

MAGIC Fund Screening Committee
Annual Compliance Report
2010

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Report from the Chair:

MAGIC FUND BALANCE AND FUNDS SPENT

2010 was a busier year than 2009 for MAGIC Fund Projects. The MAGIC Fund Screening Committee had 5 meetings and approved 3 projects listed below:

1. MADC loan for \$150,000 to purchase land (50 acres) adjacent to the Minot Ag Park to gain access to a rail spur on Burlington Northern Santa Fe's tracks, which is needed for the future construction of spur tracks to serve tenants of the Ag Park.
2. Child Care Resources & Referral (CCRR) was issued a grant for \$135,000 for Workforce Development. A program of Lutheran Social Services of North Dakota, this grant would expand and strengthen the childcare workforce in Minot.
3. Eid Passport, Inc. \$800,000 grant for a new data center location in Minot, The company is based out of Portland, Oregon and has 80 employees in Portland.

The MAGIC Fund portion of sales tax collections increased by \$470,895 from \$2,969,183 at year-end 2009 to \$3,440,078 at year-end 2010 or a 15.86% increase. The sales tax collections accompanied by under-budget expenditures in nearly every budget category resulted in the MAGIC Fund Balance increasing from \$5,852,573 at year-end 2009 to \$7,181,997 at year-end 2010 or a 22.72% 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 with an addition of a new bomb Squadron adding approximately 800 new airmen and their families. 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 both 2009 and 2010. MADDC also received \$75,225 from the MAGIC Fund in 2010 for Marketing – Work Force Development.

DENIED APPLICATIONS

No applications were denied from this committee but the MADDC requested and had pulled the recommendation by the Magic Fund Committee to approve MADDC a \$3.28 million grant for public infrastructure in the Minot Value-Added Agriculture Park.

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, 2010 the ending cash balance was \$7,181,997 and \$5,119,238 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, 2010

Professional	Employment	Original Appointment	Expiration of Term
Jay Hight	Hight Construction	September 1, 2008	June 30, 2011
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, 2011
Finance			
Brent Mattson	Bremer Bank	June 1, 2010	June 1, 2013
GW Melgaard	Dacotah Bank	July 7, 2009	June 30, 2012

MAGIC Fund Approved 2010 Projects

The following is a paragraph on each of the projects receiving a grant or loan from the MAGIC Fund during 2010.

MADC was approved for a grant of \$150,000 to purchase approximately 50 acres allowing for the direct access of rail spur construction to the BNSF’s Tatman Spur with the stipulation if MADC sells the land for more than any costs incurred by MADC, the MAGIC Fund will be repaid the \$150,000.

Child Care Resource and Referral (CCRR) was approved for a \$135,000 grant for Workforce Development to expand and strengthen the child care work force in the greater Minot area.

Eid Passport, Inc. was approved for an \$800,000 disbursement and basic performance based grant to support Eid Passport’s expansion to Minot for a Data Center.

MADC was approved for a \$3.28 million MAGIC Fund Grant for public infrastructure in the Minot Value-Added Agricultural Park with the stipulation that as the land is sold any revenue after MADC’s costs will be returned to the MAGIC Fund. December 6, 2010 MADC requested this proposal be postponed from the agenda of the City Council meeting.

City of Minot, North Dakota
Economic Development Growth Fund
Balance Sheet
December 31, 2010
With Comparative Totals for December 31, 2009
(Preliminary and Unaudited)

	<u>December 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
ASSETS		
Current Assets		
Cash and Investments	\$ 5,119,238	\$ 3,430,043
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)	807,961	
\$1,421,000 MADC Add'l Energy Park - Phase I (Approved 01/12/09)	42,936	
Child Care Resource & Referral (Approved 08/02/10)	135,000	
Eid Passport Inc (Approved 10/04/10)	<u>800,000</u>	
Total Restricted Cash and Investments	2,062,759	2,422,530
Equity Investment - NDSBIC	26,964	25,329
Accounts Receivable	551	-
Intergovernmental Receivable	265,569	272,558
Current Loans Receivable		
Albertson Consulting, Inc.	9,056	8,045
Deva Lifewear	5,033	4,884
Info Tech - Minot	-	66,667
Pure Energy Services	50,000	50,000
Heliplane	125,000	125,000
Allowance for Loans Receivable @ 20%	<u>(119,522)</u>	<u>(95,173)</u>
Total Current Assets	7,544,648	6,309,883
Noncurrent Assets		
Loans Receivable		
Albertson Consulting, Inc.	7,237	13,772
Deva Lifewear	1,282	7,495
Pure Energy Services	150,000	200,000
Heliplane	<u>250,000</u>	<u>-</u>
Total Noncurrent Assets	408,519	221,267
Total Assets	<u>\$ 7,953,167</u>	<u>\$ 6,531,150</u>
LIABILITIES		
Accounts Payable	\$ 5,961	\$ 20,899
Retainage Payable	<u>-</u>	<u>16,188</u>
Total Liabilities	5,961	37,087
FUND BALANCE		
Nonspendable	408,519	221,267
Restricted	2,062,759	2,422,530
Assigned	<u>5,475,928</u>	<u>3,850,266</u>
Total Fund Balance	<u>7,947,206</u>	<u>6,494,063</u>
Total Liabilities and Fund Balance	<u>\$ 7,953,167</u>	<u>\$ 6,531,150</u>

