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, 2010

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, 2010

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

TABLE OF CONTENTS

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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, 2010

		Term Expires
Commissioners		
Chair	Mike Littfin	December 2012
Vice Chair	Jan Sivertson	December 2012
Treasurer	James Hall	December 2011
Secretary	Bruce Martinson	December 2015
Commissioner	Mark Sandbo	December 2012
Commissioner	Hal Greenwood	December 2015
Commissioner	Don Davison	December 2013
Executive Director	Matt Geretschlaeger	

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Cook County and Grand Marais Joint Economic Development Authority, a component unit of Cook County, as of and for the year ended December 31, 2010, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Cook County and Grand Marais Joint Economic Development Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Cook County and Grand Marais Joint Economic Development Authority as of and for the year ended December 31, 2010, 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.

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 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. 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 GASB, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical or historical context. Out 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 taken 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 23, 2011, 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 23, 2011

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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, 2010

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	$ 82,175	$ 185,098	$ 267,273
Taxes receivable	14,168	-	14,168
Accounts receivable - net	21,180	283	21,463
Internal balances	50,822	(50,822)	-
Inventories	-	27,354	27,354
Restricted assets			
Investments	-	316,252	316,252
Capital assets			
Non-depreciable	2,506,698	213,685	2,720,383
Depreciable - net of accumulated depreciation	-	2,274,992	2,274,992
Total Assets	**$ 2,675,043**	**$ 2,966,842**	**$ 5,641,885**
Liabilities			
Accounts payable	$ 233,608	$ 31,401	$ 265,009
Contracts payable	43,722	-	43,722
Gift certificates	-	3,717	3,717
Due to other governments	31,000	200,000	231,000
Accrued interest payable	-	18,122	18,122
Deferred revenue - unearned	40,955	35,126	76,081
Long-term liabilities			
Due within one year	-	140,000	140,000
Due in more than one year	-	650,000	650,000
Total Liabilities	**$ 349,285**	**$ 1,078,366**	**$ 1,427,651**
Net Assets			
Invested in capital assets - net of related debt	$ 2,506,698	$ 1,698,677	$ 4,205,375
Restricted for debt service	-	298,130	298,130
Unrestricted	(180,940)	(108,331)	(289,271)
Total Net Assets	**$ 2,325,758**	**$ 1,888,476**	**$ 4,214,234**

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, 2010

		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	$ 126,602	$ 10,000	$ 9,500	$ (107,102)	$ -	$ (107,102)
Business-type activities						
Golf course	889,774	817,840	100,000	-	28,066	28,066
Total	**$ 1,016,376**	**$ 827,840**	**$ 109,500**	**$ (107,102)**	**$ 28,066**	**$ (79,036)**

	Governmental Activities	Business-Type Activities	Total
General Revenues			
Property taxes	$ 151,249	$ -	$ 151,249
Lodging taxes	-	50,000	50,000
Grants and contributions not restricted to specific programs	40,000	-	40,000
Unrestricted investment earnings	7	184	191
Sale of lots	2,029	-	2,029
Total general revenues	$ **193,285**	$ **50,184**	$ **243,469**
Change in net assets	**$ 86,183**	**$ 78,250**	**$ 164,433**
Net Assets - Beginning	**2,239,575**	**1,810,226**	**4,049,801**
Net Assets - Ending	**$ 2,325,758**	**$ 1,888,476**	**$ 4,214,234**

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, 2010

	General	Resource Development Council	Total
Assets			
Cash	$ 75,313	$ 6,862	$ 82,175
Taxes receivable	14,168	-	14,168
Accounts receivable	21,180	-	21,180
Due from other funds	79,303	-	79,303
Total Assets	**$ 189,964**	**$ 6,862**	**$ 196,826**
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 233,608	$ -	$ 233,608
Contracts payable	43,722	-	43,722
Due to other funds	28,481	-	28,481
Due to other governments	31,000	-	31,000
Deferred revenue - unavailable	6,081	-	6,081
Deferred revenue - unearned	40,955	-	40,955
Total Liabilities	**$ 383,847**	**$ -**	**$ 383,847**
Fund Balance			
Unreserved - undesignated	(193,883)	6,862	(187,021)
Total Liabilities and Fund Balances	**$ 189,964**	**$ 6,862**	**$ 196,826**

Fund balance - total governmental funds	**$ (187,021)**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	2,506,698
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	6,081
Net Assets of Governmental Activities (Exhibit 1)	**$ 2,325,758**

