# 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, 2009

# 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.

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@state.mn.us
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: www.auditor.state.mn.us.

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

## Year Ended December 31, 2009

**Audit Practice Division**
**Office of the State Auditor**
**State of Minnesota**

This page was left blank intentionally.

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

TABLE OF CONTENTS

This page was left blank intentionally.

# Introductory Section

This page was left blank intentionally.

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

ORGANIZATION
DECEMBER 31, 2009

| | | Term Expires |
|---|---|---|
| Commissioners | | |
| Chair | Mike Littfin | December 2012 |
| Vice Chair | Jan Sivertson | December 2012 |
| Treasurer | James Hall | December 2011 |
| Secretary | Bruce Martinson | December 2009 |
| Commissioner | Mark Sandbo | December 2012 |
| Commissioner | Hal Greenwood | December 2014 |
| Commissioner | Don Davison | December 2013 |
| | | |
| Executive Director | Matt Geretschlaeger | |

This page was left blank intentionally.

# Financial Section

This page was left blank intentionally.

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

REBECCA OTTO
STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

# 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, 2009, 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, 2009, 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.

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 September 17, 2010, 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*

REBECCA OTTO
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 17, 2010

## BASIC FINANCIAL STATEMENTS

This page was left blank intentionally.

# GOVERNMENT-WIDE FINANCIAL STATEMENTS

This page was left blank intentionally.

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

***EXHIBIT 1***

**STATEMENT OF NET ASSETS**
**DECEMBER 31, 2009**

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **Assets** | | | |
| Cash | $ 6,855 | $ 64,437 | $ 71,292 |
| Taxes receivable | 11,712 | - | 11,712 |
| Accounts receivable - net | 9,476 | 959 | 10,435 |
| Internal balances | 55,056 | (55,056) | - |
| Inventories | - | 36,582 | 36,582 |
| Restricted assets | | | |
| Investments | - | 330,078 | 330,078 |
| Capital assets | | | |
| Non-depreciable | 2,412,493 | 213,685 | 2,626,178 |
| Depreciable - net of accumulated depreciation | - | 2,443,228 | 2,443,228 |
| **Total Assets** | **$ 2,495,592** | **$ 3,033,913** | **$ 5,529,505** |
| **Liabilities** | | | |
| Cash overdraft | $ 26,717 | $ - | $ 26,717 |
| Accounts payable | 136,623 | 30,666 | 167,289 |
| Contracts payable | 83,722 | - | 83,722 |
| Gift certificates | - | 4,860 | 4,860 |
| Due to other governments | - | 203,912 | 203,912 |
| Accrued interest payable | - | 21,132 | 21,132 |
| Deferred revenue - unearned | 8,955 | 38,117 | 47,072 |
| Long-term liabilities | | | |
| Due within one year | - | 135,000 | 135,000 |
| Due in more than one year | - | 790,000 | 790,000 |
| **Total Liabilities** | **$ 256,017** | **$ 1,223,687** | **$ 1,479,704** |
| **Net Assets** | | | |
| Invested in capital assets - net of related debt | $ 2,412,493 | $ 1,731,913 | $ 4,144,406 |
| Restricted for debt service | - | 308,946 | 308,946 |
| Unrestricted | (172,918) | (230,633) | (403,551) |
| **Total Net Assets** | **$ 2,239,575** | **$ 1,810,226** | **$ 4,049,801** |

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, 2009

| | | 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 | $ 176,477 | $ - | $ 9,500 | $ (166,977) | $ - | $ (166,977) |
| **Business-type activities** | | | | | | |
| Golf course | 825,254 | 751,139 | 55,600 | - | (18,515) | (18,515) |
| **Total** | **$ 1,001,731** | **$ 751,139** | **$ 65,100** | **$ (166,977)** | **$ (18,515)** | **$ (185,492)** |
| **General Revenues** | | | | | | |
| Property taxes | | | | $ 140,989 | $ - | $ 140,989 |
| Lodging taxes | | | | - | 50,000 | 50,000 |
| Unrestricted investment earnings | | | | 13 | 10,883 | 10,896 |
| Miscellaneous | | | | 9,896 | - | 9,896 |
| **Total general revenues** | | | | **$ 150,898** | **$ 60,883** | **$ 211,781** |
| **Change in net assets** | | | | **$ (16,079)** | **$ 42,368** | **$ 26,289** |
| **Net Assets - Beginning** | | | | **2,255,654** | **1,767,858** | **4,023,512** |
| **Net Assets - Ending** | | | | **$ 2,239,575** | **$ 1,810,226** | **$ 4,049,801** |

