

MAGIC Fund Screening Committee
Annual Compliance Report
2019

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Report from the Chair:

MAGIC FUND BALANCE AND FUNDS SPENT

The MAGIC Fund Screening Committee held one meeting in 2019 to address two applications. The first application was by Souris Basin Planning Council for the Business Accelerator Fund and the second was Visit Minot along with Minot Area Chamber of Commerce and MADC for a grant to conduct community wide market research and a unified branding strategy. There were no other applications through the course of the year.

For the year end 2019, overall sales tax collections were up from budget by \$162,017 and actual collections were up \$73,362 from 2018. Overall revenue for the year end 2019 totaled \$1,779,225 up from the previous year by \$114,065 and up over budgeted revenue of \$1,543,933 by \$235,292.

The Minot economy has shown some improvement in “pockets” but mixed commodity markets in our leading sectors of agriculture and oil and gas along with the recent announcements of various retail closings continue to have an impact on the overall health of our economy, real and perceived.

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. Two fund recipients were noted in their review, SkySkopes, Inc. and the Minot Vocational Adjustment Workshop, Inc. dba Kalix. The SkySkopes, Inc. review noted no exceptions for 2019 based on the terms of the development agreement. The Minot Vocational Workshop, Inc. dba Kalix did not meet the minimum hour commitment of the development agreement. The review calculated actual hours of 21,393 whereas the development agreement is 30,000 hours. Upon notification, MVAW dba Kalix, per the development agreement, will remit back to the City the pro-rata portion of funds that did not meet the requirements of the development agreement, this amount totals \$3,614.94.

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 \$328,500 in 2019 and \$365,000 in 2018.

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, 2018 the ending fund balance was \$10,281,687 and as of December 31, 2019 it was \$10,202,520.

Respectfully Submitted on behalf of the MAGIC Fund Screening Committee,

Jason Zimmerman, Chairman

MAGIC Fund Screening Committee Members as of December 2019

Professional	Employment	Original Appointment	Expiration of Term
Jason Zimmerman	First Western Bank	November 3, 2014	June 30, 2020
Labor			
Steve Bigelow	Central Machining	June 1, 2019	June 1, 2022
Julie Drady	Connole Sommerville	October 1, 2015	November 1, 2021
Business			
Jarid Lundeen	Tires Plus	March 1, 2019	July 31, 2022
Trade Area			
Byron Gates	Gates Manufacturing	October 6, 2014	October 6, 2020
Finance			
Perry Olson	First International Bank	June 1, 2016	June 1, 2022
Ryan Hertz	Dacotah Bank	June 30, 2015	June 1, 2021

City of Minot, North Dakota
Economic Development Growth Fund
Balance Sheet
December 31, 2019
With Comparative Totals for December 31, 2018
(Preliminary and Unaudited)

	Dec 31, 2019	Dec 31, 2018
ASSETS		
Current Assets		
Cash and Investments	\$ 7,530,589	\$ 8,685,161
Restricted Cash and Investments		
SBPC PACE Revolving Loan Fund for Interest Buydowns	\$ 750,000	
Visit Minot for Consultant to develop a community wide branding strategy	<u>300,000</u>	
Total Restricted Cash and Investments	1,050,000	-
Intergovernmental Receivable	171,531	136,046
Current Loans Receivable		
Cypress Development	750,000	750,000
Kalix	63,000	75,600
Allowance for Loans Receivable @ 20%	<u>(362,600)</u>	<u>(365,120)</u>
Total Current Assets	9,202,520	9,281,687
Noncurrent Assets		
Loans Receivable		
Cypress Development	1,000,000	1,000,000
Total Noncurrent Assets	<u>1,000,000</u>	<u>1,000,000</u>
Total Assets	<u><u>\$ 10,202,520</u></u>	<u><u>\$ 10,281,687</u></u>
LIABILITIES		
Accounts Payable	\$ 25,481	\$ -
Total Liabilities	<u>25,481</u>	<u>-</u>
FUND BALANCE		
Restricted	\$ 10,177,039	\$ 10,281,687
Total Fund Balance	<u>10,177,039</u>	<u>10,281,687</u>
Total Liabilities and Fund Balance	<u><u>\$ 10,202,520</u></u>	<u><u>\$ 10,281,687</u></u>

