

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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

**YEAR ENDED DECEMBER 31, 2014**

## **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 150 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 700 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  
GRAND MARAIS, MINNESOTA  
(A COMPONENT UNIT OF COOK COUNTY)**

**Year Ended December 31, 2014**



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

ORGANIZATION  
DECEMBER 31, 2014

		<u>Term Expires</u>
Commissioners		
President	Howard Hedstrom	December 2019
Vice President	Anton Moody	December 2016
Treasurer	Scott Harrison	December 2017
Secretary	Heidi Doo-Kirk	December 2015
Commissioner	Abby Tofte	December 2018
Commissioner	Mark Sandbo	December 2018
Commissioner	Hal Greenwood	December 2020

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

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, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the 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 Governmental Accounting Standards Board (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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 require 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.

*Supplementary Information*

Our audit was conducted 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.

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. Such 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2015, 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, and 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* in considering the Cook County and Grand Marais Joint Economic Development Authority's internal control over financial reporting and compliance.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

August 20, 2015

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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 POSITION  
DECEMBER 31, 2014**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>Assets</u></b>			
Cash	\$ 178,274	\$ 76,979	\$ 255,253
Taxes receivable	20,059	-	20,059
Accounts receivable - net	5,841	4,978	10,819
Internal balances	173,845	(173,845)	-
Inventories	-	26,828	26,828
Land held for resale	1,230,000	-	1,230,000
Capital assets			
Non-depreciable	-	3,807,143	3,807,143
Depreciable - net of accumulated depreciation	-	1,738,382	1,738,382
<b>Total Assets</b>	<b>\$ 1,608,019</b>	<b>\$ 5,480,465</b>	<b>\$ 7,088,484</b>
<b><u>Liabilities</u></b>			
Accounts payable	\$ 14,962	\$ 13,670	\$ 28,632
Contracts payable	60,000	-	60,000
Gift certificates	-	15,673	15,673
Due to other governments	1,405,000	-	1,405,000
Unearned revenue	47,372	28,073	75,445
<b>Total Liabilities</b>	<b>\$ 1,527,334</b>	<b>\$ 57,416</b>	<b>\$ 1,584,750</b>
<b><u>Net Position</u></b>			
Investment in capital assets	\$ -	\$ 5,545,525	\$ 5,545,525
Unrestricted	80,685	(122,476)	(41,791)
<b>Total Net Position</b>	<b>\$ 80,685</b>	<b>\$ 5,423,049</b>	<b>\$ 5,503,734</b>

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

**EXHIBIT 2**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>Functions/Programs</u></b>						
<b>Governmental activities</b>						
Urban and economic development	\$ 2,835,416	\$ -	\$ 70,347	\$ (2,765,069)	\$ -	\$ (2,765,069)
<b>Business-type activities</b>						
Golf course	844,715	554,149	-	-	(290,566)	(290,566)
<b>Total</b>	<b><u>\$ 3,680,131</u></b>	<b><u>\$ 554,149</u></b>	<b><u>\$ 70,347</u></b>	<b><u>\$ (2,765,069)</u></b>	<b><u>\$ (290,566)</u></b>	<b><u>\$ (3,055,635)</u></b>
<b>General Revenues</b>						
Property taxes				\$ 211,573	\$ -	\$ 211,573
Sales taxes				-	2,718,095	2,718,095
Unrestricted investment earnings				-	86	86
Gain on sale of capital assets				-	26,464	26,464
Sale of business lots				22,888	-	22,888
Miscellaneous				26,404	71,029	97,433
<b>Total general revenues</b>				<b><u>\$ 260,865</u></b>	<b><u>\$ 2,815,674</u></b>	<b><u>\$ 3,076,539</u></b>
<b>Change in net position</b>				<b><u>\$ (2,504,204)</u></b>	<b><u>\$ 2,525,108</u></b>	<b><u>\$ 20,904</u></b>
<b>Net Position - Beginning</b>				<b><u>2,584,889</u></b>	<b><u>2,897,941</u></b>	<b><u>5,482,830</u></b>
<b>Net Position - Ending</b>				<b><u>\$ 80,685</u></b>	<b><u>\$ 5,423,049</u></b>	<b><u>\$ 5,503,734</u></b>

