

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

COOK COUNTY
GRAND MARAIS, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2008

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@state.mn.us
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: www.auditor.state.mn.us.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

For the Year Ended December 31, 2008



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

This page was left blank intentionally.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u>
Introductory Section		
Organization		1
Financial Section		
Independent Auditor's Report		2
Management's Discussion and Analysis		4
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Assets	Exhibit 1	12
Statement of Activities	Exhibit 2	14
Fund Financial Statements		
Governmental Funds		
Balance Sheet	Exhibit 3	16
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets--Governmental Activities	Exhibit 4	20
Statement of Revenues, Expenditures, and Changes in Fund Balance	Exhibit 5	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities--Governmental Activities	Exhibit 6	23
Fiduciary Funds		
Statement of Fiduciary Net Assets	Exhibit 7	24
Notes to the Financial Statements		25
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	Schedule 1	69
Road and Bridge Special Revenue Fund	Schedule 2	72
Public Health and Human Services Special Revenue Fund	Schedule 3	73
Notes to the Required Supplementary Information		74

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

TABLE OF CONTENTS

	Reference	Page
Financial Section (Continued)		
Supplementary Information		
Nonmajor Governmental Funds		75
Combining Balance Sheet	Statement 1	76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	Statement 2	78
Budgetary Comparison Schedule - Airport Special Revenue Fund	Schedule 4	80
Fiduciary Funds		
Agency Funds		81
Combining Statement of Changes in Assets and Liabilities	Statement 3	82
Other Schedules		
Tax Capacity, Tax Rates, Levies, and Percentage of Collections	Schedule 5	86
Schedule of Intergovernmental Revenue	Schedule 6	87
Management and Compliance Section		
Schedule of Findings and Questioned Costs	Schedule 7	89
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		96
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		99
Schedule of Expenditures of Federal Awards	Schedule 8	102

This page was left blank intentionally.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**ORGANIZATION
AS OF DECEMBER 31, 2008**

		<u>Term Expires</u>
Elected		
Commissioners		
District 1	Janice Hall	January 2011
District 2	Fritz Sobanja	January 2009
District 3	Robert Fenwick	January 2011
District 4	James Johnson	January 2009
District 5	Bruce Martinson*	January 2011
Officers		
Elected		
Attorney	Timothy Scannell	January 2011
Auditor/Treasurer	Braidy Powers	January 2011
Recorder/Registrar of Titles	Dusty Nelms	January 2011
Sheriff	Mark Falk	January 2011
Appointed		
Assessor/Land Commissioner	Mary Black	January 2013
Highway Engineer	Shae Kosmalski	May 2013
Veteran Services Officer	Dale Tormondson	January 2009
Human Services Board		
Chair	Robert Fenwick	January 2011
Vice Chair	Janice Hall	January 2011
Member	Fritz Sobanja	January 2009
Member	Bev Green	January 2009
Member	Darrell Fisher	January 2009
Member	Bruce Martinson	January 2011
Member	James Johnson	January 2009
Director	Sue Futterer	Indefinite

*Chair

This page was left blank intentionally.

This page was left blank intentionally.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Cook County

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Cook County, Minnesota, as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of Cook County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Cook County as of December 31, 2008, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Cook County's basic financial statements. The supplementary information and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2009, on our consideration of Cook County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

November 30, 2009

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page was left blank intentionally.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008
(Unaudited)**

This Management's Discussion and Analysis (MD&A) provides an overview of Cook County's financial activities for the fiscal year ended December 31, 2008. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the accompanying financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net assets are \$64,150,504, of which \$46,537,091 is invested in capital assets, net of related debt, and \$5,308,803 is restricted to specific purposes; \$12,304,610 remains as unrestricted net assets available to help ensure fiscal strength in the face of continued cuts in state aids.
- The Cook County and Grand Marais Joint Economic Development Authority (EDA) is shown as a "Discretely Presented Component Unit." The EDA has total net assets of \$4,023,512, of which \$3,862,622 is invested in capital assets, net of related debt, and \$295,489 is restricted to specific purposes. The majority of these amounts are for Superior National Golf Course in Lutsen and the Cedar Grove Business Park in Grand Marais.
- Cook County's net assets increased by \$1,933,171 for the year ended December 31, 2008, due mainly to major road renovation. The net assets of the County's discretely presented component unit (EDA) decreased by \$38,615 due primarily to the effects of a deteriorating real estate market on the Cedar Grove Business Park and additional costs related to stormwater controls at that location.
- The net cost of governmental activities was \$5,535,373 for the current fiscal year. Net cost is the amount by which the cost of services had to be paid by taxes or other unrestricted funds. General revenues of \$7,468,544 more than covered the net cost, resulting in the \$1,933,171 increase in net assets referred to above.
- Governmental funds' fund balances decreased \$2,753,893 in 2008. The change was due primarily to the payoff of Hospital Sales Tax Bonds and increases in Highway Department deferred revenue.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the County's basic financial statements. The basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section) and certain budgetary comparison schedules are required to accompany the basic financial statements and, therefore, are included as required supplementary information.

There are two government-wide financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements--The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader determine whether the County's financial condition has improved or declined as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and changes in them. You can think of the County's net assets--the difference between assets and liabilities--as one way to measure the County's financial health or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the County's property tax base and the condition of County roads, to assess the overall health of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two kinds of activities:

- **Governmental activities**--Most of the County's basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities.

- **Component unit**--This is the Cook County and Grand Marais Joint Economic Development Authority (EDA), whose major activity is to oversee operation and management of Superior National Golf Course in Lutsen and to develop the Cedar Grove Business Park. Although legally separate, this “component unit” is important because the County is financially accountable for it.

The government-wide financial statements can be found in Exhibits 1 and 2.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the County as a whole. Some funds are required to be established by state law and by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

- **Governmental funds**--Most of the County’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation in a statement following each governmental fund financial statement.

The basic financial statements for governmental funds can be found in Exhibits 3 through 6.

- **Fiduciary funds**--The County is currently the custodian or fiduciary over assets which will be remitted to individuals, private organizations, or other governments. All of the County’s fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the County’s other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The financial statement for fiduciary funds can be found as Exhibit 7.

The County as a Whole

Our analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the County's governmental and component unit activities.

