STATE OF MINNESOTA
Office of the State Auditor

Rebecca Otto
State Auditor

COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF COOK COUNTY)
GRAND MARAIS, MINNESOTA

YEAR ENDED DECEMBER 31, 2008

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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COOK COUNTY AND GRAND MARAIS JOINT ECONOMIC DEVELOPMENT AUTHORITY (A COMPONENT UNIT OF COOK COUNTY) GRAND MARAIS, MINNESOTA

Year Ended December 31, 2008

Audit Practice Division
Office of the State Auditor
State of Minnesota

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COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

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Introductory Section

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COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

ORGANIZATION
DECEMBER 31, 2008

		Term Expires
Commissioners		
Chair	Mike Littfin	December 2012
Vice Chair	Tim Kennedy	December 2010
Treasurer	James Hall	December 2011
Secretary	Bruce Martinson	December 2009
Commissioner	Mark Sandbo	December 2012
Commissioner	Russell Zenk	December 2008
Commissioner	Don Davison	December 2013
Executive Director	Matt Geretschlaeger	

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Cook County and Grand Marais Joint
Economic Development Authority

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Cook County and Grand Marais Joint Economic Development Authority, a component unit of Cook County, as of and for the year ended December 31, 2008, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Cook County and Grand Marais Joint Economic Development Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Cook County and Grand Marais Joint Economic Development Authority as of and for the year ended December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Page 2

The required supplementary information listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Cook County and Grand Marais Joint Economic Development Authority has not presented a Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Cook County and Grand Marais Joint Economic Development Authority's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2009, on our consideration of the Cook County and Grand Marais Joint Economic Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

November 25, 2009

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

EXHIBIT 1

STATEMENT OF NET ASSETS
DECEMBER 31, 2008

	Governmental Activities		Business-Type Activities		Total	
Assets						
Cash	$	25,363	$	3,588	$	28,951
Taxes receivable		12,272		-		12,272
Accounts receivable - net		385		959		1,344
Due from other governments		44,473		-		44,473
Internal balances		86,744		(86,744)		-
Inventories		-		33,626		33,626
Assets held for resale		240,000		-		240,000
Restricted assets						
Investments		-		319,381		319,381
Capital assets						
Non-depreciable		2,285,498		213,685		2,499,183
Depreciable - net of accumulated depreciation		-		2,419,888		2,419,888
Total Assets	**$**	**2,694,735**	**$**	**2,904,383**	**$**	**5,599,118**
Liabilities						
Accounts payable	$	81,404	$	31,884	$	113,288
Note payable		25,000		-		25,000
Line of credit		-		23,800		23,800
Contracts payable		83,722		-		83,722
Contract for deed payable		240,000		-		240,000
Gift certificates		-		500		500
Accrued interest payable		-		23,892		23,892
Deferred revenue - unearned		8,955		-		8,955
Long-term liabilities						
Due within one year		-		131,449		131,449
Due in more than one year		-		925,000		925,000
Total Liabilities	**$**	**439,081**	**$**	**1,136,525**	**$**	**1,575,606**
Net Assets						
Invested in capital assets - net of related debt	$	2,285,498	$	1,577,124	$	3,862,622
Restricted for debt service		-		295,489		295,489
Unrestricted		(29,844)		(104,755)		(134,599)
Total Net Assets	**$**	**2,255,654**	**$**	**1,767,858**	**$**	**4,023,512**

The notes to the financial statements are an integral part of this statement.

COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

EXHIBIT 2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs						
Governmental activities						
Urban and economic development	$ 253,971	$ -	$ 9,500	$ (244,471)	$ -	$ (244,471)
Culture and recreation	-	-	126	126	-	126
Total governmental activities	**$ 253,971**	**$ -**	**$ 9,626**	**$ (244,345)**	**$ -**	**$ (244,345)**
Business-type activities						
Golf course	936,827	809,255	-	-	(127,572)	(127,572)
Total	**$ 1,190,798**	**$ 809,255**	**$ 9,626**	**$ (244,345)**	**$ (127,572)**	**$ (371,917)**

	Governmental Activities	Business-Type Activities	Total
General Revenues			
Property taxes	$ 136,222	$ -	$ 136,222
Lodging taxes	-	50,000	50,000
Grants and contributions not restricted to specific programs	78,082	-	78,082
Unrestricted investment earnings	104	178	282
Rental income	-	675	675
Sale of lots	46,984	-	46,984
Miscellaneous	21,057	-	21,057
Total general revenues	**$ 282,449**	**$ 50,853**	**$ 333,302**
Change in net assets	**$ 38,104**	**$ (76,719)**	**$ (38,615)**
Net Assets - Beginning	**2,217,550**	**1,844,577**	**4,062,127**
Net Assets - Ending	**$ 2,255,654**	**$ 1,767,858**	**$ 4,023,512**

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

EXHIBIT 3

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	General	Resource Development Council	Total
Assets			
Cash	$ 18,521	$ 6,842	$ 25,363
Taxes receivable	12,272	-	12,272
Accounts receivable	385	-	385
Due from other funds	86,744	-	86,744
Due from other governments	44,473	-	44,473
Assets held for resale	240,000	-	240,000
Total Assets	**$ 402,395**	**$ 6,842**	**$ 409,237**
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 81,404	$ -	$ 81,404
Contracts payable	83,722	-	83,722
Note payable	25,000	-	25,000
Contract for deed payable	240,000	-	240,000
Deferred revenue - unavailable	4,269	-	4,269
Deferred revenue - unearned	8,955	-	8,955
Total Liabilities	**$ 443,350**	**$ -**	**$ 443,350**
Fund Balance			
Unreserved - undesignated	(40,955)	6,842	(34,113)
Total Liabilities and Fund Balances	**$ 402,395**	**$ 6,842**	**$ 409,237**
Fund balance - total governmental funds			**$ (34,113)**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			2,285,498
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.			4,269
Net Assets of Governmental Activities (Exhibit 1)			**$ 2,255,654**

The notes to the financial statements are an integral part of this statement.

COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

EXHIBIT 4

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	General	Resource Development Council	Total
Revenues			
Taxes	$ 131,953	$ -	$ 131,953
Intergovernmental	78,208	9,500	87,708
Investment earnings	75	29	104
Lot sales	46,984	-	46,984
Housing coordinator income	20,000	-	20,000
Miscellaneous	1,057	-	1,057
Total Revenues	**$ 278,277**	**$ 9,529**	**$ 287,806**
Expenditures			
Current			
Urban and economic development			
Salaries	$ 69,329	$ -	$ 69,329
Employee benefits	35,497	-	35,497
Board per diems	2,412	-	2,412
Legal	27,166	-	27,166
Professional services	10,357	-	10,357
Rent	3,000	-	3,000
Office	5,007	-	5,007
Insurance	6,622	-	6,622
Telephone and internet	1,490	-	1,490
Cedar Grove Business Park	77,183	-	77,183
Housing coordinator program	51,666	-	51,666
Interest	516	-	516
Other	6,447	9,500	15,947
Total Expenditures	**$ 296,692**	**$ 9,500**	**$ 306,192**
Excess of Revenues Over (Under) Expenditures	**$ (18,415)**	**$ 29**	**$ (18,386)**
Fund Balance - January 1	**(22,540)**	**6,813**	**(15,727)**
Fund Balance - December 31	**$ (40,955)**	**$ 6,842**	**$ (34,113)**

COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

EXHIBIT 4
(Continued)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

Net change in fund balance	**$**	**(18,386)**
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation. The adjustment to convert fund balance to net assets is capitalizing the capital outlay expenditure.		76,180
In governmental funds, under the modified accrual basis, revenues not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The increase or decrease in deferred revenue is the adjustment to revenue between the fund statements and the statement of activities.		
Deferred revenue - December 31		4,269
Deferred revenue - January 1		(23,959)
Change in Net Assets of Governmental Activities (Exhibit 2)	**$**	**38,104**

The notes to the financial statements are an integral part of this statement.

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PROPRIETARY FUND

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COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

EXHIBIT 5

STATEMENT OF FUND NET ASSETS
GOLF COURSE ENTERPRISE FUND
DECEMBER 31, 2008

Assets		
Current assets		
Cash	$	3,588
Accounts receivable		959
Inventories		33,626
Total current assets	**$**	**38,173**
Restricted assets		
Assets held by trustee	**$**	**319,381**
Noncurrent assets		
Capital assets		
Not depreciated - land	$	213,685
Depreciable - net of depreciation		2,419,888
Total noncurrent assets	**$**	**2,633,573**
Total Assets	**$**	**2,991,127**
Liabilities		
Current liabilities		
Accounts payable	$	31,884
Line of credit		23,800
Gift certificates		500
Due to other funds		86,744
Capital leases payable - current		6,449
Total current liabilities	**$**	**149,377**
Current liabilities payable from restricted assets		
Interest payable	$	23,892
Bonds payable - current		125,000
Total current liabilities payable from restricted assets	**$**	**148,892**
Noncurrent liabilities		
Bonds payable - long-term	**$**	**925,000**
Total Liabilities	**$**	**1,223,269**
Net Assets		
Invested in capital assets - net of related debt	$	1,577,124
Restricted for debt service		295,489
Unrestricted		(104,755)
Total Net Assets	**$**	**1,767,858**

The notes to the financial statements are an integral part of this statement.

COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

EXHIBIT 6

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
GOLF COURSE ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

Operating Revenues		
Sales		
Food and beverage	$	107,463
Merchandise		128,822
Less: cost of goods sold		(146,942)
Net sales	**$**	**89,343**
Charges for services		
Green fees		623,148
Other		95,964
Total Operating Revenues	**$**	**808,455**
Operating Expenses		
Personal services	$	303,407
Payroll taxes		37,552
Retirement contribution		12,054
Grounds maintenance and supplies		140,526
Clubhouse maintenance and supplies		17,678
Golf cart leases and maintenance		38,812
Insurance		19,476
Utilities		28,448
Telephone		3,142
Office		2,192
Accounting and audit		18,262
Legal fees		1,669
Dues and licenses		4,226
Travel		409
Marketing		24,318
Bank charges and fees		21,170
Depreciation		187,582
Lease		1,044
Total Operating Expenses	**$**	**861,967**
Operating Income (Loss)	**$**	**(53,512)**

The notes to the financial statements are an integral part of this statement.

COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

EXHIBIT 6
(Continued)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
GOLF COURSE ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

Nonoperating Revenues (Expenses)		
Interest income	$	178
Lodging tax		50,000
Rental income		675
Insurance reimbursement		800
Bond issuance expense		45
Interest expense		(74,905)
Total Nonoperating Revenues (Expenses)	**$**	**(23,207)**
Change in Net Assets	$	**(76,719)**
Net Assets - January 1		**1,844,577**
Net Assets - December 31	**$**	**1,767,858**

COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

EXHIBIT 7

STATEMENT OF CASH FLOWS
GOLF COURSE ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

Cash Flows from Operating Activities		
Receipts from customers	$	956,370
Payments to suppliers		(497,943)
Payments to employees		(303,407)
Net cash provided by (used in) operating activities	**$**	**155,020**
Cash Flows from Noncapital Financing Activities		
Lodging taxes received	$	50,000
Rental income		675
Insurance reimbursement		800
Line of credit interest		(9,310)
Net cash provided by (used in) noncapital financing activities	**$**	**42,165**
Cash Flows from Capital and Related Financing Activities		
Principal paid on lease purchases	$	(9,132)
Interest paid on lease purchases		(1,044)
Payments to trustee for debt service		(186,606)
Net cash provided by (used in) capital and related financing activities	**$**	**(196,782)**
Cash Flows from Investing Activities		
Interest on investments	**$**	**178**
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**581**
Cash at January 1		**3,007**
Cash at December 31	**$**	**3,588**

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	$	(53,512)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense		187,582
(Increase) decrease in accounts receivable		986
(Increase) decrease in inventories		(13,910)
Increase (decrease) in accounts payable		274
Increase (decrease) in due to other funds		33,600
Net Cash Provided by (Used in) Operating Activities	**$**	**155,020**

Noncash Investing, Capital, and Financing Activities		
Amount paid by trustee for debt payments	$	184,668

The notes to the financial statements are an integral part of this statement.

COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008

1. Summary of Significant Accounting Policies

The Cook County and Grand Marais Joint Economic Development Authority's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2008. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Authority has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Authority has chosen not to do so. The more significant accounting policies established in GAAP and used by the Authority are discussed below.

A. Financial Reporting Entity

The Authority was established June 14, 1988, pursuant to 1988 Minn. Laws, ch. 516, having all the powers and duties of an economic development authority under Minn. Stat. §§ 469.090 to 469.1081. As required by accounting principles generally accepted in the United States of America, these financial statements present the Authority (primary government) and its component unit for which the Authority is financially accountable. The Authority is governed by a seven-member Board, four members appointed by the Cook County Board and three members appointed by the Grand Marais City Council. The Board is organized with a chair, vice chair, treasurer, and secretary, elected annually.

Blended Component Unit

Blended component units are legally separate organizations that are so intertwined with the Authority that they are, in substance, the same as the Authority and, therefore, are reported as if they were part of the Authority. The Authority has one blended component unit.

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Blended Component Unit (Continued)

Component Unit	Component Unit is Included in the Reporting Entity Because	Separate Financial Statements
Resource Development Council of Cook County, Inc. (RDC)	The Authority Commissioners are the governing board of the RDC.	Separate financial statements are not prepared.

The Authority is considered to be a component unit of Cook County and is included in Cook County's annual financial report.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the Authority and its component unit. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net assets, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis that recognizes all long-term assets and receivables as well as long-term debt and obligations. The Authority's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expenses of each function of the Authority's governmental activities and business-type activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the Authority's funds, including its blended component unit. Separate statements for each fund category--governmental and proprietary--are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

The Authority reports the following major governmental funds:

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the general government not accounted for in other funds.

The Resource Development Council Special Revenue Fund is used to account for the activities of the Resource Development Council of Cook County, Inc., as a blended component unit of the Authority.

The Authority reports the following major enterprise fund:

The Golf Course Fund is used to account for the operations of the Superior National at Lutsen Golf Course.

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The Cook County and Grand Marais Joint Economic Development Authority considers all revenues as available if collected within 90 days after the end of the current period, except for taxes, which have a 60-day accrual period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first and then unrestricted resources as needed.

D. Budget

The Authority is required to annually send its nonappropriated budget to the Cook County Board of Commissioners and the Grand Marais City Council.

E. Assets, Liabilities, and Net Assets or Equity

1. Cash

The Authority's cash consists of petty cash, checking accounts, and savings accounts.

1. Summary of Significant Accounting Policies

E. Assets, Liabilities, and Net Assets or Equity (Continued)

2. Investments

The Authority's assets held by trustee are invested in a mutual fund and an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

3. Receivables and Payables

All outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. The Authority approved an annual levy for operating purposes. Property taxes are collected by Cook County and distributed to the Authority three times each year. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as taxes receivable.

4. Inventories

Inventory comprises golf course merchandise for resale. All inventories are valued at lower of cost or market using the first in/first out (FIFO) method.

5. Assets Held for Resale

Assets held for resale account for the purchase by contract for deed of a building that was a former church. The building was sold in 2009 to Cook County Higher Education, a nonprofit corporation.

1. Summary of Significant Accounting Policies

E. Assets, Liabilities, and Net Assets or Equity (Continued)

6. Restricted Assets

Certain funds of the Authority are classified as restricted assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

7. Capital Assets

Capital assets, which include land and improvements, buildings and structures, and furniture and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $1,000. Such assets are recorded at historical cost, except for land, which was donated. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Land improvements, buildings and structures, and furniture and equipment of the Authority are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land improvements	30
Buildings and structures	20
Furniture and equipment	1 - 20

1. Summary of Significant Accounting Policies

   E. Assets, Liabilities, and Net Assets or Equity (Continued)

      8. Compensated Absences

         Certain full-time employees of the Authority and the golf course are entitled to vacation and sick leave. The Executive Director may accumulate and carry over vacation and sick leave into the next year. Vacation and sick leave for golf course employees must be used in the year it is earned. Unused vacation at year-end is reported as a liability, and unused sick leave is not compensated.

      9. Deferred Revenue

         All funds and the government-wide financial statements defer revenue for resources that have been received but not earned. Governmental funds also report deferred revenues in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period.

