated vacation. Accrued sick leave is accumulated and may be carried forward from one year to another without limit. Upon retirement, unused sick leave may be used to help pay insurance costs. In the event of termination, employees receive no benefit for accrued unused sick leave.

G. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

2. DEPOSITS AND INVESTMENTS

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The Authority follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Authority funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an Authority of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

A. Deposits

	Bank Balances	Book Balances
Cash on hand	$ –	$ –
Cash on deposit	850,413	850,413
TOTAL	$ 850,413	$ 850,413

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a formal deposit policy for custodial credit risk. At times throughout the year, the Authority's bank balances may exceed federal insurance limits.

B. Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the Authority and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the Authority to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury, including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "a" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

2. DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (continued)

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses-net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2013, the Authority had the following investments and maturities:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
State of Utah Public Treasurer's Investment Fund	$2,007,141	$2,007,141	$ –	$ –	$ –
Totals	$2,007,141	$2,007,141	$ –	$ –	$ –

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed. As of June 30, 2013, the Authority's investments in the State of Utah Public Treasurer's Investment Fund were unrated.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Authority's policy for reducing the risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5%-10% depending upon total dollar amount held in the portfolio.

2. DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a formal policy for custodial credit risk.

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Vehicles	$ 10,168	$ -	$ -	$ 10,168
Total capital assets being depreciated	10,168	-	-	10,168
Less accumulated depreciation for:				
Vehicles	(5,084)	(3,389)	-	(8,473)
Total accumulated depreciation	(5,084)	(3,389)	-	(8,473)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET OF DEPRECIAITON	$ 5,084	$ (3,389)	$ -	$ 1,695

4. LONG-TERM DEBT

Tax Increment Revenue Bonds

The Authority issues bonds where the Authority pledges income derived from the acquired or constructed assets to pay debt service. The original amount of tax increment revenue bonds issued in prior years was $2,500,000. Tax increment revenue is used to satisfy debt service requirements, with any remaining funds used for general operations. Revenue bonds outstanding at June 30, 2013 are as follows:

Purpose	Interest Rate	Amount
Tax increment revenue	1.63 – 5.73%	$2,435,000

4. LONG-TERM DEBT (CONTINUED)

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2014	66,000	118,279	184,279
2015	67,000	116,946	183,946
2016	69,000	115,345	184,345
2017	71,000	113,426	184,426
2018	73,000	111,225	184,225
2019-2023	410,000	510,893	920,893
2024-2028	517,000	404,202	921,202
2029-2033	667,000	253,769	920,769
2034-2036	495,000	57,373	552,373
TOTAL	$ 2,435,000	$1,801,458	$ 4,236,458

Changes in Noncurrent Liabilities

Noncurrent liability activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Tax increment revenue bonds	2,500,000	$ -	(65,000)	$2,435,000	$ 66,000
TOTAL BONDS PAYABLE	$ 2,500,000	$ -	$ (65,000)	$2,435,000	$ 66,000

5. EMPLOYEE RETIREMENT PLAN

Plan Description

The Authority contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System) which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustment, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

5. EMPLOYEE RETIREMENT PLAN (CONTINUED)

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling (800) 365-8772.

Funding Policy

In the Local Governmental Noncontributory Retirement System, the Authority was required to contribute 16.040% for the year ended June 30, 2013. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The Authority's contributions for the Noncontributory Retirement System for the years ended June 30, 2013, 2012 and 2011, respectively were $29,465, $26,989 and $24,200 on covered salaries of $183,696, $196,000 and $181,000, respectively. The contributions were equal to the required contributions for each year.

6. COMMITMENTS AND CONTRACTS

The has Authority entered into a development agreement with the United States of America and Sunset Ridge Development Partners, LLC. The purpose of this agreement is to provide a mechanism for the parties to develop and implement a cooperative approach to the development of property on the west side of Hill Air Force Base. This property is being developed as an aerospace research and business park primarily promoting, assisting, and supporting the missions of Hill Air Force Base.