Table 1
Net Assets

	Governmental Activities		Component Unit Activities	
	2008	2007	2008	2007
Current and other assets	\$ 21,107,730	\$ 21,977,250	\$ 680,047	\$ 693,244
Capital assets	49,507,090	48,602,126	4,919,071	5,030,473
Total Assets	\$ 70,614,820	\$ 70,579,376	\$ 5,599,118	\$ 5,723,717
Long-term debt outstanding	\$ 4,920,821	\$ 7,469,718	\$ 1,056,449	\$ 1,065,581
Other liabilities	1,543,495	892,325	519,157	596,009
Total Liabilities	\$ 6,464,316	\$ 8,362,043	\$ 1,575,606	\$ 1,661,590
Net Assets				
Invested in capital assets - net of debt	\$ 46,537,091	\$ 45,277,126	\$ 3,862,622	\$ 3,844,892
Restricted	5,308,803	5,620,143	295,489	292,889
Unrestricted	12,304,610	11,320,064	(134,599)	(75,654)
Total Net Assets	\$ 64,150,504	\$ 62,217,333	\$ 4,023,512	\$ 4,062,127

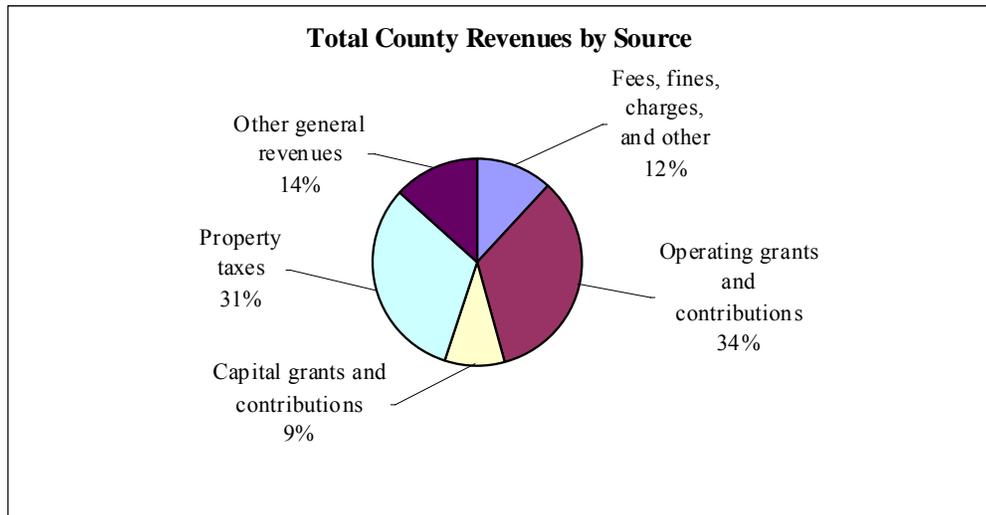
For details, please see the Statement of Net Assets, Exhibit 1.

Table 2
Changes in Net Assets

	Governmental Activities		Component Unit Activities	
	2008	2007	2008	2007
Revenues				
Program revenues				
Fees, fines, charges, and other	\$ 1,971,921	\$ 1,707,213	\$ 809,255	\$ 812,203
Operating grants and contributions	5,607,569	3,983,497	9,626	9,500
Capital grants and contributions	1,569,936	1,429,373	-	-
General revenues				
Property taxes	5,206,183	4,709,872	136,222	79,942
Other taxes	1,210,797	2,030,970	50,000	50,000
Unrestricted grants and contributions	398,986	773,125	78,082	1,290,273
Investment income	652,578	876,028	282	1,074
Miscellaneous	-	30,547	68,716	10,557
Total Revenues	\$ 16,617,970	\$ 15,540,625	\$ 1,152,183	\$ 2,253,549

	Governmental Activities		Component Unit Activities	
	2008	2007	2008	2007
Expenses				
General government	\$ 3,314,665	\$ 2,879,185	\$ -	\$ -
Public safety	2,849,722	2,621,031	-	-
Highways and streets	3,661,540	3,258,585	-	-
Sanitation	462,041	426,936	-	-
Human services	1,648,262	1,799,331	-	-
Health	294,780	307,367	-	-
Culture and recreation	857,605	669,701	-	-
Golf course	-	-	936,827	984,314
Conservation of natural resources	314,051	308,708	-	-
Economic development	1,023,101	685,841	253,971	138,892
Interest	259,032	298,610	-	-
Total Expenses	\$ 14,684,799	\$ 13,255,295	\$ 1,190,798	\$ 1,123,206
Increase (Decrease) in Net Assets	\$ 1,933,171	\$ 2,285,330	\$ (38,615)	\$ 1,130,343
Net Assets - January 1	62,217,333	59,932,003	4,062,127	2,106,572
Prior period adjustment	-	-	-	825,212
Net Assets - December 31	\$ 64,150,504	\$ 62,217,333	\$ 4,023,512	\$ 4,062,127

For details, please see the Statement of Activities, Exhibit 2.



Governmental Activities

The cost of all governmental activities this year was \$14,684,799. However, as shown in the Statement of Activities (Exhibit 2), the amount taxpayers ultimately financed for these activities through County taxes was \$5,206,183, 10.5 percent higher than 2007. Some of the cost was paid by those who directly benefited from the programs (\$1,971,921), or by other governments and organizations that subsidized certain programs with grants and contributions (\$7,177,505).

Table 3 presents the cost of each of the County’s eight largest program functions, as well as each function’s net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden that was placed on the County’s taxpayers by each of these functions.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Highways and streets	\$ 3,661,540	\$ 3,258,585	\$ 696,993	\$ 280,201
General government	3,314,665	2,879,185	1,804,696	1,359,311
Public safety	2,849,722	2,621,031	738,869	1,803,554
Human services	1,648,262	1,799,331	738,363	753,626
Economic development	1,023,101	685,841	356,794	395,022
Culture and recreation	857,605	669,701	836,718	599,073
Sanitation	462,041	426,936	543	225,916
Conservation of natural resources	314,051	308,708	47,867	214,213
All others	553,812	605,977	314,530	504,296
Total (Net Expense)	\$ 14,684,799	\$ 13,255,295	\$ 5,535,373	\$ 6,135,212

The County’s Funds

As the County completed the year, its governmental funds reported a combined fund balance of \$14,957,372 as compared to last year’s total of \$17,711,265. The Road and Bridge Special Revenue Fund, Hospital Sales Tax Special Revenue Fund, and the General Fund accounted for \$435,987, \$1,771,936, and \$555,085 of that decrease, respectively. Please see Exhibit 5 for details.

