State of Minnesota

Office of the State Auditor

Julie Blaha
State Auditor

Cook County and Grand Marais Joint Economic Development Authority Grand Marais, Minnesota (A Component Unit of Cook County)

Year Ended December 31, 2019

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 100 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 Minnesota's local 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, 2019

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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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, 2019

		Term Expires
Commissioners		
President	Howard Hedstrom	December 2019
Vice President	Anton Moody	December 2019
Treasurer	Scott Harrison	December 2023
Secretary	Heidi Doo-Kirk	December 2019
Commissioner	Carol Mork	December 2024
Commissioner	Bev Green	December 2024
Commissioner	Hal Greenwood	December 2020

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Cook County and Grand Marais Joint
 Economic Development Authority
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, 2019, 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 from 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, 2019, 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.

Emphasis of Matter – Subsequent Event

As discussed in Note 5 to the financial statements, subsequent to year-end, the World Health Organization declared the outbreak of a coronavirus (COVID-19) to be a pandemic, resulting in a reduction of rounds at the golf course. Our opinion is not modified with respect to this matter.

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 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 as 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 Supplementary 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 19, 2020, 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 solely 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 effectiveness of the Cook County and Grand Marais Joint Economic Development Authority's 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/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 19, 2020

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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, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 251,009	$ 175,294	$ 426,303
Taxes receivable	22,132	-	22,132
Accounts receivable	4,463	134,304	138,767
Internal balances	185,334	(185,334)	-
Inventories	-	49,718	49,718
Land held for resale	687,500	-	687,500
Capital assets			
Non-depreciable	-	213,685	213,685
Depreciable – net of accumulated depreciation	-	6,559,035	6,559,035
Total Assets	**$ 1,150,438**	**$ 6,946,702**	**$ 8,097,140**
Deferred Outflows of Resources			
Deferred pension outflows	**$ 8,093**	**$ 24,280**	**$ 32,373**
Liabilities			
Accounts payable	$ 96,586	$ 2,802	$ 99,388
Salaries payable	-	12,770	12,770
Gift certificates	-	19,284	19,284
Due to other governments	862,500	-	862,500
Capital lease payable – current	-	27,024	27,024
Long-term liabilities			
Capital lease payable	-	39,565	39,565
Loans payable	-	2,169,972	2,169,972
Net pension liability	45,613	136,838	182,451
Total Liabilities	**$ 1,004,699**	**$ 2,408,255**	**$ 3,412,954**
Deferred Inflows of Resources			
Deferred pension inflows	**$ 12,244**	**$ 36,731**	**$ 48,975**
Net Position			
Net investment in capital assets	$ -	$ 4,536,156	$ 4,536,156
Unrestricted	141,588	(10,160)	131,428
Total Net Position	**$ 141,588**	**$ 4,525,996**	**$ 4,667,584**

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Expenses	Program Charges for Services
Functions/Programs		
Governmental activities		
Urban and economic development	$ 1,309,562	$ -
Business-type activities		
Golf course	1,167,715	842,632
Total	**$ 2,477,277**	**$ 842,632**

General Revenues
Property taxes
Unrestricted investment earnings
Gain on sale of capital assets
Sale of business lots
Miscellaneous

Total general revenues

Change in net position

Net Position – Beginning

Net Position – Ending

EXHIBIT 2

Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Business-Type Activities	Total
$ 939,537	$ (370,025)	$ -	$ (370,025)
-	-	(325,083)	(325,083)
$ 939,537	**$ (370,025)**	**$ (325,083)**	**$ (695,108)**
	$ 349,315	$ -	$ 349,315
	-	546	546
	-	49,500	49,500
	29,616	-	29,616
	14,681	61,362	76,043
	$ 393,612	**$ 111,408**	**$ 505,020**
	$ 23,587	**$ (213,675)**	**$ (190,088)**
	118,001	**4,739,671**	**4,857,672**
	$ 141,588	**$ 4,525,996**	**$ 4,667,584**

