

MAGIC Fund Screening Committee
Annual Compliance Report
2020

Table of Contents

Report from the Chair	
MAGIC Fund Balance & Funds Spent	1
Performance of Job Development Agreements	1
Supporting Services Contracts	1
Denied Applications	1
Financial and Management Health of the Fund	2
MAGIC Fund Screening Committee Members	3
Balance Sheet	4
Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget to Actual	5
Brady Martz and Associates Reports	6

Report from the Chair:

MAGIC FUND BALANCE AND FUNDS SPENT

The MAGIC Fund Screening Committee held one meeting in 2020 to address an application from MADC for funds that would be used to purchase a building owned by Trinity Health and then transitioned into a Center for Technical Education with Minot State University at the lead. \$800,000.00 was approved for this purpose. There were no other applications through the course of the year.

For the year end 2020, overall sales tax collections were up slightly from budget by \$49,133.00. Overall revenue for the year end 2020 totaled \$1,628,947.00. That was up for the year up over budgeted revenue by \$97,443.00.

Our local Minot economy is struggling right now. COVID has had a great impact on this. The forced closure of certain businesses by government was stinging to many, and the lack of confidence among a certain segment of the population to engage in the economy has proven to be difficult. Now, with a change in administration in our country, some of our strongest sectors are preparing to weather a storm – specifically oil and gas.

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 review indicated that the company did not have the required full-time employees employed at the check point of July 1, 2020. Per the agreement, SkySkopes issued a check to the City of Minot for \$25,006.68 (\$8,335.56 per employee under 15). No other exceptions were noted for SkySkopes. Kalix's review showed they were lacking in their minimum hour commitment and paid the City of Minot \$6,417.60. Beyond that, no other exceptions were noted.

SUPPORTING SERVICE 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, representatives from the City of Minot, Ward County, 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 again in 2020. It was a large chunk of the \$679,972 in direct payments from the MAGIC Fund for economic development. In 2019 this amount was \$646,685.00. Breaking out MADC, we see that in 2020 it was supported by the Fund to the tune of \$380,034.00 which was an increase from \$328,500.00 in 2019.


DENIED APPLICATIONS

None that were allowed to reach the committee.

FINANCIAL and MANAGEMENT HEALTH OF THE MAGIC FUND

The MAGIC Fund is fortunate to have a large amount of cash for future endeavors. These tax dollars hopefully soon will go to work for the community, and not sit in an account. As of December 31, 2019 the ending fund balance was \$10,202,520.00. That amount was \$10,121,378.00 on December 31st of 2020.

Respectfully submitted on behalf of the MAGIC Fund Screening Committee,

A handwritten signature in blue ink, appearing to read 'Perry Olson', with a long horizontal flourish extending to the right.

Perry Olson, Chairman

MAGIC Fund Screening Committee Members as of December 2020

Professional	Employment	Original Appointment	Expiration of Term
Missy Feist Erickson	Peoples State Bank of Velva	July 6, 2020	June 1, 2023
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			
Travis Mowbray	Mowbray & Son, Inc	December 7, 2020	December 31, 2023
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, 2020
With Comparative Totals for December 31, 2019
(Preliminary & Unaudited)

	Dec 31, 2020	Dec 31, 2019
ASSETS		
Current Assets		
Cash and Investments	\$ 7,912,149	\$ 7,530,589
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	24,341	
Total Restricted Cash and Investments	774,341	1,050,000
Intergovernmental Receivable	-	171,531
Current Loans Receivable		
Cypress Development	750,000	750,000
Kalix	50,400	63,000
Allowance for Loans Receivable @ 20%	(360,080)	(362,600)
Total Current Assets	9,126,810	9,202,520
Noncurrent Assets		
Loans Receivable		
Cypress Development	1,000,000	1,000,000
Total Noncurrent Assets	1,000,000	1,000,000
Total Assets	<u>\$ 10,126,810</u>	<u>\$ 10,202,520</u>
LIABILITIES		
Accounts Payable	\$ 5,432	\$ 25,481
Total Liabilities	<u>5,432</u>	<u>25,481</u>
FUND BALANCE		
Restricted	\$ 10,121,378	\$ 10,177,039
Total Fund Balance	10,121,378	10,177,039
Total Liabilities and Fund Balance	<u>\$ 10,126,810</u>	<u>\$ 10,202,520</u>

	Current Amount Due	Date Due	Last Payment
Loans Receivable			
Kalix - Minot Vocational Adjustment Workshop	\$ 12,600	06/01/2021	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	7/1/2021	

City of Minot, North Dakota
Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget to Actual
Special Revenue Fund
December 31, 2020
With Comparative Totals for December 31, 2019
(Preliminary & Unaudited)

Sales Tax Economic Development					
	Original Budgeted Amounts	Final Budgeted Amounts	Dec 31, 2020 Actual Amounts	Variance with Final Budget	Dec 31, 2019 Actual Amounts
REVENUES					
Sales tax collections	\$ 1,500,000	\$ 1,500,000	\$ 1,549,133	\$ (49,133)	\$ 1,662,017
Interest income	31,504	31,504	58,470	(26,966)	114,688
Miscellaneous	-	-	21,344	(21,344)	2,520
Total revenues	1,531,504	1,531,504	1,628,947	(97,443)	1,779,225
EXPENDITURES					
Current					
Community Contributions	572,364	1,467,533	677,235	790,298	643,685
General Administration	1,000	1,000	12	988	-
Audit Compliance Contract	3,000	3,000	2,725	275	3,000
Total expenditures	576,364	1,471,533	679,972	791,561	646,685
Excess (deficiency) of revenues over (under) expenditures	955,140	59,971	948,975	(889,004)	1,132,540
OTHER FINANCING SOURCES (USES)					
Transfers out	(177,670)	(1,105,340)	(1,004,636)	(100,704)	(1,237,188)
Total other financing sources (uses)	(177,670)	(1,105,340)	(1,004,636)	(100,704)	(1,237,188)
Net change in fund balance	<u>\$ 777,470</u>	<u>\$ (1,045,369)</u>	<u>(55,661)</u>	<u>\$ (989,708)</u>	<u>(104,648)</u>
Fund balance, January 1			10,177,039		10,281,687
Fund balance, December 31			<u>\$ 10,121,378</u>		<u>\$ 10,177,039</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
6008 Highway 2 East
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 fifteen full-time employees as of July 1, 2020, 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.

The Company employed twelve full-time employees as of July 1, 2020. Per the Development Agreement, the Company must make payable to the City of Minot \$8,335.56 for each employee that it fails to employ under fifteen as of July 1, 2020. The Company issued a check dated July 1, 2020 payable to the City of Minot in the amount of \$25,006.68 ($\$8,335.56 \times 3 = \$25,006.68$).

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

- We performed verification procedures for the period of July 1, 2019 to July 1, 2020 to determine if the Company made additional investments in the Minot UAS office totaling at least \$500,000, on or before July 1, 2020, 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 party listed above and is not intended to be and should not be used by anyone other than that specified party.



BRADY, MARTZ & ASSOCIATES, P.C.
MINOT, NORTH DAKOTA

September 23, 2020

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, 2019 to May 31, 2020, 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 to determine if Minot Vocational Adjustment Workshop, Inc. dba Kalix met the minimum hour commitment (30,000) from June 1, 2019 to May 31, 2020 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 14,720. This results in a required payment of \$6,417.60 (\$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 party listed above and is not intended to be and should not be used by anyone other than that specified party.



BRADY, MARTZ & ASSOCIATES, P.C.
MINOT, NORTH DAKOTA

August 24, 2020