General Fund Budgetary Highlights

Over the course of the year, the County Board may revise the County’s General Fund budget several times. These budget amendments fall into three categories: new information changing original budget estimations, greater than anticipated revenues or costs, and final agreement reached on employee contracts. Capital outlays paid by grants are not budgeted.

Expenditures, excluding capital, were \$1,086,819 above the final budget amounts. The most significant events that led to the higher costs were from designated and reserved amounts, including our revolving loan fund and the park and recreation fund, as well as unbudgeted survey costs and grants such as those for ski and snowmobile trails. The higher than budgeted expenditures were more than offset by revenues that exceeded budget by \$1,892,097. Grant revenues and related expenditures, capital, and operating costs were generally not budgeted. Please see Schedule 1 for details.

CAPITAL ASSETS

At the end of 2008, the County had a net investment of \$49,507,090 in a broad range of capital assets, including land, buildings, highways and streets, and equipment. (See Table 4.) This amount represents a net increase (including additions and deductions) of \$904,963, or 1.9 percent, over last year.

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities	
	2008	2007
Land and easements	\$ 745,738	\$ 745,738
Construction in progress	401,648	2,084,545
Buildings and improvements	7,964,353	8,255,602
Machinery, vehicles, furniture, and equipment	1,470,677	1,607,955
Infrastructure	38,924,674	35,908,287
Total	\$ 49,507,090	\$ 48,602,127

The majority of the changes in 2008 are included in construction in progress. Please see Note 3.A.3. for details.

DEBT

At year-end, the County had \$4,451,018 in bonds and notes outstanding, versus \$7,010,584 last year--a decrease of 36.9 percent.

Table 5
Outstanding Debt at Year-End

	Governmental Activities	
	2008	2007
General obligation bonds	\$ 1,619,166	\$ 3,920,831
Certificates of participation	2,970,000	3,245,000
Less: deferred charges for refunding bonds	(138,147)	(155,247)
Total	\$ 4,451,019	\$ 7,010,584

See "Notes to the Financial Statements," Notes 3.C.2. through 3.C.5. for a more detailed explanation of the County's debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2009 budget, tax levy, and fees that will be charged for various activities:

- the levy limits imposed by the state for years 2009, 2010, and 2011;
- continuing reductions in state aids to local governments;
- continuing and increasing unfunded state mandates; and
- the need to maintain an unrestricted fund balance of at least 50 percent of operating expenditures.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, please call County Auditor/Treasurer, Braidy Powers, at (218) 387-3646, or send a letter to the Cook County Courthouse, 411 West 2nd Street, Grand Marais, Minnesota 55604-2307.

BASIC FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

	Primary Government Governmental Activities	Discretely Presented Component Unit
<u>Assets</u>		
Cash and pooled investments	\$ 13,258,967	\$ 28,951
Petty cash and change funds	1,032	-
Cash with escrow agent	408,151	-
Investments	15,322	-
Taxes receivable		
Prior	173,272	12,272
Accounts receivable - net	872,756	1,344
Lodging taxes receivable	24,070	-
Accrued interest receivable	99,132	-
Loan receivable	918,571	-
Deposits receivable	50,000	-
Due from other governments	4,772,553	44,473
Inventories	404,790	33,626
Assets held for resale	-	240,000
Restricted assets		
Cash and pooled investments	-	319,381
Deferred charges	109,114	-
Capital assets		
Non-depreciable	1,147,386	2,499,183
Depreciable - net of accumulated depreciation	48,359,704	2,419,888
	\$ 70,614,820	\$ 5,599,118
Total Assets	\$ 70,614,820	\$ 5,599,118

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

	Primary Government Governmental Activities	Discretely Presented Component Unit
<u>Liabilities</u>		
Accounts payable	\$ 384,711	\$ 113,288
Note payable	-	25,000
Salaries payable	357,914	-
Line of credit	-	23,800
Contracts payable	142,276	83,722
Contract for deed payable	-	240,000
Gift certificates	-	500
Due to other governments	42,623	-
Accrued interest payable	83,633	23,892
Unearned revenue	532,338	8,955
Long-term liabilities		
Due within one year	629,166	131,449
Due in more than one year	4,291,655	925,000
	\$ 6,464,316	\$ 1,575,606
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 46,537,091	\$ 3,862,622
Restricted for		
General government	155,035	-
Highways and streets	2,561,391	-
Public safety	207,460	-
Culture and recreation	168,233	-
Conservation of natural resources	1,092,799	-
Economic development	481,950	-
Debt service	641,935	295,489
Unrestricted	12,841,811	(134,599)
	\$ 64,687,705	\$ 4,023,512

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Primary government		
Governmental activities		
General government	\$ 3,314,665	\$ 501,653
Public safety	2,849,722	250,993
Highways and streets	3,661,540	240,057
Sanitation	462,041	185,902
Human services	1,648,262	222,274
Health	294,780	31,142
Culture and recreation	857,605	20,639
Conservation of natural resources	314,051	3,590
Economic development	1,023,101	515,671
Interest	259,032	-
	\$ 14,684,799	\$ 1,971,921
Total governmental activities		
Component unit		
Cook County and Grand Marais Joint Economic Development Agency	\$ 1,190,798	\$ 809,255
 General Revenues		
Property taxes		
Lodging tax		
Mortgage registry and deed tax		
Local sales tax		
Taxes - other		
Payments in lieu of tax		
Grants and contributions not restricted to specific programs		
Unrestricted investment earnings		
Sale of lots		
Miscellaneous		
	Total general revenues	
	Change in net assets	
	Net Assets - Beginning	
	Net Assets - Ending	

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Discretely Presented Component Unit
\$ 1,008,316	\$ -	\$ (1,804,696)	
1,859,860	-	(738,869)	
1,280,785	1,443,705	(696,993)	
275,596	-	(543)	
687,625	-	(738,363)	
208,140	-	(55,498)	
-	248	(836,718)	
262,594	-	(47,867)	
24,653	125,983	(356,794)	
-	-	(259,032)	
\$ 5,607,569	\$ 1,569,936	\$ (5,535,373)	
\$ 9,626	\$ -		\$ (371,917)
		\$ 5,206,183	\$ 136,222
		-	50,000
		10,440	-
		351,081	-
		665,045	-
		184,231	-
		398,986	78,082
		652,578	282
		-	46,984
		-	21,732
		\$ 7,468,544	\$ 333,302
		\$ 1,933,171	\$ (38,615)
		62,217,333	4,062,127
		\$ 64,150,504	\$ 4,023,512

This page was left blank intentionally.