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

# FUND FINANCIAL STATEMENTS

This page was left blank intentionally.

# GOVERNMENTAL FUNDS

This page was left blank intentionally.

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

***EXHIBIT 3***

**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**DECEMBER 31, 2009**

| | General | Resource Development Council | Total |
|---|---|---|---|
| **Assets** | | | |
| Cash | $ - | $ 6,855 | $ 6,855 |
| Taxes receivable | 11,712 | - | 11,712 |
| Accounts receivable | 9,476 | - | 9,476 |
| Due from other funds | 55,056 | - | 55,056 |
| **Total Assets** | **$ 76,244** | **$ 6,855** | **$ 83,099** |
| **Liabilities and Fund Balances** | | | |
| **Liabilities** | | | |
| Cash overdraft | $ 26,717 | $ - | $ 26,717 |
| Accounts payable | 136,623 | - | 136,623 |
| Contracts payable | 83,722 | - | 83,722 |
| Deferred revenue - unavailable | 4,392 | - | 4,392 |
| Deferred revenue - unearned | 8,955 | - | 8,955 |
| **Total Liabilities** | **$ 260,409** | **$ -** | **$ 260,409** |
| **Fund Balance** | | | |
| Unreserved - undesignated | (184,165) | 6,855 | (177,310) |
| **Total Liabilities and Fund Balances** | **$ 76,244** | **$ 6,855** | **$ 83,099** |

| | |
|---|---|
| **Fund balance - total governmental funds** | **$ (177,310)** |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | 2,412,493 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. | 4,392 |
| **Net Assets of Governmental Activities (Exhibit 1)** | **$ 2,239,575** |

## 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, 2009

| | General | Resource Development Council | Total |
|---|---|---|---|
| **Revenues** | | | |
| Taxes | $ 140,866 | $ - | $ 140,866 |
| Intergovernmental | - | 9,500 | 9,500 |
| Investment earnings | - | 13 | 13 |
| Miscellaneous | 9,896 | - | 9,896 |
| **Total Revenues** | **$ 150,762** | **$ 9,513** | **$ 160,275** |
| **Expenditures** | | | |
| **Current** | | | |
| **Urban and economic development** | | | |
| Salaries | $ 58,557 | $ - | $ 58,557 |
| Employee benefits | 23,802 | - | 23,802 |
| Board per diems | 2,730 | - | 2,730 |
| Legal | 19,286 | - | 19,286 |
| Professional services | 13,068 | - | 13,068 |
| Rent | 2,750 | - | 2,750 |
| Office | 4,851 | - | 4,851 |
| Insurance | 3,225 | - | 3,225 |
| Telephone and internet | 1,833 | - | 1,833 |
| Cedar Grove Business Park | 127,318 | - | 127,318 |
| Housing coordinator program | 30,000 | - | 30,000 |
| Interest | 3,808 | - | 3,808 |
| Other | 2,744 | 9,500 | 12,244 |
| **Total Expenditures** | **$ 293,972** | **$ 9,500** | **$ 303,472** |
| **Excess of Revenues Over (Under) Expenditures** | **$ (143,210)** | **$ 13** | **$ (143,197)** |
| **Fund Balance - January 1** | **(40,955)** | **6,842** | **(34,113)** |
| **Fund Balance - December 31** | **$ (184,165)** | **$ 6,855** | **$ (177,310)** |