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, 2010

	General	Resource Development Council	Total
Revenues			
Taxes	$ 149,560	$ -	$ 149,560
Intergovernmental	40,000	9,500	49,500
Charges for services	10,000	-	10,000
Investment earnings	-	7	7
Lot sales	2,029	-	2,029
Total Revenues	**$ 201,589**	**$ 9,507**	**$ 211,096**
Expenditures			
Current			
Urban and economic development			
Salaries	$ 32,418	$ -	$ 32,418
Employee benefits	12,288	-	12,288
Board per diems	2,010	-	2,010
Legal	10,298	-	10,298
Professional services	38,693	-	38,693
Rent	1,750	-	1,750
Office	5,217	-	5,217
Insurance	3,721	-	3,721
Telephone and internet	1,260	-	1,260
Cedar Grove Business Park	93,142	-	93,142
Housing coordinator program	5,660	-	5,660
Other	4,850	9,500	14,350
Total Expenditures	**$ 211,307**	**$ 9,500**	**$ 220,807**
Excess of Revenues Over (Under) Expenditures	**$ (9,718)**	**$ 7**	**$ (9,711)**
Fund Balance - January 1	**(184,165)**	**6,855**	**(177,310)**
Fund Balance - December 31	**$ (193,883)**	**$ 6,862**	**$ (187,021)**

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

EXHIBIT 4
(Continued)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

Net change in fund balance	**$**	**(9,711)**
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation. The adjustment to convert fund balance to net assets is capitalizing the capital outlay expenditure.		94,205
In governmental funds, under the modified accrual basis, revenues not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The increase or decrease in deferred revenue is the adjustment to revenue between the fund statements and the statement of activities.		
Deferred revenue - December 31		6,081
Deferred revenue - January 1		(4,392)
Change in Net Assets of Governmental Activities (Exhibit 2)	**$**	**86,183**

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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, 2010

Assets		
Current assets		
Cash	$	185,098
Accounts receivable		283
Due from other funds		28,481
Inventories		27,354
Total current assets	**$**	**241,216**
Restricted assets		
Assets held by trustee	**$**	**316,252**
Noncurrent assets		
Capital assets		
Not depreciated - land	$	213,685
Depreciable - net of depreciation		2,274,992
Total noncurrent assets	**$**	**2,488,677**
Total Assets	**$**	**3,046,145**
Liabilities		
Current liabilities		
Accounts payable	$	31,401
Gift certificates		3,717
Due to other funds		79,303
Due to other governments		200,000
Deferred revenue		35,126
Total current liabilities	**$**	**349,547**
Current liabilities payable from restricted assets		
Interest payable	$	18,122
Bonds payable - current		140,000
Total current liabilities payable from restricted assets	**$**	**158,122**
Noncurrent liabilities		
Bonds payable - long-term	**$**	**650,000**
Total Liabilities	**$**	**1,157,669**

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, 2010

Net Assets

Invested in capital assets - net of related debt	$	1,698,677
Restricted for debt service		298,130
Unrestricted		(108,331)
Total Net Assets	**$**	**1,888,476**

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, 2010

Operating Revenues		
Sales		
Food and beverage	$	105,703
Merchandise		107,821
Less: cost of goods sold		(123,133)
Net sales	**$**	**90,391**
Charges for services		
Green fees		630,813
Other		96,283
Total Operating Revenues	**$**	**817,487**
Operating Expenses		
Personal services	$	312,753
Payroll taxes		39,754
Retirement contribution		13,774
Grounds maintenance and supplies		118,643
Clubhouse maintenance and supplies		17,491
Golf cart leases and maintenance		28,013
Insurance		18,263
Utilities		31,374
Telephone		4,642
Office		1,526
Accounting and audit		11,703
Legal fees		2,126
Dues and licenses		6,179
Travel		563
Marketing		25,141
Bank charges and fees		21,658
Depreciation		188,627
Total Operating Expenses	**$**	**842,230**
Operating Income (Loss)	**$**	**(24,743)**

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

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

EXHIBIT 6
(Continued)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
GOLF COURSE ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

Nonoperating Revenues (Expenses)		
Intergovernmental - grants	$	100,000
Interest income		184
Lodging tax		50,000
Insurance reimbursement		353
Interest expense		(47,544)
Total Nonoperating Revenues (Expenses)	**$**	**102,993**
Change in Net Assets	$	**78,250**
Net Assets - January 1		**1,810,226**
Net Assets - December 31	**$**	**1,888,476**