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND

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

EXHIBIT 3

BALANCE SHEET
GENERAL FUND
DECEMBER 31, 2019

Assets		
Cash and cash equivalents	$	251,009
Taxes receivable		22,132
Accounts receivable		4,463
Land held for resale		687,500
Due from other funds		185,334
Total Assets	**$**	**1,150,438**
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	$	96,586
Due to other governments		862,500
Total Liabilities	**$**	**959,086**
Deferred Inflows of Resources		
Unavailable revenue – taxes		6,861
Fund Balances		
Unassigned		184,491
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$**	**1,150,438**

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

RECONCILIATION OF GENERAL FUND BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES DECEMBER 31, 2019

Fund balance – General Fund (Exhibit 3)	**$**	**184,491**
Amounts reported for governmental activities in the statement of net position are different because:		
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		6,861
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.		
Deferred outflows related to pensions		8,093
Deferred inflows related to pensions		(12,244)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Net pension liability		(45,613)
Net Position of Governmental Activities (Exhibit 1)	**$**	**141,588**

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

EXHIBIT 5

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

Revenues		
Taxes	$	347,484
Intergovernmental		939,431
Sale of business lots		29,616
Miscellaneous		14,681
Total Revenues	**$**	**1,331,212**
Expenditures		
Current		
Urban and economic development		
Salaries	$	63,164
Legal		45
Professional services		13,368
Rent		3,600
Advertising		5,085
Office		2,540
Insurance		2,722
Telephone and internet		698
Affordable housing		96,436
Other housing expense		30,346
LKJ workforce program		28,280
Cedar Grove Business Park		89,918
YMCA childcare project		70,000
Lutsen-Tofte mountain bike project		174,431
North House/Dockside project		100,000
Village North projects		86,401
Lutsen housing project		448,889
Other		85,574
Total Expenditures	**$**	**1,301,497**
Change in Fund Balance	**$**	**29,715**
Fund Balance – January 1		**154,776**
Fund Balance – December 31	**$**	**184,491**

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

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GENERAL FUND TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019

Net change in fund balance – General Fund (Exhibit 5)			**$**	**29,715**
Amounts reported for governmental activities in the statement of activities are different because:				
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.				
Deferred inflows of resources – December 31	$	6,861		
Deferred inflows of resources – January 1		(5,030)		1,831
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.				
Change in net pension liability	$	(1,676)		
Change in deferred pension outflows		(5,681)		
Change in deferred pension inflows		(602)		(7,959)
Change in Net Position of Governmental Activities (Exhibit 2)			**$**	**23,587**

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

PROPRIETARY FUND

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

EXHIBIT 7

STATEMENT OF NET POSITION
GOLF COURSE ENTERPRISE FUND
DECEMBER 31, 2019

Assets		
Current assets		
Cash and cash equivalents	$	175,294
Accounts receivable		134,304
Inventories		49,718
Total current assets	**$**	**359,316**
Noncurrent assets		
Capital assets		
Not depreciated – land	$	213,685
Depreciable – net of depreciation		6,559,035
Total noncurrent assets	**$**	**6,772,720**
Total Assets	**$**	**7,132,036**
Deferred Outflows of Resources		
Deferred pension outflows	**$**	**24,280**
Liabilities		
Current liabilities		
Accounts payable	$	2,802
Salaries payable		12,770
Gift certificates		19,284
Due to other funds		185,334
Capital lease payable – current		27,024
Total current liabilities	**$**	**247,214**
Noncurrent liabilities		
Capital lease payable	$	39,565
Loans payable		2,169,972
Net pension liability		136,838
Total noncurrent liabilities	**$**	**2,346,375**
Total Liabilities	**$**	**2,593,589**

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
(Continued)

STATEMENT OF NET POSITION
GOLF COURSE ENTERPRISE FUND
DECEMBER 31, 2019

Deferred Inflows of Resources		
Deferred pension inflows	**$**	**36,731**
Net Position		
Net investment in capital assets	$	4,536,156
Unrestricted		(10,160)
Total Net Position	**$**	**4,525,996**

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 8

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
GOLF COURSE ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