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*
*(Continued)*

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
### GOVERNMENTAL FUNDS
### FOR THE YEAR ENDED DECEMBER 31, 2009

| | | |
|---|---|---|
| **Net change in fund balance** | **$** | **(143,197)** |
| Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation. The adjustment to convert fund balance to net assets is capitalizing the capital outlay expenditure. | | 126,995 |
| In governmental funds, under the modified accrual basis, revenues not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The increase or decrease in deferred revenue is the adjustment to revenue between the fund statements and the statement of activities. | | |
| Deferred revenue - December 31 | | 4,392 |
| Deferred revenue - January 1 | | (4,269) |
| **Change in Net Assets of Governmental Activities (Exhibit 2)** | **$** | **(16,079)** |

This page was left blank intentionally.

# PROPRIETARY FUND

This page was left blank intentionally.

## 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, 2009

| | | |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash | $ | 64,437 |
| Accounts receivable | | 959 |
| Inventories | | 36,582 |
| **Total current assets** | **$** | **101,978** |
| **Restricted assets** | | |
| Assets held by trustee | **$** | **330,078** |
| **Noncurrent assets** | | |
| Capital assets | | |
| Not depreciated - land | $ | 213,685 |
| Depreciable - net of depreciation | | 2,443,228 |
| **Total noncurrent assets** | **$** | **2,656,913** |
| **Total Assets** | **$** | **3,088,969** |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable | $ | 30,666 |
| Gift certificates | | 4,860 |
| Due to other funds | | 55,056 |
| Due to other governments | | 203,912 |
| Deferred revenue | | 38,117 |
| **Total current liabilities** | **$** | **332,611** |
| **Current liabilities payable from restricted assets** | | |
| Interest payable | $ | 21,132 |
| Bonds payable - current | | 135,000 |
| **Total current liabilities payable from restricted assets** | **$** | **156,132** |
| **Noncurrent liabilities** | | |
| Bonds payable - long-term | **$** | **790,000** |
| **Total Liabilities** | **$** | **1,278,743** |
| **Net Assets** | | |
| Invested in capital assets - net of related debt | $ | 1,731,913 |
| Restricted for debt service | | 308,946 |
| Unrestricted | | (230,633) |
| **Total Net Assets** | **$** | **1,810,226** |

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, 2009

| | | |
|---|---|---|
| **Operating Revenues** | | |
| **Sales** | | |
| Food and beverage | $ | 98,209 |
| Merchandise | | 107,508 |
| Less: cost of goods sold | | (129,065) |
| **Net sales** | **$** | **76,652** |
| **Charges for services** | | |
| Green fees | | 576,886 |
| Other | | 93,588 |
| **Total Operating Revenues** | **$** | **747,126** |
| **Operating Expenses** | | |
| Personal services | $ | 277,458 |
| Payroll taxes | | 42,259 |
| Retirement contribution | | 13,132 |
| Grounds maintenance and supplies | | 92,060 |
| Clubhouse maintenance and supplies | | 10,512 |
| Golf cart leases and maintenance | | 38,189 |
| Insurance | | 19,308 |
| Utilities | | 28,515 |
| Telephone | | 3,372 |
| Office | | 2,703 |
| Accounting and audit | | 14,458 |
| Legal fees | | 2,529 |
| Dues and licenses | | 5,661 |
| Travel | | 359 |
| Marketing | | 21,630 |
| Bank charges and fees | | 19,581 |
| Depreciation | | 184,574 |
| **Total Operating Expenses** | **$** | **776,300** |
| **Operating Income (Loss)** | **$** | **(29,174)** |

## 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, 2009

| | | |
|---|---|---|
| **Nonoperating Revenues (Expenses)** | | |
| Intergovernmental - grants | $ | 55,600 |
| Interest income | | 10,883 |
| Lodging tax | | 50,000 |
| Insurance reimbursement | | 4,013 |
| Interest expense | | (48,954) |
| **Total Nonoperating Revenues (Expenses)** | **$** | **71,542** |
| **Change in Net Assets** | $ | **42,368** |
| **Net Assets - January 1** | | **1,767,858** |
| **Net Assets - December 31** | **$** | **1,810,226** |