City of Minot, North Dakota
Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget to Actual
Special Revenue Fund
For the Year Ended December 31, 2010
With Comparative Totals for December 31, 2009
(Preliminary and Unaudited)

	Sales Tax Economic Development			
	Original and Final Budgeted Amounts	Dec 31, 2010 Actual Amounts	Variance with Final Budget	Dec 31, 2009 Actual Amounts
REVENUES				
Sales tax collections	\$ 2,944,017	\$ 3,440,078	\$ (496,061)	\$ 2,969,183
Interest income	52,500	40,819	11,681	89,442
Miscellaneous	-	107,710	(107,710)	78,014
Total revenues	<u>2,996,517</u>	<u>3,588,607</u>	<u>(592,090)</u>	<u>3,136,639</u>
EXPENDITURES				
Current				
Economic Development	2,275,277	1,539,704	735,573	414,208
Marketing - MADC	345,000	345,000	-	345,000
Marketing - Work Force Development	96,240	75,225	21,015	28,050
Marketing - Area Cities	75,000	48,100	26,900	50,843
MAFB Retention	100,000	61,146	38,854	89,581
General Administration	10,000	311	9,689	162
Audit Compliance Contract	45,000	1,660	43,340	475
Total expenditures	<u>2,946,517</u>	<u>2,071,146</u>	<u>875,371</u>	<u>928,319</u>
Excess (deficiency) of revenues over (under) expenditures	50,000	1,517,461	(1,467,461)	2,208,320
OTHER FINANCING SOURCES (USES)				
Transfers out	(50,000)	(64,318)	-	(550,000)
Total other financing sources (uses)	<u>(50,000)</u>	<u>(64,318)</u>	<u>-</u>	<u>(550,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,453,143</u>	<u>\$ (1,467,461)</u>	<u>1,658,320</u>
Fund balance, January 1		<u>6,494,063</u>		<u>4,835,743</u>
Fund balance, December 31		<u>\$ 7,947,206</u>		<u>\$ 6,494,063</u>



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT ACCOUNTANT'S
REPORT ON APPLYING
AGREED-UPON PROCEDURES

City of Minot
515 2nd Ave. SW
Minot, ND 58701-3739

Info Tech – Minot Technology Center, Inc.
15 Second Avenue SW, Suite 305
Minot, ND 58701-3854

We have performed the procedures enumerated below, which were agreed to by the City of Minot, solely to assist you in evaluating Info Tech's compliance with Magic Fund employment conditions, as described in the Development Agreement between Info Tech and the City of Minot, dated August 22, 2008, as of March 31, 2010. Management is responsible for Info Tech'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 March 31, 2010, we selected 15 employees and determined if:
 - The employee's I-9 was properly completed.
 - Payroll data received from Accord (third party provider) indicated the employee qualified as full-time and that the Company maintained at a minimum 15 full-time employees since March 1, 2009.
 - Review of additional employee data as needed.

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

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

April 5, 2010

BRADY, MARTZ & ASSOCIATES, P.C.
24 West Central P.O. Box 848
Minot, ND 58702-0848 (701) 852-0196 • Fax (701) 839-5452
OTHER OFFICES: Grand Forks, ND Bismarck, ND Thief River Falls, MN

RSM McGladrey Network
An Independently Owned Member



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, 2010. 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, 2010, we selected 77 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, 2010, we determined that Pure Energy Services (USA) Inc. had maintained the required number of employees (40) from August 8, 2008 to April 14, 2010.

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

BRADY, MARTZ & ASSOCIATES, P.C.
24 West Central P.O. Box 848
Minot, ND 58702-0848 (701) 852-0196 • Fax (701) 839-5452
OTHER OFFICES: Grand Forks, ND Bismarck, ND Thief River Falls, MN

RSM McGladrey Network
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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

September 24, 2010

BRADY, MARTZ & ASSOCIATES, P.C.