STATE OF MINNESOTA

Office of the State Auditor

Rebecca Otto
State Auditor

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

YEAR ENDED DECEMBER 31, 2013

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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

Year Ended December 31, 2013

Audit Practice Division
Office of the State Auditor
State of Minnesota

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

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Introductory Section

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

ORGANIZATION
DECEMBER 31, 2013

		Term Expires
Commissioners		
President	Mark Sandbo	December 2018
Vice President	Howard Hedstrom	December 2017
Treasurer	Scott Harrison	December 2017
Secretary	Heidi Doo-Kirk	December 2015
Commissioner	Abby Tofte	December 2018
Commissioner	Robert Spry	December 2016
Commissioner	Hal Greenwood	December 2014

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Cook County and Grand Marais Joint
Economic Development Authority
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, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Cook County and Grand Marais Joint Economic Development Authority as of December 31, 2013, 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 - Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2013 the Authority adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which represent changes in accounting principles. 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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cook County and Grand Marais Joint Economic Development Authority's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2014, on our consideration of the Cook County and Grand Marais Joint Economic Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cook County and Grand Marais Joint Economic Development Authority's internal control over financial reporting and compliance.

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

September 25, 2014

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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, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	$ 40,987	$ 57,475	$ 98,462
Taxes receivable	12,548	-	12,548
Accounts receivable - net	9,000	4,246	13,246
Internal balances	170,585	(170,585)	-
Inventories	-	42,202	42,202
Restricted assets - investments	-	349,479	349,479
Capital assets			
Non-depreciable	2,612,033	1,139,035	3,751,068
Depreciable - net of accumulated depreciation	-	1,869,857	1,869,857
Total Assets	**$ 2,845,153**	**$ 3,291,709**	**$ 6,136,862**
Liabilities			
Accounts payable	$ 31,542	$ 11,244	$ 42,786
Contracts payable	43,722	-	43,722
Gift certificates	-	15,511	15,511
Due to other governments	185,000	-	185,000
Accrued interest payable	-	6,073	6,073
Unearned revenue	-	20,940	20,940
Bonds payable	-	340,000	340,000
Total Liabilities	**$ 260,264**	**$ 393,768**	**$ 654,032**
Net Position			
Net investment in capital assets	$ 2,612,033	$ 2,668,892	$ 5,280,925
Restricted for debt service	-	343,406	343,406
Unrestricted	(27,144)	(114,357)	(141,501)
Total Net Position	**$ 2,584,889**	**$ 2,897,941**	**$ 5,482,830**

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

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

EXHIBIT 2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs						
Governmental activities						
Urban and economic development	$ 175,146	$ -	$ 57,720	$ (117,426)	$ -	$ (117,426)
Business-type activities						
Golf course	962,530	774,141	-	-	(188,389)	(188,389)
Total	**$ 1,137,676**	**$ 774,141**	**$ 57,720**	**$ (117,426)**	**$ (188,389)**	**$ (305,815)**

	Governmental Activities	Business-Type Activities	Total
General Revenues			
Property taxes	$ 149,271	$ -	$ 149,271
Lodging taxes	-	50,000	50,000
Sales taxes	-	985,249	985,249
Unrestricted investment earnings	2	106	108
Gain on sale of capital assets	-	900	900
Miscellaneous	20,806	62,835	83,641
Transfers	(100,335)	100,335	-
Total general revenues and transfers	**$ 69,744**	**$ 1,199,425**	**$ 1,269,169**
Change in net position	**$ (47,682)**	**$ 1,011,036**	**$ 963,354**
Net Position - Beginning	**2,632,571**	**1,886,905**	**4,519,476**
Net Position - Ending	**$ 2,584,889**	**$ 2,897,941**	**$ 5,482,830**

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

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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

EXHIBIT 3

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General	Resource Development Council	Total
Assets			
Cash	$ 40,987	$ -	$ 40,987
Taxes receivable	12,548	-	12,548
Accounts receivable	9,000	-	9,000
Due from other funds	170,585	-	170,585
Total Assets	**$ 233,120**	**$ -**	**$ 233,120**
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	$ 31,542	$ -	$ 31,542
Contracts payable	43,722	-	43,722
Due to other governments	185,000	-	185,000
Total Liabilities	**$ 260,264**	**$ -**	**$ 260,264**
Deferred Inflows of Resources			
Unavailable revenue - taxes	4,771	-	4,771
Fund Balances			
Unassigned	(31,915)	-	(31,915)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 233,120**	**$ -**	**$ 233,120**
Fund balances - total governmental funds			**$ (31,915)**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			2,612,033
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.			4,771
Net Position of Governmental Activities (Exhibit 1)			**$ 2,584,889**