      10. Long-Term Obligations

         In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

      11. Fund Equity

         In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

      12. Use of Estimates

         The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

The Authority's total cash and investments are reported as follows:

Cash	$	28,951
Restricted assets		
Assets held by trustee		319,381
Total Cash	$	348,332

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the Authority to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all Authority deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

At December 31, 2008, the carrying amount of the Authority's deposits totaled $28,951. The bank balance deposit amount was $36,887. Minnesota statutes require that all of the Authority's deposits be covered by insurance, surety bond, or collateral.

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Following is a summary of the deposits covered by insurance or collateral at December 31, 2008.

	Bank Balance
Covered Deposits	
Insured, or collateralized with securities held by the Authority or its agent in the Authority's name	$ 36,887
Collateralized with securities held by the pledging financial institution's agent in the Authority's name	-
Total covered deposits	$ 36,887
Uncollateralized	-
Total	$ 36,887

b. Investments

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the Authority:

(1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;

(2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(4) bankers' acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party.

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the Authority's investment in a single issuer.

Following is a summary of the fair values of the Authority's investments held by a trustee at December 31, 2008:

Assets held by trustee	
Mutual funds	$ 138,873
MAGIC Fund	201,917
Total Assets Held by Trustee	$ 340,790

As of and during the year ended December 31, 2008, the Authority did not own any investments that required disclosure regarding interest rate risk, credit risk, custodial credit risk, or concentration of credit risk.

2. Receivables

Receivables as of December 31, 2008, for the Authority's governmental activities and business-type activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes receivable	$ 12,272	$ -
Accounts receivable	385	-
Total Governmental Activities	$ 12,657	$ -
Business-Type Activities		
Accounts receivable	$ 959	$ -

2. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 81,973	$ -	$ -	$ 81,973
Construction in progress	2,127,345	76,180	-	2,203,525
Total capital assets not depreciated	$ 2,209,318	$ 76,180	$ -	$ 2,285,498
Capital assets depreciated				
Furniture and equipment	$ 1,986	$ -	$ -	$ 1,986
Less: accumulated depreciation for				
Furniture and equipment	1,986	-	-	1,986
Total capital assets depreciated, net	$ -	$ -	$ -	$ -
Governmental Activities Capital Assets, Net	$ 2,209,318	$ 76,180	$ -	$ 2,285,498

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 213,685	$ -	$ -	$ 213,685
Capital assets depreciated				
Land improvements	$ 4,221,622	$ -	$ -	$ 4,221,622
Buildings and structures	372,371	-	-	372,371
Furniture and equipment	833,751	-	-	833,751
Total capital assets depreciated	$ 5,427,744	$ -	$ -	$ 5,427,744

2. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Business-Type Activities (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Land improvements	$ 1,846,797	$ 140,429	$ -	$ 1,987,226
Buildings and structures	278,869	19,855	-	298,724
Furniture and equipment	694,608	27,298	-	721,906
Total accumulated depreciation	$ 2,820,274	$ 187,582	$ -	$ 3,007,856
Total capital assets depreciated, net	$ 2,607,470	$ (187,582)	$ -	$ 2,419,888
Business-Type Activities Capital Assets, Net	$ 2,821,155	$ (187,582)	$ -	$ 2,633,573

Depreciation expense was charged to functions/programs as follows:

Business-Type Activities	
Golf course	$ 187,582

The Authority is currently developing lots to be sold in the Cedar Grove Business Park. The development costs are reported as construction in progress. The City of Grand Marias is reimbursing the Authority for these development costs.

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2008, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Golf Course Enterprise Fund	$ 86,744

The amount due to the General Fund is for cash flow purposes ($83,744) and reimbursement of costs paid by the General Fund ($3,000).

2. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Leases

Operating Leases

The Authority leases golf carts under non-cancelable operating leases. Total costs for such leases were $38,812 for the year ended December 31, 2008. These operating leases are expected to continue indefinitely or be replaced by similar leases. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2009	$ 24,030

Capital Leases

The Authority has entered into lease agreements as lessee for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. These capital leases consist of the following at December 31, 2008:

Lease	Maturity	Installment	Payment Amount	Original	Balance
Business-Type Activities					
2005 mower	2009	Annual	$ 4,807	$ 19,908	$ 4,527
2005 top-dresser	2009	Annual	2,302	9,510	1,922
Total Business-Type Activities Capital Leases					$ 6,449

2. Detailed Notes on All Funds

C. Liabilities

1. Leases

Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2008, were as follows:

	Business-Type Activities
Total minimum lease payments due in 2009	$ 7,109
Less: amount representing interest	(660)
Present Value of Minimum Lease Payments	$ 6,449

2. Short-Term Debt

Governmental Funds/Activities

The Authority has a note payable with Security State Bank for Authority operations. This note is accounted for in the General Fund.

The Authority purchased land and a building to be held for resale using a contract for deed. This property was sold and the contract paid off in 2009. The contract for deed and the asset held for resale are reported in the General Fund.

Short-term debt activity for the year ended December 31, 2008, is:

	Beginning Balance	Issued	Paid	Ending Balance
Note payable	$ -	$ 50,000	$ 25,000	$ 25,000
Contract for deed	-	240,000	-	240,000
Total	$ -	$ 290,000	$ 25,000	$ 265,000

2. Detailed Notes on All Funds

C. Liabilities

2. Short-Term Debt (Continued)

Business-Type Activities

The Authority has a line of credit agreement with Grand Marais State Bank for golf course operations. This agreement is accounted for in the Golf Course Enterprise Fund.