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, 2010

Cash Flows from Operating Activities		
Receipts from customers	$	909,824
Payments to suppliers		(430,916)
Payments to employees		(312,753)
Net cash provided by (used in) operating activities	**$**	**166,155**
Cash Flows from Noncapital Financing Activities		
Lodging taxes received	$	50,000
Advances received from other governments		325,000
Payoff of prior year advances from other governments		(325,000)
Interest paid on advances		(3,912)
Insurance reimbursement		353
Net cash provided by (used in) noncapital financing activities	**$**	**46,441**
Cash Flows from Capital and Related Financing Activities		
Payments to trustee for debt service	$	(171,729)
Grants received		100,000
Capital asset additions		(20,390)
Net cash provided by (used in) capital and related financing activities	**$**	**(92,119)**
Cash Flows from Investing Activities		
Interest on investments	**$**	**184**
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**120,661**
Cash at January 1		**64,437**
Cash at December 31	**$**	**185,098**

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

EXHIBIT 7
(Continued)

STATEMENT OF CASH FLOWS
GOLF COURSE ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	**$**	**(24,743)**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense		188,627
(Increase) decrease in accounts receivable		676
(Increase) decrease in due from other funds		(28,481)
(Increase) decrease in inventories		9,228
Increase (decrease) in accounts payable		735
Increase (decrease) in due to other funds		24,247
Increase (decrease) in gift certificates		(1,143)
Increase (decrease) in deferred revenue		(2,991)
Net Cash Provided by (Used in) Operating Activities	**$**	**166,155**
Noncash Investing, Capital, and Financing Activities		
Amount paid by trustee for debt payments	$	182,104

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, 2010. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Authority has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Authority has chosen not to do so. The more significant accounting policies established in GAAP and used by the Authority are discussed below.

A. Financial Reporting Entity

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

Blended Component Unit

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

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Blended Component Unit (Continued)

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

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of each function of the Authority's governmental activities and business-type activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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

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

The Authority reports the following major governmental funds:

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

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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Authority reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budget

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

1. Summary of Significant Accounting Policies (Continued)

   E. Assets, Liabilities, and Net Assets or Equity

      1. Cash

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

      2. Investments

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

      3. Receivables and Payables

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

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

1. Summary of Significant Accounting Policies

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

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.

5. Restricted Assets

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

6. Capital Assets

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

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

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

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

1. Summary of Significant Accounting Policies

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

7. Compensated Absences

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

8. Deferred Revenue

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

9. Long-Term Obligations

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

10. Fund Equity

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

11. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Deficit Fund Balance

For the year ended December 31, 2010, the General Fund had a deficit fund balance of $193,883. The deficit will be made up with future tax levies and other revenue sources.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Cash	$	267,273
Restricted assets		
Assets held by trustee		316,252
Total Cash	$	583,525

a. Deposits

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

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

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

At December 31, 2010, the carrying amount of the Authority's deposits totaled $267,273. The bank balance deposit amount was $275,685. Minnesota statutes require that all of the Authority's deposits be covered by insurance, surety bond, or collateral.

Following is a summary of the deposits covered by insurance or collateral at December 31, 2010.

	Bank Balance
Covered Deposits	
Insured, or collateralized with securities held by the Authority or its agent in the Authority's name	$ 275,685
Collateralized with securities held by the pledging financial institution's agent in the Authority's name	-
Total covered deposits	$ 275,685
Uncollateralized	-
Total	$ 275,685

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

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

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

(4) bankers’ acceptances of United States banks;

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

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

Interest Rate Risk

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

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

Custodial Credit Risk

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

Concentration of Credit Risk

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

Following is a summary of the fair values of the Authority's investments held by a trustee at December 31, 2010:

Assets held by trustee	
Mutual funds	$ 131,165
MAGIC Fund	185,087
Total Assets Held by Trustee	$ 316,252

As of and during the year ended December 31, 2010, the Authority did not own any investments that required disclosure regarding interest rate risk, credit risk, custodial credit risk, or concentration of credit risk.