## **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, 2014**

	<b>General</b>	<b>Resource Development Council</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash	\$ 178,274	\$ -	\$ 178,274
Taxes receivable	20,059	-	20,059
Accounts receivable	5,841	-	5,841
Land held for resale	1,230,000	-	1,230,000
Due from other funds	173,845	-	173,845
<b>Total Assets</b>	<b>\$ 1,608,019</b>	<b>\$ -</b>	<b>\$ 1,608,019</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 14,962	\$ -	\$ 14,962
Contracts payable	60,000	-	60,000
Unearned revenue	47,372	-	47,372
Due to other governments	1,405,000	-	1,405,000
<b>Total Liabilities</b>	<b>\$ 1,527,334</b>	<b>\$ -</b>	<b>\$ 1,527,334</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - taxes	7,351	-	7,351
<b>Fund Balances</b>			
Unassigned	73,334	-	73,334
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,608,019</b>	<b>\$ -</b>	<b>\$ 1,608,019</b>
<b>Fund balances - total governmental funds</b>			<b>\$ 73,334</b>
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.			7,351
<b>Net Position of Governmental Activities (Exhibit 1)</b>			<b>\$ 80,685</b>

**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, 2014**

	<b>General</b>	<b>Resource Development Council</b>	<b>Total</b>
<b>Revenues</b>			
Taxes	\$ 208,993	\$ -	\$ 208,993
Intergovernmental	55,347	15,000	70,347
Sale of business lots	22,888	-	22,888
Miscellaneous	26,404	-	26,404
	<b>\$ 313,632</b>	<b>\$ 15,000</b>	<b>\$ 328,632</b>
<b>Expenditures</b>			
<b>Current</b>			
<b>Urban and economic development</b>			
Board per diems	\$ 1,900	\$ -	\$ 1,900
Legal	7,249	-	7,249
Professional services	5,786	-	5,786
Rent	3,750	-	3,750
Advertising	7,510	-	7,510
Office	11,194	-	11,194
Insurance	3,752	-	3,752
Telephone and internet	819	-	819
Affordable housing	9,141	-	9,141
Other housing expense	82,172	-	82,172
Cedar Grove Business Park	69,166	-	69,166
Other	5,944	15,000	20,944
	<b>\$ 208,383</b>	<b>\$ 15,000</b>	<b>\$ 223,383</b>
<b>Change in Fund Balance</b>	<b>\$ 105,249</b>	<b>\$ -</b>	<b>\$ 105,249</b>
<b>Fund Balance - January 1</b>	<b>(31,915)</b>	<b>-</b>	<b>(31,915)</b>
<b>Fund Balance - December 31</b>	<b>\$ 73,334</b>	<b>\$ -</b>	<b>\$ 73,334</b>

**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, 2014**

<b>Net change in fund balance</b>	<b>\$</b>	<b>105,249</b>
<p>Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:</p>		
Construction in progress reclassified as land held for resale		(2,612,033)
<p>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 inflows is the adjustment to revenue between the fund statements and the statement of activities.</p>		
Deferred inflows of resources - December 31		7,351
Deferred inflows of resources - January 1		(4,771)
		(4,771)
<b>Change in Net Position of Governmental Activities (Exhibit 2)</b>	<b>\$</b>	<b><u><u>(2,504,204)</u></u></b>

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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 NET POSITION  
GOLF COURSE ENTERPRISE FUND  
DECEMBER 31, 2014**

**Assets**

**Current assets**

Cash	\$	76,979
Accounts receivable		4,978
Inventories		26,828

<b>Total current assets</b>	<b>\$</b>	<b>108,785</b>
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**Noncurrent assets**

<b>Capital assets</b>		
Not depreciated - land	\$	3,807,143
Depreciable - net of depreciation		1,738,382

<b>Total noncurrent assets</b>	<b>\$</b>	<b>5,545,525</b>
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<b>Total Assets</b>	<b>\$</b>	<b>5,654,310</b>
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**Liabilities**

**Current liabilities**

Accounts payable	\$	13,670
Gift certificates		15,673
Due to other funds		173,845
Unearned revenue		28,073

<b>Total Liabilities</b>	<b>\$</b>	<b>231,261</b>
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**Net Position**

Investment in capital assets	\$	5,545,525
Unrestricted		(122,476)

<b>Total Net Position</b>	<b>\$</b>	<b>5,423,049</b>
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**COOK COUNTY AND GRAND MARAIS  
JOINT ECONOMIC DEVELOPMENT AUTHORITY  
GRAND MARAIS, MINNESOTA**

**EXHIBIT 6**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
GOLF COURSE ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