Short-term debt activity for the year ended December 31, 2008, is:

	Beginning Balance	Advances	Payments	Ending Balance
Line of credit	$ 23,550	$ 200,300	$ 200,050	$ 23,800

3. Long-Term Debt

Business-Type Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2008
1998 Golf Course Revenue Bonds	2015	$35,000 - $175,000	4.40 - 5.60	$ 1,820,000	$ 1,050,000

2. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2008, were as follows:

Business-Type Activities

Year Ending December 31	Revenue Bonds Principal	Revenue Bonds Interest
2009	$ 125,000	$ 54,028
2010	135,000	47,104
2011	140,000	39,712
2012	150,000	31,845
2013	160,000	23,357
2014 - 2015	340,000	19,279
Total	$ 1,050,000	$ 215,325

5. Changes in Long-Term Liabilities

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Golf course revenue bonds	$ 1,170,000	$ -	$ 120,000	$ 1,050,000	$ 125,000
Capital leases	15,581	-	9,132	6,449	6,449
Total	$ 1,185,581	$ -	$ 129,132	$ 1,056,449	$ 131,449

3. Employee Retirement Systems and Pension Plans

A. Plan Description

All full-time and certain part-time employees of the Cook County and Grand Marais Joint Economic Development Authority are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund, which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member’s highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service.

For Public Employees Retirement Fund members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for members hired prior to July 1, 1989, and is the age for unreduced Social Security benefits capped at age 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

3. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. The Authority makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.1 and 6.0 percent, respectively, of their annual covered salary.

The Authority is required to contribute the following percentages of annual covered payroll in 2008 and 2009:

	2008	2009
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.50	6.75

The Authority's contributions for the years ending December 31, 2008, 2007, and 2006, for the Public Employees Retirement Fund were:

	2008	2007	2006
Public Employees Retirement Fund	$ 16,650	$ 14,580	$ 14,917

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

4. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The Authority purchases commercial insurance for all risks of loss. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

5. Construction Commitment

The Authority began work in 2006 on the Cedar Grove Business Park, which was substantially completed by December 31, 2008. This is a project within the City of Grand Marais to provide land sites for new or existing businesses. The project was funded by the Minnesota Department of Employment and Economic Development, Iron Range Resources grants obtained by the City, and a City-issued bond. The City entered into an agreement with the Authority whereby lot purchasers will be assessed $60,000 per platted lot, payable from the closing proceeds at the time of the sale. The assessment will be used to repay the City-issued bond that financed the improvement. Assets related to the project will be transferred to the City of Grand Marais at some future date.

6. Contingent Liabilities

In October 2007, the Minnesota Pollution Control Agency (MPCA) asserted a claim against the Authority for alleged violations of a Storm Water Pollution Prevention Plan (SWAPP) Permit. The MPCA intends to hold the Authority jointly and severally liable with the contractors for alleged SWAPP violations as they relate to the Cedar Grove Business Park construction project. There is a tentative settlement that was not finalized at the end of the audit. The final amount of the penalties to be assessed, if any, has not been determined as of the date of the audit.

7. Joint Ventures

In 2008, the Cook County and Grand Marais Joint Economic Development Authority entered into a joint powers agreement with the Lake County Housing and Redevelopment Authority, pursuant to Minn. Stat. § 471.59, for the purpose of preserving the existing housing market, encouraging new housing construction, and providing housing opportunities to the residents of Lake and Cook Counties. The power of each party will be exercised jointly under this agreement with the assistance of a housing coordinator to be retained by both parties. The Lake County Housing and Redevelopment Authority is the fiscal agent, and all financial information is included as part of the Lake County Housing and Redevelopment Authority's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

Schedule 1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 135,290	$ 135,290	$ 131,953	$ (3,337)
Intergovernmental	-	-	78,208	78,208
Investment earnings	100	100	75	(25)
Sale of lots	-	-	46,984	46,984
Housing coordinator income	-	-	20,000	20,000
Miscellaneous	-	-	1,057	1,057
Total Revenues	**$ 135,390**	**$ 135,390**	**$ 278,277**	**$ 142,887**
Expenditures				
Current				
Urban and economic development				
Salaries	$ 80,000	$ 80,000	$ 69,329	$ 10,671
Payroll benefits	24,800	24,800	35,497	(10,697)
Board per diems	3,600	3,600	2,412	1,188
Legal	2,500	2,500	27,166	(24,666)
Professional services	9,150	9,150	10,357	(1,207)
Rent	3,000	3,000	3,000	-
Office	5,000	5,000	5,007	(7)
Insurance	4,000	4,000	6,622	(2,622)
Telephone and internet	1,240	1,240	1,490	(250)
Cedar Grove Business Park	-	-	77,183	(77,183)
Interest	-	-	516	(516)
Housing coordinator program	-	-	51,666	(51,666)
Other	2,000	2,000	6,447	(4,447)
Total Expenditures	**$ 135,290**	**$ 135,290**	**$ 296,692**	**$ (161,402)**
Excess of Revenues Over (Under) Expenditures	**$ 100**	**$ 100**	**$ (18,415)**	**$ (18,515)**
Fund Balance - January 1	**(22,540)**	**(22,540)**	**(22,540)**	**-**
Fund Balance - December 31	**$ (22,440)**	**$ (22,440)**	**$ (40,955)**	**$ (18,515)**

The notes to the required supplementary information are an integral part of this schedule.

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2008

Budgetary Information

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year-end.

On or before July of each year, the Cook County and Grand Marais Joint Economic Development Authority sends its budget to the Cook County Board and the Grand Marais City Council. The proposed budget is presented to the County Board and City Council for review. The Board and Council hold public hearings, and a final budget must be prepared and adopted no later than December 31.

The budget is prepared by function and includes a written estimate of the amount of money needed by the Authority from the County and City in order for the Authority to conduct business during the upcoming fiscal year.

