COOK COUNTY / GRAND MARAIS JOINT ECONOMIC DEVELOPMENT AUTHORITY

ANNUAL FINANCIAL REPORT

December 31, 2023

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COOK COUNTY / GRAND MARAIS JOINT ECONOMIC DEVELOPMENT AUTHORITY
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INTRODUCTORY SECTION

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		Term Expires
Commissioners:		
President	Steve Surbaugh	December 2024
Vice President	Howard Hedstrom	December 2025
Treasurer	Mark Shackleton	December 2026
Secretary	Mary Somnis	December 2023
Commissioner	Tracy Benson	December 2026
Commissioner	Myron Bursheim	December 2024
Commissioner	David Mills	December 2026

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Cook County / Grand Marais Joint
Economic Development Authority
Grand Marais, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Cook County / Grand Marais Joint Economic Development Authority, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Cook County / Grand Marais Joint Economic Development Authority 's basic financial statements as listed in the table of contents.

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 Cook County / Grand Marais Joint Economic Development Authority, as of December 31, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cook County / Grand Marais Joint Economic Development Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cook County / Grand Marais Joint Economic Development Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Cook County / Grand Marais Joint Economic Development Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cook County / Grand Marais Joint Economic Development Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule and the schedules of pension information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 Governmental Accounting Standards Board 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. Our opinions on the basic financial statements are not affected by this missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2024 on our consideration of Cook County / 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 Cook County / 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 Cook County / Grand Marais Joint Economic Development Authority's internal control over financial reporting and compliance.

Redpath and Company, LLC

REDPATH AND COMPANY, LLC
St. Paul, Minnesota

November 22, 2024

BASIC FINANCIAL STATEMENTS

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COOK COUNTY / GRAND MARAIS JOINT ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION **Statement 1**
December 31, 2023

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	$541,934	$453,234	$995,168
Property taxes receivable	29,451	-	29,451
Sales tax refund receivable	-	55,725	55,725
Prepaid expenses	915	-	915
Inventory	-	40,158	40,158
Land held for resale	114,000	-	114,000
Loans receivable	27,239	-	27,239
Capital assets:			
Nondepreciable	-	213,685	213,685
Depreciable - net of accumulated depreciation	-	5,877,247	5,877,247
Total assets	713,539	6,640,049	7,353,588
Deferred outflows of resources related to pensions	-	25,695	25,695
Liabilities:			
Accounts payable	28,546	45,746	74,292
Due to City of Grand Marais	149,813	-	149,813
Due to Cook County	28,104	-	28,104
Gift certificates	-	22,896	22,896
Lease liability - due within one year	-	180,092	180,092
Long-term liabilities due in more than one year:			
Loan payable to Cook County	-	2,169,972	2,169,972
Net pension liability	-	89,470	89,470
Total liabilities	206,463	2,508,176	2,714,639
Deferred inflows of resources related to pensions	-	99,509	99,509
Net position:			
Net investment in capital assets	-	3,740,868	3,740,868
Unrestricted	507,076	317,191	824,267
Total net position	$507,076	$4,058,059	$4,565,135

The accompanying notes are an integral part of these financial statements.

COOK COUNTY / GRAND MARAIS JOINT ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2023

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Functions/Programs:			
Governmental activities:			
Economic development	$630,871	$ -	$138,334
Business-type activities:			
Golf course	1,576,122	1,436,577	-
Total	$2,206,993	$1,436,577	$138,334

The accompanying notes are an integral part of these financial statements.

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Functions/Programs:			
Governmental activities:			
Economic development	($492,537)	$ -	($492,537)
Business-type activities:			
Golf course	-	(139,545)	(139,545)
Total	(492,537)	(139,545)	(632,082)
General revenues:			
Property taxes	294,969	-	294,969
Unrestricted investment earnings	1,391	3,707	5,098
Miscellaneous	4,412	-	4,412
Total general revenues	300,772	3,707	304,479
Change in net position	(191,765)	(135,838)	(327,603)
Net position - beginning	698,841	4,193,897	4,892,738
Net position - ending	$507,076	$4,058,059	$4,565,135

The accompanying notes are an integral part of these financial statements.