<b>Operating Revenues</b>	
<b>Sales</b>	
Food and beverage	\$ 81,978
Merchandise	97,893
Less: cost of goods sold	<u>(119,746)</u>
<b>Net sales</b>	<b><u>\$ 60,125</u></b>
<b>Charges for services</b>	
Green fees	\$ 449,116
Other	<u>44,908</u>
<b>Total Operating Revenues</b>	<b><u>\$ 554,149</u></b>
<b>Operating Expenses</b>	
Personal services	\$ 282,640
Payroll taxes	62,933
Retirement contribution	10,703
Grounds maintenance and supplies	112,704
Clubhouse maintenance and supplies	8,853
Golf cart leases and maintenance	27,329
Insurance	18,474
Utilities	34,924
Telephone	2,602
Office	1,357
Accounting and audit	19,073
Legal fees	3,777
Dues and licenses	4,617
Travel	1,454
Marketing	41,402
Bank charges and fees	12,820
Other	3,861
Depreciation	<u>195,192</u>
<b>Total Operating Expenses</b>	<b><u>\$ 844,715</u></b>
<b>Operating Income (Loss)</b>	<b><u>\$ (290,566)</u></b>

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

***EXHIBIT 6  
(Continued)***

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
GOLF COURSE ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

<b>Nonoperating Revenues (Expenses)</b>	
Interest income	\$ 86
Sales taxes	2,718,095
Insurance reimbursement	21,029
Marketing grant	50,000
Gain on sale of capital assets	<u>26,464</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<b><u>\$ 2,815,674</u></b>
<b>Change in Net Position</b>	<b>\$ 2,525,108</b>
<b>Net Position - January 1</b>	<b><u>2,897,941</u></b>
<b>Net Position - December 31</b>	<b><u><u>\$ 5,423,049</u></u></b>

**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, 2014**

<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 680,296
Payments to suppliers	(465,407)
Payments to employees	(282,640)
	<hr/>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (67,751)</b>
<b>Cash Flows from Noncapital Financing Activities</b>	
Marketing grant	\$ 50,000
	<hr/>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Sales taxes	\$ 74,789
Insurance reimbursement	21,029
Capital asset additions	(85,113)
Sale of capital assets	26,464
	<hr/>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ 37,169</b>
<b>Cash Flows from Investing Activities</b>	
Interest on investments	\$ 86
	<hr/>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 19,504</b>
<b>Cash at January 1</b>	<b>57,475</b>
	<hr/>
<b>Cash at December 31</b>	<b>\$ 76,979</b>
	<hr/> <hr/>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
<b>Operating income (loss)</b>	<b>\$ (290,566)</b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Depreciation expense	195,192
(Increase) decrease in accounts receivable	(732)
(Increase) decrease in inventories	15,374
Increase (decrease) in accounts payable	2,588
Increase (decrease) in due to other funds	3,260
Increase (decrease) in unearned revenue	7,133
	<hr/>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ (67,751)</b>
	<hr/> <hr/>
<b>Noncash Investing, Capital, and Financing Activities</b>	
Amount paid by trustee for debt payments	\$ 349,479
Construction costs paid by Cook County on behalf of the Authority	2,643,306

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

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). 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.

<u>Component Unit</u>	<u>Component Unit is Included in the Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Resource Development Council of Cook County, Inc. (RDC)	The Authority Commissioners are the governing board of the RDC and Authority management has operational responsibility for the RDC.	Separate financial statements are not prepared.

**COOK COUNTY AND GRAND MARAIS  
JOINT ECONOMIC DEVELOPMENT AUTHORITY  
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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Blended Component Unit (Continued)

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 position 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 position, 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 position is reported in three parts: (1) investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

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.

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

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.

**COOK COUNTY AND GRAND MARAIS  
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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, Deferred Outflows/Inflows of Resources and Net Position or Equity

1. Cash

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

**COOK COUNTY AND GRAND MARAIS  
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1. Summary of Significant Accounting Policies

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity  
(Continued)

2. 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.

3. 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.

4. Land Held for Resale

Land held for resale comprises the business lots for sale in the Cedar Grove Business Park. The Authority constructed the Cedar Grove Business Park within the City of Grand Marais to provide land sites for new or existing businesses. The lots are valued at the lower of historical cost or fair market value.

