

**MAGIC Fund Screening Committee
Annual Compliance Report
2016**

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Report from the Chair:

MAGIC FUND BALANCE AND FUNDS SPENT

The MAGIC Fund Screening Committee held two meetings in 2016 with the following projects approved:

1. The Souris Basin Planning Council (SBPC) was approved for \$20,172 for a grant on an annual basis to assist with the required local match to secure funding from the US Department of Commerce, Economic Development Administration (EDA). These funds cover administrative expenses required to promote funding programs and to conduct grant writing and technical assistance for North Dakota Planning Region 2. These funds were approved by the Committee to be disbursed from the Rural Marketing Match Fund.
2. The Souris Basin Planning Council submitted an application on behalf of Crosby Kids Day Care in the amount of \$10,000 for a grant and was approved. These dollars will be used for their community project of building a new daycare facility.
3. Fifteen (15) applications were submitted for Rural Marketing Match Grants from surrounding communities all applications were approved and are listed below:

City of Berthold	\$ 3,000
Bottineau	1,700
Crosby	3,000
Flaxton	2,500
Garrison	4,000
Harvey	3,500
Hazen	3,500
Kenmare	4,000
Maddock	2,000
Parshall	4,000
Rugby Chamber of Commerce	1,166
Rugby JDA	1,166
Rugby Pioneer Village	1,166
Sherwood	2,500
Tioga	3,500
Turtle Lake	2,000
Velva	4,000
Total:	<u>\$46,698</u>

The MAGIC fund portion of sales tax collections decreased by \$349,530 or nearly 17.9% from \$1,952,666 in 2015 to \$1,603,136 in 2016, as a result of a decrease in sales tax collections.

The MAGIC fund balance increased from \$8,041,392 in 2015 to \$8,730,751 in 2016 or 8.6% due to more revenues than expenditures in 2016.

The Minot economy has seen a 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.

Per agreement, Kalix is to meet and fully satisfy the following requirement: Kalix shall continuously employ at its recycling center in Minot, North Dakota employees who collectively work no less than 30,000 hours per year. If the Loan Conditions are not met at any time a Loan balance is outstanding, the installment payment then due shall be paid as follows: June 1, 2016: Kalix shall pay the sum on \$0.42 for each hour less than 30,000 worked by employees at its recycling center in Minot, North Dakota. If Kalix employees have worked 30,000 or more hours at its recycling center in Minot, North Dakota during the preceding year, no payment shall be due. Brady Martz and Associates calculated the total hours worked in the recycling department at Kalix to be 27,192, which is 2,808 less than required. Kalix paid the City of Minot \$1,179.36 on August 8, 2016.

Per agreement, Pure Energy Services is to meet and fully satisfy the following requirements: Pure Energy will have employed forty full-time employees, or full-time equivalents, employed at a facility leased by Pure Energy in Minot in pursuant of \$200,000 being made available to Pure Energy and \$250,000 being made available to Pure Energy at closing in the form of a forgivable loan subject to the loan conditions. On or before April 14, 2010, Pure Energy will have employed an additional twenty full-time employees, or full-time equivalents, at Pure Energy's facility in Minot. On or after April 14, 2011, Pure Energy will maintain not less than eighty full-time employees, or full-time equivalents, at Pure Energy's facility in Minot, North Dakota. Throughout the term of the loan, Pure Energy will maintain and provide to Minot a list of the names and addresses of each of its full-time employees and full-time equivalents that are working at Pure Energy's facility in Minot, North Dakota. Brady Martz and Associates determined that Pure Energy Services (USA) Inc. had maintained the required number of employees (80) from May 1, 2013 to May 1, 2014.

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 2015 and 2016.

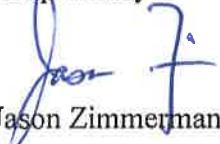
DENIED APPLICATIONS

None.

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, 2015 the ending cash balance was \$5,863,256 and as of December 31, 2016 it was \$7,140,011. Of the \$7,140,011 there is \$1,305 committed to current projects. This leaves available \$7,138,706 for future projects.

Respectfully Submitted on behalf of the MAGIC Fund Screening Committee,


Jason Zimmerman, Chairman

MAGIC Fund Screening Committee Members as of December 2016

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 1, 2019
Julie Drady	Connole Sommerville	October 1, 2015	October 1, 2018
Business			
Jeremy Becker	SRT	August 1, 2016	June 1, 2019
Trade Area			
Byron Gates	Gates Manufacturing	October 6, 2014	October 6, 2017
Finance			
Perry Olson	First International Bank	June 1, 2016	June 1, 2019
Ryan Hertz	Dacotah Bank	June 30, 2015	June 30, 2018

City of Minot, North Dakota
Economic Development Growth Fund
Balance Sheet
December 31, 2016
With Comparative Totals for December 31, 2015
(Preliminary & Unaudited)