Operating Revenues		
Sales		
Food and beverage	$	113,550
Merchandise		110,215
Less: cost of goods sold		(126,545)
Net sales	**$**	**97,220**
Charges for services		
Green fees	$	672,365
Other		73,047
Total Operating Revenues	**$**	**842,632**
Operating Expenses		
Salaries and wages	$	369,090
Payroll taxes		49,766
Retirement contribution		14,349
Grounds maintenance and supplies		119,024
Clubhouse maintenance and supplies		13,190
Golf cart leases and maintenance		32,349
Insurance		19,744
Utilities		33,509
Telephone		2,928
Office		1,683
Accounting and audit		4,900
Dues and licenses		6,104
Travel		3,254
Marketing		66,626
Bank charges and fees		22,928
Other		4,529
Depreciation		388,883
Total Operating Expenses	**$**	**1,152,856**
Operating Income (Loss)	**$**	**(310,224)**

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 8
(Continued)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
GOLF COURSE ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

Nonoperating Revenues (Expenses)		
Interest income	$	546
Interest expense		(14,859)
Marketing grant		50,000
Miscellaneous income		11,362
Gain on sale of capital assets		49,500
Total Nonoperating Revenues (Expenses)	**$**	**96,549**
Change in Net Position	**$**	**(213,675)**
Net Position – January 1		**4,739,671**
Net Position – December 31	**$**	**4,525,996**

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

EXHIBIT 9

STATEMENT OF CASH FLOWS
GOLF COURSE ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

Cash Flows from Operating Activities		
Receipts from customers	$	836,113
Payments to suppliers		(534,562)
Payments to employees		(358,980)
Net cash provided by (used in) operating activities	**$**	**(57,429)**
Cash Flows from Noncapital Financing Activities		
Marketing grant	$	50,000
Miscellaneous income		11,362
Net cash provided by (used in) noncapital financing activities	**$**	**61,362**
Cash Flows from Capital and Related Financing Activities		
Interest paid on capital lease	$	(14,859)
Capital asset additions		(42,288)
Sale of capital assets		49,500
Principal paid on capital lease		(26,087)
Net cash provided by (used in) capital and related financing activities	**$**	**(33,734)**
Cash Flows from Investing Activities		
Interest on investments	**$**	**546**
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**(29,255)**
Cash and Cash Equivalents at January 1		**204,549**
Cash and Cash Equivalents at December 31	**$**	**175,294**
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	**$**	**(310,224)**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense		388,883
(Increase) decrease in accounts receivable		(131,018)
(Increase) decrease in inventories		(12,034)
(Increase) decrease in deferred pension obligation outflows		24,556
Increase (decrease) in accounts payable		(1,100)
Increase (decrease) in salaries payable		9,039
Increase (decrease) in unearned revenue		(2,046)
Increase (decrease) in deferred pension obligation inflows		(4,545)
Increase (decrease) in pension liability		(18,940)
Net Cash Provided by (Used in) Operating Activities	**$**	**(57,429)**

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

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1. Summary of Significant Accounting Policies

The Cook County and Grand Marais Joint Economic Development Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2019. 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, of which four members are 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. The Authority is considered to be a component unit of Cook County and is included in Cook County's annual financial report.

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.

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, and Authority management has operational responsibility for the RDC.	Separate financial statements are not prepared.

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Blended Component Unit (Continued)

The Resource Development Council of Cook County, Inc., did not report any activity in 2019.

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) net 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.

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.

The Authority reports the following major governmental fund:

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 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 full 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

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

liability is incurred, except for principal and interest on long-term debt, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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.

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. Deposits and Investments

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

The cash balances of all funds are pooled by the Authority for the purpose of increasing earnings.

Cash and cash equivalents are identified for the purpose of the statement of cash flows for the proprietary fund.

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.

No allowance for uncollectible receivables has been provided because such amounts are not expected to be material.

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. Inventories are recorded as expenses when consumed.

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.

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 acquisition value.

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

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.

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 reports 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 one item, deferred pension outflows, that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date, differences between expected and actual economic experience, changes in actuarial assumptions, and also the pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports 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. Currently, the Authority has two types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes receivable for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The Authority also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience, changes in actuarial assumptions, pension plan changes in proportionate share, and differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position.

1. Summary of Significant Accounting Policies

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

9. Classification of Net Position

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

Net 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.

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.

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)

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.

