

MAGIC Fund Screening Committee
Annual Compliance Report
2011

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Report from the Chair:

MAGIC FUND BALANCE AND FUNDS SPENT

The 2011 MAGIC Fund Screening Committee had 4 meetings and approved 2 projects listed below:

1. Minot International Airport - Parking & Terminal Improvements project with a grant total of \$1,217,029 was approved on April 15, 2011.
2. A grant for \$822,910 to install the infrastructure needed to support the temporary housing and worker campsites to support facilities for temporary housing as a result of the flood for contractor work camps and others at the Ag Park along 42nd St NE, North of County Rd 12 was approved July 29, 2011.

The MAGIC Fund portion of sales tax collections increased by \$882,359 from \$3,440,078 at year-end 2010 to \$4,322,437 at year-end 2011 or a 25.65% increase. The sales tax collections accompanied by under-budget expenditures in nearly every budget category resulted in the MAGIC Fund Balance increasing from \$7,181,712 at year-end 2010 to \$9,818,712 at year-end 2011 or a 36.71% increase.

The Minot economy has been stimulated in the past year by continued oil drilling for recovery in the Bakken oil field and its close proximity to Minot. The Minot Air Force Base has seen growth. The federal government has also allowed millions of dollars of funding for expansion and remodeling of the current base facilities.

PERFORMANCE of JOB DEVELOPMENT AGREEMENTS

Brady Martz and Associates, Public Accountants and Consultants, have been retained to independently verify the performance criteria required of Fund participants. We are not aware of any fund participants who are out of compliance with their development agreements at this time. See the reports starting on page 6 from Brady Martz and Associates.

SUPPORTING SERVICES CONTRACTS

The Minot Area Development Corporation (MADC) is a non-profit organization engaged by the City of Minot to assist with economic development. Its board of directors consists of volunteers from the local business community, City of Minot representatives, Ward County representatives, Minot State University, Minot Air Force Base, and other public agencies with an interest in economic development.

The MAGIC Fund supports MADDC through direct payments that were \$345,000 in 2010 and in 2011. MADDC also received \$53,581 from the MAGIC Fund in 2011 for Marketing – Work Force Development. Contributions for \$36,690 were distributed to area cities based on their application for marketing purpose.

DENIED APPLICATIONS

No applications were denied from this committee in 2011.

FINANCIAL and MANAGEMENT HEALTH of the FUND

We are fortunate to have a reasonable amount of cash in the fund for future endeavors. We have experienced a strong growing economy in the area to support continued dollars to the MAGIC Fund resources. As of December 31, 2011 the ending cash balance was \$9,818,712 and \$7,692,400 available for future projects.

Respectfully Submitted on behalf of the MAGIC Fund Screening Committee,

Jay P. Hight, Chairman

MAGIC Fund Screening Committee Members as of December 31, 2011

Professional	Employment	Original Appointment	Expiration of Term
Jay Hight	Hight Construction	September 1, 2008	June 30, 2014
Labor			
Jeff Mowan	SRT	August 1, 2007	June 30, 2013
Randy Bartsch	Main & Holmes Electric	July 7, 2009	June 30, 2012
Business			
Brad Johnson	Monarch Products	August 1, 2010	August 1, 2013
Trade Area			
Roger Ness	Kenmare, ND Mayor	September 1, 2008	June 30, 2014
Finance			
Brent Mattson	Bremer Bank	June 1, 2010	June 1, 2013
GW Melgaard	Dacotah Bank	July 7, 2009	June 30, 2012

MAGIC Fund Approved 2011 Projects

The following is a paragraph on each of the projects receiving a grant or loan from the MAGIC Fund during 2011.

The Minot International Airport was approved \$1,217,029 MAGIC Fund Grant for parking and terminal improvements.

A grant for \$822,910 to install the infrastructure needed to support the temporary housing and worker campsites to support facilities for temporary housing as a result of the flood for contractor work camps and others at the Ag Park along 42nd St NE, north of County Rd 12.

