

**MAGIC Fund Screening Committee
Annual Compliance Report
2012**

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Report from the Chair:

MAGIC FUND BALANCE AND FUNDS SPENT

2012 was a busier year than 2011 for MAGIC Fund Projects. The MAGIC Fund Screening Committee had six meetings and approved nine projects and 14 communities for the Rural Marketing Match Program as listed below:

Minot Sash & Door, Inc. was approved for a \$75,500 grant. The funding will extend the water line across Highway 2 at the corner of 72nd Street to the south, at which point Minot Sash & Door would extend the water line to their facility for fire protection.

An application was approved for Minot International Airport lot development for \$580,940 as a grant to fund infrastructure improvements required for the construction of a large aircraft hangar that will assist with the Airport's fixed based operations (Minot Aero Center) in serving general aviation customers. Minot Aero Center will construct and own the hangar.

Apple Properties requested to sell the unapproved portion of Sublot B, Lot 4, Skyport Second Addition of land provided to WebSmart in 2000. The property required MAGIC Fund approval based on a previous MAGIC Fund grant. The property was foreclosed on by First Western Bank and Trust and has changed hands numerous times since then. Currently Apple Properties owns the property and they have subdivided the lot and wish to sell the unimproved portion of the premises. The MAGIC Fund decided as follows: To approve Apple Properties to sell the unimproved portion of Sublot B, Lot 4, Skyport Second Addition after Apple Properties has paid the MAGIC Fund \$60,000 the approximate original value of the land. Apple Properties did make this payment to the MAGIC Fund in 2012.

Fourteen (14) applications were submitted for Rural Marketing Match Grants from surrounding communities. The City of Douglas submitted an application for funding to update a collapsed sewer system. The Committee determined this did not meet the required marketing criteria for the program so this application was denied. The following applications were approved:

Anamoose	\$3,000
Crosby	\$3,000
Garrison	\$4,000
Granville	\$3,000
Harvey	\$3,500
Kenmare	\$4,000
Maddock	\$2,000
Riverdale	\$900
Rugby	\$3,500
Sherwood	\$2,500
Turtle Lake	\$1,000
Underwood	\$3,500
Velva	\$1,500
Total:	\$35,400

Minot Area Development Corporation (MADC) was approved for a grant in the amount of \$2,712,699 to complete the 55th St. Grade Separation/Northwest Bypass Project-(City Project No. 3100). The purpose of the 55th Street project is traffic safety and efficient movement of the traffic. This application was approved.

MADC submitted an application for a \$3.8 M grant for the installation of approximately 4 miles of “trunk” water line infrastructure, which was approved. This public infrastructure is strategically located along 55th Street two miles north to 30th Street and then two miles west to 19th Street in east Minot and will support North Dakota Port Services expansion.

MADC submitted an application on behalf of Alexander Company, an Idaho corporation, dba Midwest Milling (referred hereafter as Midwest Milling). For a \$200,000 grant and \$150,000 forgivable loan to pay for the construction of approximately 900 linear feet of rail spur to serve Midwest Milling Minot operations. The application was approved and provides \$350,000.

MADC submitted an application for a \$3.0 M grant, for the construction of two (2) separate publicly-owned parking ramps that supports Phase One of the proposed "Imagine Minot" redevelopment of Minot's downtown. The application stated each publicly-owned parking ramp will be comprised of a three level parking structure which will add considerable available parking for Minot's downtown. MADC reports the preliminary engineering report estimates that each parking ramp will cost \$4,500,000. The total budget will be an estimated \$9,000,000. This application was approved.

Parshall 2000 Inc., a non-profit development corporation, submitted an application for a \$10,000 grant. The City of Parshall committed to matching these funds if the request is approved. The application stated this funding will be used to subsidize the cost of renovating a portion of the Rockview building to serve as a telepharmacy. This application was approved.

Minot Area Development Corporation submitted an application for \$156,336, as a Pace Buy down loan for United Pulse Trading (UPT) who has been approved by Wells Fargo and Bank of North Dakota (BND) for a PACE Loan. The application requested \$156,336 for Minot's share of the interest buy-down for the PACE loan program. BND will provide the amount of \$279,336 for their portion of the interest buy-down. This application was approved. (FYI – The funds have been paid back to the MAGIC Fund)

The MAGIC Fund portion of sales tax collections increased by \$1,018,634 from \$4,322,437 at year-end 2011 to \$5,341,071 at year-end 2012 or a 24% increase. The sales tax collections accompanied by and the grants and forgivable loans resulted in the MAGIC Fund balance decreasing from \$12,123,072 at year-end 2011 to \$6,653,871 at year-end 2012 or a 45% decrease.

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 2011 and \$345,000 in 2012. MADDC also received \$93,355 from the MAGIC Fund in 2012 for Marketing – Work Force Development. The Rural Marketing Match – Area Cities received \$35,400.