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

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

EXHIBIT 4

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	General	Resource Development Council	Total
Revenues			
Taxes	$ 149,846	$ -	$ 149,846
Intergovernmental	42,720	15,000	57,720
Investment earnings	-	2	2
Miscellaneous	20,806	-	20,806
Total Revenues	**$ 213,372**	**$ 15,002**	**$ 228,374**
Expenditures			
Current			
Urban and economic development			
Board per diems	$ 2,070	$ -	$ 2,070
Legal	540	-	540
Professional services	3,758	-	3,758
Rent	2,250	-	2,250
Advertising	440	-	440
Office	10,424	-	10,424
Insurance	4,600	-	4,600
Telephone and internet	852	-	852
Affordable housing	33,540	-	33,540
Other housing expense	97,233	-	97,233
Other	1,062	18,377	19,439
Total Expenditures	**$ 156,769**	**$ 18,377**	**$ 175,146**
Excess of Revenues Over (Under) Expenditures	**$ 56,603**	**$ (3,375)**	**$ 53,228**
Other Financing Sources (Uses)			
Transfer Out	(100,335)	-	(100,335)
Change in Fund Balance	**$ (43,732)**	**$ (3,375)**	**$ (47,107)**
Fund Balance - January 1	**11,817**	**3,375**	**15,192**
Fund Balance - December 31	**$ (31,915)**	**$ -**	**$ (31,915)**

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

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

EXHIBIT 4
(Continued)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

Net change in fund balance	**$**	**(47,107)**
In governmental funds, under the modified accrual basis, revenues not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The increase or decrease in deferred revenue is the adjustment to revenue between the fund statements and the statement of activities.		
Deferred inflows of resources - December 31		4,771
Deferred inflows of resources - January 1		(5,346)
Change in Net Position of Governmental Activities (Exhibit 2)	**$**	**(47,682)**

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PROPRIETARY FUND

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

EXHIBIT 5

STATEMENT OF NET POSITION
GOLF COURSE ENTERPRISE FUND
DECEMBER 31, 2013

Assets		
Current assets		
Cash	$	57,475
Accounts receivable		4,246
Inventories		42,202
Total current assets	**$**	**103,923**
Restricted assets		
Assets held by trustee	**$**	**349,479**
Noncurrent assets		
Capital assets		
Not depreciated - land	$	1,139,035
Depreciable - net of depreciation		1,869,857
Total noncurrent assets	**$**	**3,008,892**
Total Assets	**$**	**3,462,294**
Liabilities		
Current liabilities		
Accounts payable	$	11,244
Gift certificates		15,511
Due to other funds		170,585
Unearned revenue		20,940
Total current liabilities	**$**	**218,280**
Current liabilities payable from restricted assets		
Interest payable	$	6,073
Bonds payable - current		340,000
Total current liabilities payable from restricted assets	**$**	**346,073**
Total Liabilities	**$**	**564,353**
Net Position		
Net investment in capital assets	$	2,668,892
Restricted for debt service		343,406
Unrestricted		(114,357)
Total Net Position	**$**	**2,897,941**

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

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

EXHIBIT 6

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
GOLF COURSE ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

Operating Revenues		
Sales		
Food and beverage	$	103,413
Merchandise		105,412
Less: cost of goods sold		(118,940)
Net sales	**$**	**89,885**
Charges for services		
Green fees	$	570,077
Other		114,179
Total Operating Revenues	**$**	**774,141**
Operating Expenses		
Personal services	$	351,272
Payroll taxes		57,025
Retirement contribution		16,043
Grounds maintenance and supplies		115,224
Clubhouse maintenance and supplies		15,051
Golf cart leases and maintenance		27,329
Insurance		20,431
Utilities		31,477
Telephone		1,840
Office		3,082
Accounting and audit		12,683
Legal fees		2,612
Dues and licenses		3,484
Travel		216
Marketing		42,279
Bank charges and fees		16,837
Other		25,440
Depreciation		195,065
Total Operating Expenses	**$**	**937,390**
Operating Income (Loss)	**$**	**(163,249)**

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

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

EXHIBIT 6
(Continued)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
GOLF COURSE ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