**COOK COUNTY AND GRAND MARAIS  
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1. Summary of Significant Accounting Policies

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity  
(Continued)

5. Capital Assets

Capital assets, which include land and improvements, construction in progress, 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:

<u>Assets</u>	<u>Years</u>
Land improvements	30
Buildings and structures	20
Furniture and equipment	1 - 20

6. Unearned Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not earned.

7. Compensated Absences

Certain full-time employees of the Authority and the golf course are entitled to vacation and sick leave. 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.

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1. Summary of Significant Accounting Policies

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity  
(Continued)

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. Currently, the Authority has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has only one type of item that qualifies for reporting in this category, unavailable revenue, which is reported only in the governmental funds balance sheet. These amounts are recognized as an inflow of resources in the period that the amounts become available.

9. Classification of Net Position

Net position in government-wide statements is classified in the following categories:

Investment in capital assets - the amount of net position 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 position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

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

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1. Summary of Significant Accounting Policies

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity  
(Continued)

10. Classification of Fund Balances

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 - amounts that cannot be spent because they are not in spendable form, or are 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 - amounts for which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed - 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.

Assigned - amounts the Authority intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.

Unassigned - the residual classification for the General Fund; it 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.

**COOK COUNTY AND GRAND MARAIS  
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1. Summary of Significant Accounting Policies

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity

10. Classification of Fund Balances (Continued)

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.

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.

F. Future Change in Accounting Standards

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, replaces Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to employer governments that provide pensions through pension plans administered as trust or similar arrangement that meet certain criteria. GASB Statement 68 requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement will be effective for the Authority's calendar year 2015. The Authority has not yet determined the financial statement impact of adopting this new standard.

**COOK COUNTY AND GRAND MARAIS  
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2. Stewardship, Compliance, and Accountability

Excess of Expenses Over Appropriations

The following fund had expenses in excess of budget for the year ended December 31, 2014:

	Expenses	Final Budget	Excess
Golf Course Enterprise Fund Operating	\$ 844,715	\$ 690,574	\$ 154,141

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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.

**COOK COUNTY AND GRAND MARAIS  
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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, 2014, \$7,612 of the Authority's deposits were exposed to custodial credit risk.

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;

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (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.

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.

**COOK COUNTY AND GRAND MARAIS  
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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

As of and during the year ended December 31, 2014, 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, 2014, 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	\$ 20,059	\$ -
Accounts receivable	5,841	-
Total Governmental Activities	\$ 25,900	\$ -
Business-Type Activities		
Accounts receivable	\$ 4,978	\$ -

**COOK COUNTY AND GRAND MARAIS  
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3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 81,973	\$ -	\$ 81,973	\$ -
Construction in progress	2,530,060	-	2,530,060	-
Total capital assets not depreciated	\$ 2,612,033	\$ -	\$ 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	\$ 2,612,033	\$ -	\$ 2,612,033	\$ -

The Authority reclassified the lots for sale in the Cedar Grove Business Park from construction in progress to land held for resale.

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 213,685	\$ -	\$ -	\$ 213,685
Construction in progress	925,350	2,668,108	-	3,593,458
Total capital assets not depreciated	\$ 1,139,035	\$ 2,668,108	\$ -	\$ 3,807,143

**COOK COUNTY AND GRAND MARAIS  
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3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Business-Type Activities (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Land improvements	\$ 4,424,884	\$ -	\$ -	\$ 4,424,884
Buildings and structures	372,371	-	-	372,371
Furniture and equipment	1,037,472	63,717	34,991	1,066,198
Total capital assets depreciated	\$ 5,834,727	\$ 63,717	\$ 34,991	\$ 5,863,453
Less: accumulated depreciation for				
Land improvements	\$ 2,733,440	\$ 151,467	\$ -	\$ 2,884,907
Buildings and structures	372,371	-	-	372,371
Furniture and equipment	859,059	43,725	34,991	867,793
Total accumulated depreciation	\$ 3,964,870	\$ 195,192	\$ 34,991	\$ 4,125,071
Total capital assets depreciated, net	\$ 1,869,857	\$ (131,475)	\$ -	\$ 1,738,382
Business-Type Activities				
Capital Assets, Net	\$ 3,008,892	\$ 2,536,633	\$ -	\$ 5,545,525

Depreciation expense was charged to functions/programs as follows:

Business-Type Activities	
Golf course	\$ 195,192

B. Interfund Receivables and Payables

The composition of the interfund balance as of December 31, 2014, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Golf Course Enterprise Fund	\$ 173,845

**COOK COUNTY AND GRAND MARAIS  
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3. Detailed Notes on All Funds

B. Interfund Receivables and Payables

Due To/From Other Funds (Continued)

The EDA General Fund loaned \$173,845 to the Golf Course Fund in 2014 to help cover start-up costs for the year at the golf course. The golf course will repay the loan to the General Fund during 2015 as revenues become available.