COOK COUNTY / GRAND MARAIS JOINT ECONOMIC DEVELOPMENT AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS **Statement 3**
GENERAL FUND
December 31, 2023

Assets:	
Cash and cash equivalents	$541,934
Property taxes receivable	29,451
Prepaid expenses	915
Land held for resale	114,000
Loans receivable	27,239
Total assets	$713,539
Liabilities:	
Accounts payable	$28,546
Due to City of Grand Marais	149,813
Due to Cook County	28,104
Total liabilities	206,463
Deferred inflows of resources:	
Unavailable revenue - taxes	13,397
Fund Balance:	
Nonspendable - prepaid items	915
Unassigned	492,764
Total fund balance	493,679
Total liabilities, deferred inflows of resources, and fund balance	$713,539
Fund balance reported above	$493,679
Long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds	13,397
Net position of governmental activities (Statement 1)	$507,076

The accompanying notes are an integral part of these financial statements.

COOK COUNTY / GRAND MARAIS JOINT ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS **Statement 4**
GENERAL FUND
For The Year Ended December 31, 2023

Revenues:	
Property taxes	$289,968
IRRR grants	96,300
SBDC Consultant reimbursements	42,034
Miscellaneous	5,803
Total revenues	434,105
Expenditures:	
Operations:	
Accounting	3,455
Advertising/marketing/website	7,971
Audit	42,450
Dues and memberships	6,075
Insurance	5,361
Office expense	11,840
Rent	13,116
Other	3,518
Staffing:	
Director salary, taxes, benefits	69,083
SBDC Consultant expense	42,034
Training/travel/dues/memberships	1,295
Programs and projects:	
Business development & housing projects	112,966
Community Connections	50,000
Birch Bark demolition	46,300
Cedar Grove Business Park	73,090
TABR loan forgiveness	142,317
Total expenditures	630,871
Change in fund balance	(196,766)
Fund balance - January 1	690,445
Fund balance - December 31	$493,679

The accompanying notes are an integral part of these financial statements.

COOK COUNTY / GRAND MARAIS JOINT ECONOMIC DEVELOPMENT AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2023

Statement 5

Change in fund balance - governmental funds (Statement 4)		($196,766)
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 - January 1	(8,396)	
Deferred inflows of resources - December 31	13,397	5,001
Change in net position of governmental activities (Statement 2)		($191,765)

The accompanying notes are an integral part of these financial statements.

COOK COUNTY / GRAND MARAIS JOINT ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS **Statement 6**
GOLF COURSE ENTERPRISE FUND
December 31, 2023

Assets:	
Cash and cash equivalents	$453,234
Sales tax refund receivable	55,725
Inventory	40,158
Total current assets	549,117
Noncurrent assets:	
Capital assets:	
Nondepreciable	213,685
Depreciable - net of accumulated depreciation	5,877,247
Total noncurrent assets	6,090,932
Total assets	6,640,049
Deferred outflows of resources related to pensions	25,695
Liabilities:	
Current liabilities:	
Accounts payable	45,746
Gift certificates	22,896
Lease liability - due within one year	180,092
Total current liabilities	248,734
Noncurrent liabilities:	
Loan payable to Cook County	2,169,972
Net pension liability	89,470
Total noncurrent liabilities	2,259,442
Total liabilities	2,508,176
Deferred inflows of resources related to pensions	99,509
Net Position:	
Net investment in capital assets	3,740,868
Unrestricted	317,191
Total net position	$4,058,059

The accompanying notes are an integral part of these financial statements.

COOK COUNTY / GRAND MARAIS JOINT ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET POSITION - PROPRIETARY FUNDS
GOLF COURSE ENTERPRISE FUND
For The Year Ended December 31, 2023

Statement 7

Operating revenues:	
Sales:	
Food and beverage	$237,318
Merchandise	167,012
Less: cost of goods sold	(247,844)
Net sales	156,486
Green fees	900,373
Cart rental fees	226,908
Other	152,810
Total operating revenues	1,436,577
Operating expenses:	
Salaries and wages	475,517
Payroll taxes and benefits	54,489
Administrative and general:	
Credit card fees	46,281
Insurance	12,814
Marketing and promotion	80,756
Other	29,881
Clubhouse:	
Repairs and maintenance	5,151
Supplies	15,017
Utilities	27,803
Cash (over) short	1,142
Grounds maintenance:	
Fertlizer and chemicals	17,638
Irrigation	6,618
Repairs and maintenance	84,617
Seed and soil	5,410
Supplies	73,225
Utilities	28,861
Depreciation / amortization	459,404
Total operating expenses	1,424,624
Operating income (loss)	11,953
Nonoperating revenues (expenses):	
Interest income	3,707
Interest expense	(7,415)
Gain (loss) on disposal of capital assets	(144,083)
Total nonoperating revenues (expenses)	(147,791)
Change in net position	(135,838)
Net position - January 1	4,193,897
Net position - December 31	$4,058,059

The accompanying notes are an integral part of these financial statements.