FUND FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENTAL FUNDS

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 7,222,994	\$ 1,377,534
Petty cash and change funds	1,032	-
Cash with escrow agent	-	-
Investments	-	-
Taxes receivable		
Prior	96,683	33,951
Accounts receivable	8,258	6,039
Lodging taxes receivable	-	-
Accrued interest receivable	99,132	-
Loans receivable	918,571	-
Due from other funds	218,118	2,020
Due from other governments	1,283,153	3,150,073
Inventories	-	404,790
Advance to other funds	73,032	-
MCCF deposit receivable	50,000	-
	\$ 9,970,973	\$ 4,974,407
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 130,153	\$ 168,676
Salaries payable	233,364	77,555
Contracts payable	-	142,276
Due to other funds	2,020	6,988
Due to other governments	11,283	8,246
Deferred revenue - unavailable	1,129,145	2,706,536
Deferred revenue - unearned	24,606	436,917
Advance from other funds	-	-
	\$ 1,530,571	\$ 3,547,194
Fund Balances		
Reserved for		
Inventories	\$ -	\$ 404,790
Economic development	481,950	-
Law library	49,772	-
Recorder's equipment purchases	31,117	-
Recorder's compliance	60,948	-
Sheriff's contingency	5,000	-
Debt service	-	-
Highway projects	-	103,271

EXHIBIT 3

Public Health and Human Services	Forfeited Tax	Debt Service	Nonmajor Funds	Total
\$ 1,061,157	\$ -	\$ 420,686	\$ 3,176,596	\$ 13,258,967
-	-	-	-	1,032
-	-	408,151	-	408,151
15,322	-	-	-	15,322
27,012	-	12,292	3,334	173,272
47,423	791,386	-	19,650	872,756
-	-	-	24,070	24,070
-	-	-	-	99,132
-	-	-	-	918,571
-	-	-	-	220,138
213,344	-	-	125,983	4,772,553
-	-	-	-	404,790
-	-	-	-	73,032
-	-	-	-	50,000
\$ 1,364,258	\$ 791,386	\$ 841,129	\$ 3,349,633	\$ 21,291,786
\$ 80,595	\$ -	\$ -	\$ 5,287	\$ 384,711
46,995	-	-	-	357,914
-	-	-	-	142,276
25,042	136,716	-	49,372	220,138
23,094	-	-	-	42,623
63,655	654,670	9,165	18,211	4,581,382
70,815	-	-	-	532,338
-	-	-	73,032	73,032
\$ 310,196	\$ 791,386	\$ 9,165	\$ 145,902	\$ 6,334,414
\$ -	\$ -	\$ -	\$ -	\$ 404,790
-	-	-	-	481,950
-	-	-	-	49,772
-	-	-	-	31,117
-	-	-	-	60,948
-	-	-	-	5,000
-	-	408,151	233,784	641,935
-	-	-	-	103,271

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	General	Road and Bridge
<u>Liabilities and Fund Balances</u>		
(Continued)		
Fund Balances		
Reserved for (Continued)		
Enhanced 911	178,848	-
MCCF deposit	50,000	-
Environmental improvements	-	-
Law enforcement	92	-
Timber development	273,495	-
Parks and recreation	168,233	-
Election equipment	13,198	-
Extension services	52,217	-
Conceal and carry	15,418	-
Snowmobile safety enforcement	8,194	-
Unreserved		
Designated for debt service	-	-
Designated for future expenditures	19,752	-
Designated for equipment purchases	-	685,000
Designated for E-911 signs	3,126	-
Designated for hazardous materials team	1,383	-
Designated for search and rescue	3,006	-
Designated for attorney's forfeiture	2,288	-
Designated for emergency purposes	1,751	-
Designated for drug forfeitures	1,416	-
Designated for elections	20,590	-
Designated for software	29,000	-
Designated for skateboard park	10,424	-
Designated for DWI forfeitures	11,784	-
Designated for Hovland dock	1,471	-
Designated for broadband	2,002	-
Designated for County telephone	53,702	-
Designated for 20% organized townships	23,102	-
Designated for data processing	319,057	-
Designated for NERCC facilities	22,118	-
Designated for Sheriff's cars	198,242	-
Designated for landfill future development	157,837	-
Designated for County cars	109,629	-
Designated for photocopies	42,239	-
Designated for County landings	43,794	-
Undesignated	5,974,207	234,152
Unreserved, reported in nonmajor		
Special revenue funds	-	-
	\$ 8,440,402	\$ 1,427,213
Total Fund Balances		
	\$ 9,970,973	\$ 4,974,407
Total Liabilities and Fund Balances		

EXHIBIT 3
(Continued)

<u>Public Health and Human Services</u>	<u>Forfeited Tax</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
-	-	-	-	178,848
-	-	-	-	50,000
-	-	-	767,087	767,087
-	-	-	-	92
-	-	-	-	273,495
-	-	-	-	168,233
-	-	-	-	13,198
-	-	-	-	52,217
-	-	-	-	15,418
-	-	-	-	8,194
-	-	423,813	-	423,813
-	-	-	-	19,752
-	-	-	-	685,000
-	-	-	-	3,126
-	-	-	-	1,383
-	-	-	-	3,006
-	-	-	-	2,288
-	-	-	-	1,751
-	-	-	-	1,416
-	-	-	-	20,590
-	-	-	-	29,000
-	-	-	-	10,424
-	-	-	-	11,784
-	-	-	-	1,471
-	-	-	-	2,002
-	-	-	-	53,702
-	-	-	-	23,102
-	-	-	-	319,057
-	-	-	-	22,118
-	-	-	-	198,242
-	-	-	-	157,837
-	-	-	-	109,629
-	-	-	-	42,239
-	-	-	-	43,794
1,054,062	-	-	-	7,262,421
-	-	-	2,202,860	2,202,860
<u>\$ 1,054,062</u>	<u>\$ -</u>	<u>\$ 831,964</u>	<u>\$ 3,203,731</u>	<u>\$ 14,957,372</u>
<u>\$ 1,364,258</u>	<u>\$ 791,386</u>	<u>\$ 841,129</u>	<u>\$ 3,349,633</u>	<u>\$ 21,291,786</u>