C. Liabilities

1. Leases

Operating Leases

The Authority leases golf carts under non-cancelable operating leases. Total costs for such leases were \$27,329 for the year ended December 31, 2014. The current operating leases expired on December 31, 2014. These operating leases are expected to be replaced by similar leases.

2. Short-Term Debt

Governmental Funds/Activities

The Authority took out a loan of \$225,000 in 2012 from Cook County to pay operating costs. The Authority took out a loan of \$10,000 in each 2013 and 2014 from the City of Grand Marais to make contractor payments.

Short-term debt activity for the year ended December 31, 2014, is:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>
Due to other governments	<u>\$ 185,000</u>	<u>\$ 10,000</u>	<u>\$ 20,000</u>	<u>\$ 175,000</u>

**COOK COUNTY AND GRAND MARAIS  
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3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Changes in Long-Term Liabilities

Business-Type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
Golf course revenue bonds	\$ 340,000	\$ -	\$ 340,000	\$ -	\$ -

The revenue bonds were paid in full in February 2014.

D. Sales Tax Collection Revenue

During 2014, the Economic Development Authority received payments of \$2,718,095 from Cook County to cover the costs incurred by the Authority for planning costs and capital purchases of the golf course. The funds received were derived from the one percent sales tax collected by Cook County and are reported as nonoperating revenues in the financial statements.

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, 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 and benefits vest after five years of credited service.

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4. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

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. 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 remaining year. 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 remaining year. Under 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 hired prior to July 1, 1989, whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is either 65 or 66 (depending on date hired) for General Employees Retirement Fund members. 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](http://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.

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4. Employee Retirement Systems and Pension Plans (Continued)

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 in 2014.

In 2014, the Authority is required to contribute the following percentages of annual covered payroll:

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

The Authority's contributions for the years ending December 31, 2014, 2013, and 2012, for the General Employees Retirement Fund were:

<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 10,703	\$ 16,043	\$ 16,994

These contributions are equal to the contractually required contribution rates for each year as set by state statute. Contribution rates increased on January 1, 2015, in the General Employees Retirement Fund Coordinated Plan (6.50 percent for members and 7.50 percent for employers).

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.

**COOK COUNTY AND GRAND MARAIS  
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6. Cedar Grove Business Park

The Authority constructed the Cedar Grove Business Park 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 has an agreement with the Authority whereby proceeds from lot purchasers are to be remitted to the City at the time of the sale to be used to help repay the City-issued bond that financed the improvement. Unsold lots are recorded based on the fair value as land held for resale and due to other governments on the balance sheet.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**COOK COUNTY AND GRAND MARAIS  
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**EXHIBIT A-1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 150,000	\$ 150,000	\$ 208,993	\$ 58,993
Intergovernmental	35,000	35,000	55,347	20,347
Sale of business lots	-	-	22,888	22,888
Miscellaneous	7,962	7,962	26,404	18,442
<b>Total Revenues</b>	<b>\$ 192,962</b>	<b>\$ 192,962</b>	<b>\$ 313,632</b>	<b>\$ 120,670</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Urban and economic development</b>				
Board per diems	\$ 2,520	\$ 2,520	\$ 1,900	\$ 620
Legal	2,000	2,000	7,249	(5,249)
Professional services	5,000	5,000	5,786	(786)
Rent	3,000	3,000	3,750	(750)
Advertising	5,000	5,000	7,510	(2,510)
Office	8,450	8,450	11,194	(2,744)
Insurance	4,050	4,050	3,752	298
Telephone and internet	1,000	1,000	819	181
Affordable housing	-	-	9,141	(9,141)
Other housing expense	47,962	47,962	82,172	(34,210)
Cedar Grove Business Park	30,000	30,000	69,166	(39,166)
Other	5,600	5,600	5,944	(344)
<b>Total Expenditures</b>	<b>\$ 114,582</b>	<b>\$ 114,582</b>	<b>\$ 208,383</b>	<b>\$ (93,801)</b>
<b>Change in Fund Balance</b>	<b>\$ 78,380</b>	<b>\$ 78,380</b>	<b>\$ 105,249</b>	<b>\$ 26,869</b>
<b>Fund Balance - January 1</b>	<b>(31,915)</b>	<b>(31,915)</b>	<b>(31,915)</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 46,465</b>	<b>\$ 46,465</b>	<b>\$ 73,334</b>	<b>\$ (26,869)</b>

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2014

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1. 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.

