

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

**NORTHERN COUNTIES LAND USE
COORDINATING BOARD
DULUTH, MINNESOTA**

YEARS ENDED DECEMBER 31, 2003 AND 2004

Description of the Office of the State Auditor

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits for 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 over 700 public pension funds; and

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

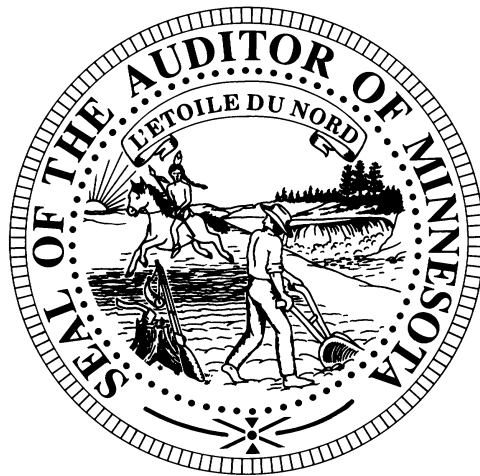
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**NORTHERN COUNTIES LAND USE
COORDINATING BOARD
DULUTH, MINNESOTA**

Years Ended December 31, 2003 and 2004



**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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**NORTHERN COUNTIES LAND USE COORDINATING BOARD
DULUTH, MINNESOTA**

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**NORTHERN COUNTIES LAND USE COORDINATING BOARD
DULUTH, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2004

<u>Board</u>	<u>Representing</u>
Gene Erickson	Cook County
Robert Fenwick, Chair	Cook County
Charles Lepper	Koochiching County
Wade Pavleck	Koochiching County
Clair Nelson	Lake County
Larry Larson	Lake County
Todd Beckel, Vice Chair	Lake of the Woods County
Kim Bredeson	Lake of the Woods County
Brent Boen	Marshall County
Delray Larson	Marshall County
Donald Jensen	Pennington County
Oliver Swanson	Pennington County
Orris Rasmussen	Roseau County
Russell Walker	Roseau County
Mike Forsman	St. Louis County
Dennis Fink	St. Louis County
Steve Raukar	St. Louis County
Keith Nelson	St. Louis County

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PATRICIA ANDERSON
STATE AUDITOR

INDEPENDENT AUDITOR'S REPORT

Northern Counties Land Use Coordinating Board
Duluth, Minnesota

We have audited the accompanying financial statements of the Northern Counties Land Use Coordinating Board as of and for the years, December 31, 2003 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northern Counties Land Use Coordinating Board as of December 31, 2003 and 2004, and the changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes to the financial statements, the Northern Counties Land Use Coordinating Board adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, as amended; and Statement No. 38, *Certain Financial Statement Note Disclosures*, as of and for the years ended December 31, 2003 and 2004. These statements result in a change in the format and content of the basic financial statements.

The Management's Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The Northern Counties Land Use Coordinating Board has not presented a MD&A that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: October 12, 2005

BASIC FINANCIAL STATEMENTS

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**NORTHERN COUNTIES LAND USE COORDINATING BOARD
DULUTH, MINNESOTA**

EXHIBIT 1

**GENERAL FUND BALANCE SHEET AND
GOVERNMENTAL ACTIVITIES - STATEMENT OF NET ASSETS
DECEMBER 31, 2003 AND 2004**

	2003	2004
<u>Assets</u>		
Cash and pooled investments	\$ 18,730	\$ 27,283
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 4,984	\$ -
Due to other governments	-	5,243
Total Liabilities	\$ 4,984	\$ 5,243
<u>Fund Balance/Net Assets</u>		
Undesignated/unrestricted	13,746	22,040
Total Liabilities and Fund Balance/Net Assets	\$ 18,730	\$ 27,283

**NORTHERN COUNTIES LAND USE COORDINATING BOARD
DULUTH, MINNESOTA**

EXHIBIT 2

**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
AND GOVERNMENTAL ACTIVITIES - STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2004**

	2003	2004
Revenues		
Intergovernmental		
State of Minnesota		
Department of Administration	\$ 20,000	\$ 30,000
Cook County	2,500	2,500
Koochiching County	2,500	2,500
Lake County	2,500	2,500
Lake of the Woods County	2,500	2,500
Marshall County	2,500	2,500
Pennington County	2,500	2,500
Roseau County	-	2,500
St. Louis County	3,750	3,750
	\$ 38,750	\$ 51,250
Total Revenues		
	\$ 38,750	\$ 51,250
Expenditures/Expenses		
Current		
Conservation of natural resources		
Administration		
Personal services	\$ 4,434	\$ 3,532
Professional services	39,294	37,982
Other services and charges	1,465	1,442
	\$ 45,193	\$ 42,956
Total Expenditures/Expenses		
	\$ 45,193	\$ 42,956
Net Change in Fund Balance/Net Assets	\$ (6,443)	\$ 8,294
Fund Balance/Net Assets - January 1	20,189	13,746
Fund Balance/Net Assets - December 31	\$ 13,746	\$ 22,040

