

**MAGIC Fund Screening Committee
Annual Compliance Report
2015**

Table of Contents

Report from the Chair

MAGIC Fund Balance & Funds Spent	1
Performance of Job Development Agreements	2
Supporting Services Contracts	2
Denied Applications	2
Financial and Management Health of the Fund	2
MAGIC Fund Screening Committee Members	4
Balance Sheet	5
Schedule of Revenue, Expenditures and Changes in Fund Balance, Budget to Actual	6
Brady Martz and Associates Reports	7

Report from the Chair:

MAGIC FUND BALANCE AND FUNDS SPENT

The MAGIC Fund Screening Committee held four meetings in 2015 with the following projects approved:

1. Minot Area Development Corporation (MADC) was approved for \$40,000 (half the cost of the proposal) for IHS Global, Inc. to produce a Minot specific analysis.
2. Sixteen (16) applications were submitted for Rural Marketing Match Grants from surrounding communities. The Committee determined the City of Drake application did not meet the required marketing criteria for the program so the application for (\$3,000) for cement pads in a camping area was denied. The Committee noted part of the Lansford application was to replace a fence that did not fit the criteria so only the sign portion of the request was approved. The following applications were approved:

City of Anamoose	\$ 3,000
Crosby	3,000
Garrison	4,000
Harvey CVB	1,500
Harvey Chamber	1,500
Harvey Council of the Arts	500
Kenmare	4,000
Lansford	1,000
Maddock	2,000
Parshall	4,000
Portal	500
Rugby Chamber of Commerce	1,750
Rugby JDA	1,750
Sherwood	2,500
Stanley	3,000
Stanton	2,500
Turtle Lake	3,500
Velva	4,000
Total:	\$ 44,000

3. Minot Parking Structures & Retail Projects for Downtown Minot were awarded (\$2.5M) as follows:
 - a) \$1.5 Million Forgivable Loan
 - b) \$1.0 Million Loan (component to satisfy requirement by Wells Fargo for total City commitment)
4. MADC along with the Minot Downtown Merchants applied for a \$500,000 Grant. The MAGIC Fund committee recommended this to Council; however, prior to the City Council meeting MADC/Downtown Merchants withdrew the application.

The MAGIC Fund portion of sales tax collections decreased by \$1,588,978 or nearly 44.9% from \$3,541,644 in 2014 to \$1,952,666 in 2015 as a result of a decrease in sales tax collections and in the percentage of the 1% sales tax allocated to economic development. The percent was dropped from 40% to 15% effective July 1, 2014. The sales tax collections for the year was down 4.4% compared to 2014 collections. The MAGIC Fund balance decreased from \$10,668,504 in 2014 to \$8,041,392 in 2015 or 24.6% due to more expenditures than revenues in 2015.

The Minot economy has seen a slight decrease in the past year which is a result of lower oil prices and decreased oil drilling in the Bakken oil field.

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 supported MADC through direct payments of \$365,000 in 2014 and 2015.

DENIED APPLICATIONS

The only denied application is the City of Drake requested funding for cement pads in a camping area 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. As of December 31, 2014 the ending cash balance was \$10,531,873 and as of December 31, 2015 it was \$5,863,256. Of the \$5,863,256 there is \$674,535 committed to current projects. This leaves available \$5,188,720 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

Professional	Employment	Original Appointment	Expiration of Term
Jason Zimmerman	First Western Bank	November 3, 2014	June 30, 2017
Labor			
Pat Bachmeier	SRT	June 30, 2013	June 30, 2016
Julie Drady	Connole Sommerville	October 1, 2015	October 1, 2018
Business			
Brad Johnson	Monarch Products	August 1, 2010	August 1, 2016
Trade Area			
Byron Gates	Gates Manufacturing	October 6, 2014	October 6, 2017
Finance			
Brent Mattson	Bremer Bank	June 30, 2010	June 30, 2016
Ryan Hertz	Dacotah Bank	June 30, 2015	June 30, 2018

City of Minot, North Dakota
Economic Development Growth Fund
Balance Sheet
December 31, 2015
With Comparative Totals for December 31, 2014
(Preliminary & Unaudited)

	December 31, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and Investments	\$ 5,188,721	\$ 4,930,723
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 & Forgivable Loan \$150,000 (Approved 06/04/12)	350,000	
MADC - Minot Ag Complex/Port Expansion - Site Work (Approved 07/07/14)	1,305	
MADC - Minot Specific Analysis with IHS Global, Inc. (Approved 04/06/2015)	125	
Total Restricted Cash and Investments	674,535	5,601,150
Equity Investment - NDSBIC	-	6,981
Accounts Receivable	1,738	-
Intergovernmental Receivable	138,698	207,620
Current Loans Receivable		
Pure Energy Services	50,000	50,000
Minot Sash & Door	-	25,000
Cypress Development	2,500,000	-
Allowance for Loans Receivable @ 20%	(510,000)	(15,000)
Total Assets	<u>\$ 8,043,692</u>	<u>\$10,806,474</u>
LIABILITIES		
Accounts Payable	\$ 2,300	\$ 137,970
Total Liabilities	<u>2,300</u>	<u>137,970</u>
FUND BALANCE		
Restricted	\$ 8,041,392	\$ 5,601,150
Assigned	-	5,067,354
Total Fund Balance	<u>8,041,392</u>	<u>10,668,504</u>
Total Liabilities and Fund Balance	<u>\$ 8,043,692</u>	<u>\$10,806,474</u>
Loans Receivable	Current Amount Due	Last Payment
Pure Energy Services	\$ 50,000	05/01/2014
Kalix - Minot Vocational Adjustment Workshop	12,600	06/01/2016
Renaissance Parking Ramp - Forgivable Loan	375,000	Substantial completion of ramp
Central Parking Ramp - Forgivable Loan	375,000	Substantial completion of ramp
Renaissance Parking Ramp - Forgivable Loan	375,000	Substantial completion of commercial space
Central Parking Ramp - Forgivable Loan	375,000	Substantial completion of commercial space
Parking Ramps Loan	1,000,000	10 year maturity 12/15/2025