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. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

1. Summary of Significant Accounting Policies

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

12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; 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

Excess of Expenses Over Appropriations

The following fund had expenses in excess of budget for the year ended December 31, 2019:

	Expenses	Final Budget	Excess
Golf Course Enterprise Fund operating expenses	$ 1,152,856	$ 835,088	$ 317,768

Finance-Related Noncompliance

Minnesota Statutes section 118A.03, subdivisions 1 and 3, require the Authority to obtain collateral to secure deposits to the extent that funds on deposit exceed available federal deposit insurance at the close of the financial institution’s banking day. The market value of the collateral should be at least ten percent more than the uninsured and unbonded amount on deposit. The amount of deposits on hand at December 31, 2019, exceeded Federal Deposit Insurance Corporation insurance by $177,265. There was no collateral pledged to secure these excess deposits. Collateral will be purchased or another bank account will be opened at a separate financial institution in subsequent years to ensure the Authority is in compliance with Minnesota statutes.

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.

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, 2019, $177,265 of the Authority's deposits were exposed to custodial credit risk.

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.

At December 31, 2019, the Authority had no investments.

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Capital Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Furniture and equipment	$ 1,986	$ -	$ -	$ 1,986
Less: accumulated depreciation for				
Furniture and equipment	1,986	-	-	1,986
Governmental Activities Capital Assets, Net	$ -	$ -	$ -	$ -

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 213,685	$ -	$ -	$ 213,685
Capital assets depreciated				
Land improvements	$ 10,398,771	$ -	$ -	$ 10,398,771
Buildings and structures	422,145	-	-	422,145
Furniture and equipment	1,149,492	42,290	34,225	1,157,557
Total capital assets depreciated	$ 11,970,408	$ 42,290	$ 34,225	$ 11,978,473
Less: accumulated depreciation for				
Land improvements	$ 3,739,687	$ 350,597	$ -	$ 4,090,284
Buildings and structures	374,285	4,499	-	378,784
Furniture and equipment	950,808	33,787	34,225	950,370
Total accumulated depreciation	$ 5,064,780	$ 388,883	$ 34,225	$ 5,419,438
Total capital assets depreciated, net	$ 6,905,628	$ (346,593)	$ -	$ 6,559,035
Business-Type Activities Capital Assets, Net	$ 7,119,313	$ (346,593)	$ -	$ 6,772,720

3. Detailed Notes on All Funds

A. Assets

2. Capital Assets

Business-Type Activities (Continued)

Depreciation expense was charged to functions/programs as follows:

Business-Type Activities	
Golf course	$ 388,883

B. Interfund Receivables and Payables

The composition of the interfund balance as of December 31, 2019, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Golf Course Enterprise Fund	$ 185,334

The General Fund has loaned money to the Golf Course Fund to help cover start-up costs in certain years at the golf course. The outstanding balance of these loans at December 31, 2019, is $185,334. The golf course plans to repay the loan to the General Fund 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 $32,349 for the year ended December 31, 2019. The leases were paid in full at December 31, 2019.

3. Detailed Notes on All Funds

C. Liabilities

1. Leases (Continued)

Capital Leases

The Authority has three lease agreements that qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The Authority entered into a lease-purchase arrangement with Merchants Bank Equipment Finance to purchase a skid steer loader in 2016. The original lease balance totaled $39,826 at an interest rate of 3.05 percent. The Authority entered into a lease-purchase arrangement with Merchants Bank Equipment Finance to purchase a Toro Reelmaster mower in 2017. The original lease balance totaled $61,230 at an interest rate of 3.40 percent. The Authority entered into a lease-purchase arrangement with Merchants Bank Equipment Finance to purchase a Ventrac compact tractor with mower attachments in 2018. The original lease balance totaled $34,337 at an interest rate of 4.40 percent. Payments on the capital leases are made from the Golf Course Enterprise Fund. The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2019, were as follows:

Year Ended December 31	Amount
2020	$ 27,024
2021	21,596
2022	13,644
2023	4,325
Total	$ 66,589

2. Governmental Funds/Activities

The Authority took out a loan of $225,000 in 2012 from Cook County to pay operating costs. The Authority has repaid $50,000 to Cook County to date, leaving a remaining balance at December 31, 2019, of $175,000.

3. Detailed Notes on All Funds

C. Liabilities

2. Governmental Funds/Activities (Continued)

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 sales 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 lower of historical cost or fair value as land held for resale and due to other governments on the balance sheet and statement of net position.