2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2014, expenditures exceeded appropriations in the following major fund:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 208,383	\$ 114,582	\$ 93,801

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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, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Operating Revenues</b>			
<b>Sales</b>			
Food, beverage, and merchandise	\$ 218,907	\$ 179,871	\$ (39,036)
Less: cost of goods sold	<u>(131,344)</u>	<u>(119,746)</u>	<u>11,598</u>
<b>Net sales</b>	<b>\$ 87,563</b>	<b>\$ 60,125</b>	<b>\$ (27,438)</b>
<b>Charges for services</b>			
Green fees and other charges	<u>687,747</u>	<u>494,024</u>	<u>(193,723)</u>
<b>Total Operating Revenues</b>	<b><u>\$ 775,310</u></b>	<b><u>\$ 554,149</u></b>	<b><u>\$ (221,161)</u></b>
<b>Operating Expenses</b>			
<b>Current</b>			
<b>Culture and recreation</b>			
Salaries and wages	\$ 301,200	\$ 282,640	\$ 18,560
Payroll taxes	40,324	62,933	(22,609)
Retirement contribution	16,000	10,703	5,297
Grounds maintenance and supplies	125,500	112,704	12,796
Clubhouse maintenance and supplies	15,000	8,853	6,147
Golf cart leases and maintenance	28,000	27,329	671
Insurance	18,500	18,474	26
Utilities	37,700	34,924	2,776
Telephone	2,000	2,602	(602)
Office	3,000	1,357	1,643
Accounting and audit	12,000	19,073	(7,073)
Legal fees	5,000	3,777	1,223
Dues and licenses	3,500	4,617	(1,117)
Travel	2,500	1,454	1,046
Marketing	59,600	41,402	18,198
Bank charges and fees	17,250	12,820	4,430
Other	3,500	3,861	(361)
Depreciation	<u>-</u>	<u>195,192</u>	<u>(195,192)</u>
<b>Total Expenses</b>	<b><u>\$ 690,574</u></b>	<b><u>\$ 844,715</u></b>	<b><u>\$ (154,141)</u></b>
<b>Operating Income (Loss)</b>	<b><u>\$ 84,736</u></b>	<b><u>\$ (290,566)</u></b>	<b><u>\$ (375,302)</u></b>

**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, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest income	\$ -	\$ 86	\$ 86
Sales tax	-	2,718,095	2,718,095
Insurance reimbursement	-	21,029	21,029
Marketing grant	50,000	50,000	-
Gain on sale of capital assets	14,000	26,464	12,464
	<u>64,000</u>	<u>2,815,674</u>	<u>2,751,674</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 64,000</b>	<b>\$ 2,815,674</b>	<b>\$ 2,751,674</b>
<b>Change in Net Position</b>	<b>\$ 148,736</b>	<b>\$ 2,525,108</b>	<b>\$ 2,376,372</b>
<b>Net Position - January 1</b>	<u>2,897,941</u>	<u>2,897,941</u>	<u>-</u>
<b>Net Position - December 31</b>	<u><u>\$ 3,046,677</u></u>	<u><u>\$ 5,423,049</u></u>	<u><u>\$ 2,376,372</u></u>



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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, 2014

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 1996-001

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.*

Finding 2008-001

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 the cash registers, process daily closing reports, and prepare deposits. The maintenance supervisor has a relative who he supervises.

**Context:** The size of the golf course staff limits the internal control that management can design and implement into the organization.

**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:

*The General Manager is actively working with the Management Team to monitor and account for activity happening at the golf course.*

## Finding 2011-001

### 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. Auditing standards define 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.

**Context:** The inability to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

**Effect:** The following audit adjustments were reviewed and approved by management and reflected in the financial statements:

- Sales tax revenue and construction in progress were increased in the Golf Course Enterprise Fund by \$2,668,108 for the contractor costs related to the renovations that were paid directly by Cook County on behalf of the Authority.
- Depreciation expense and accumulated depreciation were increased in the Golf Course Enterprise Fund by \$195,192 to recognize the depreciation for the current year.