Nonoperating Revenues (Expenses)		
Interest income	$	106
Lodging tax		50,000
Sales taxes		985,249
Insurance reimbursement		12,835
Marketing grant		50,000
Gain on sale of capital assets		900
Interest expense		(25,140)
Total Nonoperating Revenues (Expenses)	**$**	**1,073,950**
Income Before Transfers	**$**	**910,701**
Transfer in		100,335
Change in Net Position	**$**	**1,011,036**
Net Position - January 1		**1,886,905**
Net Position - December 31	**$**	**2,897,941**

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

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

EXHIBIT 7

STATEMENT OF CASH FLOWS
GOLF COURSE ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

Cash Flows from Operating Activities		
Receipts from customers	$	873,078
Payments to suppliers		(489,918)
Payments to employees		(351,272)
Net cash provided by (used in) operating activities	**$**	**31,888**
Cash Flows from Noncapital Financing Activities		
Lodging taxes received	$	50,000
Sales taxes		985,249
Insurance reimbursement		12,835
Marketing grant		50,000
Net cash provided by (used in) noncapital financing activities	**$**	**1,098,084**
Cash Flows from Capital and Related Financing Activities		
Payments to trustee for debt service	$	(196,609)
Capital asset additions		(925,350)
Sale of capital assets		900
Net cash provided by (used in) capital and related financing activities	**$**	**(1,121,059)**
Cash Flows from Investing Activities		
Interest on investments	**$**	**106**
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**9,019**
Cash at January 1		**48,456**
Cash at December 31	**$**	**57,475**
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	**$**	**(163,249)**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense		195,065
(Increase) decrease in accounts receivable		(2,827)
(Increase) decrease in inventories		(7,680)
Increase (decrease) in accounts payable		(30,165)
Increase (decrease) in due to other funds		57,920
Increase (decrease) in unearned revenue		(17,176)
Net Cash Provided by (Used in) Operating Activities	**$**	**31,888**
Noncash Investing, Capital, and Financing Activities		
Amount paid by trustee for debt payments	**$**	**173,879**

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

1. Summary of Significant Accounting Policies

The Cook County and Grand Marais Joint Economic Development Authority's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2013. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). During 2013, the Authority adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities,* which represents a change in accounting principle. The more significant accounting policies established in GAAP and used by the Authority are discussed below.

A. Financial Reporting Entity

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

Blended Component Unit

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

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

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

The Authority reports the following major governmental funds:

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

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

The Authority reports the following major enterprise fund:

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

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budget

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

1. Summary of Significant Accounting Policies (Continued)

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

1. Cash

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

2. Investments

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

3. Receivables and Payables

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

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

4. Inventories

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

1. Summary of Significant Accounting Policies

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

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

1. Summary of Significant Accounting Policies

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

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.

8. Deferred Outflows/Inflows of Resources

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

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

9. Classification of Net Position

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

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.

1. Summary of Significant Accounting Policies

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

9. Classification of Net Position (Continued)

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.

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.

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)

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. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Appropriations

The following fund had expenses in excess of budget for the year ended December 31, 2013:

	Expenditures/ Expenses	Final Budget	Excess
Golf Course Enterprise Fund Operating	$ 937,390	$ 718,900	$ 218,490

2. Stewardship, Compliance, and Accountability (Continued)

B. Deficit Fund Equity

At December 31, 2013, the General Fund had a deficit fund balance of $31,915. This deficit fund balance will be covered by future tax levies and other revenues.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Cash	$	98,462
Restricted assets		
Assets held by trustee		349,479
Total Cash	$	447,941

a. Deposits

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

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

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

At December 31, 2013, the carrying amount of the Authority's deposits totaled $98,462. The bank balance deposit amount was $95,452. Minnesota statutes require that all of the Authority's deposits be covered by insurance, surety bond, or collateral.

Deposits covered by insurance or collateral at December 31, 2013, were $95,452.

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;

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

(4) bankers' acceptances of United States banks;

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

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

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

Following is a summary of the fair values of the Authority's investments held by a trustee at December 31, 2013:

Assets held by trustee		
Mutual funds	$	164,126
MAGIC Fund		185,353
Total Assets Held by Trustee	$	349,479

As of and during the year ended December 31, 2013, the Authority did not own any investments that required disclosure regarding interest rate risk, credit risk, custodial credit risk, or concentration of credit risk.

