

**MAGIC Fund Screening Committee  
Annual Compliance Report  
2014**

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Report from the Chair:

## MAGIC FUND BALANCE AND FUNDS SPENT

The MAGIC Fund Screening Committee held five meetings in 2014 with the following projects approved:

1. Gohl Properties, Inc. was approved for a flex pace interest buy down in the amount of \$55,000.
2. Kalix Recycling center was approved for a \$126,000 grant and a \$126,000 forgivable loan to purchase a recycling baler.
3. Eighteen (18) applications were submitted for Rural Marketing Match Grants from surrounding communities. The City of Karlsruhe submitted an application for a new roof on City Hall. The Committee determined the application did not meet the required marketing criteria for the program so the application was denied. The committee changed the amounts requested by the City of Anamoose, City of Kenmare, and City of Underwood because the requested amounts were more than the allowed matrix for this program. The following applications were approved:

|                       |                     |
|-----------------------|---------------------|
| Anamoose City Council | \$ 3,000            |
| Bottineau             | 3,500               |
| Crosby                | 3,000               |
| Garrison              | 4,000               |
| Harvey CVB            | 1,500               |
| Harvey Chamber        | 2,000               |
| Hazen                 | 3,500               |
| Kenmare               | 4,000               |
| Maddock               | 2,000               |
| Mohall                | 798.50              |
| Parshall              | 4,000               |
| Pick City             | 500                 |
| Rugby                 | 3,500               |
| Sherwood              | 2,500               |
| Tioga                 | 3,500               |
| Turtle Lake           | 2,000               |
| Underwood             | 3,500               |
| Total:                | <u>\$ 46,798.50</u> |

4. Minot Area Development Corporation (MADC) was awarded a grant for \$4,292,440 for the site work and associated costs in the development of approximately 120 acres of land, strategically located in Minot's Value-Added Agricultural Complex – Port of North Dakota expansion. As the available land is sold the MAGIC Fund will be reimbursed.

The MAGIC Fund portion of sales tax collections decreased by \$1,428,368 or nearly 28.7% from \$4,970,012 in 2013 to \$3,541,644 in 2014 as a result of a decrease in percentage of the 1% sales

tax allocated to economic development dropping from 40 percent to 15 percent. The change in percentage allocated to the MAGIC Fund was effective July 1, 2014. The sales tax collections for the year were up 9.6% compared to 2013 collections. The MAGIC Fund balance increased slightly from \$10,441,606 in 2013 to \$10,668,504 in 2014 or a 2.2% due to more revenues than expenditures in 2014.

The Minot economy has been stimulated in the past year by continued oil drilling in the Bakken oil field and its close proximity to Minot.

#### 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 report starting on page 7 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 of \$345,000 in 2013 and \$365,000 in 2014. MADDC also received \$73,235 from the MAGIC Fund in 2014 for Marketing – Work Force Development.

#### DENIED APPLICATIONS

The only denied applications is the City of Karlsruhe requested funding for a new roof on the Karlsruhe City Hall as referenced above under rural marketing matches.

#### FINANCIAL and MANAGEMENT HEALTH of the FUND

The MAGIC fund is fortunate to have a reasonable amount of cash in the fund for future endeavors. The fund has experienced a strong growing economy in the area to support continued dollars to the MAGIC Fund. As of December 31, 2013 the ending cash balance was \$10,470,221 and as of December 31, 2014 it was \$10,531,873. Of the \$10,531,873 there is \$5,493,078 committed. This leaves available \$5,038,795 for future projects.