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 7*

**STATEMENT OF CASH FLOWS**
**GOLF COURSE ENTERPRISE FUND**
**FOR THE YEAR ENDED DECEMBER 31, 2009**

| | | |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Receipts from customers | $ | 914,308 |
| Payments to suppliers | | (479,195) |
| Payments to employees | | (277,458) |
| **Net cash provided by (used in) operating activities** | **$** | **157,655** |
| **Cash Flows from Noncapital Financing Activities** | | |
| Lodging taxes received | $ | 50,000 |
| Advances received from other governments | | 200,000 |
| Payoff of prior year line of credit | | (23,800) |
| Insurance reimbursement | | 4,013 |
| **Net cash provided by (used in) noncapital financing activities** | **$** | **230,213** |
| **Cash Flows from Capital and Related Financing Activities** | | |
| Principal paid on lease purchases | $ | (6,449) |
| Interest paid on lease purchases | | (660) |
| Payments to trustee for debt service | | (178,478) |
| Grants received | | 55,600 |
| Capital asset additions | | (207,915) |
| **Net cash provided by (used in) capital and related financing activities** | **$** | **(337,902)** |
| **Cash Flows from Investing Activities** | | |
| Interest on investments | **$** | **10,883** |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | **$** | **60,849** |
| **Cash at January 1** | | **3,588** |
| **Cash at December 31** | **$** | **64,437** |
| **Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities** | | |
| **Operating income (loss)** | **$** | **(29,174)** |
| **Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities** | | |
| Depreciation expense | | 184,574 |
| (Increase) decrease in inventories | | (2,956) |
| Increase (decrease) in accounts payable | | (1,218) |
| Increase (decrease) in due to other funds | | (31,688) |
| Increase (decrease) in deferred revenue | | 38,117 |
| **Net Cash Provided by (Used in) Operating Activities** | **$** | **157,655** |
| **Noncash Investing, Capital, and Financing Activities** | | |
| Amount paid by trustee for debt payments | $ | 167,422 |

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

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, 2009. 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 of Commissioners 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.

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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 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.

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements

      2. Fund Financial Statements (Continued)

         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.

   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.

1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Net Assets or Equity

1. Cash

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

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 Authority'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 consists of golf course merchandise for resale. All inventories are valued at lower of cost or market using the first in/first out method.

1. Summary of Significant Accounting Policies

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

5. 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.

6. 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 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)

7. 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 not reported as a liability, and unused sick leave is not compensated.

8. 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.

9. 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.

10. 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.

11. 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. Stewardship, Compliance, and Accountability

Deficit Fund Balance

For the year ended December 31, 2009, the General Fund had a deficit fund balance of $184,165. The deficit will be made up with future tax levies and other revenue sources.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

| | | |
|---|---|---|
| Cash | $ | 71,292 |
| Cash overdraft | | (26,717) |
| Restricted assets | | |
| Assets held by trustee | | 330,078 |
| Total Cash | $ | 374,653 |

a. Deposits

The Authority is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The Authority is required by Minn. Stat. § 118A.03 to protect deposits with 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.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a financial institution failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk.

At December 31, 2009, the carrying amount of the Authority's deposits totaled $44,575. The bank balance deposit amount was $90,105. Minnesota statutes require that all of the Authority's deposits be covered by insurance, surety bond, or collateral.

Following is a summary of the deposits covered by insurance or collateral at December 31, 2009.

| | Bank Balance |
|---|---|
| Covered Deposits | |
| Insured, or collateralized with securities held by the Authority or its agent in the Authority's name | $ 90,105 |
| Collateralized with securities held by the pledging financial institution's agent in the Authority's name | - |
| Total covered deposits | $ 90,105 |
| Uncollateralized | - |
| Total | $ 90,105 |

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

The Authority may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

(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;

(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.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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.

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, 2009:

| | | |
|---|---|---|
| Assets held by trustee | | |
| Mutual funds | $ | 142,070 |
| MAGIC Fund | | 188,008 |
| Total Assets Held by Trustee | $ | 330,078 |

As of and during the year ended December 31, 2009, the Authority did not own any investments that required disclosure regarding interest rate risk, credit risk, custodial credit risk, or concentration of credit risk.