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SUPPLEMENTARY INFORMATION

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COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

Schedule 2

BUDGETARY COMPARISON SCHEDULE
GOLF COURSE ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budget	Actual	Variance
Operating Revenues			
Sales			
Food, beverage, and merchandise	$ 235,000	$ 236,285	$ 1,285
Less: cost of goods sold	(141,000)	(146,942)	(5,942)
Net sales	**$ 94,000**	**$ 89,343**	**$ (4,657)**
Charges for services			
Green fees and other charges	725,500	719,112	(6,388)
Total Operating Revenues	**$ 819,500**	**$ 808,455**	**$ (11,045)**
Operating Expenses			
Current			
Culture and recreation			
Salaries and wages	$ 307,500	$ 303,407	$ 4,093
Payroll taxes	52,500	37,552	14,948
Retirement contribution	-	12,054	(12,054)
Grounds maintenance and supplies	120,000	140,526	(20,526)
Clubhouse maintenance and supplies	15,000	17,678	(2,678)
Golf cart leases and maintenance	28,000	38,812	(10,812)
Insurance	15,000	19,476	(4,476)
Utilities	35,600	28,448	7,152
Telephone	-	3,142	(3,142)
Office	1,200	2,192	(992)
Accounting and audit	9,000	18,262	(9,262)
Legal fees	4,000	1,669	2,331
Dues and licenses	4,000	4,226	(226)
Travel	1,500	409	1,091
Marketing	25,000	24,318	682
Bank charges and fees	23,000	21,170	1,830
Other	51,800	-	51,800
Depreciation	-	187,582	(187,582)
Lease	38,000	1,044	36,956
Total Expenses	**$ 731,100**	**$ 861,967**	**$ (130,867)**
Operating Income (Loss)	**$ 88,400**	**$ (53,512)**	**$ (141,912)**

COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

Schedule 2
(Continued)

BUDGETARY COMPARISON SCHEDULE
GOLF COURSE ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budget	Actual	Variance
Nonoperating Revenues (Expenses)			
Investment earnings	$ -	$ 178	$ 178
Lodging tax	-	50,000	50,000
Rental income	-	675	675
Insurance reimbursement	-	800	800
Interest expense	(8,000)	(74,905)	(66,905)
Bond issuance expense	(184,000)	45	184,045
Total Nonoperating Revenues (Expenses)	**$ (192,000)**	**$ (23,207)**	**$ 168,793**
Net Income (Loss)	**$ (103,600)**	**$ (76,719)**	**$ 26,881**
Net Assets - January 1	**1,844,577**	**1,844,577**	**-**
Net Assets - December 31	**$ 1,740,977**	**$ 1,767,858**	**$ 26,881**

**Management and
Compliance Section**

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COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

Schedule 3

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2008

I. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-1 Internal Control/Segregation of Duties

The Board of Commissioners is responsible for establishing and maintaining internal control. This responsibility includes the internal control over the various accounting cycles and operations, the fair presentation of the financial statements and related notes, and the accuracy and completeness of all financial records and related information. Adequate segregation of duties is a key internal control in an organization's accounting system. The size of the Cook County and Grand Marais Joint Economic Development Authority and its staffing limit the internal control that the Board can design and implement into the organization. The Board should be aware that the segregation of duties is not adequate from an internal control point of view.

The Board is responsible for the accuracy and completeness of all financial records and related information. Also, the Board is responsible for controls over the period-end financial reporting process, including controls over procedures used to enter transaction totals into the general ledger; initiate, authorize, record, and process journal entries into the general ledger; and record recurring and nonrecurring adjustments to the financial statements.

The Board has requested that we prepare the annual financial statements and related notes. This arrangement is not unusual for an organization the size of the Cook County and Grand Marais Joint Economic Development Authority. This decision was based on the availability of the Authority's staff and the cost benefit of using our expertise.

During our audit, we proposed material adjustments to convert the Authority's accounting records to the financial statements as reported. Audit adjustments were necessary to record additional assets and payables found during the audit, post unrecorded transactions that auditors identified, adjust long-term debt accounts, and reclassify other accounts as necessary for financial reporting. We also made the adjustments required to convert the modified accrual financial statements to the accrual basis for the government-wide financial statements.

We recommend the Cook County and Grand Marais Joint Economic Development Authority be mindful that limited staffing causes inherent risks in safeguarding the Authority's assets and the proper reporting of its financial activity. We recommend the Authority continue to implement oversight procedures and monitor those procedures and internal controls to determine that they are effective.

<u>Client's Response</u>:

In 2009, we have made great strides in the segregations of duties and internal controls. We now have formed several three-member budget committees. One for the EDA itself, and a separate one for the Golf Course. In addition, we have also formed an employee review and oversight committee and an annual tax levy budget committee. Lastly, we have created a Golf Course Operations Committee.

06-2 <u>Payroll Procedures</u>

Our review of the Authority's payroll system and records disclosed that the Executive Director's salary is in excess of the amount approved by the Board, and his time records were not adequately maintained.

The Board established the Executive Director's compensation at $68,000 per year effective August 1, 2005. The $68,000 limit includes the payments for his health insurance and retirement contributions. In 2008, the Authority paid approximately $79,000, which included the health insurance and retirement payments. The $11,000 overpayment is due to higher health insurance premiums and pension contribution rates than paid in 2005. The compensation authorized by the Board in 2005 does not provide for the higher benefits paid.

The Authority pays the Executive Director's health insurance premiums directly to the insurance company rather than reimbursing him for the premiums. These payments are not included in the Executive Director's taxable income. It appears the Authority may not have a qualified benefits plan as required by the Internal Revenue Service (IRS), which would make these payments ineligible for exclusion from taxable income. Also, the Executive Director does not submit time records to the Authority documenting his hours and the sick leave and vacation hours used.

