

**MAGIC Fund Screening Committee
Annual Compliance Report
2013**

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Report from the Chair:

MAGIC FUND BALANCE AND FUNDS SPENT

The MAGIC Fund Screening Committee held five meetings in 2013 with the following projects approved:

1. SBPC – Bowbells K.I.D.S. Learning Center was approved for a \$10,000 grant. The funding will be used for the purchase of furniture, fixtures, and equipment for the establishment of a daycare.
2. Minot Area Development Corporation was approved for a \$3.4 million grant for the installation of approximately 7,800 feet of rail and development, site work and associated costs, strategically located in Minot’s Value-Added Agricultural Complex – Port of North Dakota expansion.
3. Minot Area Development Corporation was approved \$14,500 for a grant for the City of Velva to complete an Economic Development Plan for future growth within their community.
4. Minot Area Development Corporation was approved \$800,000 (\$400,000 forgivable loan and \$400,000 grant) for United Poly Systems (UPS), LLC for an expansion to Minot. The funding will be used to build a production facility in Minot which will initially be 50,000 square feet with the ability to be easily expanded to 70,000 square feet.
5. Sixteen (16) applications were submitted for Rural Marketing Match Grants from surrounding communities. The following applications were approved:

Anamoose City Council	\$ 3,000
Anamoose City Park	505
Crosby	3,000
Garrison	4,000
Harvey CVB	1,750
Harvey Chamber	1,750
Kenmare Goose Fest Committee	4,000
Kenmare Association of Commerce	4,000
Maddock	2,000
Parshall	4,000
Rugby	3,500
Sherwood	2,500
Stanley	4,000
Turtle Lake	1,600
Underwood	3,500
Velva Chamber	<u>4,000</u>
Total:	<u>\$ 47,105</u>

The MAGIC Fund portion of sales tax collections decreased by \$371,059 or nearly 7% from \$5,341,071 in 2012 to \$4,970,012 in 2013 as a result of a decrease in taxable sales within the City of Minot. The sales tax collections accompanied by under-budget expenditures in nearly every budget category resulted in the MAGIC fund balance increasing from \$6,634,410 in 2012 to \$10,441,606 in 2013 or a 57% increase.

The Minot economy has been stimulated in the past year by continued oil drilling for recovery in the Bakken oil field and its close proximity to Minot.

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 reports 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 supports MADDC through direct payments of \$345,000 in 2012 and 2013. MADDC also received \$96,240 from the MAGIC Fund in 2013 for Marketing – Work Force Development.

DENIED APPLICATIONS

Sixteen (16) applications were submitted for Rural Marketing Match Grants from surrounding communities. The Committee determined the following City's applications did not meet the required marketing criteria for the program so these applications were denied. The City of Alexander requested funding to clean up toxic mold in a museum. The City of Pick City requested funds for planters with flowers along Main Street. The City of Towner requested funds for pole bracket systems and 28 patriotic Towner specific banners to line Towner's main street. The City of Velva requested funds to complete an Economic Development Plan.

FINANCIAL and MANAGEMENT HEALTH of the FUND

We are fortunate to have a reasonable amount of cash in the fund for future endeavors. We have experienced a strong growing economy in the area to support continued dollars to the MAGIC Fund resources. As of December 31, 2012 the ending cash balance was \$5,250,606 and as of December 31, 2013 it was \$10,470,221 available for future projects.

Respectfully Submitted on behalf of the MAGIC Fund Screening Committee,

Jay P. Hight, Chairman

MAGIC Fund Screening Committee Members as of December 2013

Professional	Employment	Original Appointment	Expiration of Term
Jay Hight	Hight Construction	September 1, 2008	June 30, 2014
Labor			
Pat Bachmeier	SRT	June 30, 2013	June 30, 2016
Randy Bartsch	Main & Holmes Electric	July 7, 2009	June 30, 2015
Business			
Brad Johnson	Monarch Products	August 1, 2010	August 1, 2016
Trade Area			
Roger Ness	Kenmare, ND Mayor	September 1, 2008	June 30, 2014
Finance			
Brent Mattson	Bremer Bank	June 1, 2010	June 1, 2016
GW Melgaard	Dacotah Bank	July 7, 2009	June 30, 2015

City of Minot, North Dakota
Economic Development Growth Fund
Balance Sheet
December 31, 2013
With Comparative Totals for December 31, 2012