**NORTHERN COUNTIES LAND USE COORDINATING BOARD
DULUTH, MINNESOTA**

EXHIBIT 2

**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
AND GOVERNMENTAL ACTIVITIES - STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2004**

	2003	2004
Revenues		
Intergovernmental		
State of Minnesota		
Department of Administration	\$ 20,000	\$ 30,000
Cook County	2,500	2,500
Koochiching County	2,500	2,500
Lake County	2,500	2,500
Lake of the Woods County	2,500	2,500
Marshall County	2,500	2,500
Pennington County	2,500	2,500
Roseau County	-	2,500
St. Louis County	3,750	3,750
	\$ 38,750	\$ 51,250
Total Revenues	\$ 38,750	\$ 51,250
Expenditures/Expenses		
Current		
Conservation of natural resources		
Administration		
Personal services	\$ 4,434	\$ 3,532
Professional services	39,294	37,982
Other services and charges	1,465	1,442
	\$ 45,193	\$ 42,956
Total Expenditures/Expenses	\$ 45,193	\$ 42,956
Net Change in Fund Balance/Net Assets	\$ (6,443)	\$ 8,294
Fund Balance/Net Assets - January 1	20,189	13,746
Fund Balance/Net Assets - December 31	\$ 13,746	\$ 22,040

**NORTHERN COUNTIES LAND USE COORDINATING BOARD
DULUTH, MINNESOTA**

EXHIBIT 3

**GENERAL FUND BUDGETARY COMPARISON SCHEDULE
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2004**

	2003			2004		
	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget
Revenues						
Intergovernmental						
State of Minnesota						
Department of Administration \$	-	\$ 20,000	\$ 20,000	\$ 30,000	\$ 30,000	\$ -
Cook County	2,500	2,500	-	2,500	2,500	-
Koochiching County	2,500	2,500	-	2,500	2,500	-
Lake County	2,500	2,500	-	2,500	2,500	-
Lake of the Woods County	2,500	2,500	-	2,500	2,500	-
Marshall County	2,500	2,500	-	2,500	2,500	-
Pennington County	2,500	2,500	-	2,500	2,500	-
Roseau County	-	-	-	2,500	2,500	-
St. Louis County	3,750	3,750	-	3,750	3,750	-
Total Revenues	\$ 18,750	\$ 38,750	\$ 20,000	\$ 51,250	\$ 51,250	\$ -
Expenditures						
Current						
Conservation of natural resources						
Administration						
Personal services	\$ 5,000	\$ 4,434	\$ 566	\$ 5,000	\$ 3,532	\$ 1,468
Professional services	32,453	39,294	(6,841)	56,194	37,982	18,212
Other services and charges	4,000	1,465	2,535	3,300	1,442	1,858
Total Expenditures	\$ 41,453	\$ 45,193	\$ (3,740)	\$ 64,494	\$ 42,956	\$ 21,538
Excess of Revenues Over (Under) Expenditures	\$ (22,703)	\$ (6,443)	\$ 16,260	\$ (13,244)	\$ 8,294	\$ 21,538
Fund Balance - January 1	20,189	20,189	-	13,746	13,746	-
Fund Balance - December 31	\$ (2,514)	\$ 13,746	\$ 16,260	\$ 502	\$ 22,040	\$ 21,538

**NORTHERN COUNTIES LAND USE COORDINATING BOARD
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2004**

1. Summary of Significant Accounting Policies

The Northern Counties Land Use Coordinating Board's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the years ended December 31, 2003 and 2004. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Board are discussed below.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*. The most significant change in the statements is the financial statements were prepared using full accrual accounting for all of the Board's activities.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements). The Board has elected to implement all provisions of the statement in the current year, except a Management's Discussion and Analysis is not included.

A. Financial Reporting Entity

The Northern Counties Land Use Coordinating Board was established September 22, 1993, under the Joint Powers Act, Minn. Stat. § 471.59. It is governed by a Board composed of two elected County Commissioners from each member county, except St. Louis County, which has three members. Its purpose is to formulate land use plans or general policies needed for the protection, sustainable use, and development of lands and natural resources in Northern Minnesota. The Board is organized with a chair, vice chair, and secretary-treasurer elected each year.

