

**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	First Western Insurance	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, 2014</u>	<u>Dec 31, 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 Amount</b>	<b>Date Due</b>	<b>Last 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 Budgeted Amounts</b>	<b>Final Budgeted Amounts</b>	<b>December 31, 2014 Actual Amounts</b>	<b>Variance with Final Budget</b>	<b>December 31, 2013 Actual 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 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