2. Receivables

Receivables as of December 31, 2013, for the Authority's governmental activities and business-type activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes receivable	$ 12,548	$ -
Accounts receivable	9,000	-
Total Governmental Activities	$ 21,548	$ -

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Business-Type Activities		
Accounts receivable	$ 4,246	$ -

3. Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 81,973	$ -	$ -	$ 81,973
Construction in progress	2,530,060	-	-	2,530,060
Total capital assets not depreciated	$ 2,612,033	$ -	$ -	$ 2,612,033
Capital assets depreciated				
Furniture and equipment	$ 1,986	$ -	$ -	$ 1,986
Less: accumulated depreciation for				
Furniture and equipment	1,986	-	-	1,986
Total capital assets depreciated, net	$ -	$ -	$ -	$ -
Governmental Activities Capital Assets, Net	$ 2,612,033	$ -	$ -	$ 2,612,033

The Authority is currently developing lots to be sold in the Cedar Grove Business Park. The development costs are reported as construction in progress. The City of Grand Marais is reimbursing the Authority for these development costs.

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 213,685	$ -	$ -	$ 213,685
Construction in progress	-	925,350		925,350
Total capital assets not depreciated	$ 213,685	$ 925,350	$ -	$ 1,139,035
Capital assets depreciated				
Land improvements	$ 4,424,884	$ -	$ -	$ 4,424,884
Buildings and structures	372,371	-	-	372,371
Furniture and equipment	1,044,722	-	7,250	1,037,472
Total capital assets depreciated	$ 5,841,977	$ -	$ 7,250	$ 5,834,727
Less: accumulated depreciation for				
Land improvements	$ 2,581,973	$ 151,467	$ -	$ 2,733,440
Buildings and structures	369,628	2,743	-	372,371
Furniture and equipment	825,454	40,855	7,250	859,059
Total accumulated depreciation	$ 3,777,055	$ 195,065	$ 7,250	$ 3,964,870
Total capital assets depreciated, net	$ 2,064,922	$ (195,065)	$ -	$ 1,869,857
Business-Type Activities Capital Assets, Net	$ 2,278,607	$ 730,285	$ -	$ 3,008,892

Depreciation expense was charged to functions/programs as follows:

Business-Type Activities	
Golf course	$ 195,065

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2013, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Golf Course Enterprise Fund	$ 170,585

The EDA General Fund loaned $170,585 to the Golf Course Fund in 2013 to help cover start-up costs for the year at the golf course. The golf course will repay the loan to the General Fund during 2014 as revenues become available.

C. Liabilities

1. Leases

Operating Leases

The Authority leases golf carts under non-cancelable operating leases. Total costs for such leases were $27,329 for the year ended December 31, 2013. These operating leases are expected to continue indefinitely or be replaced by similar leases. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2014	$ 20,846

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Short-Term Debt

Governmental Funds/Activities

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

Short-term debt activity for the year ended December 31, 2013, is:

	Beginning Balance	Additions	Payments	Ending Balance
Due to other governments	$ 225,000	$ 10,000	$ 50,000	$ 185,000

3. Long-Term Debt

Business-Type Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2013
1998 Golf Course Revenue Bonds	2015	$35,000 - $175,000	4.40 - 5.60	$ 1,820,000	$ 340,000

4. Debt Service Requirements

The debt service requirements at December 31, 2013, were $340,000 in principal and $14,379 in interest. The Revenue Bonds were paid in full in February 2014.

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Changes in Long-Term Liabilities

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Golf course revenue bonds	$ 500,000	$ -	$ 160,000	$ 340,000	$ 340,000

D. Sales Tax Collection Revenue

During 2013, the Economic Development Authority received payments of $985,249 from Cook County to cover the costs incurred by the Authority for planning costs and capital purchases of the golf course. The funds received were derived from the one percent sales tax collected by Cook County and are reported as nonoperating revenues in the financial statements.

4. Employee Retirement Systems and Pension Plans

A. Plan Description

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

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

4. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute. Defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service.

For General Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is either 65 or 66 (depending on date hired) for General Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Fund. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

4. Employee Retirement Systems and Pension Plans (Continued)

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The Authority makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary.

The Authority is required to contribute the following percentages of annual covered payroll in 2013:

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

The Authority's contributions for the years ending December 31, 2013, 2012, and 2011, for the General Employees Retirement Fund were:

2013	2012	2011
$ 16,043	$ 16,994	$ 16,559

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

5. Risk Management

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

6. Cedar Grove Business Park

The Authority constructed the Cedar Grove Business Park within the City of Grand Marais to provide land sites for new or existing businesses. The project was funded by the Minnesota Department of Employment and Economic Development, Iron Range Resources grants obtained by the City, and a City-issued bond. The City has an agreement with the Authority whereby lot purchasers are to be charged an assessment at the time of the sale to be used to help repay the City-issued bond that financed the improvement. Assets related to the project will be transferred to the City of Grand Marais at some future date.