COOK COUNTY / GRAND MARAIS JOINT ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS **Statement 8**
GOLF COURSE ENTERPRISE FUND
For The Year Ended December 31, 2023

Cash flows provided by operating activities:	
Receipts from customers	$1,633,306
Payments to suppliers	(665,220)
Payments to employees	(551,934)
Net cash flows provided by operating activities	416,152
Cash flows used for noncapital financing activities:	
Payment of interfund loan	(150,000)
Net cash flows used for noncapital financing activities	(150,000)
Cash flows used for capital and related financing activities:	
Acquisition of capital assets	(148,375)
Principal paid on leases	(84,567)
Interest charges	(7,415)
Net cash flows used for capital and related financing activities	(240,357)
Cash flows from investment activities:	
Interest on investments	3,707
Net increase in cash and cash equivalents	29,502
Cash and cash equivalents - January 1	423,732
Cash and cash equivalents - December 31	$453,234
Reconciliation of operating income (loss) to net cash from operating activities:	
Operating income (loss)	$11,953
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:	
Depreciation / amortization expense	459,404
(Increase) decrease in accounts receivable	(51,115)
(Increase) decrease in inventories	(5,696)
(Increase) decrease in deferred outflows related to pensions	37,757
Increase (decrease) in accounts payable	23,534
Increase (decrease) in deferred inflows related to pensions	48,846
Increase (decrease) in pension liability	(108,531)
Net cash flows from operating activities	$416,152

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Note 1 SUMMARY OF SIGNIFIANT ACCOUNTING POLICIES

The Cook County / Grand Marais Joint Economic Development Authority's (the EDA) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). 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 EDA are discussed below.

A. FINANCIAL REPORTING ENTITY

The EDA was established June 14, 1988, pursuant to 1988 Minnesota Laws, Chapter 516, having all the powers and duties of an economic development authority under Minnesota Statutes §§ 469.090 to 469.1081. As required by accounting principles generally accepted in the United States of America, these financial statements present the EDA (primary government) and its component unit for which the EDA is financially accountable. The EDA is governed by a seven-member Board, of which four members are appointed by the Cook County Board of Commissioners and three members are appointed by the Grand Marais City Council. The Board is organized with a chair, vice chair, treasurer, and secretary, elected annually. The EDA is 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 but are so intertwined with a primary government that they are, in substance, the same as the primary government. Therefore, blended component units are reported as part of a primary government's operations. The EDA has one blended component unit, the CRMGC, LLC.

The EDA Commissioners comprise the governing board of the CRMGC, LLC, and EDA management has operational responsibility for the CRMGC, LLC. CRMGC, LLC did not report any financial activity in 2023 and separate financial statements are not prepared.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government wide financial statements (the statement of net position and the statement of activities) display information about the primary government 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 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 EDA'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 EDA'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. The fund financial statements provide information about the EDA's individual funds. 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 EDA reports the following major governmental fund:

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

The EDA 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 revenue 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 are met.

Government 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 EDA 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 long-term debt and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt acquisitions under capital leases are reported as other financial 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.

D. BUDGET

During or before July of each year, the EDA is required to annually send its non-appropriated 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 EDA from the County and City in order for the EDA to conduct business during the upcoming fiscal year. The 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.

For the year ended December 31, 2023, actual expenditures of the General Fund exceeded budgeted appropriations by $335,871.

E. PROPERTY TAXES

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 EDA approves an annual levy for operating purposes. Property taxes are collected by Cook County and are distributed to the EDA 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.

F. INTERFUND BALANCES

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

G. INVENTORY

Inventory consists primarily of golf course merchandise held 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.

H. LAND HELD FOR RESALE

Land held for resale comprises the business lots for sale in the Cedar Grove Business Park. The EDA 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.

I. CAPITAL ASSETS

Capital assets, which include land and land improvements, construction in progress, buildings and structures, and clubhouse and course equipment, and right to use leased assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the proprietary fund statement of net position. Capital assets are defined by the EDA 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 an asset or materially extend an asset's life are not capitalized.

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

Assets	Years
Land improvements	30
Buildings and structures	20
Equipment	3- 20

J. UNEARNED REVENUE

Unearned revenue is reported in connection with resources that have been received but not yet earned.

K. COMPENSATED ABSENCES

Certain full-time employees of the EDA 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 material and therefore, is not reported as a liability. Unused sick leave is not compensated.