Respectfully Submitted on behalf of the MAGIC Fund Screening Committee,

Brent Mattson, Chairman

**MAGIC Fund Screening Committee Members as of December 2015**

| <b>Professional</b> | <b>Employment</b>      | <b>Original Appointment</b> | <b>Expiration of Term</b> |
|---------------------|------------------------|-----------------------------|---------------------------|
| Jason Zimmerman     | First Western Bank     | November 3, 2014            | June 30, 2017             |
| <b>Labor</b>        |                        |                             |                           |
| Pat Bachmeier       | SRT                    | June 30, 2013               | June 30, 2016             |
| Randy Bartsch       | Main & Holmes Electric | July 7, 2009                | June 30, 2015             |
| <b>Business</b>     |                        |                             |                           |
| Brad Johnson        | Monarch Products       | August 1, 2010              | August 1, 2016            |
| <b>Trade Area</b>   |                        |                             |                           |
| Byron Gates         | Gates Manufacturing    | October 6, 2014             | October 6, 2017           |
| <b>Finance</b>      |                        |                             |                           |
| Brent Mattson       | Bremer Bank            | June 1, 2010                | June 1, 2016              |
| GW Melgaard         | Dacotah Bank           | July 7, 2009                | June 30, 2015             |

**City of Minot, North Dakota**  
**Economic Development Growth Fund**  
**Balance Sheet**  
**December 31, 2014**  
**With Comparative Totals for December 31, 2013**  
(Preliminary & Unaudited)

|  | <u>Dec 31,<br/>2014</u> | <u>Dec 31,<br/>2013</u> |
|--|-------------------------|-------------------------|
| <b>ASSETS</b>  |                         |                         |
| Current Assets   |                         |                         |
| Cash and Investments   | \$ 5,038,795            | \$ 6,033,637            |
| 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                 |                         |
| Child Care Resource & Referral Grant (Approved 08/02/10)                         | 46,243                  |                         |
| Midwest Milling Grant \$200,000 & Forgiveable Loan \$150,000 (Approved 06/04/12) | 350,000                 |                         |
| MADC AG Complex Rail (Approved 04/11/13)   | 2,659,237               |                         |
| MADC - City of Velva \$14,500 Grant (Approved 07/01/13)                          | 14,500                  |                         |
| MADC - Minot Ag Complex/Port Expansion - Site Work (Approved 07/07/14)           | <u>2,146,236</u>        |                         |
| Total Restricted Cash and Investments  | 5,493,078               | 4,436,584               |
| Equity Investment - NDSBIC   | 6,981                   | 14,802                  |
| Intergovernmental Receivable   | 207,620                 | 539,090                 |
| Current Loans Receivable   |                         |                         |
| Pure Energy Services   | 50,000                  | 50,000                  |
| Minot Sash & Door  | 25,000                  | 25,000                  |
| Allowance for Loans Receivable @ 20%   | <u>(15,000)</u>         | <u>(15,000)</u>         |
| Total Assets   | <u>\$ 10,806,474</u>    | <u>\$ 11,084,113</u>    |
| <b>LIABILITIES</b>   |                         |                         |
| Accounts Payable   | <u>\$ 137,970</u>       | <u>\$ 642,507</u>       |
| Total Liabilities  | <u>137,970</u>          | <u>642,507</u>          |
| <b>FUND BALANCE</b>  |                         |                         |
| Restricted   | 5,493,078               | 4,436,584               |
| Assigned   | <u>5,175,426</u>        | <u>6,005,022</u>        |
| Total Fund Balance   | <u>10,668,504</u>       | <u>10,441,606</u>       |
| Total Liabilities and Fund Balance   | <u>\$ 10,806,474</u>    | <u>\$ 11,084,113</u>    |

|                         | <b>Current<br/>Amount</b> | <b>Date Due</b> | <b>Last<br/>Payment</b> |
|-------------------------|---------------------------|-----------------|-------------------------|
| <b>Loans Receivable</b> |                           |                 |                         |
| Pure Energy Services    | 50,000                    | 05/01/2014      | n/a                     |
| Minot Sash & Door       | 25,000                    | 1/31/2015       | n/a                     |