DENIED APPLICATIONS

No applications were denied from this committee.

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 \$7,692,400 and as of December 31, 2012 it was \$5,110,762 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, 2012

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, 2015
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, 2015

City of Minot, North Dakota
Economic Development Growth Fund
Balance Sheet
December 31, 2012
With Comparative Totals for December 31, 2011
(Unaudited)

	December 31, 2012	December 31, 2011
ASSETS		
Current Assets		
Cash and Investments	\$ 5,110,762	\$ 7,692,400
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)	65,513	
Eid Passport Inc (Approved 10/04/10)	166,666	
Minot Sash & Door Grant (Approved 04/02/12)	75,500	
Midwest Milling Grant \$200,000 & Forgiveable Loan \$150,000 (Approved 06/04/12)	350,000	
Total Restricted Cash and Investments	934,541	2,126,312
Equity Investment - NDSBIC	22,288	18,825
Accounts Receivable	-	1,698,584
Intergovernmental Receivable	506,280	422,269
Current Loans Receivable		
Albertson Consulting, Inc.	-	7,186
Deva Lifewear	-	1,282
Pure Energy Services	50,000	50,000
Heliplane	-	125,000
Allowance for Loans Receivable @ 20%	(20,000)	(56,693)
Total Current Assets	6,603,871	12,085,165
Noncurrent Assets		
Loans Receivable		
Pure Energy Services	50,000	100,000
Total Noncurrent Assets	50,000	100,000
Total Assets	\$ 6,653,871	\$ 12,185,165
LIABILITIES		
Accounts Payable	\$ 16,525	\$ 62,094
Total Liabilities	16,525	62,094
FUND BALANCE		
Nonspendable	\$ 50,000	\$ 100,000
Restricted	934,541	2,126,312
Assigned	5,652,805	9,896,759
Total Fund Balance	6,637,346	12,123,071
Total Liabilities and Fund Balance	\$ 6,653,871	\$ 12,185,165

	Current Amount Due	Date Due	Last Payment
Loans Receivable			
Pure Energy Services	50,000	05/01/2013	n/a

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, 2012
With Comparative Totals for December 31, 2011
(Unaudited)

	Sales Tax Economic Development				
	Original Budgeted Amounts	Final Budgeted Amounts	December 31, 2012 Actual Amounts	Variance with Final Budget	December 31, 2011 Actual Amounts
REVENUES					
Sales tax collections	\$ 3,756,060	\$ 3,756,060	\$ 5,341,071	\$ (1,585,011)	\$ 4,322,437
Interest income	20,330	20,330	45,900	(25,570)	47,668
Contract revenue	-	-	-	-	1,698,584
Miscellaneous	-	-	119,426	(119,426)	376,025
Total revenues	<u>3,776,390</u>	<u>3,776,390</u>	<u>5,506,397</u>	<u>(1,730,007)</u>	<u>6,444,714</u>
EXPENDITURES					
Current					
Economic Development	3,055,150	6,339,100	270,463	6,068,637	480,307
Marketing - MADC	355,000	355,000	345,000	10,000	345,000
Marketing - Work Force Development	96,240	96,240	93,355	2,885	53,581
Marketing - Area Cities	75,000	75,000	35,400	39,600	36,690
MAFB Retention	90,000	90,000	103,295	(13,295)	63,020
General Administration	10,000	10,000	970	9,030	157
Audit Compliance Contract	45,000	45,000	-	45,000	2,285
Total expenditures	<u>3,726,390</u>	<u>7,010,340</u>	<u>848,483</u>	<u>6,161,857</u>	<u>981,040</u>
Excess (deficiency) of revenues over (under) expenditures	50,000	(3,233,950)	4,657,914	(7,891,864)	5,463,674
OTHER FINANCING SOURCES (USES)					
Transfers out	(50,000)	(7,143,639)	(10,143,639)	3,000,000	(1,270,990)
Total other financing sources (uses)	<u>(50,000)</u>	<u>(7,143,639)</u>	<u>(10,143,639)</u>	<u>3,000,000</u>	<u>(1,270,990)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (10,377,589)</u>	<u>(5,485,725)</u>	<u>\$ (4,891,864)</u>	4,192,684
Fund balance, January 1			12,123,071		7,930,388
Fund balance, December 31			<u>\$ 6,637,346</u>		<u>\$ 12,123,072</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, 2012. 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, 2012, 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, 2012, we determined that Pure Energy Services (USA) Inc. had maintained the required number of employees (80) from April 14, 2011 to April 14, 2012.

The I-9 could not be located for two selections. The W-4 could not be located for one selection. We noted instances where the certification section of the I-9 had not been completed by the employer. However, through our procedures performed it was determined the Company had maintained the required number of employees as required by the Development Agreement. No other 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

June 13, 2012