City of Minot, North Dakota
Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget to Actual
Special Revenue Fund
December 31, 2015
With Comparative Totals for December 31, 2014
(Preliminary & Unaudited)

Sales Tax Economic Development					
	Original Budgeted Amounts	Final Budgeted Amounts	December 31, 2015 Actual Amounts	Variance with Final Budget	December 31, 2014 Actual Amounts
REVENUES					
Sales tax collections	\$ 1,725,000	\$ 1,725,000	\$ 1,952,666	\$ (227,666)	\$ 3,541,644
Interest income	28,405	28,405	17,924	10,481	26,381
Miscellaneous	-	-	18,250	(18,250)	1,347
Total revenues	<u>1,753,405</u>	<u>1,753,405</u>	<u>1,988,840</u>	<u>(235,435)</u>	<u>3,569,372</u>
EXPENDITURES					
Current					
Economic Development	1,118,405	6,581,584	5,333,424	1,248,160	2,775,181
Marketing - MADC	365,000	365,000	365,000	-	365,000
Marketing - Work Force Development	-	-	-	-	73,235
Marketing - Area Cities	75,000	75,000	42,262	32,738	46,799
MAFB Retention	90,000	90,000	24,300	65,700	31,165
General Administration	10,000	10,000	150	9,850	179
Audit Compliance Contract	45,000	45,000	1,240	43,760	915
Total expenditures	<u>1,703,405</u>	<u>7,166,584</u>	<u>5,766,376</u>	<u>1,400,208</u>	<u>3,292,474</u>
Excess (deficiency) of revenues over (under) expenditures	50,000	(5,413,179)	(3,777,536)	(1,635,643)	276,898
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	1,200,424	(1,200,424)	-
Transfers out	(50,000)	(50,000)	(50,000)	-	(50,000)
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>1,150,424</u>	<u>(1,200,424)</u>	<u>(50,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (5,463,179)</u>	<u>(2,627,112)</u>	<u>\$ (2,836,067)</u>	<u>226,898</u>
Fund balance, January 1			10,668,504		10,441,606
Fund balance, December 31			<u>\$ 8,041,392</u>		<u>\$ 10,668,504</u>

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

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

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 Minot Vocational Adjustment Workshop, Inc.'s (dba Kalix) compliance with employment conditions, as described in the Development Agreement between Minot Vocational Adjustment Inc. and City of Minot, dated June 3, 2014, as of September 18, 2015. Management is responsible for Minot Vocational Adjustment Workshop 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:

- Obtained from management, a schedule of employees who worked in the recycling department to determine if the total hours worked for the period of June 1, 2014 to May 31, 2015 met or exceeded 30,000 hours.

We noted total hours worked in the recycling department was 32,730. No exceptions were noted as a result of the procedures performed.

- For all 67 employees included in the schedule of employees provided by management (as noted above), we determined if:
 - The employee's I-9 was properly completed.
 - The employee's W-4 was properly completed.
 - Payroll data to indicate the employee worked in the recycling department.
 - Additional information as needed.

In addition, we selected a sample of 14 employees to verify the accuracy of the hours included in management's schedule. For these 14 employees, we selected 6 pay periods and compared the hours per the paystub to the hours listed in management's schedule.

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

Brady, Martz & Associates
Minot, North Dakota

September 18, 2015



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

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 Minot Sash and Door, Inc.'s compliance with Magic Fund employment conditions, as described in the Development Agreement between Minot Sash and Door, Inc. and City of Minot, dated May 8, 2012 (as amended), as of January 31, 2015. Management is responsible for Minot Sash and Door 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:

- Per the Development Agreement, the Company was to maintain the current number of full-time employees at the time of execution of the Development Agreement (May 8, 2012), as well as employ three additional full-time employees as of January 31, 2015. During our inquiries with management and testing procedures performed, we were unable to obtain sufficient documentation to support the number of employees as of May 8, 2012 and were not able to determine if this level had been maintained through January 31, 2015. In addition, management informed us during our testing that three additional employees had not been hired to satisfy the requirement to add three additional full-time employees as of January 31, 2015, as required by the Development Agreement.

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
Minot, North Dakota

May 5, 2015