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2010, 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	$ 14,168	$ -
Accounts receivable	21,180	-
Total Governmental Activities	$ 35,348	$ -
Business-Type Activities		
Accounts receivable	$ 283	$ -

3. Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 122,836	$ -	$ -	$ 122,836
Construction in progress	2,289,657	94,205	-	2,383,862
Total capital assets not depreciated	$ 2,412,493	$ 94,205	$ -	$ 2,506,698
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	$ 2,412,493	$ 94,205	$ -	$ 2,506,698

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	838,403	20,391	-	858,794
Total capital assets depreciated	$ 5,635,658	$ 20,391	$ -	$ 5,656,049
Less: accumulated depreciation for				
Land improvements	$ 2,130,196	$ 150,592	$ -	$ 2,280,788
Buildings and structures	318,579	17,839	-	336,418
Furniture and equipment	743,655	20,196	-	763,851
Total accumulated depreciation	$ 3,192,430	$ 188,627	$ -	$ 3,381,057
Total capital assets depreciated, net	$ 2,443,228	$ (168,236)	$ -	$ 2,274,992
Business-Type Activities Capital Assets, Net	$ 2,656,913	$ (168,236)	$ -	$ 2,488,677

Depreciation expense was charged to functions/programs as follows:

Business-Type Activities	
Golf course	$ 188,627

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2010, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Golf Course Enterprise Fund	$ 79,303
Golf Course Enterprise Fund	General Fund	$ 28,481

The amount due to the General Fund is for cash flow purposes ($69,000) and reimbursement of costs paid by the General Fund ($10,303). The amount due to the Golf Course Enterprise Fund is for reimbursement of costs paid by the Golf Course Enterprise Fund.

C. Liabilities

1. Leases

Operating Leases

The Authority leases golf carts under non-cancelable operating leases. Total costs for such leases were $28,013 for the year ended December 31, 2010. 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
2011	$ 20,846
2012	20,846
2013	20,846
2014	20,846
Total	$ 83,384

3. Detailed Notes on All Funds

C. Liabilities (Continued)

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, 2010, is:

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

Business-Type Activities

The Authority took out an advance of $200,000 in 2010 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, 2010, is:

	Beginning Balance	Advances	Payments	Ending Balance
Advances	$ 200,000	$ 325,000	$ 325,000	$ 200,000

3. Long-Term Debt

Business-Type Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2010
1998 Golf Course Revenue Bonds	2015	$35,000 - $175,000	4.40 - 5.60	$ 1,820,000	$ 790,000

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2010, were as follows:

Business-Type Activities

Year Ending December 31	Revenue Bonds Principal	Revenue Bonds Interest
2011	$ 140,000	$ 39,712
2012	150,000	31,845
2013	160,000	23,357
2014	165,000	14,379
2015	175,000	4,900
Total	$ 790,000	$ 114,193

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	$ 925,000	$ -	$ 135,000	$ 790,000	$ 140,000

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.

4. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

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 any 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 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.

4. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

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 9.1 and 6.0 percent, respectively, of their annual covered salary.

The Authority is required to contribute the following percentages of annual covered payroll in 2010:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.00

The Authority's contributions for the years ending December 31, 2010, 2009, and 2008, for the General Employees Retirement Fund were:

2010	2009	2008
$ 16,053	$ 19,141	$ 16,650

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, 2010. 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.

Contingent Liability

The Authority contracted with KGM Contractors, Inc., (KGM) to construct the Cedar Grove Business Park. As of December 31, 2010, 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 will be exercised jointly under this agreement with the assistance of a housing coordinator to be retained by both parties. The Lake County Housing and Redevelopment Authority is the fiscal agent, and all financial information is included as part of the Lake County Housing and Redevelopment Authority's financial statements.

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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, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 140,566	$ 140,566	$ 149,560	$ 8,994
Intergovernmental	-	-	40,000	40,000
Charges for services	-	-	10,000	10,000
Sale of lots	120,000	120,000	2,029	(117,971)
Miscellaneous	12,000	12,000	-	(12,000)
Total Revenues	**$ 272,566**	**$ 272,566**	**$ 201,589**	**$ (70,977)**
Expenditures				
Current				
Urban and economic development				
Salaries	$ 66,400	$ 66,400	$ 32,418	$ 33,982
Payroll benefits	8,300	8,300	12,288	(3,988)
Board per diems	3,600	3,600	2,010	1,590
Legal	8,000	8,000	10,298	(2,298)
Professional services	12,500	12,500	38,693	(26,193)
Rent	3,000	3,000	1,750	1,250
Office	5,000	5,000	5,217	(217)
Insurance	9,800	9,800	3,721	6,079
Telephone and internet	1,740	1,740	1,260	480
Cedar Grove Business Park	125,000	125,000	93,142	31,858
Housing coordinator program	20,000	20,000	5,660	14,340
Other	9,226	9,226	4,850	4,376
Total Expenditures	**$ 272,566**	**$ 272,566**	**$ 211,307**	**$ 61,259**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ (9,718)**	**$ (9,718)**
Fund Balance - January 1	**(184,165)**	**(184,165)**	**(184,165)**	**-**
Fund Balance - December 31	**$ (184,165)**	**$ (184,165)**	**$ (193,883)**	**$ (9,718)**