**City of Minot, North Dakota**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget to Actual**  
**Special Revenue Fund**  
**Year To Date December 31, 2014**  
**With Comparative Totals for December 31, 2013**  
(Preliminary & Unaudited)

|  | <b>Sales Tax Economic Development</b>    |                                       |   |   |   |
|--|--|---------------------------------------|---|---|---|
|  | <b>Original<br/>Budgeted<br/>Amounts</b> | <b>Final<br/>Budgeted<br/>Amounts</b> | <b>December 31,<br/>2014<br/>Actual<br/>Amounts</b> | <b>Variance<br/>with Final<br/>Budget</b> | <b>December 31,<br/>2013<br/>Actual<br/>Amounts</b> |
| <b>REVENUES</b>  |  |                                       |   |   |   |
| Sales tax collections  | \$ 2,971,676                             | \$ 2,971,676                          | \$ 3,541,644  | \$ (569,968)                              | \$ 4,970,012  |
| Interest income  | 19,617                                   | 19,617                                | 26,381  | (6,764)                                   | 23,893  |
| Miscellaneous  | -  | -                                     | 1,347   | (1,347)                                   | 169,461   |
| Total revenues   | <u>2,991,293</u>                         | <u>2,991,293</u>                      | <u>3,569,372</u>                                    | <u>(578,079)</u>                          | <u>5,163,366</u>                                    |
| <b>EXPENDITURES</b>  |  |                                       |   |   |   |
| Current  |  |                                       |   |   |   |
| Economic Development   | 2,251,293                                | 6,687,877                             | 2,775,181   | 3,912,696                                 | 747,456   |
| Marketing - MADC   | 365,000                                  | 365,000                               | 365,000   | -   | 345,000   |
| Marketing - Work Force Development                           | 105,000                                  | 105,000                               | 73,235  | 31,765                                    | 96,240  |
| Marketing - Area Cities                                      | 75,000                                   | 75,000                                | 46,799  | 28,201                                    | 47,105  |
| MAFB Retention   | 90,000                                   | 90,000                                | 31,165  | 58,835                                    | 69,246  |
| General Administration                                       | 10,000                                   | 10,000                                | 179   | 9,821                                     | 288   |
| Audit Compliance Contract                                    | 45,000                                   | 45,000                                | 915   | 44,085                                    | 835   |
| Total expenditures   | <u>2,941,293</u>                         | <u>7,377,877</u>                      | <u>3,292,474</u>                                    | <u>4,085,403</u>                          | <u>1,306,170</u>                                    |
| Excess (deficiency) of revenues<br>over (under) expenditures | 50,000                                   | (4,386,584)                           | 276,898   | (4,663,483)                               | 3,857,196   |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |  |                                       |   |   |   |
| Transfers out  | (50,000)                                 | (50,000)                              | (50,000)  | -   | (50,000)  |
| Total other financing sources (uses)                         | <u>(50,000)</u>                          | <u>(50,000)</u>                       | <u>(50,000)</u>                                     | <u>-</u>                                  | <u>(50,000)</u>                                     |
| Net change in fund balance                                   | <u>\$ -</u>                              | <u>\$ (4,436,584)</u>                 | 226,898   | <u>\$ (4,663,483)</u>                     | 3,807,196   |
| Fund balance, January 1                                      |  |                                       | 10,441,606  |   | 6,634,410   |
| Fund balance, December 31                                    |  |                                       | <u>\$ 10,668,504</u>                                |   | <u>\$ 10,441,606</u>                                |



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

City of Minot  
515 2<sup>nd</sup> 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 April 4, 2014. 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 April 4, 2014, we selected 32 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.

EID Passport provided notification to the City of Minot on April 2, 2014 that the requirements were met in order to receive the fourth and final installment payment. We performed verification testing as of April 4, 2014, noting EID Passport was one full-time employee short of meeting the required thirty-three employees needed pursuant to the Development Agreement to receive the fourth installment payment. In our review of EID Passport's records, we noted EID Passport met the requirement in February 2014 and June 2014. Pursuant to the Development Agreement, disbursements are to be made within thirty days of written notification by EID passport, with appropriate verification being completed during this thirty day period.

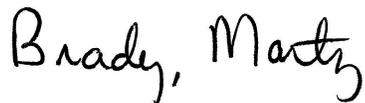
Therefore, based on the testing procedures performed during this thirty day period, EID Passport did not achieve the minimum number of employees as required in the Development Agreement. No other exceptions were noted as a result of the procedures performed above.

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

We toured the Data Center facility noting it 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, P.C.**

November 14, 2014