L. 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 represents a consumption of net assets that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The EDA has one item that qualifies for reporting in this category. It is the pension related deferred outflows of resources reported in the government-wide 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 represents an acquisition of net assets that applies to a future period and therefore will *not* be recognized as an inflow of resources (revenue) until that time. The EDA has pension related deferred inflows of resources reported in the government-wide statement of net position. The EDA also has a type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues relating to taxes.

M. DEFINED BENEFIT 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 benefits payments and refund are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

N. NET POSITION

Net position in the government-wide and proprietary fund financial 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 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. The EDA has no restricted net position as of December 31, 2023.

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

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

O. FUND BALANCE

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the EDA is bound to observe constraints imposed upon the use of the resources of the governmental funds. These classifications are as follows:

Nonspendable – amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The " not in spendable form" criterion includes items that are not expected to be converted to cash, such as noncurrent loans, inventories, and prepaid items.

Restricted – amounts subject to external constraints imposed by creditors, grantors, contributors, laws, or regulations of other governments, or constraints imposed by law through constitutional provisions and enabling legislation.

Committed – amounts that can be used only for specific purposes as imposed by formal action (resolution) of the Board of Commissioners. Those committed amounts cannot be used for other purposes unless the Board of Commissioners remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned – amounts the EDA intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses as determined by the Board of Commissioners or by the Executive Director.

Unassigned – the residual classification in the General Fund; it includes all spendable amounts not contained in the other fund balance classifications.

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

When committed, assigned or unassigned resources are available for use, it is the EDA's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

P. 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 amounts reported in the financial statements during the reporting period. Actual results could differ from the estimates.

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

The EDA is authorized by Minnesota Statutes 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The EDA is required by Minnesota Statute 118A.03 to protect deposits with insurance, surety bond, or collateral. Minnesota Statute 118A.03 identifies allowable forms of 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.

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 – Deposits – the risk that in the event of a bank failure, an entity's deposits may not be returned to it. The EDA does not have a deposit policy that is more restrictive than Minnesota Statutes.

As of December 31, 2023, the bank balance of the EDA's deposits with financial institutions was $998,172 and the carrying amount was $994,058. The EDA also had $1,110 of cash on hand.

Depository insurance and pledged collateral insured $735,527 of the EDA's deposits as of December 31, 2023. No collateral was pledged to protect the remaining $262,645 of deposits.

B. INVESTMENTS

The EDA may invest its funds in investments authorized by Minnesota Statutes 118A.04 and 118A.05. During 2023, the EDA did not have any such investments.

Note 3 RECEIVABLES

As of December 31, 2023, receivables of the EDA are as follows:

	Total Receivables	Amounts Not Expected to be Collected Within One Year
Governmental activities:		
General Fund:		
Taxes	$29,451	$5,000
Loans receivable	27,239	25,889
Business-type activities:		
Golf course fund:		
Sales tax refund	55,725	-
Total receivables	$112,415	$30,889

Loans receivable represent amounts loaned to area businesses as follows:

During 2020, the EDA issued a promissory note to a local business in the amount of $35,000. The note requires quarterly payments of $2,035 at an interest rate of 2% per annum. As of December 31, 2023, the outstanding balance on the note was $15,427. On March 19, 2024, the EDA Board adopted resolution 2024-16 authorizing the EDA to forgive the balance of this loan. The amount forgiven ($15,427) will be reported as an expenditure, and the loan balance will be reduced to $0, during 2024.

During 2021, the EDA issued sixteen loans totaling $194,850 as part of the Taconite Area Business Relief Program. The loans require quarterly payments based on a 10-year amortization schedule at a 0% interest rate. The loans issued under this program have the potential to be partially (up to 80%) forgiven. Various conditions must be met before the EDA's board will consider and approve forgiveness. During 2023, all but one of the loans were forgiven and the outstanding loan balance was reduced by $139,799 as a result of the forgiveness. As of December 31, 2023, the remaining loan balance was $11,812.

Note 4 INTERFUND BALANCES

The General Fund previously loaned money to the Golf Course Fund to help cover start-up costs at the golf course. During 2023, $150,000 was repaid by the Golf Course Fund and the outstanding balance as of December 31, 2023 was $0.

