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, 2011

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, 2011

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, 2011

		Term Expires
Commissioners		
Chair	Mike Littfin	December 2012
Vice Chair	Mark Sandbo	December 2012
Treasurer	Bruce Martinson	December 2015
Secretary	Don Davison	December 2013
Commissioner	Hal Greenwood	December 2014
Commissioner	James Hall	December 2011
Commissioner	Robert Spry	December 2016
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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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, 2011, 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 December 31, 2011, 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.

As discussed in Note 1.E.11. to the financial statements, the Cook County and Grand Marais Joint Economic Development Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of and for the year ended December 31, 2011. GASB Statement 54 provides clearer fund balance classifications that can be more consistently applied and clarifies existing governmental fund type definitions.

Accounting principles generally accepted in the United States of America require that Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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 as a whole. 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. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2012, 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

September 27, 2012

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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, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	$ 141,705	$ 95,541	$ 237,246
Taxes receivable	13,414	-	13,414
Accounts receivable - net	2,431	3,372	5,803
Internal balances	(42,000)	42,000	-
Inventories	-	32,055	32,055
Restricted assets			
Investments	-	352,940	352,940
Capital assets			
Non-depreciable	2,612,033	213,685	2,825,718
Depreciable - net of accumulated depreciation	-	2,264,294	2,264,294
Total Assets	**$ 2,727,583**	**$ 3,003,887**	**$ 5,731,470**
Liabilities			
Accounts payable	$ 146,019	$ 39,665	$ 185,684
Contracts payable	43,722	-	43,722
Gift certificates	-	3,717	3,717
Due to other governments	-	227,285	227,285
Accrued interest payable	-	14,972	14,972
Deferred revenue - unearned	-	31,105	31,105
Long-term liabilities			
Due within one year	-	150,000	150,000
Due in more than one year	-	500,000	500,000
Total Liabilities	**$ 189,741**	**$ 966,744**	**$ 1,156,485**
Net Assets			
Invested in capital assets - net of related debt	$ 2,612,033	$ 1,827,979	$ 4,440,012
Restricted for debt service	-	337,968	337,968
Unrestricted	(74,191)	(128,804)	(202,995)
Total Net Assets	**$ 2,537,842**	**$ 2,037,143**	**$ 4,574,985**

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, 2011

		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	$ 113,356	$ -	$ 9,500	$ (103,856)	$ -	$ (103,856)
Business-type activities						
Golf course	1,001,202	822,706	-	-	(178,496)	(178,496)
Total	**$ 1,114,558**	**$ 822,706**	**$ 9,500**	**$ (103,856)**	**$ (178,496)**	**$ (282,352)**
General Revenues						
Property taxes				$ 152,061	$ -	$ 152,061
Lodging taxes				-	50,000	50,000
Grants and contributions not restricted to specific programs				225,403	-	225,403
Unrestricted investment earnings				9	227	236
Miscellaneous				7,467	3,089	10,556
Capital contributions				-	204,847	204,847
Transfers				(69,000)	69,000	-
Total general revenues, capital contributions, and transfers				**$ 315,940**	**$ 327,163**	**$ 643,103**
Change in net assets				**$ 212,084**	**$ 148,667**	**$ 360,751**
Net Assets - Beginning				**2,325,758**	**1,888,476**	**4,214,234**
Net Assets - Ending				**$ 2,537,842**	**$ 2,037,143**	**$ 4,574,985**

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, 2011

	General		Resource Development Council		Total	
Assets						
Cash	$	134,834	$	6,871	$	141,705
Taxes receivable		13,414		-		13,414
Accounts receivable		2,431		-		2,431
Total Assets	**$**	**150,679**	**$**	**6,871**	**$**	**157,550**
Liabilities and Fund Balances						
Liabilities						
Accounts payable	$	146,019	$	-	$	146,019
Contracts payable		43,722		-		43,722
Due to other funds		42,000		-		42,000
Deferred revenue - unavailable		6,376		-		6,376
Total Liabilities	**$**	**238,117**	**$**	**-**	**$**	**238,117**
Fund Balance						
Assigned for resource development	$	-	$	6,871	$	6,871
Unassigned		(87,438)		-		(87,438)
Total Fund Balance	**$**	**(87,438)**	**$**	**6,871**	**$**	**(80,567)**
Total Liabilities and Fund Balances	**$**	**150,679**	**$**	**6,871**	**$**	**157,550**