The Authority owes the City of Grand Marais proceeds for land held for resale after lots are sold. The value of the lots as of December 31, 2019, was estimated at $687,500.

Debt activity for the year ended December 31, 2019, is:

	Beginning Balance	Additions	Payments	Ending Balance
Operating loan	$ 175,000	$ -	$ -	$ 175,000
Land held for resale	742,500	-	55,000	687,500
Due to Other Governments	$ 917,500	$ -	$ 55,000	$ 862,500

3. Business-Type Activities

In October 2014, Cook County issued General Obligation Tax Abatement Bonds, Series 2014A, on behalf of the Cook County and Grand Marais Joint Economic Development Authority. The bonds have a face value of $2,410,000 and will be repaid over a period of 15 years. Proceeds of the bonds were used to help finance improvements to the Superior National at Lutsen Golf Course. The Authority entered into a loan agreement with Cook County to repay the County for the debt issued.

3. Detailed Notes on All Funds

C. Liabilities

3. Business-Type Activities (Continued)

A summary of changes in long-term debt follows:

	Beginning Balance	Additions	Payments/ Adjustments	Ending Balance
Loans payable	$ 2,169,972	$ -	$ -	$ 2,169,972

D. Defined Benefit Pension Plan

1. Plan Description

All full-time and certain part-time employees of the Cook County and Grand Marais Joint Economic Development Authority are covered by a defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (the General Employees Plan), which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security, and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No Authority employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

3. Detailed Notes on All Funds

D. Defined Benefit Pension Plan (Continued)

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January.

Beginning January 1, 2019, General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase.

For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

The benefit provisions stated in the following paragraph 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 their public service.

Benefits are based on a member’s highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive 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 Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989.

3. Detailed Notes on All Funds

D. Defined Benefit Pension Plan

2. Benefits Provided (Continued)

For General Employees Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based on years of service and average high-five salary.

3. Contributions

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. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2019.

In 2019, the Authority was required to contribute 7.50 percent of annual covered salary. The employee and employer contribution rates did not change from the previous year.

The Authority's contributions for the General Employees Plan for the year ended December 31, 2019, were $17,154. The contributions are equal to the contractually required contributions as set by state statute.

4. Pension Costs

At December 31, 2019, the Authority reported a liability of $182,451 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the Authority's proportion was 0.0033 percent. It was 0.0036 percent measured as of June 30, 2018.

3. Detailed Notes on All Funds

D. Defined Benefit Pension Plan

4. Pension Costs (Continued)

The Authority recognized pension expense of $26,182 for its proportionate share of the General Employees Plan's pension expense.

The Authority also recognized $424 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan annually.

The Authority's proportionate share of the net pension liability	$	182,451
State of Minnesota's proportionate share of the net pension liability associated with the Authority		5,666
Total	$	188,117

The Authority reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual economic experience	$	5,139	$	-
Changes in actuarial assumptions		-		14,948
Difference between projected and actual investment earnings		-		21,544
Changes in proportion		18,564		12,483
Contributions paid to PERA subsequent to the measurement date		8,670		-
Total	$	32,373	$	48,975

3. Detailed Notes on All Funds

D. Defined Benefit Pension Plan

4. Pension Costs (Continued)

The $8,670 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2020	$ (940)
2021	(16,463)
2022	(8,160)
2023	291

5. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent.

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. Inflation and investment assumptions were reviewed in the experience study report for the General Employees Plan dated June 27, 2019.

3. Detailed Notes on All Funds

D. Defined Benefit Pension Plan

5. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 7.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.50%	5.10%
International equity	17.50	5.30
Fixed income	20.00	0.75
Private markets	25.00	5.90
Cash equivalents	2.00	0.00

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2019, which remained consistent with 2018. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

3. Detailed Notes on All Funds

D. Defined Benefit Pension Plan (Continued)

7. Changes in Actuarial Assumptions

The following change in actuarial assumptions occurred in 2019:

- The mortality projection scale was changed from MP-2017 to MP-2018.

8. Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	Proportionate Share of the General Employees Plan	
	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 299,937
Current	7.50	182,451
1% Increase	8.50	85,440

9. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

4. Risk Management

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

5. Subsequent Event

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) to be a pandemic. This is resulting in a reduction of rounds played at the golf course and is expected to cause a significant decline in charges for services revenue. The total impact is unknown at this time.

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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 349,054	$ 349,054	$ 347,484	$ (1,570)
Intergovernmental	1,361,604	1,361,604	939,431	(422,173)
Sale of business lots	-	-	29,616	29,616
Miscellaneous	3,720	3,720	14,681	10,961
Total Revenues	**$ 1,714,378**	**$ 1,714,378**	**$ 1,331,212**	**$ (383,166)**
Expenditures				
Current				
Urban and economic development				
Salaries	$ 67,000	$ 67,000	$ 63,164	$ 3,836
Legal	2,000	2,000	45	1,955
Professional services	18,000	18,000	13,368	4,632
Rent	3,600	3,600	3,600	-
Advertising	8,307	8,307	5,085	3,222
Office	11,307	11,307	2,540	8,767
Insurance	5,000	5,000	2,722	2,278
Telephone and internet	-	-	698	(698)
Affordable housing	150,000	150,000	96,436	53,564
Other housing expense	23,750	23,750	30,346	(6,596)
LKJ workforce program	-	-	28,280	(28,280)
Cedar Grove Business Park	60,000	60,000	89,918	(29,918)
YMCA childcare project	70,000	70,000	70,000	-
Lutsen-Tofte mountain bike project	375,000	375,000	174,431	200,569
North House/Dockside project	100,000	100,000	100,000	-
Village North projects	97,500	97,500	86,401	11,099
Lutsen housing project	614,104	614,104	448,889	165,215
Other	78,810	78,810	85,574	(6,764)
Total Expenditures	**$ 1,684,378**	**$ 1,684,378**	**$ 1,301,497**	**$ 382,881**
Change in Fund Balance	**$ 30,000**	**$ 30,000**	**$ 29,715**	**$ (285)**
Fund Balance – January 1	**154,776**	**154,776**	**154,776**	**-**
Fund Balance – December 31	**$ 184,776**	**$ 184,776**	**$ 184,491**	**$ (285)**

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

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

EXHIBIT A-2

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2019

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the Cook County and Grand Marais Joint Economic Development Authority (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.0033 %	$ 182,451	$ 5,666	$ 188,117	$ 230,867	79.03 %	80.23 %
2018	0.0036	199,715	6,519	206,234	235,613	84.76	79.53
2017	0.0034	217,055	2,766	219,821	222,000	97.77	75.90
2016	0.0028	227,348	3,036	230,384	174,653	130.17	68.91
2015	0.0030	155,476	N/A	155,476	174,824	88.93	78.19

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A – Not Applicable

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

EXHIBIT A-3

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2019

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2019	$ 17,154	$ 17,154	$ -	$ 228,720	7.50 %
2018	18,051	18,051	-	240,680	7.50
2017	15,832	15,832	-	211,093	7.50
2016	15,808	15,808	-	210,773	7.50
2015	12,657	12,657	-	168,760	7.50

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The Cook County and Grand Marais Joint Economic Development Authority's year-end is December 31.

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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. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the fiscal year June 30:

General Employees Retirement Plan

2019

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.

- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

2. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2018 (Continued)

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.

- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

- Contribution stabilizer provisions were repealed.

- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.

- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.

2. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2017 (Continued)

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21 million in calendar years 2017 and 2018 and returns to $31 million through calendar year 2031. The state's required contribution is $16 million in PERA's fiscal years 2018 and 2019 and returns to $6 million annually through calendar year 2031.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

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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, 2019