Note 5 CAPITAL ASSETS

Capital assets of governmental activities are immaterial and are not reported. Capital asset activity of business-type activities for the year ended December 31, 2023, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$213,685	$ -	$ -	$213,685
Capital assets being depreciated:				
Land improvements	10,646,513	-	-	10,646,513
Buildings and structures	495,446	28,350	-	523,796
Clubhouse and course equipment	1,475,384	137,080	790,760	821,704
Right to use leased assets	347,232	-	-	347,232
Total capital assets being depreciated	12,964,575	165,430	790,760	12,339,245
Less accumulated depreciation for:				
Land improvements	5,031,015	283,554	-	5,314,569
Buildings and structures	394,417	10,282	-	404,699
Clubhouse and course equipment	1,120,313	79,094	629,625	569,782
Right to use leased assets	86,474	86,474	-	172,948
Total accumulated depreciation	6,632,219	459,404	629,625	6,461,998
Total capital assets being depreciated, ne	6,332,356	(293,974)	161,135	5,877,247
Total capital assets, net	$6,546,041	($293,974)	$161,135	$6,090,932

All depreciation and amortization expense was charged to the golf course function during 2023.

Note 6 LONG-TERM LIABILITIES

GOVERNMENTAL ACTIVITIES

The EDA received a $225,000 loan in 2012 from Cook County to help fund operating costs. The remaining balance of $100,000 was repaid to the County during 2023.

The EDA 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 EDA 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 the resale and due to other governments on the balance sheet and statement of net position.

The EDA owes the City of Grand Marais proceeds for land held for resale after lots are sold. The estimated value of unsold lots as of December 31,2023 was $114,000.

BUSINESS-TYPE ACTIVITIES

In October 2014, Cook County issued General Obligation Tax Abatement Bonds, Series 2014A, on behalf of the EDA. The bonds had an original issue amount of $2,410,000 and mature on February 1, 2037. Proceeds from the bonds were used to help finance improvements to the Superior National at Lutsen Golf Course. The EDA entered into a loan agreement with Cook County to repay the County for the debt issued. The outstanding balance of the loan as of December 31, 2023 was $2,169,972. No amounts were repaid during 2023.

CHANGE IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2023 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Operating loan	$100,000	$ -	$100,000	$ -
Land held for resale	303,000	-	189,000	114,000
Business-type activities:				
Golf course loan	2,169,972	-	-	2,169,972
Total long-term liabilities	$2,572,972	$ -	$289,000	$2,283,972

Note 7 LEASES LIABILITIES

The EDA implemented GASB Statement No. 87, *Leases* for the year ended December 31, 2022. As a result, right to use leased assets and a lease liability are reported on the Statement of Net Position and the Statement of Net Position – Proprietary Funds. Right to use leased assets are reported as part of capital assets.

LEASE LIABILITIES

The EDA has leases associated with Superior National at Lutsen Golf Course (SNL).

Golf cart lease
SNL leases 72 golf carts. Five seasonal lease payments of $8,283 are required each year through 2024, plus a final payment of $144,000 is due November 1, 2024. After all lease payments are made, SNL has the option to purchase the golf carts for $1. The lease liability is measured at a discount rate of 3.39%. The lease liability as of December 31, 2023, excluding interest, was $180,092.

GPS display units lease
SNL leases 72 GPS display units for its golf carts. Six seasonal lease payments of $8,427 were required each year through 2023. The lease liability was measured at a discount rate of 3.39%. The lease liability as of December 31, 2023 was $0.

Lease liability activity for the year ended December 31, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Golf cart lease	$214,589	$ -	$34,497	$180,092
GPS display units lease	50,067	-	50,067	-
Total lease liability	$264,656	$ -	$84,564	$180,092

For 2023, interest expense incurred relating to the leases was $7,415. Future lease payments are as follows:

Year Ending December 31	Business-Type Activities Lease Liability Principal	Interest
2024	$180,092	$5,324

Note 8 DEFINED BENEFIT PENSION PLAN

A. PLAN DESCRIPTION

The EDA participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

All full-time and certain part-time employees of the EDA are covered by the General Employees Retirement Fund (GERF). GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. BENEFITS PROVIDED

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet 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 five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first ten years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7% of average salary for all years of service. For 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.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. 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. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

C. CONTRIBUTIONS

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2023 and the EDA was required to contribute 7.5%. The EDA's contributions to the GERF for the year ended December 31, 2023 were $10,056. The EDA's contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

At December 31, 2023, the EDA reported a liability of $89,470 for its proportionate share of GERF's net pension liability. The EDA's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the EDA totaled $2,550. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The EDA's proportion of the net pension liability was based on the EDA's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023 relative to the total employer contributions received from all of PERA's participating employers. The EDA's proportionate share was 0.0016% at the end of the measurement period and 0.0025% for the beginning of the period.