Governmental entities should establish and follow payroll control procedures that ensure accurate information and safeguarding of assets. The Office of the State Auditor has developed a Statement of Position for employee timekeeping procedures. Among the items recommended in the Statement of Position is a positive reporting system where employees affirmatively attest to the hours or days they have actually worked and leave taken, dual attestation of the hours worked both by the employee and supervisor or other appropriate person, and affirmation of carry-forward amounts of vacation or sick leave. In addition, employees should be paid in accordance with Board-approved agreements and IRS regulations.

We recommend the Board monitor payroll policies and procedures. This should include a review of controls to ensure that all employment contracts, time records, and amounts paid are properly authorized, documented, and approved. We also recommend that the Authority pay benefits only in accordance with IRS regulations.

Client's Response:

The Board took action to reduce the Director position to part time, reduced the salary, health insurance benefits, and vacation. All annual compensation to the Director is a stipulated sum, as outlined in the Board minutes, minimizing any possible overpayment. The Board Chair, and numerous Subcommittee members, very closely monitor the Director's actions on at least a weekly basis. Lastly, the Director's Administrative Assistant position has been eliminated. Therefore, the Board has reduced its total liability of payroll oversight to one part-time salaried employee.

07-1 Accounting Records

The Authority is reporting land in its governmental activities at a value of $81,973. The Authority did not identify the land or provide supporting documentation for this value. All capital assets should be identifiable and the cost basis documented.

The Authority purchased $87,500 in wetland credits in prior years. Our confirmation of the wetland credits with the Minnesota Board of Water and Soil Resources showed that all the credits were used by the Authority for the Business Park. The Authority states that not all of the wetland credits should have been used on the Business Park. However, the Authority has not resolved this matter, which may result in overstating the cost of the Business Park.

Cook County issued a $9,500 check to the Resource Development Council. As in years past, the funds were to be disbursed to the Cook County Higher Education Program. Again in 2008, the Authority took the check from the County to a local bank and obtained a cashier's check payable to the Higher Education Program. Because the check from the County was not deposited in the Authority's bank account and then a check issued from the account, the $9,500 transaction was not recorded in the Authority's financial records. This caused the Resource Development Council Special Revenue Fund's revenues and expenditures to be understated by that amount.

In our testing of 29 disbursement transactions for 2008, two of the disbursements requested could not be located by the Authority's staff. A disbursement paid to Dreamscape Building and Design, in the amount of $11,167.14, did not have proper approval. All disbursements must have proper approval, supporting documentation and be filed for subsequent review.

We noted several instances where disbursements and supporting documentation did not match to the entry made in the general ledger. A check dated April 28, 2008, was entered in the general ledger with a June 1, 2008, date. This discrepancy was due to the Authority's accounting service printing the check on April 28, 2008, and the Board deciding not to release payment due to cash flow concerns. The check was held until June, and the accounting service manually changed the date of check within the accounting system. The general ledger lists check number 3130 as payable to Blue Cross Blue Shield on March 30, 2009, for $5,850. Check number 3130 was actually payable to Buck's Radio Shack on October 10, 2008, for $207.64. The Blue Cross Blue Shield payment, listed as check number 3130 in the general ledger was check number 3039. The entries to the Authority's accounting system must agree to the Authority's checks.

We noted that the Authority used checks out of sequence for both the Economic Development Authority and Superior National Lutsen Golf Course. For example, check number 3130 was actually processed in 2008, and check number 3039 was processed in 2009. The Authority uses an accounting service to process its payments; however, a limited number of blank checks are kept on hand at the Authority's office for emergency use. These checks are kept in an unlocked desk drawer and are not used in sequence. Neither the Authority nor the accounting service tracks or monitors the use of check numbers. Check number 3036 was not listed as processed within the general ledger but was later found to have been processed. Check number 3034 was processed through the general ledger; however, it was voided and reissued by check number 3036, which was handwritten by the Authority. The accounting service did not account for the void or issue of check 3036. Both unissued and issued checks must be accounted for and properly reported.

We recommend the Authority follow and monitor existing accounting policies and procedures. All receipts must be deposited in Authority-approved bank accounts and disbursements made only by authorized checks. The Board should list in its Board minutes all disbursements approved for payment. The Authority's bank should be instructed not to issue cashier's checks for the Authority. All capital assets should be identifiable and the value documented. Journal entries should be made only for entries that are properly documented and supported. All Authority checks should be used in sequence, monitored, and secured in a locked drawer to ensure there are no missing or misused checks. All transactions should be properly recorded in the accounting system and have appropriate matching supporting documentation. All invoices should be retained and filed at the Authority's office. Checks should not be written until cash is available, and issued and voided checks should be properly recorded for complete and accurate records. The Authority should review the disbursement-approval process and ensure all parties of the Authority and golf course are aware of the approval process.

Client's Response:

The Authority will continue to research the base purchase price of properties it has acquired over the past decades to create the current "Cedar Grove Business Park."

The Authority will continue to work with the Minnesota Board of Soil and Water to document the Authority's unused wetland credits current market value.

The Board has taken action that cashier's checks are strictly prohibited in the use of any of the Authority's payment and/or reimbursement actions.

As evidenced by Board minutes, the Board permitted its Director to settle the Dreamscapes Builders account with a cost not to exceed. The Director audited the contractor and settled the account within the Board's permitted financial limits.

The Authority's Board now reviews invoices at its regular monthly meeting for accuracy and possible payment. Payments are made to vendors only upon Board action to do so.