	Budget	Actual	Variance
Operating Revenues			
Sales			
Food, beverage, and merchandise	$ 235,950	$ 223,765	$ (12,185)
Less: cost of goods sold	(123,338)	(126,545)	(3,207)
Net sales	**$ 112,612**	**$ 97,220**	**$ (15,392)**
Charges for services			
Green fees and other charges	832,000	745,412	(86,588)
Total Operating Revenues	**$ 944,612**	**$ 842,632**	**$ (101,980)**
Operating Expenses			
Current			
Culture and recreation			
Salaries and wages	$ 362,500	$ 369,090	$ (6,590)
Payroll taxes	54,709	49,766	4,943
Retirement contribution	13,313	14,349	(1,036)
Grounds maintenance and supplies	170,000	119,024	50,976
Clubhouse maintenance and supplies	19,600	13,190	6,410
Golf cart leases and maintenance	39,909	32,349	7,560
Insurance	18,500	19,744	(1,244)
Utilities	38,340	33,509	4,831
Telephone	3,300	2,928	372
Office	1,500	1,683	(183)
Accounting and audit	5,000	4,900	100
Legal fees	1,000	-	1,000
Dues and licenses	7,000	6,104	896
Travel	3,000	3,254	(254)
Marketing	70,000	66,626	3,374
Bank charges and fees	23,917	22,928	989
Other	3,500	4,529	(1,029)
Depreciation	-	388,883	(388,883)
Total Operating Expenses	**$ 835,088**	**$ 1,152,856**	**$ (317,768)**
Operating Income (Loss)	**$ 109,524**	**$ (310,224)**	**$ (419,748)**

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, 2019

	Budget	Actual	Variance
Nonoperating Revenues (Expenses)			
Interest income	$ 500	$ 546	$ 46
Interest expense	(2,978)	(14,859)	(11,881)
Marketing grant	50,000	50,000	-
Miscellaneous income	10,000	11,362	1,362
Gain on sale of capital assets	-	49,500	49,500
Total Nonoperating Revenues (Expenses)	**$ 57,522**	**$ 96,549**	**$ 39,027**
Change in Net Position	**$ 167,046**	**$ (213,675)**	**$ (380,721)**
Net Position – January 1	**4,739,671**	**4,739,671**	**-**
Net Position – December 31	**$ 4,906,717**	**$ 4,525,996**	**$ (380,721)**

Management and Compliance Section

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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, 2019, 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 19, 2020.

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.

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. 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 the attention of those charged with governance.

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. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Recommendations as items 2019-001 and 2019-002, that we consider 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

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 contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, except as described in the Schedule of Findings and Recommendations as items 2019-003 and 2019-004. 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, insofar as they relate to accounting matters.

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 are described in the Corrective Action Plan. 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 Other 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/Julie Blaha	*/s/Greg Hierlinger*
JULIE BLAHA STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

August 19, 2020

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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, 2019

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

INTERNAL CONTROL

Finding Number: 2019-001

Prior Year Finding Number: 1996-001

Repeat Finding Since: 1996

Segregation of Duties

Criteria: Management is responsible for establishing and maintaining internal controls. 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.

View of Responsible Official: Acknowledged

Finding Number: 2019-002

Prior Year Finding Number: 2008-001

Repeat Finding Since: 2008

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.

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.

View of Responsible Official: Acknowledged

II. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

Finding Number: 2019-003

Prior Year Finding Number: 2015-002

Repeat Finding Since: 2015

Insufficient Collateral

Criteria: Governmental entities are required by Minn. Stat. § 118A.03, subds. 1 and 3, to obtain collateral to secure deposits to the extent that funds on deposit exceed available federal deposit insurance at the close of the financial institution's banking day. The market value of the collateral should be at least ten percent more than the uninsured and unbonded amount on deposit.

Condition: On December 31, 2019, the Authority had deposits at the North Shore Federal Credit Union that were not adequately covered by collateral.

Context: The amount of deposits on hand with North Shore Federal Credit Union at December 31, 2019, exceeded Federal Deposit Insurance Corporation insurance by $177,265. There was no collateral pledged to secure these excess deposits.

Effect: When the Authority has insufficient collateral with a bank, the Authority may not receive all deposits in the event of a bank default.

Cause: Oversight in identifying and obtaining the required collateral.

Recommendation: We recommend the Authority monitor all deposits to determine there is adequate collateral pledged to secure deposits in accordance with Minn. Stat. § 118A.03.