Fund balance - total governmental funds	**$**	**(80,567)**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		2,612,033
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		6,376
Net Assets of Governmental Activities (Exhibit 1)	**$**	**2,537,842**

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, 2011

	General	Resource Development Council	Total
Revenues			
Taxes	$ 151,766	$ -	$ 151,766
Intergovernmental	225,403	9,500	234,903
Investment earnings	-	9	9
Sale of wetland credits	41,522	-	41,522
Miscellaneous	6,808	-	6,808
Total Revenues	**$ 425,499**	**$ 9,509**	**$ 435,008**
Expenditures			
Current			
Urban and economic development			
Salaries	$ 27,500	$ -	$ 27,500
Employee benefits	13,224	-	13,224
Board per diems	3,570	-	3,570
Legal	2,115	-	2,115
Professional services	20,169	-	20,169
Rent	4,250	-	4,250
Office	9,253	-	9,253
Telephone and internet	1,236	-	1,236
Cedar Grove Business Park	146,198	-	146,198
Housing coordinator program	19,730	-	19,730
Other	2,809	9,500	12,309
Total Expenditures	**$ 250,054**	**$ 9,500**	**$ 259,554**
Excess of Revenues Over (Under) Expenditures	**$ 175,445**	**$ 9**	**$ 175,454**
Other Financing Sources (Uses)			
Transfers out	(69,000)	-	(69,000)
Change in Fund Balance	**$ 106,445**	**$ 9**	**$ 106,454**
Fund Balance - January 1	**(193,883)**	**6,862**	**(187,021)**
Fund Balance - December 31	**$ (87,438)**	**$ 6,871**	**$ (80,567)**

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, 2011

Net change in fund balance		**$ 106,454**
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.		
Expenditures for general capital assets	$ 146,198	
Net book value of assets disposed of	(40,863)	
		105,335
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		6,376
Deferred revenue - January 1		(6,081)
Change in Net Assets of Governmental Activities (Exhibit 2)		**$ 212,084**

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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, 2011

Assets		
Current assets		
Cash	$	95,541
Accounts receivable		3,372
Due from other funds		42,000
Inventories		32,055
Total current assets	**$**	**172,968**
Restricted assets		
Assets held by trustee	**$**	**352,940**
Noncurrent assets		
Capital assets		
Not depreciated - land	$	213,685
Depreciable - net of depreciation		2,264,294
Total noncurrent assets	**$**	**2,477,979**
Total Assets	**$**	**3,003,887**
Liabilities		
Current liabilities		
Accounts payable	$	39,665
Gift certificates		3,717
Due to other governments		227,285
Deferred revenue		31,105
Total current liabilities	**$**	**301,772**
Current liabilities payable from restricted assets		
Interest payable	$	14,972
Bonds payable - current		150,000
Total current liabilities payable from restricted assets	**$**	**164,972**
Noncurrent liabilities		
Bonds payable - long-term	**$**	**500,000**
Total Liabilities	**$**	**966,744**

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 5
(Continued)

STATEMENT OF FUND NET ASSETS
GOLF COURSE ENTERPRISE FUND
DECEMBER 31, 2011

Net Assets

Invested in capital assets - net of related debt	$	1,827,979
Restricted for debt service		337,968
Unrestricted		(128,804)
Total Net Assets	**$**	**2,037,143**

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, 2011

Operating Revenues		
Sales		
Food and beverage	$	110,536
Merchandise		117,024
Less: cost of goods sold		(134,904)
Net sales	**$**	**92,656**
Charges for services		
Green fees		624,736
Other		105,314
Total Operating Revenues	**$**	**822,706**
Operating Expenses		
Personal services	$	332,261
Payroll taxes		62,904
Retirement contribution		14,566
Grounds maintenance and supplies		132,488
Clubhouse maintenance and supplies		34,135
Golf cart leases and maintenance		27,328
Insurance		17,620
Utilities		33,600
Telephone		3,271
Office		4,530
Accounting and audit		13,558
Legal fees		90
Dues and licenses		4,042
Travel		189
Marketing		19,727
Bank charges and fees		23,685
Other		19,540
Depreciation		215,544
Total Operating Expenses	**$**	**959,078**
Operating Income (Loss)	**$**	**(136,372)**