EDA's proportionate share of the net pension liability	$89,470
State of Minnesota's proportionate share of the net pension liability associated with the EDA	2,550
Total	$92,020

For the year ended December 31, 2023, the EDA recognized pension expense of ($11,872) for its proportionate share of the GERF's pension expense. In addition, the EDA recognized an additional $11 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution to the GERF.

At December 31, 2023, the EDA reported its proportionate share of the GERF'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	$2,938	$443
Changes in actuarial assumptions	10,573	24,523
Difference between projected and actual investment earnings	872	-
Changes in proportion	6,525	74,543
Contributions paid to PERA subsequent to the measurement date	4,787	-
Total	$25,695	$99,509

The $4,787 reported as deferred outflows of resources related to pensions resulting from EDA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense
2024	($25,543)
2025	(42,103)
2026	(9,014)
2027	(1,941)
2028	-
Thereafter	-

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2023 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.25% per year
Investment Rate of Return	7.00%

The long-term investment rate of return is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates deemed to be reasonable by the actuary. An investment return of 7.00% was deemed to be within that range of reasonableness for financial reporting purposes.

Benefit increases after retirement are assumed to be 1.25% for the GERF.

Salary growth assumptions range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service.

Mortality rates were based on the Pub-2010 General Employee Mortality Table, with slight adjustments to fit PERA's experience.

Actuarial assumptions for GERF are reviewed every four years. The most recent four-year experience study was completed in 2022. The assumption changes were adopted by the Board and become effective with the July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

Changes in Actuarial Assumptions:
- The investment return assumption and single discount rate were changed from 6.50% to 7.00%.

Changes in Plan Provisions:
- An additional one-time direct state aid contribution of $170.1 million was contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010 was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024 was eliminated.
- A one-time, non-compounding benefit increase of 2.50% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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 geometric 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	33.5%	5.10%
International equity	16.5%	5.30%
Fixed income	25%	0.75%
Private markets	25%	5.90%
Total	100%	

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2023 was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. 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.

G. PENSION LIABILITY SENSITIVITY

The following presents the EDA's proportionate share of the net pension liability, calculated using the discount rate disclosed in the preceding paragraph, as well as what the EDA'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:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
Proportionate share of the GERF net pension liability	$158,280	$89,470	$32,872

H. 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 at www.mnpera.org.

Note 9 RISK MANAGEMENT

The EDA 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 EDA purchases commercial insurance for these risks of loss but retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements.

There were no significant reductions in insurance coverage from the prior year. Settlements did not exceed insurance coverage for the past three fiscal years.

Note 10 RELATED PARTY TRANSACTIONS

As of and for the year ended December 31, 2023, the EDA reported the following transactions with related parties:

- $35,813 of property tax revenue was owed to the City of Grand Marais. A portion of the EDA's tax levy is passed through to the City of Grand Marais to help fund costs of the Cedar Grove Business Park.
- $114,000 was owed to the City of Grand Marais relating to unsold lots in the Cedar Grove Business Park. See Note 6 for further details.
- Cook County pays the wages, payroll taxes and benefits of the EDA Director. $28,104 was owed to Cook County to reimburse the County for these expenditures.
- As described in Note 6, the balance of the golf course loan owed to Cook County was $2,169,972.
- A $50,000 Community Connections grant was received by the EDA during 2023 on behalf of the City of Grand Marais and was transmitted to the City.
- $14,390 of property taxes were paid to Cook County relating to EDA owned lots in the Cedar Grove Business Park.
- $100,000 was paid to the Cook County HRA to provide funding for housing development projects.

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REQUIRED SUPPLEMENTARY INFORMATION

COOK COUNTY / GRAND MARAIS JOINT ECONOMIC DEVELOPMENT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION **Exhibit A-1**
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2023

	Budgeted Amount		Actual	Variance with Final Budget - Positive
	Original	Final	Amount	(Negative)
Revenues:				
Property taxes	$295,000	$295,000	$289,968	($5,032)
IRRR grants	-	-	96,300	96,300
SBDC Consultant reimbursements	-	-	42,034	42,034
Miscellaneous	-	-	5,803	5,803
Total revenues	295,000	295,000	434,105	139,105
Expenditures:				
Operations:				
Accounting	4,200	4,200	3,455	745
Advertising/marketing/website	3,500	3,500	7,971	(4,471)
Audit	18,000	18,000	42,450	(24,450)
Dues and memberships	-	-	6,075	(6,075)
Insurance	4,000	4,000	5,361	(1,361)
Office expense	9,300	9,300	11,840	(2,540)
Rent	15,000	15,000	13,116	1,884
Other	2,000	2,000	3,518	(1,518)
Staffing:				
Director salary, taxes, benefits	125,000	125,000	69,083	55,917
SBDC Consultant expense	-	-	42,034	(42,034)
Training/travel/dues/memberships	4,000	4,000	1,295	2,705
Programs and projects:				
Business development & housing projects	110,000	110,000	112,966	(2,966)
Community Connections	-	-	50,000	(50,000)
Birch Bark demolition	-	-	46,300	(46,300)
Cedar Grove Business Park	-	-	73,090	(73,090)
TABR loan forgiveness	-	-	142,317	(142,317)
Total expenditures	295,000	295,000	630,871	(335,871)
Change in fund balance	$ -	$ -	(196,766)	($196,766)
Fund balance - January 1			690,445	
Fund balance - December 31			$493,679	