View of Responsible Official: Acknowledged

Finding Number: 2019-004

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

<u>Use of Public Funds</u>

Criteria: In general, a public entity must have express or implied statutory (or charter) authority to make an expenditure. In addition, the expenditure must be made for a public purpose. See Minn. Const., art. X, § 1 ("Taxes . . . shall be levied and collected for public purposes."); Visina v. Freeman, 89 N.W.2d 635 (1958) (courts generally construe "public purpose" to mean "such an activity as will serve as a benefit to the community as a body and which, at the same time, is directly related to the functions of government"); Tousley v. Leach, 180 Minn. 293, 230 N.W. 788 (1930) (public funds may be used by public entity if the purpose is a public one for which tax money may be used, there is authority to make the expenditure, and the use is genuine).

Condition: The Authority paid bonuses to golf course employees during the year. These bonuses were not authorized under a pre-existing agreement or pursuant to collective bargaining.

Context: The bonuses totaled $9,000 for three golf course employees.

Effect: Authority funds were used for expenditures that either do not meet a public purpose or for a purpose that the Authority does not have statutory authority to use.

Cause: The Authority was not aware that they could not pay bonuses unless they were part of a pre-existing agreement or collectively bargained.

Recommendation: We recommend the Authority discontinue the practice of paying bonuses to employees, unless they are included as part of a pre-existing agreement or collective bargaining.

View of Responsible Official: Acknowledged

III. PREVIOUSLY REPORTED ITEM RESOLVED

2011-001 Audit Adjustment

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

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2019

Finding Number: 2019-001
Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Paul Goettl, Accounting Support

Corrective Action Planned:

Work with the EDA Director to ensure that proper accounting segregation takes place, including approval of payments, signatures, deposits, reconciliations, and financial statements.

Anticipated Completion Date:

December 31, 2020

Finding Number: 2019-002
Finding Title: Golf Course Internal Controls

Name of Contact Person Responsible for Corrective Action:

Scott Harrison, Treasurer, EDA

Corrective Action Planned:

Continue to work with the management team to monitor and account for activity happening at the golf course.

Anticipated Completion Date:

Completed

Finding Number: 2019-003
Finding Title: Insufficient Collateral

Name of Contact Person Responsible for Corrective Action:

Scott Harrison, Treasurer, EDA

Corrective Action Planned:

We will work with our current financial institution to furnish collateral security, or will open another account at a separate financial institution.

Anticipated Completion Date:

December 31, 2020

Finding Number: 2019-004
Finding Title: Use of Public Funds

Name of Contact Person Responsible for Corrective Action:

Mary Somnis, Executive Director, EDA

Corrective Action Planned:

We will amend the employment agreements to include the ability to award performance bonuses at the end of the season, if warranted.

Anticipated Completion Date:

December 31, 2020

COOK COUNTY/GRAND MARAIS
ECONOMIC DEVELOPMENT AUTHORITY
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REPRESENTATION OF COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

Finding Number: 1996-001
Finding Title: Segregation of Duties

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

Summary of Corrective Action Previously Reported: Work with the EDA Director to ensure that proper accounting segregation takes place, including approval of payments, signatures, deposits, reconciliations, and financial statements.

Status: Partially Corrected. The EDA board hired a full-time Director in May, 2016. This should help with approval of monies spent and following the approved budget.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2008-001
Finding Title: Golf Course Internal Controls

Summary of Condition: The golf pro, at times, will work the cash registers, process daily closing reports, and prepare deposits.

Summary of Corrective Action Previously Reported: Continue to work with the management team to monitor and account for activity happening at the golf course.

Status: Partially Corrected. The General Manager is continuing to work with the Management Team to monitor activity at the Golf Course due to the limited staffing at the Golf Course.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2011-001
Finding Title: Audit Adjustment

Summary of Condition: An audit adjustment was identified that resulted in a significant change to the Authority's financial statements. This adjustment was reviewed and approved by management and properly reflected in the financial statements.

Summary of Corrective Action Previously Reported: Once the Lutsen Workforce Housing project is completed in 2019, there should not be any material misstatement to the financial statements.

Status: Corrected. There were no material adjustments required to be made in the current year per discussion with our auditors.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2015-002
Finding Title: Insufficient Collateral

Summary of Condition: On December 31, 2018, the Authority had deposits at the North Shore Federal Credit Union that were not adequately covered by collateral.

Summary of Corrective Action Previously Reported: We will work with our current financial institution to furnish collateral security, or will open another account at a separate financial institution.

Status: Not Corrected. This again will be brought to the Board's attention.
Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___