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

EXHIBIT 6
(Continued)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
GOLF COURSE ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

Nonoperating Revenues (Expenses)		
Interest income	$	227
Lodging tax		50,000
Insurance reimbursement		3,089
Interest expense		(42,124)
Total Nonoperating Revenues (Expenses)	**$**	**11,192**
Income (loss) before contributions and transfers	**$**	**(125,180)**
Capital contributions		204,847
Transfers in		69,000
Change in Net Assets	$	**148,667**
Net Assets - January 1		**1,888,476**
Net Assets - December 31	**$**	**2,037,143**

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, 2011

Cash Flows from Operating Activities		
Receipts from customers	$	936,981
Payments to suppliers		(550,632)
Payments to employees		(332,261)
Net cash provided by (used in) operating activities	**$**	**54,088**
Cash Flows from Noncapital Financing Activities		
Lodging taxes received	$	50,000
Advances received from other governments		225,000
Payoff of prior year advances from other governments		(200,000)
Insurance reimbursement		3,089
Net cash provided by (used in) noncapital financing activities	**$**	**78,089**
Cash Flows from Capital and Related Financing Activities		
Payments to trustee for debt service	**$**	**(221,961)**
Cash Flows from Investing Activities		
Interest on investments	**$**	**227**
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**(89,557)**
Cash at January 1		**185,098**
Cash at December 31	**$**	**95,541**

EXHIBIT 7
(Continued)

STATEMENT OF CASH FLOWS
GOLF COURSE ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	**$**	**(136,372)**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense		215,544
(Increase) decrease in accounts receivable		(3,089)
(Increase) decrease in due from other funds		(13,519)
(Increase) decrease in inventories		(4,701)
Increase (decrease) in accounts payable		8,264
Increase (decrease) in due to other governments		2,285
Increase (decrease) in due to other funds		(10,303)
Increase (decrease) in deferred revenue		(4,021)
Net Cash Provided by (Used in) Operating Activities	**$**	**54,088**
Noncash Investing, Capital, and Financing Activities		
Amount paid by trustee for debt payments	$	179,712
Capital contributions received from Cook County from 1% sales tax collections		204,847

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, 2011. 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.

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 and reports intergovernmental revenues.

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 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. Classification of Net Assets

Net assets in government-wide statements are classified in the following categories:

Invested in capital assets - this classification includes the amount of net assets representing capital assets net of accumulated depreciation and reduced by outstanding debt, if any, attributed to the acquisition, construction, or improvement of the assets.

Restricted net assets - this is the amount of net assets for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law though constitutional provisions or enabling legislation.

1. Summary of Significant Accounting Policies

E. Assets, Liabilities, and Net Assets or Equity

10. Classification of Net Assets (Continued)

Unrestricted net assets - the amount of net assets that do not meet the definition of restricted or invested in capital assets.

11. Classification of Fund Balances

In 2011, the Authority implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The standard's objectives are to enhance the usefulness of fund balance information included in the financial report through clearer fund balance classifications that can be consistently applied and to clarify existing governmental fund type definitions. The statement requires retroactive restatement of fund balance for the reclassifications made to conform to this statement. Total fund balance did not change.

Fund balance is divided into five classifications based primarily on the extent to which the Authority is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - the nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted - fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed - the committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Authority's Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts.

1. Summary of Significant Accounting Policies

E. Assets, Liabilities, and Net Assets or Equity

11. Classification of Fund Balances (Continued)

Assigned - amounts in the assigned fund balance classification are for the amounts the Authority intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

The Authority applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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. Stewardship, Compliance, and Accountability

A. Deficit Fund Balance

For the year ended December 31, 2011, the General Fund had a deficit fund balance of $87,438. The deficit will be made up with future tax levies and other revenue sources.