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2009, 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 | $ 11,712 | $ - |
| Accounts receivable | 9,476 | - |
| Total Governmental Activities | $ 21,188 | $ - |
| Business-Type Activities | | |
| Accounts receivable | $ 959 | $ - |

3. Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

Governmental Activities

| | Beginning Balance | Increase | Decrease | Transfers/ Reclassifications | Ending Balance |
|---|---|---|---|---|---|
| Capital assets not depreciated | | | | | |
| Land | $ 81,973 | $ - | $ - | $ 40,863 | $ 122,836 |
| Construction in progress | 2,203,525 | 126,995 | - | (40,863) | 2,289,657 |
| Total capital assets not depreciated | $ 2,285,498 | $ 126,995 | $ - | $ - | $ 2,412,493 |
| 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 | $ 2,285,498 | $ 126,995 | $ - | $ - | $ 2,412,493 |

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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 | $ 203,262 | $ - | $ 4,424,884 |
| Buildings and structures | 372,371 | - | - | 372,371 |
| Furniture and equipment | 833,751 | 4,652 | - | 838,403 |
| Total capital assets depreciated | $ 5,427,744 | $ 207,914 | $ - | $ 5,635,658 |
| Less: accumulated depreciation for | | | | |
| Land improvements | $ 1,987,226 | $ 142,970 | $ - | $ 2,130,196 |
| Buildings and structures | 298,724 | 19,855 | - | 318,579 |
| Furniture and equipment | 721,906 | 21,749 | - | 743,655 |
| Total accumulated depreciation | $ 3,007,856 | $ 184,574 | $ - | $ 3,192,430 |
| Total capital assets depreciated, net | $ 2,419,888 | $ 23,340 | $ - | $ 2,443,228 |
| Business-Type Activities Capital Assets, Net | $ 2,633,573 | $ 23,340 | $ - | $ 2,656,913 |

Depreciation expense was charged to functions/programs as follows:

| | |
|---|---|
| Business-Type Activities | |
| Golf course | $ 184,574 |

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2009, is as follows:

Due To/From Other Funds

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General Fund | Golf Course Enterprise Fund | $ 55,056 |

The amount due to the General Fund is for cash flow purposes ($41,194) and reimbursement of costs paid by the General Fund ($13,862).

C. Liabilities

1. Leases

Operating Leases

The Authority leases golf carts under non-cancelable operating leases. Total costs for such leases were $38,189 for the year ended December 31, 2009. 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 |
|---|---|
| 2010 | $ 7,854 |

2. Short-Term Debt

Governmental Funds/Activities

The Authority had a note payable with Security State Bank for Authority operations. The note payable was paid off in 2009. This note was accounted for in the General Fund.

3. Detailed Notes on All Funds

C. Liabilities

2. Short-Term Debt

Governmental Funds/Activities (Continued)

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 were reported in the General Fund.

Short-term debt activity for the year ended December 31, 2009, is:

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

Business-Type Activities

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

The Authority took out an advance of $100,000 from Cook County and an advance of $100,000 from the City of Grand Marais to fund the golf season's start-up costs for the golf course.

Short-term debt activity for the year ended December 31, 2009, is:

| | Beginning Balance | Advances | Payments | Ending Balance |
|---|---|---|---|---|
| Line of credit | $ 23,800 | $ 12,048 | $ 35,848 | $ - |
| Advances | - | 200,000 | - | 200,000 |
| Total | $ 23,800 | $ 212,048 | $ 35,848 | $ 200,000 |

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Long-Term Debt

Business-Type Activities

| Type of Indebtedness | Final Maturity | Installment Amounts | Interest Rate (%) | Original Issue Amount | Outstanding Balance December 31, 2009 |
|---|---|---|---|---|---|
| 1998 Golf Course Revenue Bonds | 2015 | $35,000 - $175,000 | 4.40 - 5.60 | $ 1,820,000 | $ 925,000 |