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

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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, 2010

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, 2010

	Budget	Actual	Variance
Operating Revenues			
Sales			
Food, beverage, and merchandise	$ 218,075	$ 213,524	$ (4,551)
Less: cost of goods sold	(124,335)	(123,133)	1,202
Net sales	**$ 93,740**	**$ 90,391**	**$ (3,349)**
Charges for services			
Green fees and other charges	729,505	727,096	(2,409)
Total Operating Revenues	**$ 823,245**	**$ 817,487**	**$ (5,758)**
Operating Expenses			
Current			
Culture and recreation			
Salaries and wages	$ 317,962	$ 312,753	$ 5,209
Payroll taxes	43,233	39,754	3,479
Retirement contribution	14,000	13,774	226
Grounds maintenance and supplies	139,000	118,643	20,357
Clubhouse maintenance and supplies	15,000	17,491	(2,491)
Golf cart leases and maintenance	28,800	28,013	787
Insurance	19,000	18,263	737
Utilities	29,350	31,374	(2,024)
Telephone	3,400	4,642	(1,242)
Office	3,000	1,526	1,474
Accounting and audit	6,800	11,703	(4,903)
Legal fees	2,500	2,126	374
Dues and licenses	4,750	6,179	(1,429)
Travel	1,000	563	437
Marketing	25,000	25,141	(141)
Bank charges and fees	21,000	21,658	(658)
Depreciation	-	188,627	(188,627)
Lease	25,000	-	25,000
Total Expenses	**$ 698,795**	**$ 842,230**	**$ (143,435)**
Operating Income (Loss)	**$ 124,450**	**$ (24,743)**	**$ (149,193)**

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, 2010

	Budget	Actual	Variance
Nonoperating Revenues (Expenses)			
Intergovernmental - grants	$ -	$ 100,000	$ 100,000
Interest income	-	184	184
Lodging tax	50,000	50,000	-
Insurance reimbursement	-	353	353
Interest expense	(5,500)	(47,544)	(42,044)
Bond expense	(170,000)	-	170,000
Total Nonoperating Revenues (Expenses)	**$ (125,500)**	**$ 102,993**	**$ 228,493**
Net Income (Loss)	**$ (1,050)**	**$ 78,250**	**$ 79,300**
Net Assets - January 1	**1,810,226**	**1,810,226**	**-**
Net Assets - December 31	**$ 1,809,176**	**$ 1,888,476**	**$ 79,300**

**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, 2010

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-1 Internal Control/Segregation of Duties

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

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

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

During our audit, we proposed material adjustments to convert the Authority's accounting records to the financial statements as reported. Audit adjustments were necessary to record an additional payable found during the audit, reduce contracts payable for payments made, set up an additional liability for deferred revenue-unearned, and reclassify other accounts as necessary for financial reporting. We also made the adjustments required to convert the modified accrual financial statements to the accrual basis for the government-wide financial statements.

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

Client's Response:

The Director has made great strides involving the Board in all matters coming before the Director.

The Director and Board also caused an efficiency study to be completed of the EDA; UMD Crookston EDA completed this study. Following the findings of the study, the Director has delegated additional duties to the Board, which the Board very willingly accepted, thereby causing additional oversight of the Authority's activities.

06-2 Payroll Procedures

Our review of the Authority's payroll system and records disclosed that employment contracts were not completed, or salaries documented by resolution, for the Executive Director or for full-time golf course employees. Authorization and documentation of salaries to be paid is a key control over payroll expenses for the Authority and is a basis for resolving any salary disputes.

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

Client's Response:

The Authority has created and engaged in employment contracts by and between the Authority and full-time golf course employees. Said contracts clearly stipulate total compensation to employee and are valid through December 31, 2011.

At the Authority Board's direction, the part-time director, continues to be an "at will employee".

08-1 Golf Course Internal Controls

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

We recommend that the Authority and Board review, establish, and monitor internal controls of the golf course. Duties should be segregated as much as possible, and a nepotism policy should be implemented.

Client's Response:

The Authority has now caused the employment of a new Golf Course Manager and also entered into an agreement with Sirius Golf Advisors LLC.