B. Excess of Expenditures Over Appropriations

The following funds had expenditures in excess of budget for the year ended December 31, 2011:

	Expenditures	Final Budget	Excess
General Fund	$ 250,054	$ 156,661	$ 93,393
Golf Course Enterprise Fund			
Operating	959,078	678,300	280,778

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Cash	$ 237,246
Restricted assets	
Assets held by trustee	352,940
Total Cash	$ 590,186

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.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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.

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, 2011, the carrying amount of the Authority's deposits totaled $237,246. The bank balance deposit amount was $259,297. Minnesota statutes require that all of the Authority's deposits be covered by insurance, surety bond, or collateral.

3. 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, 2011.

		Bank Balance
Covered Deposits		
Insured, or collateralized with securities held by the Authority or its agent in the Authority's name	$	259,297
Collateralized with securities held by the pledging financial institution's agent in the Authority's name		-
Total covered deposits	$	259,297
Uncollateralized		-
Total	$	259,297

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. Detailed Notes on All Funds

   B. 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.

3. 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, 2011:

Assets held by trustee		
Mutual funds	$	152,269
MAGIC Fund		185,177
Cash and cash equivalents		15,494
Total Assets Held by Trustee	$	352,940

As of and during the year ended December 31, 2011, 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, 2011, 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	$ 13,414	$ -
Accounts receivable	2,431	-
Total Governmental Activities	$ 15,845	$ -

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Business-Type Activities		
Accounts receivable	$ 3,372	$ -

3. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 122,836	$ -	$ 40,863	$ 81,973
Construction in progress	2,383,862	146,198	-	2,530,060
Total capital assets not depreciated	$ 2,506,698	$ 146,198	$ 40,863	$ 2,612,033
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	$ 2,506,698	$ 146,198	$ 40,863	$ 2,612,033

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	$ 4,424,884	$ -	$ -	$ 4,424,884
Buildings and structures	372,371	-	-	372,371
Furniture and equipment	858,794	204,847	25,899	1,037,742
Total capital assets depreciated	$ 5,656,049	$ 204,847	$ 25,899	$ 5,834,997
Less: accumulated depreciation for				
Land improvements	$ 2,280,788	$ 150,593	$ -	$ 2,431,381
Buildings and structures	336,418	16,904	-	353,322
Furniture and equipment	763,851	48,048	25,899	786,000
Total accumulated depreciation	$ 3,381,057	$ 215,545	$ 25,899	$ 3,570,703
Total capital assets depreciated, net	$ 2,274,992	$ (10,698)	$ -	$ 2,264,294
Business-Type Activities Capital Assets, Net	$ 2,488,677	$ (10,698)	$ -	$ 2,477,979

Depreciation expense was charged to functions/programs as follows:

Business-Type Activities	
Golf course	$ 215,544

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2011, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
Golf Course Enterprise Fund	General Fund	$ 42,000

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2011, consisted of the following:

Transfer to Golf Course Enterprise Fund from General Fund	$ 69,000	Forgiveness of amount owed by the Golf Course.

The amount due to the Golf Course Enterprise Fund is for reimbursement of an amount inadvertently transferred into a General Fund bank account from a Golf Course account.

3. 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 $27,328 for the year ended December 31, 2011. 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
2012	$ 20,846
2013	20,846
2014	20,846
Total	$ 62,538

2. Short-Term Debt

Governmental Funds/Activities

The Authority took out a loan of $31,000 in 2010 from Cook County to help pay operating costs.

Short-term debt activity for the year ended December 31, 2011, is:

	Beginning Balance	Additions	Payments	Ending Balance
Due to other governments	$ 31,000	$ -	$ 31,000	$ -

3. Detailed Notes on All Funds

C. Liabilities

2. Short-Term Debt (Continued)

Business-Type Activities

The Authority took out an advance of $225,000 in 2011 from Cook County to fund the golf season's start-up costs for the golf course.