**NORTHERN COUNTIES LAND USE COORDINATING BOARD
DULUTH, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

The Board's membership at December 31, 2004, included the following counties:

Cook County
Koochiching County
Lake County
Lake of the Woods County
Marshall County
Pennington County
Roseau County
St. Louis County

St. Louis County, as the fiscal agent, reports the transactions of the Board in an agency fund on its annual financial statements.

B. Basic Financial Statements

The financial statements combine fund level financial statements (General Fund) and government-wide financial statements (governmental activities) into a single column presentation. These statements include all financial activities of the overall Board.

The Northern Counties Land Use Coordinating Board presents government-wide statements on a full accrual, economic resource basis. However, since the Board does not have long-term assets or long-term debt and obligations, the financial statements for the governmental funds are the same.

The Northern Counties Land Use Coordinating Board reports one governmental fund, the General Fund, which is the primary operating fund. It accounts for all financial resources of the Board.

C. Measurement Focus and Basis of Accounting

The governmental activities 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**NORTHERN COUNTIES LAND USE COORDINATING BOARD
DULUTH, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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 Board considers all revenues to be available if collected within 60 days after the end of the current period. Charges for services and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Pooled Investments

The Board's available cash balances are pooled and invested by St. Louis County in accordance with Minnesota statutes. The Board's cash balances and investments are at fair value based on quoted market prices. Additional disclosures defining cash and cash equivalents can be found in the St. Louis County Comprehensive Annual Financial Report.

2. Fund Equity

The fund financial statements report reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Board reported no reservations or designations for the years ended December 31, 2003 and 2004.

3. 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

**NORTHERN COUNTIES LAND USE COORDINATING BOARD
DULUTH, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

3. Use of Estimates (Continued)

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.

E. Budgetary Information

The Northern Counties Land Use Coordinating Board adopts estimated revenue and expenditure budgets for the General Fund on the modified accrual basis of accounting. The budget can be amended during the year by the Board. Neither the 2003 nor 2004 budgets were amended.

F. Expenditures

Personal services expenditures reported represent reimbursements to the St. Louis County Land Department for staff-provided services to the Board. The Board has no formal employees of its own.

2. Detailed Notes

A. Assets

Cash

Minn. Stat. §§ 118A.02 and 118A.04 authorize the Board to deposit its cash and to invest in certificates of deposit in financial institutions designated by the St. Louis County Board of Commissioners and the Board. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.

Additional disclosures, as required by GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, are disclosed on an entity-wide basis in the St. Louis County Comprehensive Annual Financial Report.

**NORTHERN COUNTIES LAND USE COORDINATING BOARD
DULUTH, MINNESOTA**

2. Detailed Notes (Continued)

B. Liabilities

1. Payables

Payables for the years ended December 31, 2003 and 2004, were as follows:

	<u>2003</u>	<u>2004</u>
Accounts	\$ 4,984	\$ 5,243
Due to other governments	-	-
Total Payables	<u>\$ 4,984</u>	<u>\$ 5,243</u>

2. Risk Management

The Northern Counties Land Use Coordinating Board has no known risks of loss. The Board would be exposed to a loss should one occur, as insurance coverage has not been purchased.

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**NORTHERN COUNTIES LAND USE COORDINATING BOARD
DULUTH, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2004**

MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM RESOLVED

Budget Adoption (02-1)

Review of the minutes indicated insufficient information regarding adoption of the budget. The minutes included a resolution approving the budget and subsequent amendments, but did not include a total estimated revenue amount or expenditure budget amount.

Resolution

Minutes of the Northern Counties Land Use Coordinating Board reflect the approved annual budget estimated revenues by source and expenditure detail amounts.

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PATRICIA ANDERSON
STATE AUDITOR

REPORT ON MINNESOTA LEGAL COMPLIANCE

Northern Counties Land Use Coordinating Board
Duluth, Minnesota

We have audited the financial statements of the Northern Counties Land Use Coordinating Board as of and for the years ended December 31, 2003 and 2004, and have issued our report thereon dated October 12, 2005.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* covers six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories, except that we did not test for compliance in public indebtedness because the Northern Counties Land Use Coordinating Board carries no debt.

The results of our tests indicate that, for the items tested, the Northern Counties Land Use Coordinating Board complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Northern Counties Land Use Coordinating Board and management and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: October 12, 2005