This page was left blank intentionally.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2008**

Fund balances - total governmental funds (Exhibit 3)		\$	14,957,372
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			49,507,090
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.			4,581,382
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.			
General obligation bonds	\$	(1,619,164)	
Certificates of participation		(2,831,853)	
Accrued interest payable		(83,633)	
Compensated absences		(469,804)	
Deferred debt issuance charges		109,114	
		<u> </u>	<u>(4,895,340)</u>
Net Assets of Governmental Activities (Exhibit 1)			<u><u>\$ 64,150,504</u></u>

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	General	Road and Bridge
Revenues		
Taxes	\$ 3,134,539	\$ 1,053,868
Special assessments	36,608	-
Licenses and permits	60,548	-
Intergovernmental	2,995,895	2,762,570
Charges for services	365,254	237,057
Fines and forfeits	7,366	-
Gifts and contributions	6,399	-
Investment earnings	589,214	-
Miscellaneous	736,689	3,000
	\$ 7,932,512	\$ 4,056,495
Expenditures		
Current		
General government	\$ 3,090,763	\$ -
Public safety	2,268,265	-
Highways and streets	-	5,020,929
Sanitation	377,281	-
Human services	-	-
Health	-	-
Culture and recreation	678,014	-
Conservation of natural resources	299,993	-
Economic development	490,818	-
Capital outlay	782,463	-
Debt service		
Principal	-	80,000
Interest	-	1,200
Administrative (fiscal) charges	-	-
	\$ 7,987,597	\$ 5,102,129
Excess of Revenues Over (Under) Expenditures	\$ (55,085)	\$ (1,045,634)
Other Financing Sources (Uses)		
Transfers in	\$ -	\$ 500,000
Transfers out	(500,000)	-
	\$ (500,000)	\$ 500,000
Net Change in Fund Balance	\$ (555,085)	\$ (545,634)
Fund Balance - January 1	8,995,487	1,863,200
Increase (decrease) in reserved for inventories	-	109,647
Fund Balance - December 31	\$ 8,440,402	\$ 1,427,213

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

EXHIBIT 5

Public Health and Human Services	Forfeited Tax	Debt Service	Nonmajor Funds	Total
\$ 823,730	\$ 9,943	\$ 375,078	\$ 778,394	\$ 6,175,552
-	-	-	-	36,608
14,492	-	-	-	75,040
917,308	-	13,952	152,639	6,842,364
115,398	-	-	-	717,709
-	-	-	-	7,366
-	-	-	-	6,399
-	-	21,438	32,289	642,941
106,876	-	-	39,845	886,410
\$ 1,977,804	\$ 9,943	\$ 410,468	\$ 1,003,167	\$ 15,390,389
\$ -	\$ -	\$ -	\$ 1,662	\$ 3,092,425
-	-	-	1,399	2,269,664
-	-	-	-	5,020,929
-	-	-	-	377,281
1,639,878	-	-	-	1,639,878
294,780	-	-	-	294,780
-	-	-	3,725	681,739
-	9,943	-	-	309,936
-	-	-	217,319	708,137
-	-	-	252,475	1,034,938
-	-	2,496,667	-	2,576,667
-	-	238,962	-	240,162
-	-	7,393	-	7,393
\$ 1,934,658	\$ 9,943	\$ 2,743,022	\$ 476,580	\$ 18,253,929
\$ 43,146	\$ -	\$ (2,332,554)	\$ 526,587	\$ (2,863,540)
\$ -	\$ -	\$ 2,333,416	\$ -	\$ 2,833,416
-	-	-	(2,333,416)	(2,833,416)
\$ -	\$ -	\$ 2,333,416	\$ (2,333,416)	\$ -
\$ 43,146	\$ -	\$ 862	\$ (1,806,829)	\$ (2,863,540)
1,010,916	-	831,102	5,010,560	17,711,265
-	-	-	-	109,647
\$ 1,054,062	\$ -	\$ 831,964	\$ 3,203,731	\$ 14,957,372

This page was left blank intentionally.

FIDUCIARY FUNDS

This page was left blank intentionally.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

Net change in fund balances - total governmental funds (Exhibit 5) \$ (2,863,540)

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 revenue - December 31	\$ 4,581,382	
Deferred revenue - January 1	(3,353,801)	1,227,581

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets and infrastructure	\$ 2,558,449	
Net book value of assets disposed of	(1,842)	
Current year depreciation	(1,651,642)	904,965

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal repayments		
General obligation bonds	\$ 2,301,665	
Certificates of participation	275,000	2,576,665

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest payable	\$ 22,326	
Amortization of premiums and bond issuance costs	(33,803)	
Change in compensated absences	(10,670)	
Change in inventories	109,647	87,500

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 1,933,171

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2008**

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and pooled investments	\$ 538,653
Accounts receivable	43,980
Due from other governments	<u>325,505</u>
Total Assets	<u><u>\$ 908,138</u></u>
<u>Liabilities</u>	
Accounts payable	\$ 50,084
Due to other governments	<u>858,054</u>
Total Liabilities	<u><u>\$ 908,138</u></u>

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2008. 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 County are discussed below.

A. Financial Reporting Entity

Cook County was established March 9, 1874, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Cook County (primary government) and its component units for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Auditor/Treasurer, elected on a County-wide basis, serves as the clerk of the Board of Commissioners but has no vote.

Blended Component Unit

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

<u>Component Unit</u>	<u>Included in the Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Cook County Building Authority	The County Board is the governing body.	Separate financial statements are not prepared.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Blended Component Unit (Continued)

The Cook County Building Authority is a nonprofit corporation organized under the provisions of Minn. Stat. ch. 317A. The Authority is operated, supervised, and controlled by the County. The County Board is the governing body of the Cook County Building Authority. Although the Authority is legally separate from the County, it is reported as part of the primary government since its sole purpose is to finance the construction of a new jail and courthouse addition. The activity of the Authority is reported in the Debt Service Fund.