4. Debt Service Requirements

Debt service requirements at December 31, 2009, were as follows:

Business-Type Activities

| Year Ending December 31 | Revenue Bonds Principal | Revenue Bonds Interest |
|---|---|---|
| 2010 | $ 135,000 | $ 47,104 |
| 2011 | 140,000 | 39,712 |
| 2012 | 150,000 | 31,845 |
| 2013 | 160,000 | 23,357 |
| 2014 | 165,000 | 14,379 |
| 2015 | 175,000 | 4,900 |
| Total | $ 925,000 | $ 161,297 |

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 | $ 1,050,000 | $ - | $ 125,000 | $ 925,000 | $ 135,000 |
| Capital leases | 6,449 | - | 6,449 | - | - |
| Total | $ 1,056,449 | $ - | $ 131,449 | $ 925,000 | $ 135,000 |

4. 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.

4. 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. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. 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 2009:

| | |
|---|---|
| Public Employees Retirement Fund | |
| Basic Plan members | 11.78% |
| Coordinated Plan members | 6.75 |

The Authority's contributions for the years ending December 31, 2009, 2008, and 2007, for the Public Employees Retirement Fund were:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Public Employees Retirement Fund | $ 19,141 | $ 16,650 | $ 14,580 |

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

5. 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.

6. Construction Commitment

The Authority began work in 2006 on the Cedar Grove Business Park, which was substantially completed by December 31, 2009. 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.

7. Contingent Liability

The Authority contracted with an engineering firm to provide design and engineering services for the Cedar Grove Business Park project. Some amounts billed by the engineering firm to the Authority are related to the correction of violations identified by the Minnesota Pollution Control Agency (MPCA) for this project. Since the contractor on the project was determined liable for the MPCA violations, the Authority is disputing certain engineering firm's billings related to the correction of the violations. As of December 31, 2009, the amount in dispute is $98,670. This amount is not recorded as a liability on the financial statements of the Authority.

8. 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

This page was left blank intentionally.

## 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, 2009

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues** | | | | |
| Taxes | $ 140,566 | $ 140,566 | $ 140,866 | $ 300 |
| Sale of lots | 150,000 | 150,000 | - | (150,000) |
| Miscellaneous | 19,696 | 19,696 | 9,896 | (9,800) |
| **Total Revenues** | **$ 310,262** | **$ 310,262** | **$ 150,762** | **$ (159,500)** |
| **Expenditures** | | | | |
| **Current** | | | | |
| **Urban and economic development** | | | | |
| Salaries | $ 85,500 | $ 85,500 | $ 58,557 | $ 26,943 |
| Payroll benefits | 7,638 | 7,638 | 23,802 | (16,164) |
| Board per diems | 3,000 | 3,000 | 2,730 | 270 |
| Legal | 67,000 | 67,000 | 19,286 | 47,714 |
| Professional services | 12,500 | 12,500 | 13,068 | (568) |
| Rent | 3,000 | 3,000 | 2,750 | 250 |
| Office | 5,000 | 5,000 | 4,851 | 149 |
| Insurance | 9,264 | 9,264 | 3,225 | 6,039 |
| Telephone and internet | 1,540 | 1,540 | 1,833 | (293) |
| Cedar Grove Business Park | 121,500 | 121,500 | 127,318 | (5,818) |
| Minnesota Pollution Control Agency fines and fees | 10,000 | 10,000 | - | 10,000 |
| Interest | - | - | 3,808 | (3,808) |
| Housing coordinator program | 30,000 | 30,000 | 30,000 | - |
| Other | 7,440 | 7,440 | 2,744 | 4,696 |
| **Total Expenditures** | **$ 363,382** | **$ 363,382** | **$ 293,972** | **$ 69,410** |
| **Excess of Revenues Over (Under) Expenditures** | **$ (53,120)** | **$ (53,120)** | **$ (143,210)** | **$ (90,090)** |
| **Fund Balance - January 1** | **(40,955)** | **(40,955)** | **(40,955)** | **-** |
| **Fund Balance - December 31** | **$ (94,075)** | **$ (94,075)** | **$ (184,165)** | **$ (90,090)** |

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

This page was left blank intentionally.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009

## 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 of Commissioners 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.