	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
ASSETS		
Current Assets		
Cash and Investments	\$ 6,033,637	\$ 4,316,065
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)	48,459	
Eid Passport Inc (Approved 10/04/10)	166,666	
Midwest Milling Grant \$200,000 & Forgiveable Loan \$150,000 (Approved 06/04/12)	350,000	
MADC AG Complex Rail (Approved 04/11/13)	2,770,097	
SBPC Bowbells KIDS Learning Center (Approved 12/03/12)	10,000	
MADC - City of Velva \$14,500 Grant (Approved 07/01/13)	14,500	
United Poly Systems, LLC \$400,000 Grant (Approved 08/05/13)	400,000	
United Poly Systems, LLC \$400,000 Forgiveable Loan (Approved 08/05/13)	400,000	
Total Restricted Cash and Investments	4,436,584	934,541
Equity Investment - NDSBIC	14,802	22,288
Accounts Receivable	-	-
Due from Other Funds	-	794,697
Intergovernmental Receivable	539,090	506,280
Current Loans Receivable		
Albertson Consulting, Inc.	-	-
Pure Energy Services	50,000	50,000
Minot Sash & Door	25,000	-
Allowance for Loans Receivable @ 20%	(15,000)	(20,000)
Total Current Assets	11,084,113	6,603,871
Noncurrent Assets		
Loans Receivable		
Pure Energy Services	-	50,000
Total Noncurrent Assets	-	50,000
Total Assets	<u>\$ 11,084,113</u>	<u>\$ 6,653,871</u>
LIABILITIES		
Accounts Payable	\$ 642,507	\$ 19,461
Total Liabilities	642,507	19,461
FUND BALANCE		
Nonspendable	\$ -	\$ 50,000
Committed	4,436,584	934,541
Assigned	6,005,022	5,649,869
Total Fund Balance	10,441,606	6,634,410
Total Liabilities and Fund Balance	<u>\$ 11,084,113</u>	<u>\$ 6,653,871</u>

	Current		Last
Loans Receivable	Amount	Date Due	Payment
	Due	Date Due	Payment
Pure Energy Services	50,000	05/01/2014	n/a
Minot Sash & Door	8,334	1/31/2014	n/a

City of Minot, North Dakota
Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget to Actual
Special Revenue Fund
For the Year Ended December 31, 2013
With Comparative Totals for December 31, 2012

	Sales Tax Economic Development			
	Original Budgeted Amounts	December 31, 2013 Actual Amounts	Variance with Final Budget	December 31, 2012 Actual Amounts
REVENUES				
Sales tax collections	\$ 4,805,886	\$ 4,970,012	\$ (164,126)	\$ 5,341,071
Interest income	37,658	23,893	13,765	45,900
Miscellaneous	-	169,461	(169,461)	119,426
Total revenues	<u>4,843,544</u>	<u>5,163,366</u>	<u>(319,822)</u>	<u>5,506,397</u>
EXPENDITURES				
Current				
Economic Development	4,132,304	747,456	3,384,848	273,399
Marketing - MADC	345,000	345,000	-	345,000
Marketing - Work Force Development	96,240	96,240	-	93,355
Marketing - Area Cities	75,000	47,105	27,895	35,400
MAFB Retention	90,000	69,246	20,754	103,295
General Administration	10,000	288	9,712	970
Audit Compliance Contract	45,000	835	44,165	-
Total expenditures	<u>4,793,544</u>	<u>1,306,170</u>	<u>3,487,374</u>	<u>851,419</u>
Excess (deficiency) of revenues over (under) expenditures	50,000	3,857,196	(3,807,196)	4,654,978
OTHER FINANCING SOURCES (USES)				
Transfers out	(50,000)	(50,000)	-	(10,143,639)
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>(10,143,639)</u>
Net change in fund balance	<u>\$ -</u>	<u>3,807,196</u>	<u>\$ (3,807,196)</u>	<u>(5,488,661)</u>
Fund balance, January 1		6,634,410		12,123,071
Fund balance, December 31		<u>\$ 10,441,606</u>		<u>\$ 6,634,410</u>



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 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, 2013. 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, 2013, we selected 80 employees and determined if:
 - The employee's I-9 was properly completed.
 - The employee's W-4 was properly completed.
 - Payroll data to indicate the employee qualifies as full-time.
 - Additional information as needed.

In addition to the employees selected as of May 1, 2013, we determined that Pure Energy Services (USA) Inc. had maintained the required number of employees (80) from April 14, 2012 to May 1, 2013.

The W-4 could not be located for one selection. No other 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 & Associates

Brady, Martz & Associates

August 15, 2013

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