Short-term debt activity for the year ended December 31, 2011, is:

	Beginning Balance	Advances	Payments	Ending Balance
Advances	$ 200,000	$ 225,000	$ 200,000	$ 225,000

3. Long-Term Debt

Business-Type Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2011
1998 Golf Course Revenue Bonds	2015	$35,000 - $175,000	4.40 - 5.60	$ 1,820,000	$ 650,000

4. Debt Service Requirements

Debt service requirements at December 31, 2011, were as follows:

Business-Type Activities

Year Ending December 31	Revenue Bonds Principal	Revenue Bonds Interest
2012	$ 150,000	$ 31,845
2013	160,000	23,357
2014	165,000	14,379
2015	175,000	4,900
Total	$ 650,000	$ 74,481

3. Detailed Notes on All Funds

C. Liabilities (Continued)

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	$ 790,000	$ -	$ 140,000	$ 650,000	$ 150,000

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 General 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.

General 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 (five years for those first eligible for membership after June 30, 2010). Defined retirement benefits are based on a member's average yearly salary for the five highest-paid consecutive 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

4. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

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 General 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.

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 General 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. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary.

4. Employee Retirement Systems and Pension Plans

B. Funding Policy (Continued)

The Authority is required to contribute the following percentages of annual covered payroll in 2011:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25

The Authority's contributions for the years ending December 31, 2011, 2010, and 2009, for the General Employees Retirement Fund were:

2011	2010	2009
$ 16,559	$ 16,053	$ 19,141

These contributions are equal to the contractually required contribution rates 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, 2011. 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. Construction Commitment (Continued)

Contingent Liability

The Authority contracted with KGM Contractors, Inc., (KGM) to construct the Cedar Grove Business Park. As of December 31, 2011, the project is substantially complete. KGM contends that the Authority owes them approximately $395,000 for work performed. The Authority contends that the original contract and subsequent agreements limit the amount owed to $43,722, which is recorded as a contract payable. The remaining amount in dispute of $351,278 is not reported in the financial statements.

7. Joint Venture

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 is exercised jointly under this agreement with the assistance of a housing coordinator 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. During 2011, this joint venture was dissolved.

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REQUIRED SUPPLEMENTARY INFORMATION

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

EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 156,661	$ 156,661	$ 151,766	$ (4,895)
Intergovernmental	-	-	225,403	225,403
Sale of wetland credits	-	-	41,522	41,522
Miscellaneous	-	-	6,808	6,808
Total Revenues	**$ 156,661**	**$ 156,661**	**$ 425,499**	**$ 268,838**
Expenditures				
Current				
Urban and economic development				
Salaries	$ 68,000	$ 68,000	$ 27,500	$ 40,500
Payroll benefits	8,451	8,451	13,224	(4,773)
Board per diems	3,600	3,600	3,570	30
Legal	10,000	10,000	2,115	7,885
Professional services	8,500	8,500	20,169	(11,669)
Rent	-	-	4,250	(4,250)
Office	4,000	4,000	9,253	(5,253)
Insurance	6,500	6,500	-	6,500
Telephone and internet	1,740	1,740	1,236	504
Cedar Grove Business Park	5,000	5,000	146,198	(141,198)
Housing coordinator program	33,700	33,700	19,730	13,970
Other	7,170	7,170	2,809	4,361
Total Expenditures	**$ 156,661**	**$ 156,661**	**$ 250,054**	**$ (93,393)**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ 175,445**	**$ 175,445**
Other Financing Sources (Uses)				
Transfers out	-	-	(69,000)	(69,000)
Change in Fund Balance	**$ -**	**$ -**	**$ 106,445**	**$ 106,445**
Fund Balance - January 1	**(193,883)**	**(193,883)**	**(193,883)**	**-**
Fund Balance - December 31	**$ (193,883)**	**$ (193,883)**	**$ (87,438)**	**$ 106,445**

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, 2011

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.