This page was left blank intentionally.

# SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

## 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, 2009

| | Budget | Actual | Variance |
|---|---|---|---|
| **Operating Revenues** | | | |
| **Sales** | | | |
| Food, beverage, and merchandise | $ 235,000 | $ 205,717 | $ (29,283) |
| Less: cost of goods sold | (141,000) | (129,065) | 11,935 |
| **Net sales** | **$ 94,000** | **$ 76,652** | **$ (17,348)** |
| **Charges for services** | | | |
| Green fees and other charges | 725,000 | 670,474 | (54,526) |
| **Total Operating Revenues** | **$ 819,000** | **$ 747,126** | **$ (71,874)** |
| **Operating Expenses** | | | |
| **Current** | | | |
| **Culture and recreation** | | | |
| Salaries and wages | $ 307,500 | $ 277,458 | $ 30,042 |
| Payroll taxes | 52,500 | 42,259 | 10,241 |
| Retirement contribution | - | 13,132 | (13,132) |
| Grounds maintenance and supplies | 138,500 | 92,060 | 46,440 |
| Clubhouse maintenance and supplies | 15,000 | 10,512 | 4,488 |
| Golf cart leases and maintenance | 28,000 | 38,189 | (10,189) |
| Insurance | 20,000 | 19,308 | 692 |
| Utilities | 33,000 | 28,515 | 4,485 |
| Telephone | - | 3,372 | (3,372) |
| Office | 2,000 | 2,703 | (703) |
| Accounting and audit | 9,000 | 14,458 | (5,458) |
| Legal fees | 2,000 | 2,529 | (529) |
| Dues and licenses | 4,000 | 5,661 | (1,661) |
| Travel | 500 | 359 | 141 |
| Marketing | 25,000 | 21,630 | 3,370 |
| Bank charges and fees | 20,000 | 19,581 | 419 |
| Depreciation | - | 184,574 | (184,574) |
| Lease | 20,000 | - | 20,000 |
| **Total Expenses** | **$ 677,000** | **$ 776,300** | **$ (99,300)** |
| **Operating Income (Loss)** | **$ 142,000** | **$ (29,174)** | **$ (171,174)** |

**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, 2009**

| | Budget | Actual | Variance |
|---|---|---|---|
| **Nonoperating Revenues (Expenses)** | | | |
| Intergovernmental - grants | $ - | $ 55,600 | $ 55,600 |
| Interest income | - | 10,883 | 10,883 |
| Lodging tax | 50,000 | 50,000 | - |
| Insurance reimbursement | - | 4,013 | 4,013 |
| Interest expense | (8,000) | (48,954) | (40,954) |
| Bond issuance expense | (184,000) | - | 184,000 |
| **Total Nonoperating Revenues (Expenses)** | **$ (142,000)** | **$ 71,542** | **$ 213,542** |
| **Net Income (Loss)** | **$ -** | **$ 42,368** | **$ 42,368** |
| **Net Assets - January 1** | **1,767,858** | **1,767,858** | **-** |
| **Net Assets - December 31** | **$ 1,767,858** | **$ 1,810,226** | **$ 42,368** |

**Management and
Compliance Section**

This page was left blank intentionally.

***Schedule 3***

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009

## 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 the Office of the State Auditor 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 eliminate improper assets and payables found during the audit, post unrecorded transactions that auditors identified, 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>:

*The Director will continue to strive for Board oversight and involvement in all matters that come before the Director.*

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.

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. Since 2005, the Board has not adjusted the Director's salary, but with increased insurance costs and pension contributions, the Director's salary has exceeded the Board-approved level.

We recommend the Board annually establish and approve compensation levels and related benefits for the Executive Director. This should be in the form of either a signed employment contract or a resolution documented in the official Board minutes of the Authority.