City of Minot, North Dakota
Economic Development Growth Fund
Balance Sheet
December 31, 2011
With Comparative Totals for December 31, 2010
(Preliminary & Unaudited)

	December 31, 2011	December 31, 2010
ASSETS		
Current Assets		
Cash and Investments	\$ 7,692,400	\$ 5,493,561
Restricted Cash and Investments		
\$1.2M MADC Port of ND Intermodal Facility (Approved 02/07/07)	\$ 816	
\$882,000 MADC Port of ND Intermodal Facility (Approved 09/04/07)	276,046	
\$1,696,000 Great Plains Energy Park Phase II (Approved 10/6/08)	705,866	
\$1,421,000 MADC Add'l Energy Park - Phase I (Approved 01/12/09)	42,936	
Child Care Resource & Referral (Approved 08/02/10)	115,088	
Eid Passport Inc (Approved 10/04/10)	166,666	
42nd St NE Sewer & Water Improvements (Approved 08/01/11)	818,894	
Total Restricted Cash and Investments	2,126,312	1,688,435
Equity Investment - NDSBIC	18,825	26,964
Accounts Receivable	-	551
Intergovernmental Receivable	422,269	265,569
Current Loans Receivable		
Albertson Consulting, Inc.	7,186	9,056
Deva Lifewear	1,282	5,033
Pure Energy Services	50,000	50,000
Heliplane	125,000	125,000
Allowance for Loans Receivable @ 20%	(56,693)	(119,522)
Total Current Assets	10,386,581	7,544,647
Noncurrent Assets		
Loans Receivable		
Albertson Consulting, Inc.	-	7,237
Deva Lifewear	-	1,282
Pure Energy Services	100,000	150,000
Heliplane	-	250,000
Total Noncurrent Assets	100,000	408,519
Total Assets	\$ 10,486,581	\$ 7,953,166
LIABILITIES		
Accounts Payable	\$ -	\$ 5,961
Retainage Payable	-	16,817
Total Liabilities	-	22,778
FUND BALANCE		
Nonspendable	\$ 100,000	\$ 408,519
Committed	2,126,312	1,688,435
Assigned	8,260,269	5,833,434
Total Fund Balance	10,486,581	7,930,388
Total Liabilities & Fund Balance	\$ 10,486,581	\$ 7,953,166

City of Minot, North Dakota
Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget to Actual
Special Revenue Fund
For the Month Ended December 31, 2011
With Comparative Totals for December 31, 2010
(Preliminary & Unaudited)

	Sales Tax Economic Development			
	Original and Final Budgeted Amounts	December 31, 2011 Actual Amounts	Variance with Final Budget	December 31, 2010 Actual Amounts
REVENUES				
Sales tax collections	\$2,998,875	\$ 4,322,437	\$(1,323,562)	\$ 3,440,078
Interest income	20,330	47,668	(27,338)	40,819
Miscellaneous	-	376,025	(376,025)	107,710
Total revenues	<u>3,019,205</u>	<u>4,746,130</u>	<u>(1,726,925)</u>	<u>3,588,607</u>
EXPENDITURES				
Current				
Economic Development	2,307,965	418,214	1,889,751	1,556,521
Marketing - MADC	345,000	345,000	-	345,000
Marketing - Work Force Development	96,240	53,581	42,659	75,225
Marketing - Area Cities	75,000	36,690	38,310	48,100
MAFB Retention	90,000	63,020	26,980	61,146
General Administration	10,000	157	9,843	312
Audit Compliance Contract	45,000	2,285	42,715	1,660
Total expenditures	<u>2,969,205</u>	<u>918,947</u>	<u>2,050,258</u>	<u>2,087,964</u>
Excess (deficiency) of revenues over (under) expenditures	50,000	3,827,183	(3,777,183)	1,500,643
OTHER FINANCING SOURCES (USES)				
Transfers out	(50,000)	(1,270,990)	1,220,990	(64,318)
Total other financing sources (uses)	<u>(50,000)</u>	<u>(1,270,990)</u>	<u>1,220,990</u>	<u>(64,318)</u>
Net change in fund balance	<u>\$ -</u>	2,556,193	<u>\$(2,556,193)</u>	1,436,325
Fund balance, January 1		7,930,388		6,494,063
Fund balance, December 31		<u>\$ 10,486,581</u>		<u>\$ 7,930,388</u>