Discretely Presented Component Unit

While part of the reporting entity, discretely presented component units are presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. The following component unit of Cook County is discretely presented:

<u>Component Unit</u>	<u>Included in the Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Cook County and Grand Marais Joint Economic Development Authority (Authority)	The County appoints a majority of the Cook County and Grand Marais Joint EDA Board.	Cook County and Grand Marais Joint EDA Box 597 Grand Marais, Minnesota 55604

The Authority is governed by a Board of seven members, four of whom are appointed by the Cook County Board and three of whom are appointed by the Grand Marais City Council. The Authority has all of the powers, rights, duties, and obligations conferred on economic development authorities by Minn. Stat. §§ 469.090-.1081 to promote and provide incentives for economic development. The Authority has included the Resource Development Council of Cook County, Inc., as a blended component unit of the Authority.

Joint Ventures

The County participates in several joint ventures described in Note 5.C. The County also participates in jointly-governed organizations described in Note 5.D.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities normally are supported by taxes and intergovernmental revenues.

In the government-wide statement of net assets, the governmental activities column: (a) is presented on a consolidated basis by column; and (b) is reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

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

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category--governmental and fiduciary--are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Public Health and Human Services Special Revenue Fund is used to account for health programs, economic assistance, and community social services programs.

The Forfeited Tax Special Revenue Fund is used to account for proceeds from the sale or rental of lands forfeited to the State of Minnesota pursuant to Minn. Stat. ch. 282. The distribution of the net proceeds, after deducting the expenses of the County for managing the tax-forfeited lands, is governed by Minn. Stat. § 282.08. Title to the tax-forfeited lands remains with the state until sold by the County.

The Debt Service Fund is used to account for the accumulation of resources for and the payment of principal, interest, and related costs of general long-term debt.

Additionally, the County reports agency funds, which are custodial in nature and do not present results of operations. These funds account for assets the County holds for others in an agent capacity.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2008, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2008 were \$597,256.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

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

2. Receivables and Payables

Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans).

All other outstanding balances between funds are reported as "due to/from other funds."

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. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

Loans receivable consist of the outstanding balances of economic development loans to private enterprises. The funds used for these loans are from the State of Minnesota Small Cities Grant Program.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Inventories and Prepaid Items

The Road and Bridge Special Revenue Fund inventory is valued at cost using the average cost method and consists of expendable supplies and parts held for consumption. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25 - 50
Improvements other than buildings	20
Public domain infrastructure	20 - 75
Furniture, equipment, and vehicles	4 - 15

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual, personal time off, and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured; for example, as a result of employee resignations and retirements.

6. Deferred Revenue

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

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column of the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans subject to change.

9. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations

For the year ended December 31, 2008, expenditures exceeded appropriations in the following fund:

	<u>Excess Expenditures</u>	
General Fund	\$ 1,747,182	Primarily funded by greater than anticipated revenues, much of which correspond to the excess expenditures.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Primary government	
Cash and pooled investments	\$ 13,258,967
Petty cash and change funds	1,032
Cash with fiscal agent	408,151
Investments	15,322
EDA component unit	
Cash and pooled investments	28,951
Restricted assets held by trustee	319,381
Fiduciary funds	
Cash and pooled investments	<u>538,653</u>
Total Cash and Investments	<u>\$ 14,570,457</u>

a. Deposits

Minnesota Statutes §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minnesota Statute § 118A.03 requires that all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2008, the primary government's bank balances of \$1,513,616 were not exposed to custodial credit risk.

The Cook County and Grand Marais Joint Economic Development Authority component unit had bank balances of \$36,887 at December 31, 2008, and these were not exposed to custodial credit risk.

b. Investments

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide cash flow and liquidity needed for operations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. All of Cook County's investments in negotiable certificates of deposit and government securities are held by the counterparty to the transactions and are, therefore, subject to custodial credit risk. A portion of these investments are insured by Securities Investor Protection Corporation (SIPC) insurance or excess SIPC insurance and are not subject to custodial credit risk.

Negotiable certificates of deposit	
Insured	\$ 3,995,046
Uninsured, held by counterparty	944,907
Government securities	
Insured	3,924,318
Uninsured, held by counterparty	1,560,296

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment to a single issuer. It is the policy of the County to diversify investments to avoid risk.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table presents the County's cash and pooled investment balances at December 31, 2008, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk Over 5 Percent of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Rating	Agency			
U.S. government agency securities					
Federal National Mortgage Association Note	N/A	N/A		08/15/2009	\$ 185,231
Federal National Mortgage Association Note	N/A	N/A		12/12/2017	100,094
Federal National Mortgage Association Note	N/A	N/A		06/01/2023	54,577
Federal National Mortgage Association Note	N/A	N/A		10/01/2021	13,939
Federal National Mortgage Association Note	N/A	N/A		06/01/2022	20,316
Federal National Mortgage Association Note	N/A	N/A		09/01/2022	19,828
Federal National Mortgage Association Note	N/A	N/A		12/01/2022	46,922
Federal National Mortgage Association Note	N/A	N/A		12/19/2022	100,000
Total Federal National Mortgage Association Notes			7.23%		\$ 540,907
Federal Home Loan Mortgage Corporation Discount Note	AAA	Moody's		10/23/2012	\$ 200,392
Federal Home Loan Mortgage Corporation Discount Note	AAA	Moody's		11/26/2014	101,337
Federal Home Loan Mortgage Corporation Discount Note	AAA	Moody's		11/28/2014	300,699
Federal Home Loan Mortgage Corporation Discount Note	AAA	Moody's		02/16/2014	200,652
Federal Home Loan Mortgage Corporation Discount Note	AAA	Moody's		02/12/2016	250,333
Federal Home Loan Mortgage Corporation Discount Note	N/A	N/A		10/23/2012	100,000
Total Federal Home Loan Mortgage Corporation Discount Notes			8.11%		\$ 1,153,413
Federal Home Loan Bank Note	AAA	Moody's		02/09/2009	\$ 886,000
Federal Home Loan Bank Note	AAA	Moody's		06/29/2010	100,000
Federal Home Loan Bank Note	AAA	Moody's		06/21/2017	100,000
Federal Home Loan Bank Note	AAA	Moody's		10/15/2015	100,000
Federal Home Loan Bank Note	AAA	Moody's		10/22/2012	100,000
Total Federal Home Loan Bank Notes			9.86%		\$ 1,286,000
Governmental National Mortgage Association Note	N/A	N/A		04/20/2024	\$ 3,462
Governmental National Mortgage Association Note	N/A	N/A		05/15/2024	4,108
Governmental National Mortgage Association Note	N/A	N/A		07/15/2024	2,751
Governmental National Mortgage Association Note	N/A	N/A		04/15/2026	3,991
Governmental National Mortgage Association Note	N/A	N/A		10/20/2026	816
Governmental National Mortgage Association Note	N/A	N/A		03/20/2028	6,566
Governmental National Mortgage Association Note	N/A	N/A		04/15/2028	14,619
Governmental National Mortgage Association Note	N/A	N/A		04/20/2028	3,624
Governmental National Mortgage Association Note	N/A	N/A		05/15/2028	1,620
Governmental National Mortgage Association Note	N/A	N/A		05/15/2008	9,624
Governmental National Mortgage Association Note	N/A	N/A		06/20/2028	2,400
Governmental National Mortgage Association Note	N/A	N/A		07/20/2028	2,935
Governmental National Mortgage Association Note	N/A	N/A		08/15/2028	8,992

