

**MAGIC Fund Screening Committee**  
**Annual Compliance Report**  
**2017**

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Report from the Chair:

## MAGIC FUND BALANCE AND FUNDS SPENT

The MAGIC Fund Screening Committee held three meetings in 2017 with the following projects approved:

1. SkySkopes requested a \$375,100 forgivable loan for the purposes of purchasing UAV equipment for their expansion into Minot. Details of the loan agreement were included in the recommendation approved by the City Council.
2. Nineteen (19) applications were submitted for Rural Marketing Match Grants from surrounding communities 15 applications were approved based on our guidelines:

Flaxton	\$ 2,500
Grenora	2,000
Harvey	3,500
Kenmare	4,000
Lansford	2,400
Max	3,000
Maddock	2,000
Mohall	800
Parshall	4,000
Rugby Chamber of Commerce	3,500
Sherwood	2,500
Tolley	3,000
Turtle Lake	3,000
Underwood	3,500
Velva	4,000
Total:	<u>\$43,700</u>

For the year end 2017 overall sales tax collections decreased by \$560,000 or nearly 6.27% as compared to 2016. The direct result of this were fewer dollars to the Fund, but the Fund remains financially healthy due to fewer requests in 2017.

The Minot economy has seen a continued decrease in the past year which is a result of lower oil prices and decreased oil drilling in the Bakken oil field and downward pressure on commodity prices along with lower yields in the agriculture sector.

## 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 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 supported MADC through direct payments of \$365,000 in 2016 and 2017.

## 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, 2016 the ending fund balance was \$8,730,751 and as of December 31, 2017 it was \$9,956,038.

Respectfully Submitted on behalf of the MAGIC Fund Screening Committee,

Jason Zimmerman, Chairman

**MAGIC Fund Screening Committee Members as of December 2017**

<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, 2020
<b>Labor</b>			
Pat Bachmeier	SRT	June 30, 2013	June 1, 2019
Julie Drady	Connole Sommerville	October 1, 2015	October 1, 2018
<b>Business</b>			
Jarid Lundein	Tires Plus	March 1, 2019	July 31, 2019
<b>Trade Area</b>			
Byron Gates	Gates Manufacturing	October 6, 2014	October 6, 2020
<b>Finance</b>			
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, 2017**  
**With Comparative Totals for December 31, 2016**  
(Preliminary & Unaudited)

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	Dec 31, 2017	Dec 31, 2016
<b>ASSETS</b>		
Current Assets		
Cash and Investments	\$ 8,373,710	\$ 7,138,706
Restricted Cash and Investments		
MADC - Minot Ag Complex/Port Expansion - Site Work (Approved 07/07/14)	1,305	
SkySkopes - Forgiveable Loan (Approved 06/05/17)	7,588	
Total Restricted Cash and Investments	8,893	1,305
Intergovernmental Receivable	102,875	110,100
Current Loans Receivable		
Cypress Development	750,000	750,000
Kalix	88,200	12,600
Allowance for Loans Receivable @ 20%	(367,640)	(370,160)
Total Current Assets	8,956,038	7,642,551
Noncurrent Assets		
Loans Receivable		
Cypress Development	1,000,000	1,000,000
Kalix	-	88,200
Total Noncurrent Assets	1,000,000	1,088,200
Total Assets	<u><u>\$ 9,956,038</u></u>	<u><u>\$ 8,730,751</u></u>

**FUND BALANCE**

Nonspendable	\$ 1,000,000	\$ 1,088,200
Restricted	8,956,038	6,953,192
Total Fund Balance	9,956,038	8,041,392
Total Liabilities and Fund Balance	<u><u>\$ 9,956,038</u></u>	<u><u>\$ 8,041,392</u></u>

**Loans Receivable**

	Current Amount Due	Last Date Due	
Kalix - Minot Vocational Adjustment Workshop	\$ 12,600	06/01/2018	n/a
Renaissance Parking Ramp	375,000	12/16/2025	n/a
Central Parking Ramp - Forgivable Loan	375,000	11/1/2018	Substantial completion of commercial space
Parking Ramps Loan	1,000,000	10 year maturity	12/15/2025
SkySkopes - Forgiveable Loan	125,033	7/1/2018	
SkySkopes - Forgiveable Loan	125,033	7/1/2019	
SkySkopes - Forgiveable Loan	125,033	7/1/2020	

**City of Minot, North Dakota**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget to Actual**  
**Special Revenue Fund**  
**December 31, 2017**  
**With Comparative Totals for December 31, 2016**  
(Preliminary & Unaudited)

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<b>Sales Tax Economic Development</b>				
	<b>Original &amp; Final Budgeted Amounts</b>	<b>December 31, 2017 Actual Amounts</b>	<b>Variance with Final Budget</b>	<b>December 31, 2016 Actual Amounts</b>
<b>REVENUES</b>				
Sales tax collections	\$ 1,366,866	\$ 1,502,637	\$ (135,771)	\$ 1,603,136
Interest income	15,084	27,774	(12,690)	13,892
Total revenues	<u>1,381,950</u>	<u>1,530,411</u>	<u>(148,461)</u>	<u>1,617,028</u>
<b>EXPENDITURES</b>				
Current				
Economic Development	781,950	373,531	408,419	568,181
Marketing - MADC	365,000	365,000	-	365,000
Marketing - Area Cities/Souris Basin	75,000	59,959	15,041	66,870
MAFB Retention	90,000	24,000	66,000	24,000
General Administration	10,000	60	9,940	12
Audit Compliance Contract	10,000	1,050	8,950	2,485
Total expenditures	<u>1,331,950</u>	<u>823,600</u>	<u>508,350</u>	<u>1,026,548</u>
Excess (deficiency) of revenues over (under) expenditures	50,000	706,811	(656,811)	590,480
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	568,476	(568,476)	148,879
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	-	<u>(50,000)</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u>518,476</u>	<u>(568,476)</u>	<u>98,879</u>
Net change in fund balance	<u>\$ -</u>	<u>1,225,287</u>	<u>\$ (1,225,287)</u>	<u>689,359</u>
Fund balance, January 1		8,730,751		8,041,392
Fund balance, December 31		<u>\$ 9,956,038</u>		<u>\$ 8,730,751</u>

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

City of Minot  
515 2<sup>nd</sup> 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 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. 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, 2016 to May 31, 2017, 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 July 25, 2017, to determine if Minot Vocational Adjustment Workshop, Inc. dba Kalix met the minimum hour commitment (30,000) from June 1, 2016 to May 31, 2017 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 20,332.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, or conclusion did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion. Accordingly, we do not express such an opinion or conclusion. 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 specified users listed above and is not intended to be and should not be used by anyone other than those specified parties.



**BRADY, MARTZ & ASSOCIATES, P.C.**  
Minot, North Dakota

July 25, 2017