Polices, procedures, and internal controls are currently being reviewed, modified, and/or created to ensure strict compliance with state statute and regulatory agencies.

PREVIOUSLY REPORTED ITEM RESOLVED

Accounting Records (07-1)

In prior years, not all financial transactions were being recorded in the Authority's financial records, as some receipts were being passed directly on to others with no record of the money being received or the payments going out. We also found that a limited number of blank checks were being maintained in an unlocked desk drawer in the Authority's office for emergency use.

Resolution

In the current year audit, all financial transactions were recorded in the records of the Authority. The blank checks are now being stored in the City of Grand Marais vault.

II. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

09-2 Prompt Payment of Claims

The Authority is required by Minn. Stat. § 471.425 to make payment on vendor invoices according to the terms of the contract or within 35 days of the completed delivery of goods or services or the receipt of the invoice, whichever is later. In part, due to cash flow problems with both the Authority and the golf course, there were many claims either not paid in full or not paid at all within the timeline required by the statute. Payments not made within the 35-day period may be subject to interest.

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

Client's Response:

The Authority is acutely aware of Minn. Stat. § 471.425. The Authority did experience delays in vendor payment, and thereby incurred, and paid, interest charges on certain accounts. The Authority will make payment on vendor invoices within the stipulated guidelines of Minn. Stat. § 471.425.

PREVIOUSLY REPORTED ITEM RESOLVED

Performance Bond (09-1)

The Authority could not document that it had obtained a performance bond from a contractor on a golf course project. This performance bond for this contract was required in accordance with Minn. Stat. § 574.26.

Resolution

For the current year, there were no contracts entered into with any contractors where a performance bond was required.

B. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board's (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, is effective for the Cook County and Grand Marais Joint Economic Development Authority for the year ending December 31, 2011. 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.

Fund Balance Reporting

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

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

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

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

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

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

The Authority should begin the process for implementing the new fund balance classifications. A key step in successfully implementing the new fund balance requirements is to plan ahead. The Authority can start with the following steps:

- review the requirements of GASB Statement 54;
- review current fund balances and compare to the new classifications;
- reclassify January 1, 2011, fund balance using the new classifications;
- review/update/prepare a comprehensive fund balance policy;
- prepare appropriate Board resolutions to commit fund balance; and
- if the Board of Commissioners intends to delegate authority to assign fund balance, prepare the resolutions delegating that authority.

Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in the new standard. The new definition for a special revenue fund could have significant impact on the Authority's current fund classifications.

GASB Statement 54 provides a new and clearer description of when it is appropriate to account for an activity using a special revenue fund. Special revenue funds are used to report specific revenue sources restricted or committed to specified purposes other than debt service and capital projects, where the restricted or committed revenue sources comprise a substantial portion of the fund's resources, and are expected to continue to do so in the future. The standard does not define substantial portion; however, most recommendations are generally that the restricted or committed revenues should comprise at least 35 to 50 percent of total fund revenues. Under this definition, it is possible that some current special revenue funds will no longer meet the requirements for special revenue fund treatment. The Authority's management should review the Authority's special revenue fund to ensure this fund continues to warrant treatment as a special revenue fund.

The Authority's management should perform the following steps prior to December 31, 2011:

- prepare a list of the Authority's special revenue funds;

- determine the sources of revenues for each of those funds;

- identify whether any of those revenues are restricted or committed;

- determine if these restricted or committed revenues represent a substantial portion of the fund's revenues and are expected to continue to be a substantial source of revenues;

  - if yes, the fund may continue to be classified as a special revenue fund;

  - if not, determine whether the Authority will combine that fund with the general fund or with a similar purpose special revenue fund that meets the new definition;

- code revenues in the general ledger by source constraints--restricted, committed, assigned, or unassigned; and

- determine if there needs to be a restatement of beginning fund balances.

Additional implementation steps could include: informing any component units that they also will need to meet the requirements; deciding on how fund balance will be presented in the financials, such as detailed vs. aggregate methods; and developing the potential note disclosures. Additional guidance on GASB Statement 54 can be found on the Office of the State Auditor's website at: http://www.auditor.state.mn.us/other/Statements/fundbalances_postGASB54_1012_statement.pdf.

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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, 2010, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the Schedule of Findings and Recommendations as items 96-1, 06-2, and 08-1, that we consider to be significant deficiencies in internal control over financial reporting. 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.

<u>Compliance and Other Matters</u>

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*.

<u>Minnesota Legal Compliance</u>

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.

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 it is reported for that purpose.

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

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

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

September 23, 2011