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SUPPLEMENTARY INFORMATION

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

EXHIBIT B-1

BUDGETARY COMPARISON SCHEDULE
GOLF COURSE ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget	Actual	Variance
Operating Revenues			
Sales			
Food, beverage, and merchandise	$ 223,500	$ 227,560	$ 4,060
Less: cost of goods sold	(120,000)	(134,904)	(14,904)
Net sales	**$ 103,500**	**$ 92,656**	**$ (10,844)**
Charges for services			
Green fees and other charges	751,700	730,050	(21,650)
Total Operating Revenues	**$ 855,200**	**$ 822,706**	**$ (32,494)**
Operating Expenses			
Current			
Culture and recreation			
Salaries and wages	$ 310,900	$ 332,261	$ (21,361)
Payroll taxes	44,000	62,904	(18,904)
Retirement contribution	14,000	14,566	(566)
Grounds maintenance and supplies	139,000	132,488	6,512
Clubhouse maintenance and supplies	15,000	34,135	(19,135)
Golf cart leases and maintenance	24,000	27,328	(3,328)
Insurance	17,000	17,620	(620)
Utilities	31,300	33,600	(2,300)
Telephone	3,600	3,271	329
Office	3,000	4,530	(1,530)
Accounting and audit	7,500	13,558	(6,058)
Legal fees	-	90	(90)
Dues and licenses	6,000	4,042	1,958
Travel	1,000	189	811
Marketing	40,000	19,727	20,273
Bank charges and fees	22,000	23,685	(1,685)
Other	-	19,540	(19,540)
Depreciation	-	215,544	(215,544)
Total Expenses	**$ 678,300**	**$ 959,078**	**$ (280,778)**
Operating Income (Loss)	**$ 176,900**	**$ (136,372)**	**$ (313,272)**

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

EXHIBIT B-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GOLF COURSE ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget	Actual	Variance
Nonoperating Revenues (Expenses)			
Interest income	$ -	$ 227	$ 227
Lodging tax	50,000	50,000	-
Insurance reimbursement	-	3,089	3,089
Interest expense	(48,500)	(42,124)	6,376
Bond expense	(140,000)	-	140,000
Total Nonoperating Revenues (Expenses)	**$ (138,500)**	**$ 11,192**	**$ 149,692**
Income (loss) before contributions and transfers	**$ 38,400**	**$ (125,180)**	**$ (163,580)**
Capital contributions	-	204,847	204,847
Transfers in	-	69,000	69,000
Change in Net Assets	**$ 38,400**	**$ 148,667**	**$ 110,267**
Net Assets - January 1	**1,888,476**	**1,888,476**	**-**
Net Assets - December 31	**$ 1,926,876**	**$ 2,037,143**	**$ 110,267**

**Management and
Compliance Section**

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

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-1 Segregation of Duties

Criteria: Management is responsible for establishing and maintaining internal control. Adequate segregation of duties is a key internal control in preventing and detecting errors or irregularities. To protect the Authority's assets, proper segregation of the record-keeping, custody, and authorization functions should be in place, and where management decides segregation of duties may not be cost effective, compensating controls should be in place.

Condition: Due to the limited number of personnel, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible.

Context: The size of the Cook County and Grand Marais Joint Economic Development Authority and its staffing limits the internal control that management can design and implement into the organization. Without proper segregation of duties, errors or irregularities may not be detected timely.

Effect: Inadequate segregation of duties could adversely affect the Authority's ability to detect misstatements in a timely period by employees in the normal course of performing their assigned functions.

Cause: This arrangement is not unusual for an organization the size of the Cook County and Grand Marais Joint Economic Development Authority.

Recommendation: Management should be aware that segregation of duties is not adequate from an internal control point of view. We recommend the Board of Commissioners and management 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 Board of Commissioners and management continue to implement oversight procedures and monitor those procedures to determine if they are still effective internal controls.

Client's Response:

The system that has been implemented seems to be working so far. The Board is mindful of the need to be diligent in oversight of the procedures, and will try to maintain proper control of finances.

06-2 Payroll Procedures

Criteria: Authorization and documentation of salaries to be paid is a key control over payroll expenses and is a basis for resolving any salary disputes.

Condition: Employment contracts were not completed, nor salaries documented by Board resolution, for the executive director, golf course manager, or for full-time golf course employees for most of 2011.