7. Contingent Liability

The Authority contracted with KGM Contractors, Inc., (KGM) to construct the Cedar Grove Business Park. As of December 31, 2013, the project is substantially complete. KGM contends that the Authority owes them approximately $395,000 for work performed. The Authority contends that the original contract and subsequent agreements limit the amount owed to $43,722, which is recorded as a contract payable. The remaining amount in dispute of $351,278 is not reported in the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 150,000	$ 150,000	$ 149,846	$ (154)
Intergovernmental	16,000	16,000	42,720	26,720
Miscellaneous	30,000	30,000	20,806	(9,194)
Total Revenues	**$ 196,000**	**$ 196,000**	**$ 213,372**	**$ 17,372**
Expenditures				
Current				
Urban and economic development				
Salaries	$ 30,000	$ 30,000	$ -	$ 30,000
Payroll benefits	8,850	8,850	-	8,850
Board per diems	3,600	3,600	2,070	1,530
Legal	5,000	5,000	540	4,460
Professional services	8,500	8,500	3,758	4,742
Rent	3,000	3,000	2,250	750
Advertising	3,000	3,000	440	2,560
Office	9,500	9,500	10,424	(924)
Insurance	4,136	4,136	4,600	(464)
Telephone and internet	1,680	1,680	852	828
Affordable housing	20,000	20,000	33,540	(13,540)
Other housing expense	94,664	94,664	97,233	(2,569)
Other	4,070	4,070	1,062	3,008
Total Expenditures	**$ 196,000**	**$ 196,000**	**$ 156,769**	**$ 39,231**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ 56,603**	**$ 56,603**
Other Financing Sources (Uses)				
Transfer Out	-	-	(100,335)	100,335
Change in Fund Balance	**$ -**	**$ -**	**$ (43,732)**	**$ (43,732)**
Fund Balance - January 1	**11,817**	**11,817**	**11,817**	**-**
Fund Balance - December 31	**$ 11,817**	**$ 11,817**	**$ (31,915)**	**$ 43,732**

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

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013

Budgetary Information

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year-end.

On or before July of each year, the Cook County and Grand Marais Joint Economic Development Authority sends its budget to the Cook County Board of Commissioners and the Grand Marais City Council. The proposed budget is presented to the County Board and City Council for review. The Board and Council hold public hearings, and a final budget must be prepared and adopted no later than December 31.

The budget is prepared by function and includes a written estimate of the amount of money needed by the Authority from the County and City in order for the Authority to conduct business during the upcoming fiscal year.

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SUPPLEMENTARY INFORMATION

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

EXHIBIT B-1

BUDGETARY COMPARISON SCHEDULE
GOLF COURSE ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget	Actual	Variance
Operating Revenues			
Sales			
Food, beverage, and merchandise	$ 250,000	$ 208,825	$ (41,175)
Less: cost of goods sold	(130,000)	(118,940)	11,060
Net sales	**$ 120,000**	**$ 89,885**	**$ (30,115)**
Charges for services			
Green fees and other charges	757,250	684,256	(72,994)
Total Operating Revenues	**$ 877,250**	**$ 774,141**	**$ (103,109)**
Operating Expenses			
Current			
Culture and recreation			
Salaries and wages	$ 319,500	$ 351,272	$ (31,772)
Payroll taxes	39,000	57,025	(18,025)
Retirement contribution	16,500	16,043	457
Grounds maintenance and supplies	129,900	115,224	14,676
Clubhouse maintenance and supplies	15,000	15,051	(51)
Golf cart leases and maintenance	24,000	27,329	(3,329)
Insurance	18,000	20,431	(2,431)
Utilities	34,500	31,477	3,023
Telephone	2,200	1,840	360
Office	4,500	3,082	1,418
Accounting and audit	12,000	12,683	(683)
Legal fees	5,000	2,612	2,388
Dues and licenses	5,000	3,484	1,516
Travel	2,000	216	1,784
Marketing	70,000	42,279	27,721
Bank charges and fees	18,000	16,837	1,163
Other	3,800	25,440	(21,640)
Depreciation	-	195,065	(195,065)
Total Expenses	**$ 718,900**	**$ 937,390**	**$ (218,490)**
Operating Income (Loss)	**$ 158,350**	**$ (163,249)**	**$ (321,599)**