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

City of Minot
515 2nd Ave SW
Minot, ND 58701-3854

Pure Energy Services (USA), Inc.
9635 Maroon Circle, Suite 420
Englewood, CO 80112-5927

We have performed the procedures enumerated below, which were agreed to by the City of Minot and Brady, Martz & Associates, P.C., solely to assist you in evaluating Pure Energy Services (USA) Inc.'s compliance with Magic Fund employment conditions, as described in the Development Agreement between Pure Energy Services (USA), Inc. and City of Minot, dated July 7, 2008, as of April 14, 2011. Management is responsible for Pure Energy Services (USA) Inc.'s compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

- From the listing of full-time employees as of April 14, 2011, we selected 80 employees and determined if:
 - The employee's I-9 was properly completed.
 - The employee's W-4 was properly completed.
 - Payroll data to indicate the employee qualifies as full-time.
 - Additional information as needed.

In addition to the employees selected as of April 14, 2011, we determined that Pure Energy Services (USA) Inc. had maintained the required number of employees (60) from April 14, 2010 to April 14, 2011. No exceptions were noted as a result of the procedures performed above.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City of Minot and is not intended to be and should not be used by anyone other than these specified parties.

Brady, Martz & Associates

Brady, Martz & Associates

July 28, 2011



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

City of Minot
515 2nd Ave SW
Minot, ND 58701-3854

EID Passport, Inc.
10450 Southwest Nimbus Avenue
Building R-A
Portland, OR 97223

We have performed the procedures enumerated below, which were agreed to by the City of Minot and Brady, Martz & Associates, P.C., solely to assist you in evaluating EID Passport, Inc.'s compliance with Magic Fund employment conditions, as described in the Development Agreement between EID Passport, Inc. and City of Minot, dated October 7, 2010, as of August 11, 2011. Management is responsible for EID Passport, Inc.'s compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

- From the listing of full-time employees as of August 11, 2011, we selected 8 employees and determined if:
 - The employee's I-9 was properly completed.
 - The employee's W-4 was properly completed.
 - Payroll data to support the employee qualifying as full-time.
 - The employee resides in the Minot Trade Area (defined as communities within a 65 mile radius of the City of Minot).
 - Additional information as needed.

No exceptions were noted as a result of the procedures performed above.

- We performed on-site verification that the Data Center facility was operational.

No exceptions were noted as a result of the procedures performed above.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City of Minot and is not intended to be and should not be used by anyone other than these specified parties.

Brady, Martz & Associates

Brady, Martz & Associates

August 29, 2011



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

City of Minot
515 2nd Ave SW
Minot, ND 58701-3854

EID Passport, Inc.
10450 Southwest Nimbus Avenue
Building R-A
Portland, OR 97223

We have performed the procedures enumerated below, which were agreed to by the City of Minot and Brady, Martz & Associates, P.C., solely to assist you in evaluating EID Passport, Inc.'s compliance with Magic Fund employment conditions, as described in the Development Agreement between EID Passport, Inc. and City of Minot, dated October 7, 2010, as of October 21, 2011. Management is responsible for EID Passport, Inc.'s compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

- From the listing of full-time employees as of October 21, 2011, we selected 18 employees and determined if:
 - The employee's I-9 was properly completed.
 - The employee's W-4 was properly completed.
 - Payroll data to support the employee qualifying as full-time.
 - The employee resides in the Minot Trade Area (defined as communities within a 65 mile radius of the City of Minot).
 - Additional information as needed.

In addition to the employees selected as of October 21, 2011, we determined that EID Passport, Inc. had maintained the required number of employees (8) from August 11, 2011 to October 21, 2011.

No exceptions were noted as a result of the procedures performed above.

- We performed on-site verification that the Data Center facility was operational.

No exceptions were noted as a result of the procedures performed above.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City of Minot and is not intended to be and should not be used by anyone other than these specified parties.

Brady, Martz + Associates

Brady, Martz & Associates

November 21, 2011