See accompanying notes to the required supplementary information.

COOK COUNTY / GRAND MARAIS JOINT ECONOMIC DEVELOPMENT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION **Exhibit A-2**
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -
GENERAL EMPLOYEES RETIREMENT FUND
For the Last Ten Years

Measurement Date June 30,	EDA's Proportion Of the Net Pension Liability	EDA's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the EDA (b)	EDA's Proportionate Share and the State's Related Share of the Net Pension Liability (a + b)	Covered Payroll (c)	EDA's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.0016%	$89,470	$2,550	$92,020	$127,640	70.1%	83.1%
2022	0.0025%	198,001	5,865	203,866	189,000	104.8%	76.7%
2021	0.0036%	153,736	4,682	158,418	260,909	58.9%	87.0%
2020	0.0034%	203,846	6,277	210,123	242,187	84.2%	79.1%
2019	0.0033%	182,451	5,666	188,117	230,867	79.0%	80.2%
2018	0.0036%	199,715	6,519	206,234	235,613	84.8%	79.5%
2017	0.0034%	217,055	2,766	219,821	222,000	97.8%	75.9%
2016	0.0028%	227,348	3,036	230,384	174,653	130.2%	68.9%
2015	0.0030%	155,476	-	155,476	174,824	88.9%	78.2%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information.

COOK COUNTY / GRAND MARAIS JOINT ECONOMIC DEVELOPMENT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION **Exhibit A-3**
SCHEDULE OF PENSION CONTRIBUTIONS -
GENERAL EMPLOYEES RETIREMENT FUND
For the Last Ten Years

Year Ending December 31,	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)
2023	$10,056	$10,056	$ -	$134,080	7.50%
2022	9,369	9,369	-	124,920	7.50%
2021	18,394	18,394	-	245,255	7.50%
2020	19,778	19,778	-	263,707	7.50%
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.

Note A LEGAL COMPLIANCE – BUDGETS

The General Fund budget is legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the fund level.

Note B PENSION INFORMATION

PERA – General Employees Retirement Fund

2023 Changes in Actuarial Assumptions:
- The investment return assumption and single discount rate were changed from 6.50% to 7.00%.

2023 Changes in Plan Provisions:
- An additional one-time direct state aid contribution of $170.1 million was contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010 was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024 was eliminated.
- A one-time, non-compounding benefit increase of 2.50% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes in Actuarial Assumptions:
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 Changes in Actuarial Assumptions:
- The investment return and single discount rates were changed from 7.50% to 6.50% for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 Changes in Actuarial Assumptions:
- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were decreased 0.25% and assumed rates of retirement were changed resulting in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination and disability were also changed.
- Base mortality tables were changed from RP-2014 tables to Pub-2010 tables, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2020 Changes in Plan Provisions:
- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes in Actuarial Assumptions:
- The mortality projection scale was changed from MP-2017 to MP-2018.

2019 Changes in the Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

2017 Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

OTHER REQUIRED REPORTS

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INDEPENDENT AUDITOR'S 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*

To the Board of Commissioners
Cook County / Grand Marais Joint
Economic Development Authority
Grand Marais, Minnesota

We have audited, in accordance with the 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 Cook County / Grand Marais Joint Economic Development Authority as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Cook County / Grand Marais Joint Economic Development Authority's basic financial statements, and have issued our report thereon dated November 22, 2024.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-01 and 2023-02 that we considered to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cook County / 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 financial statements. 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*.

Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Cook County / Grand Marais Joint Economic Development Authority's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. Cook County / Grand Marais Joint Economic Development Authority's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Redpath and Company, LLC

REDPATH AND COMPANY, LLC
St. Paul, Minnesota

November 22, 2024

MINNESOTA LEGAL COMPLIANCE REPORT

To the Board of Commissioners
Cook County / 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 Cook County / Grand Marais Joint Economic Development Authority as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Cook County / Grand Marais Joint Economic Development Authority's basic financial statements, and have issued our report thereon dated November 22, 2024.