**Cause:** The adjustments 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.

### Client's Response:

*The financial statements and transactions are reviewed monthly at the Authority's Board meeting. The Board of Directors are also informed regularly about the current renovations happening at the golf course. Once the adjusting entries are determined by the audit, and entered into the financial statements for the prior year, those financial statements are again reviewed with the Board.*

## PREVIOUSLY REPORTED ITEM RESOLVED

### **Payroll Procedures (2006-002)**

The golf course manager employment contract was not completed, nor was the salary documented by a Board resolution in 2013.

### **Resolution**

During our testing of payroll contracts in the current year, the golf course manager employment contract was completed and the salary was documented by the Board.

## **II. OTHER FINDINGS AND RECOMMENDATIONS**

### A. MINNESOTA LEGAL COMPLIANCE

#### PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2009-002

#### 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 three 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:

*While some of the payments are not paid on time due to a cash flow issue, others are from the accountant only cutting checks every two weeks. The accountant is working more closely with the golf pro and superintendent to be able to process accounts payable more timely.*

Finding 2013-001

Unclaimed Property

**Criteria:** The Authority is required by Minn. Stat. § 345.41 to report and pay to the Commissioner of the Minnesota Department of Commerce any unclaimed or uncashed checks held for more than three years.

**Condition:** In our testing of bank reconciliations, we noted that long-outstanding checks totaling \$3,446 from 2012 were written off during 2013. This amount was not reported nor paid to the Commissioner of the Minnesota Department of Commerce in accordance with statute.

**Context:** Long-outstanding checks could also be an indicator of other problems, such as poor procedural controls or poor internal controls.

**Effect:** Noncompliance with Minnesota statutes.

**Cause:** This was due to failure to file with the Commissioner of the Minnesota Department of Commerce.

**Recommendation:** We recommend the Authority file a report and pay to the Commissioner of the Minnesota Department of Commerce the amount of the unclaimed or uncashed checks held for more than three years that were written off during 2013.

Client's Response:

*Again this was an oversight on management's part.*

B. OTHER ITEM FOR CONSIDERATION

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for state and local governments. Effective for your calendar year 2015 financial statements, the GASB changed those standards as they apply to employers that provide pension benefits.

GASB Statement 68 significantly changes pension accounting and financial reporting for governmental employers that prepare financial statements on the accrual basis by separating pension accounting methodology from pension funding methodology. Statement 68 requires employers to include a portion of the Public Employees Retirement Association (PERA) total employers' unfunded liability, called the "net pension liability" on the face of the Authority's government-wide statement of financial position. The Authority's financial position will be immediately impacted by its unfunded share of the pension liability.

Statement 68 changes the amount employers report as pension expense and defers some allocations of expenses to future years--deferred outflows or inflows of resources. It requires pension costs to be calculated by an actuary; whereas, in the past pension costs were equal to the amount of employer contributions sent to PERA during the year. Additional footnote disclosures and required supplementary information schedules are also required by Statement 68.

The net pension liability that will be reported in the Cook County and Grand Marais Joint Economic Development Authority's financial statements is an accounting estimate of the proportionate share of PERA's unfunded liability at a specific point in time. That number will change from year to year and is based on assumptions about the probability of the occurrence of events far into the future. Those assumptions include how long people will live, how long they will continue to work, projected salary increases, and how well pension trust investments will do. PERA has been proactive in taking steps toward implementation and will be providing most of the information needed by employers to report the net pension liability and deferred outflows/inflows of resources.



REBECCA OTTO  
STATE AUDITOR

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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***

### Independent Auditor's Report

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

We have audited, 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, 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, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 20, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Cook County and Grand Marais Joint Economic Development Authority's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not 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 items 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 2011-001 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 1996-001 and 2008-001 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 from 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**

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested in connection with the audit of the Authority's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for contracting and bidding because there were no new contracts in 2014 and for public indebtedness as the Authority did not issue any debt.

In connection with our audit, nothing came to our attention that caused us to believe that the Cook County and Grand Marais Joint Economic Development Authority failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Recommendations as items 2009-002 and 2013-001. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above referenced provisions.

### **Other Matters**

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

### **Cook County and Grand Marais Joint Economic Development Authority's Response to Findings**

The Cook County and Grand Marais Joint Economic Development Authority's responses to the internal control and legal compliance findings identified in our audit have been included in the Schedule of Findings and Recommendations. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

August 20, 2015