	Current Amount Due	Date Due	Last Payment
Loans Receivable			
Kalix - Minot Vocational Adjustment Workshop	\$ 12,600	06/01/2020	n/a
Renaissance Parking Ramp	375,000	12/16/2025	n/a
Central Parking Ramp - Forgivable Loan	375,000	12/16/2025	n/a
Parking Ramps Loan	1,000,000	10 year maturity	12/15/2025
SkySkopes - Forgivable 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, 2019
With Comparative Totals for December 31, 2018
(Preliminary and Unaudited)

Sales Tax Economic Development				
	Original & Final Budgeted Amounts	Dec 30, 2019 Actual Amounts	Variance with Final Budget	Dec 30, 2018 Actual Amounts
REVENUES				
Sales tax collections	\$ 1,500,000	\$ 1,662,017	\$ (162,017)	\$ 1,588,655
Interest income	43,933	114,688	(70,755)	71,548
Miscellaneous	-	2,520	(2,520)	4,957
Total revenues	1,543,933	1,779,225	(235,292)	1,665,160
EXPENDITURES				
Current				
Economic Development	800,000	283,146	516,854	9,847
Marketing - MADC	328,500	328,500	-	365,000
Marketing - Area Cities/Souris Basin	-	-	-	41,300
MAFB Retention	45,000	32,039	12,961	1,634
General Administration	1,000	-	1,000	57
Audit Compliance Contract	3,000	3,000	-	3,000
Total expenditures	1,177,500	646,685	530,815	420,838
Excess (deficiency) of revenues over (under) expenditures	366,433	1,132,540	(766,107)	1,244,322
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,166,433)	(1,237,188)	70,755	(918,673)
Total other financing sources (uses)	(1,166,433)	(1,237,188)	70,755	(918,673)
Net change in fund balance	<u>\$ (800,000)</u>	<u>(104,648)</u>	<u>\$ (695,352)</u>	325,649
Fund balance, January 1		10,281,687		9,956,038
Fund balance, December 31		<u>\$ 10,177,039</u>		<u>\$ 10,281,687</u>

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

SkySkopes, Inc.
Minot Regional Office
21 N Main St.
Minot, ND 58701

We have performed the procedures enumerated below, which were agreed to by the City of Minot (the specified party), solely to assist in evaluating SkySkopes, Inc.'s (Company) compliance with Magic Fund compliance requirements, as described in the Development Agreement between SkySkopes, Inc. and the City of Minot, dated June 13, 2017. Company management is responsible for SkySkopes, Inc.'s compliance with those requirements. The sufficiency of these procedures is solely the responsibility of the specified party 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.

The procedures and associated findings are as follows:

- We performed verification procedures to determine if the Company employed seven full-time employees as of July 1, 2019 as specified by the Development Agreement by determining 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.
 - Other employment documentation was maintained such as a signed job offer letter.

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

- We performed verification procedures for the period of July 1, 2018 to July 1, 2019 to determine if the Company made additional investments in the Minot UAS office totaling at least \$300,000, on or before July 1, 2019, as specified by the Development Agreement by:
 - Reviewing asset purchase documentation in the form of invoices or supporting documentation indicating fair value.
 - Reviewing the form of payment used to purchase additional investments.

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

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, and 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 24, 2019

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 (the specified party), 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 the 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 the specified party 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.

The procedures and associated findings are as follows:

- From the payroll summary report and review of employee timecards for all employees who coded time to the recycling department from June 1, 2018 to May 31, 2019, 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.

- We performed verification testing as of May 18, 2019 (which was the end of the 26th pay period), to determine if Minot Vocational Adjustment Workshop, Inc. dba Kalix met the minimum hour commitment (30,000) from June 1, 2018 to May 31, 2019 as specified in the Development Agreement by:
 - Reviewing timecard detail and payroll reports generated from Kalix's payroll software for employees who coded time to the recycling department to determine the number of hours worked in the recycling department for the year.
 - Tracing timecard detail to hours reported on actual paystubs for ten percent of employees who coded time to recycling for six pay periods.
 - Reviewing hour allocations made by management for those employees who work in multiple departments to determine if the allocations were performed properly.

We calculated total hours worked in the recycling department to be 21,393. This results in a required payment of \$3,614.94 (\$0.42 per hour under the 30,000 requirement), to be paid by Minot Vocational Adjustment Workshop, Inc. dba Kalix, payable to the City of Minot.

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 and 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

June 12, 2019