In connection with our audit, we noted that Cook County / Grand Marais Joint Economic Development Authority failed to comply with provisions of the depositories of public funds and public investments section of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions,* promulgated by the State Auditor pursuant to Minnesota Statute § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Responses as item 2023-03. Also, in connection with our audit, nothing came to our attention that caused us to believe that Cook County / Grand Marais Joint Economic Development Authority failed to comply with the provisions of the contracting– bid laws, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, insofar as they relate to accounting matters. 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 Cook County / Grand Marais Joint Economic Development Authority's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Government Auditing Standards requires the auditor to perform limited procedures on Cook County / Grand Marais Joint Economic Development Authority's response to the legal compliance finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Redpath and Company, LLC

REDPATH AND COMPANY, LLC
St. Paul, Minnesota

November 22, 2024

2023-01 Lack of Ideal Segregation of Duties

Criteria: Generally, a system of internal control contemplates segregation of duties such that no individual has responsibility to execute a transaction, has physical access to the related assets, and has responsibility or authority to record the transaction.

Condition: Due to the limited number of personnel, certain individuals perform multiple aspects of a financial transaction cycle. For example, the same employee is responsible for collecting loan payments and depositing collections into the EDA's bank account. At the golf course, at times, the same employee will work the cash registers, process daily closing reports, and prepare deposits.

Cause: This condition is common to organizations of this size due to a limited number of staff.

Effect: The lack of ideal segregation of duties subjects the EDA to a higher risk that errors or fraud could occur and not be detected in a timely manner.

Recommendation: Any modifications of internal controls in this area must be viewed from a cost/benefit perspective.

Views of Responsible Officials and Corrective Action Plan: Due to limited number of employees it is not possible to provide for the complete segregation of duties. The EDA has established other safeguards to compensate for this, such as Board review of all disbursements and monthly financial statements.

2023-02 Financial Statement Corrections

Criteria: An entity's system of internal controls should allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Condition: The following adjustments were identified by the auditor and corrected:

- Property taxes receivable from Cook County were understated by $1,129 and property taxes owed to the City of Grand Marais were understated by $35,118
- Accounts payable was understated by $40,346
- The amount owed to Cook County for EDA Directory payroll reimbursement was understated by $28,104
- The gift certificate liability account was overstated by $10,814
- The debit balance of the sales tax liability account was overstated by $15,924

The first three adjustments are considered material to the General Fund.

Cause: The complexity of governmental accounting contributed to these adjustments.

Effect: Inadequate controls over the year-end closing process results in an increased risk that financial statement misstatements may occur and not be detected on a timely basis.

Recommendation: We recommend the EDA continue its efforts to appropriately account for transactions and account balances.

Views of Responsible Officials and Corrective Action Plan: The EDA hired a new Executive Director and bookkeeper to address vacant positions. The EDA will implement more regular review by the Executive Director, Board Treasurer and bookkeeper to ensure accurate transactions and record keeping, while detecting any misstatements in a timely manner. This includes improved record keeping policies and procedures and more detailed chart of income and expense accounts for record keeping purposes.

2023-03 Insufficient Collateral

Criteria: Minnesota Statute 118A.03 provides certain specific collateral requirements for deposits at financial institutions, including a requirement that collateral be provided in an amount equal to or greater than 110% of uninsured deposits by the financial institution or an irrevocable standby letter of credit issued by the Federal Home Loan Bank in an amount at least equal to the deposits held at the close of the financial institution's banking day.

Condition: At December 31, 2023, the EDA had monies on deposit in the amount of $512,645 at one financial institution. $250,000 of these deposits were insured by the National Credit Union Share Insurance Fund. $262,645 of the deposits were uninsured or uncollateralized as of December 31, 2023.

Cause: Unknown.

Effect: Custodial credit risk is the risk that in the event of a bank failure, the EDA's deposits may not be returned to it. Insufficient collateral increases this risk.

Recommendation: We recommend the EDA obtain sufficient collateral to comply with Minnesota Statute 118A.03 and reduce its custodial credit risk.

Views of Responsible Officials and Corrective Action Plan: The EDA will pursue any necessary relocation of monies to ensure sufficient collateral by financial institution. The EDA has taken action (moved money to Grand Marais State Bank that has pledged collateral) in 2024 to address this issue, will take further similar action if needed.

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