The Authority has now retained the City of Grand Marais staff to perform record keeping services and other on-site administrative duties. Such duties performed by the City's staff are contracted under a set monthly fee. Staff members assisting the Authority are not considered an employee of the Authority.

The Director will work closely with the Authority's outsourced accounting firm to assure compliance of all principals, standards, and procedures.

ITEM ARISING THIS YEAR

08-1 Golf Course Internal Controls

We noted the following practices that limit the golf course internal controls. The Golf Pro at times will work cash registers, process daily closing reports, and prepare deposits. The Golf Pro and Maintenance Supervisor each have relatives who work at the golf course whom they supervise. These practices increase the risk of improper recording of financial transactions.

Customers are allowed to charge to their credit cards more than the amount purchased, so the customer can receive cash back. The golf course is charged fees by credit card companies for amounts charged. The fee charged on the cash given back to the customer results in an additional cost to the golf course. Customers are also allowed to write personal checks over the amount of purchase, and employees are allowed to cash personal checks, even though there is an ATM machine on-site. This places the golf course at risk for not being able to collect nonsufficient fund checks.

No procedures are in place for recording and approving void/over-rung transactions or collection of vending machine profits. Also, no policy is in place for issuance of complimentary tickets/promotional items/trades. These practices could allow the improper accounting of sales.

We recommend that the Authority and Board review, establish, and monitor internal controls of the golf course. Duties should be segregated as much as possible, and a nepotism policy should be implemented. Void, over-ring, and return transactions should be monitored, initialed, and include written explanation by the employee responsible. Promotional items and complimentary tickets should be documented so the Authority and Board can make decisions regarding promotional items from a financial and budget perspective. Cashing employee personal checks should be prohibited, and customers should be allowed to charge and write personal checks for only the amount purchased. Installation of video cameras offers protection to both customers and employees. If properly installed, video cameras may also offer the golf course additional protection against loss of funds and inventory by employees and customers.

Client's Response:

The Authority and its Golf Course Operations Committee shall cause internal control policy and procedure guidelines to be implemented prior to the start of business in 2010. Said policy shall prohibit the practice of over-ringing, limited check cashing, undocumented complimentary tickets, and all areas of concerns as outlined by the State Auditor's Office.

The Authority shall cause and implement a nepotism policy before the start of business in 2010.

For life safety concerns of all persons, and financial loss concerns, the Authority shall install a video camera system in the year 2010.

II. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

04-2 Rate Covenant Compliance

Net revenues for the golf course for the year ended December 31, 2008, did not meet the threshold specified in the golf course revenue bond resolution.

Part 6(a) of the Board resolution providing for the issuance and sale of the golf course revenue bonds contains a covenant regarding the adequacy of the net revenues of the golf course. The covenant states, in part, that commencing with fiscal year 2000, if the net revenues of the golf course are less than 115 percent of the maximum annual debt service on the bonds, as determined by the annual audit of the golf course, the Authority is required to hire a nationally recognized golf course consultant to evaluate the performance of the golf course.

Golf course net revenues of $171,323 for 2008 are less than the maximum annual debt service on the bonds of $205,881. The maximum annual debt service calculation is equal to 115 percent of the 2009 scheduled debt service payments of $179,028. Golf course net revenues are equal to the excess of the change in net assets [revenues over (under) expenses], excluding bond interest and depreciation expense [($76,719) + $60,460 + $187,582 = $171,323] as reported in the 2008 audited golf course financial statements.

We recommend the Board review the net revenue requirement specified in the golf course revenue bond resolution and hire a nationally recognized golf course consultant to evaluate the performance of the golf course.

Client's Response:

The Authority has taken action in 2009, causing certain marketing plans and studies by outside professional services. Additional professional services will again be retained in 2010 to further develop marketing and business plans for the golf course.

07-2 Bank Line of Credit/Note

The Authority obtained a line of credit from a local bank, Grand Marais State Bank, to be used as needed for the golf course operations. The line of credit was to provide startup funding each season until the golf course opened in the spring, at which time the line of credit would be repaid. As of December 31, 2008, the golf course had not repaid the line of credit. The Authority owed the bank $23,800 at year-end for the unpaid line of credit.

The Authority obtained a note from a local bank, Security State Bank, to be used as needed for the Economic Development Authority operations. As of December 31, 2008, the Authority had not repaid the note. The Authority owed the bank $25,000 at year-end for the unpaid note.

No legal authority could be found that allows the Authority to borrow using a bank line of credit or note. The Authority must follow the laws when incurring debt.

We recommend the Authority enter into debt only as allowed by law.

Client's Response:

The Authority is acutely aware of its ineligibility to create lines of credit with private lenders. The Authority has now established relationships with other governmental agencies to provide working capital if required.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Cook County and Grand Marais Joint
 Economic Development Authority

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Cook County and Grand Marais Joint Economic Development Authority, a component unit of Cook County, as of and for the year ended December 31, 2008, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 25, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Cook County and Grand Marais Joint Economic Development Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Recommendations as items 96-1, 06-2, 07-1, and 08-1 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Cook County and Grand Marais Joint Economic Development Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 07-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cook County and Grand Marais Joint Economic Development Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, the Cook County and Grand Marais Joint Economic Development Authority complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Recommendations as items 04-2 and 07-2.

The Cook County and Grand Marais Joint Economic Development Authority's written responses to the significant deficiencies, material weakness, and legal compliance findings identified in our audit have been included in the Schedule of Findings and Recommendations. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Commissioners, management, and others within the Cook County and Grand Marais Joint Economic Development Authority and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

November 25, 2009