The Authority has entered into a contract with the Maryland Procurement Office to provide Utility Master Planning, Architectural/Engineering (AlE), and Construction services for the utility and supporting infrastructure required to support the Utah Data Center (UDC Contract). The contract is be administered as an Indefinite Delivery, Indefinite Quantity (IDIQ) contract encompassing the planning, design, and construction services associated with the utility and supporting infrastructure required for the Utah Data Center. The types of utilities shall include, but not be limited to: power, water, sewer, natural gas, storm water, and telecommunications. Under this contract, separate Technical Task Orders (TTO) will be created. Each TTO will be executed in the appropriate manner for that task order (examples include: Fixed Price - Level of Effort, etc.). The Authority is be required to coordinate and plan work with the appropriate utility service providers in order to supply and deliver the infrastructure necessary to bring utilities to the project site. The Authority is also responsible for ensuring all work performed is in accordance with the specifications required by the particular service provider, the client requirements are fulfilled, and for ensuring the service provider has all documentation necessary to assume responsibility for the maintenance and service of the new infrastructure. The Authority shall provide complete planning and design services to include, but not limited to, calculations, schematics, construction drawings, equipment layout, equipment list/schedules, design construction schedule, and specifications for the work described in each TTO.

7. RELATED PARTIES

The Authority periodically enters into contracts with agencies from the State of Utah to assist with the Falcon Hill Project Area. During the year ended June 30, 2013, the Authority made the final payment of funds received in prior years. Subsequent to June 30, 2013, the Authority entered into a new contract with the Governor's Office of Economic Development (see Note 8).

At June 30, 2012, the Authority had invested $2,007,141 in an investment pool maintained by the Utah State Treasurer. During the year ended June 30, 2013, the Authority recorded expenses of $49,949 for retirement plan and health and long-term disability insurance expenses paid to the State of Utah or agencies thereof.

8. SUBSEQUENT EVENTS

Subsequent to June 30, 2013, the Authority into TTO #21 with the Maryland Procurement Office in the amount of $2,998,555 for the design and construction of redundant culinary water for the Utah Data Center.

Subsequent to June 30, 2013, the Authority entered into an agreement with the Governor's Office of Economic Development which provides $2,300,000 to provide operational support for the Falcon Hill Project Area.

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INDEPENDENT AUDITORS' 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*

To the Board of Directors
Military Installation Development Authority

We have audited the financial statements of Military Installation Development Authority as of and for the year ended June 30, 2013, and have issued our report thereon dated September 30, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Military Installation Development Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 Military Installation Development Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness (item 13-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Military Installation Development 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.*

Military Installation Development Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Military Installation Development Authority's response and, accordingly, we express no opinion on it.

This report is intended for the information of the management, Board of Directors and applicable regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Pinnock, Robbins, Posey & Richins

Salt Lake City, Utah
September 30, 2013

MILITARY INSTALLATION DEVELOPMENT AUTHORITY
(A Component Unit of the State of Utah)

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2013

MATERIAL WEAKENESSES

13-1 Financial Statement Preparation

We noted during out audit that the Authority, like many small governmental entities, has not implemented adequate internal controls to ensure the financial statements are prepared in accordance with U.S. generally accepted accounting principles. As a result, the Authority contracted with the external auditors to prepare the financial statement drafts. This is an ongoing issue for small governmental entities with limited staff and funds that lack the time or training to perform this internal control function. We recommend the Authority consider assigning the preparation of the financial statements to a qualified member of management, if cost effective. The overall benefit to the Authority would be to increase the understanding of management and the Board of Directors and should provide more reliable and detailed financial reporting for internal use.

Management's Response

The Authority agrees with the recommendation but has determined it is not cost effective at this time to bring someone in-house to perform these tasks.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROLS OVER COMPLIANCE IN ACCORDANCE WITH THE *STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE*

To the Board of Directors
Military Installation Development Authority
Salt Lake City, Utah

Report on Compliance

We have audited Military Installation Development Authority's (the Authority) compliance with general compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2013.

The general compliance requirements applicable to the Authority are identified as follows:

Cash Management	Nepotism
Budgetary Compliance	Open and Public Meetings Act
Utah Retirement Systems Compliance	

The Authority did not receive any major assistance programs from the State of Utah during the year ended June 30, 2013.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the Authority's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards and the *State of Utah Legal Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the Authority occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

Opinion

In our opinion, Military Installation Development Authority, complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which are described in our letter to management dated September 30, 2013 as items 2013-01 and 2013-02.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Authority's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* 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, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Military Installation Development Authority's Response to Findings

Military Installation Development Authority's responses to the findings identified in our audit are described in the accompanying letter to management. Military Installation Development Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance over general compliance requirements described in the *State of Utah Legal Compliance Audit Guide* 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 communication is not suitable for any other purpose.

Pinnock, Robbins, Posey & Richins

Salt Lake City, Utah
September 30, 2013