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

*The Board has taken action to cause an employment contract with the Director outlining compensation and benefits for 2011.*

07-1 Accounting Records

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. In 2009, the Authority took the check from the County and countersigned it and turned it directly over 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.

We noted that the Authority used checks out of sequence for both the Economic Development Authority and Superior National Lutsen Golf Course. 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 in a locked office and are not used in sequence. Neither the Authority nor the accounting service tracks or monitors the use of check numbers. 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. 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 or safe 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.

Client's Response:

*All Authorities checks will now be stored in the City of Grand Marais vault. All EDA invoices now come before the Board for consideration, and reflected in the Board minutes.*

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.

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.

Client's Response:

*An oversight golf course committee is now being formed to monitor all golf course actions, financial and personnel matters. New polices shall be set forth to assure compliance to all state laws and regulations.*

## II. OTHER FINDINGS AND RECOMMENDATIONS

### A. MINNESOTA LEGAL COMPLIANCE

ITEMS ARISING THIS YEAR

09-1 Performance Bond

In our testing for compliance with Minnesota bid laws, the Authority staff could not provide us with documentation that a performance bond was received from the contractor for a contract at the golf course.

In accordance with Minn. Stat. § 574.26, a contract with a public body for the doing of any public work is not valid unless the contractor gives a performance bond to the public body with whom the contractor entered into the contract. This applies to all contracts exceeding $75,000.

We recommend that the Authority staff obtain performance bonds from contractors in accordance with Minnesota statutes. These bonds should be properly filed and maintained to document compliance with the requirements.

Client's Response:

*The Authority will require the Engineer to forward all performance bonds to the Authority for its job files prior to the commencement of work.*

09-2 Prompt Payment of Claims

The Authority is required by Minn. Stat. § 471.425 to make payment on vendor invoices according to the terms of the contract or within 35 days of the completed delivery of goods or services or the receipt of the invoice, whichever is later. In part due to cash flow problems, many of the vouchers reviewed during our audit had invoices that were not paid within the 35-day time period required by the statute. Payments not made within the 35-day period may be subject to interest.

We recommend the Authority make payments on vendor invoices in accordance with Minn. Stat. § 471.425.

Client's Response:

*The Authority shall make payments to its vendors in accordance with Minnesota statutes.*

PREVIOUSLY REPORTED ITEMS RESOLVED

**Rate Covenant Compliance (04-2)**

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, which requires net revenues to be not less than 115 percent of the maximum annual debt service on the bonds.

**Resolution**

For the current year, the net revenues of the golf course exceeded 115 percent of the maximum annual debt service on the bonds and, therefore compliance with the golf course revenue bond resolution was met.

**Bank Line of Credit/Note (07-2)**

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 Authority obtained a note from a local bank, Security State Bank, to be used as needed for the Economic Development Authority operations. No legal authority could be found that allows the Authority to borrow using a bank line of credit or note.

**Resolution**

The line of credit and note were paid off during the current year, and no other debt of this type was incurred during the year or was outstanding at year-end.

B. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of this standard is to enhance the usefulness of information included in the financial report about fund balance through clearer fund balance classifications that can be more consistently applied, as well as to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance reserved, unreserved, designated, and undesignated are being replaced by nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not in spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as the corpus of a permanent fund).

- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government’s highest level of decision-making authority.

- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.

- *Unassigned* - spendable amounts not contained in the other classifications.

Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in Statement 54. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The requirements of GASB Statement 54 are effective for the Authority for the year ending December 31, 2011.

This page was left blank intentionally.

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

REBECCA OTTO
STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

# 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, 2009, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 17, 2010. 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 and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Recommendations, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as item 07-1 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We considered the deficiencies described in the accompanying Schedule of Findings and Recommendations as items 96-1, 06-2, and 08-1, to be significant deficiencies.

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 09-1 and 09-2.

Also included in the Schedule of Finds and Recommendations is an other item for consideration. We believe this information to be of benefit to the Authority, and it is reported for that purpose.

The Cook County and Grand Marais Joint Economic Development Authority's written responses to the internal control 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*

REBECCA OTTO
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 17, 2010