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Governmental National Mortgage Association Note	N/A	N/A		09/15/2028	3,817
Governmental National Mortgage Association Note	N/A	N/A		10/15/2028	4,681
Governmental National Mortgage Association Note	N/A	N/A		10/20/2028	2,731
Governmental National Mortgage Association Note	N/A	N/A		11/15/2028	3,456
Governmental National Mortgage Association Note	N/A	N/A		11/15/2028	5,401
Governmental National Mortgage Association Note	N/A	N/A		11/15/2028	9,831
Governmental National Mortgage Association Note	N/A	N/A		11/15/2028	4,900
Governmental National Mortgage Association Note	N/A	N/A		11/20/2028	13,079
Governmental National Mortgage Association Note	N/A	N/A		12/15/2028	3,570
Governmental National Mortgage Association Note	N/A	N/A		12/15/2028	1,278
Governmental National Mortgage Association Note	N/A	N/A		12/15/2028	3,075
Governmental National Mortgage Association Note	N/A	N/A		12/15/2028	7,886
Governmental National Mortgage Association Note	N/A	N/A		12/15/2028	2,822
Governmental National Mortgage Association Note	N/A	N/A		12/20/2028	8,552
Governmental National Mortgage Association Note	N/A	N/A		12/20/2028	2,703
Governmental National Mortgage Association Note	N/A	N/A		01/15/2029	9,257
Governmental National Mortgage Association Note	N/A	N/A		01/15/2029	1,599
Governmental National Mortgage Association Note	N/A	N/A		01/15/2029	5,354
Governmental National Mortgage Association Note	N/A	N/A		01/20/2029	5,640
Governmental National Mortgage Association Note	N/A	N/A		02/15/2029	8,040
Governmental National Mortgage Association Note	N/A	N/A		02/15/2029	3,818
Governmental National Mortgage Association Note	N/A	N/A		02/15/2029	1,533
Governmental National Mortgage Association Note	N/A	N/A		02/15/2029	3,522
Governmental National Mortgage Association Note	N/A	N/A		02/15/2029	9,207
Governmental National Mortgage Association Note	N/A	N/A		02/20/2029	43,311
Governmental National Mortgage Association Note	N/A	N/A		03/15/2029	5,766
Governmental National Mortgage Association Note	N/A	N/A		03/15/2029	2,168
Governmental National Mortgage Association Note	N/A	N/A		03/15/2029	10,151
Governmental National Mortgage Association Note	N/A	N/A		03/20/2029	12,359
Governmental National Mortgage Association Note	N/A	N/A		04/15/2029	2,717
Governmental National Mortgage Association Note	N/A	N/A		04/15/2029	4,636
Governmental National Mortgage Association Note	N/A	N/A		04/15/2029	10,388
Governmental National Mortgage Association Note	N/A	N/A		04/15/2029	2,914
Governmental National Mortgage Association Note	N/A	N/A		04/20/2029	14,080
Governmental National Mortgage Association Note	N/A	N/A		05/15/2029	11,655
Governmental National Mortgage Association Note	N/A	N/A		06/15/2029	10,235
Governmental National Mortgage Association Note	N/A	N/A		06/15/2029	3,992
Governmental National Mortgage Association Note	N/A	N/A		06/15/2029	1,831
Governmental National Mortgage Association Note	N/A	N/A		07/15/2029	9,748
Governmental National Mortgage Association Note	N/A	N/A		07/15/2029	2,167
Governmental National Mortgage Association Note	N/A	N/A		07/15/2029	4,268
Governmental National Mortgage Association Note	N/A	N/A		07/15/2029	9,962
Governmental National Mortgage Association Note	N/A	N/A		08/20/2029	2,062
Governmental National Mortgage Association Note	N/A	N/A		09/15/2029	2,282
Governmental National Mortgage Association Note	N/A	N/A		09/15/2029	8,383
Governmental National Mortgage Association Note	N/A	N/A		09/15/2029	5,423
Governmental National Mortgage Association Note	N/A	N/A		09/20/2029	8,123
Governmental National Mortgage Association Note	N/A	N/A		11/15/2029	4,737