Context: Employment contracts were later completed and signed for the full-time golf course employees, however these were not signed until September 2011. The executive director's salary has not been documented in years, and the golf course manager was a new position in 2011.

Effect: Little or no documentation that the salaries being paid are for properly approved amounts.

Cause: Lack of formality by the Authority Board. Salaries being paid were based on amounts approved in prior years, but these also were not always documented.

Recommendation: We recommend the Board annually establish and approve compensation levels and related benefits for the executive director and full-time employees and the manager of the golf course. This should be in the form of either signed employment contracts or a resolution documented in the official Board minutes of the Authority.

Client's Response:

Contracts have been formalized this year and have been implemented. The Board is aware of the need to be prompt and attentive of the employee contracts and has set a procedure to make sure employee contacts are in place for the coming year.

08-1 Golf Course Internal Controls

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: 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.

Context: The size of the golf course staff limits the internal control that management can design and implement into the organization. It was noted that the Authority hired a golf course manager in 2011, in part to help alleviate and monitor the internal control concerns.

Effect: These practices increase the risk of improper recording of financial transactions. Without proper segregation of duties, errors or irregularities may not be detected timely.

Cause: The Authority does not have the economic resources needed to hire additional qualified accounting staff in order to segregate duties totally.

Recommendation: We recommend that the Authority and Board review, re-establish, and monitor internal controls of the golf course. Duties should be segregated to the extent possible.

Client's Response:

With a new manager in place, we hope the monitoring of the golf course has improved, and as we move forward, better controls will be in plac.

ITEM ARISING THIS YEAR

11-1 Audit Adjustments

Criteria: 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 of the financial statements on a timely basis. Statement on Auditing Standards 115 defines a material weakness as a deficiency, or combination of deficiencies, in internal control 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.

Condition: During our audit, we identified material adjustments that resulted in significant changes to the Authority's financial statements:

- an adjustment was made to the General Fund to eliminate a payable of $94,205 that was reported by the Authority and should not have been; and

- an adjustment of $122,528 was made to the General Fund to report both revenues and expenditures for construction costs and funding received for the costs that were netted out against each other.

Context: The inability to make accrual adjustments or to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

Effect: Audit adjustments were necessary to reduce an over-accrual in payables and to record additional revenue and expenditures for amounts incorrectly netted against each other.

Cause: The adjustment resulted from controls not detecting these errors and the Authority not considering the need for controls over the recording of certain accounting transactions.

Recommendation: We recommend that the Authority staff review the trial balances and journal entries in detail to ensure all transactions have been properly recorded to be presented in the financial statements.

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

We will have our treasurer go over the trial balances and report to the Board.

<u>PREVIOUSLY REPORTED ITEM RESOLVED</u>

Preparation of Financial Statements (96-1)

The Authority needed to broaden its participation in the preparation of its financial statements and not rely so extensively on its external auditors for financial reporting.

Resolution

The Authority provided trial balances, accruals, and other supporting schedules necessary for preparing fund level and government-wide financial statements. The Authority has improved its understanding and preparation of underlying accounting data used in the preparation of the financial statements.

II. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

09-2 Prompt Payment of Claims

Criteria: 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.

Condition: In our testing of disbursements and other procedures performed, we noted a number of payments that were not paid timely in accordance with the statute.

Context: Payments not being made timely could also be an indicator of other problems, such as poor procedural controls, poor internal controls, or cash flow problems.

Effect: Noncompliance with Minnesota Statutes. Also, payments not made within the required period may be subject to interest or penalties.

Cause: This was in part due to cash flow problems. The Authority is on a very tight budget and at certain times of the year may not have sufficient funds to pay its bills.

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

Client's Response:

The majority of payments not being made on time are a cash flow issue rather than poor internal control.

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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, 2011, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 27, 2012. 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

Management of Cook County and Grand Marais Joint Economic Development Authority is responsible for establishing and maintaining effective 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 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 a 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 deficiencies described in the accompanying Schedule of Findings and Recommendations as item 11-1 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 consider 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 Political Subdivisions*, 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 Political Subdivisions* 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 item 09-2.

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

September 27, 2012