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
ASSETS		
Current Assets		
Cash and Investments	\$ 7,138,706	\$ 5,188,721
Restricted Cash and Investments		
MADC - Minot Ag Complex/Port Expansion - Site Work (Approved 07/07/14)	<u>\$ 1,305</u>	1,305 674,535
Total Restricted Cash and Investments	-	1,738
Accounts Receivable		
Intergovernmental Receivable	<u>110,100</u>	138,698
Current Loans Receivable		
Pure Energy Services	-	50,000
Cypress Development	750,000	2,500,000
Kalix	12,600	-
Allowance for Loans Receivable @ 20%	<u>(370,160)</u>	<u>(510,000)</u>
Total Current Assets	<u>7,642,551</u>	<u>8,043,692</u>
Noncurrent Assets		
Loans Receivable		
Cypress Development	1,000,000	-
Kalix	88,200	-
Total Noncurrent Assets	<u>1,088,200</u>	-
Total Assets	<u><u>\$ 8,730,751</u></u>	<u><u>\$ 8,043,692</u></u>
LIABILITIES		
Accounts Payable	<u>\$ -</u>	<u>\$ 2,300</u>
Total Liabilities	<u>-</u>	<u>2,300</u>
FUND BALANCE		
Restricted	<u>\$ 8,730,751</u>	<u>\$ 8,041,392</u>
Total Fund Balance	<u>8,730,751</u>	<u>8,041,392</u>
Total Liabilities and Fund Balance	<u><u>\$ 8,730,751</u></u>	<u><u>\$ 8,043,692</u></u>
Loans Receivable	Current Amount	Last Payment
Kalix - Minot Vocational Adjustment Workshop	\$ 12,600	06/01/2017 n/a
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, 2016
With Comparative Totals for December 31, 2015
(Preliminary & Unaudited)

Sales Tax Economic Development					
	Original & Final Budgeted Amounts	Final Budgeted Amounts	December 31, 2016 Actual Amounts	Variance with Final Budget	December 31, 2015 Actual Amounts
REVENUES					
Sales tax collections	\$ 1,891,309	\$ 1,891,309	\$ 1,603,136	\$ 288,173	\$ 1,952,666
Interest income	24,961	24,961	13,892	11,069	17,924
Miscellaneous	-	-	-	-	18,250
Total revenues	1,916,270	1,916,270	1,617,028	299,242	1,988,840
EXPENDITURES					
Current					
Economic Development	1,316,270	4,490,805	568,181	3,922,624	5,333,424
Marketing - MADC	365,000	365,000	365,000	-	365,000
Marketing - Area Cities	75,000	75,000	66,870	8,130	42,262
MAFB Retention	90,000	90,000	24,000	66,000	24,300
General Administration	10,000	10,000	12	9,988	150
Audit Compliance Contract	10,000	10,000	2,485	7,515	1,240
Total expenditures	1,866,270	5,040,805	1,026,548	4,014,257	5,766,376
Excess (deficiency) of revenues over (under) expenditures	50,000	(3,124,535)	590,480	(3,715,015)	(3,777,536)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	148,879	(148,879)	1,200,424
Transfers out	(50,000)	(50,000)	(50,000)	-	(50,000)
Total other financing sources (uses)	(50,000)	(50,000)	98,879	(148,879)	1,150,424
Net change in fund balance	\$ -	\$ (3,174,535)	689,359	\$ (3,863,894)	(2,627,112)
Fund balance, January 1			8,041,392		10,668,504
Fund balance, December 31			\$ 8,730,751		\$ 8,041,392



INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

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

Minot Vocational Adjustment Workshop, Inc. dba Kalix
P.O. Box 1030
Minot, ND 58702-1030

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. dba Kalix's compliance with Magic Fund employment conditions, as described in the Development Agreement between Minot Vocational Adjustment Workshop, Inc. dba Kalix and City of Minot, dated June 3, 2014. Management is responsible for Minot Vocational Adjustment Workshop, Inc. dba Kalix'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 payroll summary report and review of employee timecards for all employees employed from June 1, 2015 to May 31, 2016, we determined if:
 - The employee's I-9 was properly completed.
 - The employee's W-4 was properly completed.
 - Payroll data existed to support hours worked per employee.

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

- We performed verification testing as of June 16, 2016, to determine if Minot Vocational Adjustment Workshop, Inc. dba Kalix met the minimum hour commitment (30,000) from June 1, 2015 to May 31, 2016 by:
 - Reviewing time card detail of employees who coded time to the recycling department.
 - Tracing time card detail to paystubs for selected employees.
 - Reviewing hour allocations made by management for reasonableness.

We calculated total hours worked in the recycling department to be 27,192.

BRADY, MARTZ & ASSOCIATES, P.C.
24 West Central P.O. Box 848
Minot, ND 58702-0848 (701) 852-0196 Fax (701) 839-5452
www.bradymartz.com

McGLADREY ALLIANCE
 McGladrey

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.
Minot, North Dakota

June 20, 2016



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, solely to assist you in evaluating Pure Energy Services (USA) Inc.'s (FMC Technologies Completion Services, Inc. effective October 2012) 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 May 1, 2014. 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 May 1, 2014, we selected 97 employees and performed the following procedures:
 - The employee's W-2 was properly completed (for employees previously not tested as part of the Magic Fund employment condition procedures. I-9's were reviewed for those previously subject to our testing).
 - Payroll data to indicate the employee qualifies as full-time.
 - Additional information as needed.

In addition to the employees selected as of May 1, 2014, we determined that Pure Energy Services (USA) Inc. had maintained the required number of employees (80) from May 1, 2013 to May 1, 2014.

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

February 8, 2016

www.bradymartz.com

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