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, 2013

	Budget	Actual	Variance
Nonoperating Revenues (Expenses)			
Interest income	$ -	$ 106	$ 106
Lodging tax	-	50,000	50,000
Sales tax	-	12,835	12,835
Insurance reimbursement	-	985,249	985,249
Marketing grant	50,000	50,000	-
Gain on sale of capital assets	-	900	900
Interest expense	-	(25,140)	(25,140)
Total Nonoperating Revenues (Expenses)	**$ 50,000**	**$ 1,073,950**	**$ 1,023,950**
Income Before Transfers	**$ 208,350**	**$ 910,701**	**$ 702,351**
Transfer in	-	100,335	100,335
Change in Net Position	**$ 208,350**	**$ 1,011,036**	**$ 802,686**
Net Position - January 1	**1,886,905**	**1,886,905**	**-**
Net Position - December 31	**$ 2,095,255**	**$ 2,897,941**	**$ 802,686**

Management and Compliance Section

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

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 1996-001

Segregation of Duties

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

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

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

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

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

Recommendation: Management should be aware that segregation of duties is not adequate from an internal control point of view. We recommend the Board of Commissioners and management be mindful that limited staffing causes inherent risks in safeguarding the Authority's assets and the proper reporting of its financial activity. We recommend the Board of Commissioners and management continue to implement oversight procedures and monitor those procedures to determine if they are still effective internal controls.

Client's Response:

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

Finding 2006-002

Payroll Procedures

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

Condition: Employment contract was not completed, nor salary documented by Board resolution, for golf course manager for 2013.

Context: The golf course manager was a new position in 2011.

Effect: Little or no documentation that the salary being paid is for properly approved amounts.

Cause: Lack of formality by the Authority Board.

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

Client's Response:

The Board is aware of the need to be prompt and attentive of the employee contracts and has set a procedure to make sure employee contracts are in place. Employee contracts are in place for the three (3) salaried employees for the 2014 fiscal year.

Finding 2008-001

Golf Course Internal Controls

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

Condition: The golf pro, at times, will work cash registers, process daily closing reports, and prepare deposits. The golf pro and maintenance supervisor each have relatives who work at the golf course whom they supervise.

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

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

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

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

Client's Response:

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

Finding 2011-001

Audit Adjustments

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: During our audit, we identified material adjustments necessary to record $899,092 of one percent sales tax revenue and capital assets for the contractor costs related to the Golf Course renovation that were paid directly by Cook County, $340,000 for bonds payable and corresponding restricted net position in the Golf Course Fund, $24,415 as one percent sales tax revenue of the Golf Fund rather than of the General Fund, $50,000 as Lodging Tax of the Golf Fund rather than a loan from Cook County to the General Fund, $12,548 as General Fund taxes receivable, and $195,065 for Golf Fund depreciation expense. The adjustments resulted in significant changes to the Authority's financial statements.

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

Effect: Audit adjustments were necessary to increase Golf Course Fund sales tax and lodging tax revenues, capital assets, depreciation expense and bonds payable; reduce General Fund revenue and liabilities, and to increase General Fund taxes receivables.

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

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

Client's Response:

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

II. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2009-002

Prompt Payment of Claims

Criteria: The Authority is required by Minn. Stat. § 471.425 to make payment on vendor invoices according to the terms of the contract or within 35 days of the completed delivery of goods or services or the receipt of the invoice, whichever is later.

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

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

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

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

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

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

The majority of payments not being made on time is a cash flow issue rather than poor internal control. The Authority has significantly improved liquidity during 2014 due to the Board making some difficult decisions regarding payroll expenses.

<u>ITEM ARISING THIS YEAR</u>

Finding 2013-001

<u>Unclaimed Property</u>

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

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

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

Effect: Noncompliance with Minnesota statutes.

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

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

Client's Response:

We were unaware of this burden. Report will be filed and payment made.

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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, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 25, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Cook County and Grand Marais Joint Economic Development Authority's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and

Recommendations, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other items that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as item 2011-001 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Recommendations as items 1996-001, 2006-002, and 2008-001 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cook County and Grand Marais Joint Economic Development Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested in connection with the audit of the Authority's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our audit considered all of the listed categories.

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

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

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

Purpose of This Report

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

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

September 25, 2014