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Governmental National Mortgage Association Note	N/A	N/A		06/20/2030	11,153
Governmental National Mortgage Association Note	N/A	N/A		03/15/2031	2,898
Governmental National Mortgage Association Note	N/A	N/A		03/20/2031	7,179
Governmental National Mortgage Association Note	N/A	N/A		04/15/2031	2,700
Governmental National Mortgage Association Note	N/A	N/A		05/15/2031	5,296
Governmental National Mortgage Association Note	N/A	N/A		05/20/2031	11,776
Governmental National Mortgage Association Note	N/A	N/A		06/20/2031	6,951
Governmental National Mortgage Association Note	N/A	N/A		06/20/2031	5,584
Governmental National Mortgage Association Note	N/A	N/A		07/15/2031	2,636
Governmental National Mortgage Association Note	N/A	N/A		08/15/2031	9,984
Governmental National Mortgage Association Note	N/A	N/A		09/20/2031	10,350
Governmental National Mortgage Association Note	N/A	N/A		10/15/2031	6,963
Governmental National Mortgage Association Note	N/A	N/A		10/15/2031	8,388
Governmental National Mortgage Association Note	N/A	N/A		11/20/2031	12,180
Governmental National Mortgage Association Note	N/A	N/A		12/15/2031	2,236
Governmental National Mortgage Association Note	N/A	N/A		12/20/2031	7,847
Governmental National Mortgage Association Note	N/A	N/A		01/15/2032	11,429
Governmental National Mortgage Association Note	N/A	N/A		01/15/2032	3,050
Governmental National Mortgage Association Note	N/A	N/A		01/15/2032	10,004
Governmental National Mortgage Association Note	N/A	N/A		03/15/2032	9,369
Governmental National Mortgage Association Note	N/A	N/A		03/20/2032	2,958
Governmental National Mortgage Association Note	N/A	N/A		03/20/2032	8,138
Governmental National Mortgage Association Note	N/A	N/A		06/15/2032	9,335
Governmental National Mortgage Association Note	N/A	N/A		10/15/2032	11,525
Governmental National Mortgage Association Note	N/A	N/A		10/15/2032	9,753
Governmental National Mortgage Association Note	N/A	N/A		11/15/2032	2,386
Governmental National Mortgage Association Note	N/A	N/A		12/15/2032	7,192
Governmental National Mortgage Association Note	N/A	N/A		12/15/2032	5,867
Governmental National Mortgage Association Note	N/A	N/A		12/20/2032	9,155
Governmental National Mortgage Association Note	N/A	N/A		01/15/2033	7,894
Governmental National Mortgage Association Note	N/A	N/A		02/15/2033	7,141
Governmental National Mortgage Association Note	N/A	N/A		02/15/2033	6,812
Governmental National Mortgage Association Note	N/A	N/A		06/15/2033	9,547
Governmental National Mortgage Association Note	N/A	N/A		09/20/2033	9,250
Governmental National Mortgage Association Note	N/A	N/A		10/15/2033	9,666
Governmental National Mortgage Association Note	N/A	N/A		11/20/2033	12,163
Governmental National Mortgage Association Note	N/A	N/A		11/20/2033	7,904
Governmental National Mortgage Association Note	N/A	N/A		12/15/2033	10,300
Governmental National Mortgage Association Note	N/A	N/A		04/20/2034	14,699
Governmental National Mortgage Association Note	N/A	N/A		10/15/2034	12,110
Governmental National Mortgage Association Note	N/A	N/A		11/20/2034	11,265
Governmental National Mortgage Association Note	N/A	N/A		01/20/2037	12,024
Total Governmental National Mortgage Association Notes			N/A		\$ 729,675

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. Treasury Note	N/A	N/A		03/15/2010	\$ 93,019
U.S. Treasury Note	N/A	N/A		03/15/2010	26,129
U.S. Treasury Note	N/A	N/A		03/15/2010	114,968
U.S. Treasury Note	N/A	N/A		03/15/2010	41,806
U.S. Treasury Note	N/A	N/A		04/15/2010	145,728
U.S. Treasury Note	N/A	N/A		06/30/2011	30,990
U.S. Treasury Note	N/A	N/A		08/15/2009	1,028
U.S. Treasury Note	N/A	N/A		06/30/2010	283,752
U.S. Treasury Note	N/A	N/A		09/30/2011	129,478
U.S. Treasury Note	N/A	N/A		09/30/2011	95,463
U.S. Treasury Note	N/A	N/A		05/15/2009	8,137
U.S. Treasury Note	N/A	N/A		03/15/2010	25,084
U.S. Treasury Note	N/A	N/A		03/15/2010	29,264
U.S. Treasury Note	N/A	N/A		03/15/2010	24,039
Total U.S. Treasury Notes			6.55%		\$ 1,048,885
Investment pools/mutual funds					
Merrill Lynch	N/A	N/A		N/A	\$ 68,821
Tamarack U.S. Government Money Market	N/A	N/A		N/A	40
MAGIC Fund	N/A	N/A		N/A	2,205,312
Total investment pools/mutual funds			29.14%		\$ 2,274,173
Negotiable certificates of deposit					
Amboy Bank	N/A	N/A		03/06/2009	\$ 96,000
America West Bank	N/A	N/A		07/09/2010	98,908
American Express Bank	N/A	N/A		11/12/2010	96,683
American Express Bank	N/A	N/A		11/26/2010	96,680
Atlantic Southern	N/A	N/A		02/01/2010	96,962
Bank North	N/A	N/A		02/20/2009	96,268
BMW Bank	N/A	N/A		12/01/2010	96,680
Cathay Bank	N/A	N/A		06/19/2009	96,000
Capital One Bank USA	N/A	N/A		02/01/2010	96,962
Capital One Bank USA	N/A	N/A		11/26/2010	96,680
Cit Bank	N/A	N/A		05/05/2010	96,861
Columbus Bank & Trust	N/A	N/A		06/19/2009	96,548
Enterprise Bank	N/A	N/A		03/06/2009	96,000
First Bank Beverly Hills	N/A	N/A		01/22/2009	95,160
First Regional	N/A	N/A		08/31/2009	96,669
FirstMerit Bank	N/A	N/A		05/22/2009	96,000
GE Capital Finance	N/A	N/A		09/20/2010	96,687
GE Money Bank	N/A	N/A		06/18/2009	96,000
Goldman Sachs Bank	N/A	N/A		07/01/2009	96,000
Great Southern Bank	N/A	N/A		08/16/2010	96,687
Golf Savings Bank	N/A	N/A		03/02/2009	96,336
Hanmi Bank	N/A	N/A		06/04/2009	96,513
Imperial Capital Bank	N/A	N/A		06/18/2009	96,548

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Morgan Stanley Bank	N/A	N/A		10/08/2010	96,686
Nexity Bank	N/A	N/A		02/08/2010	96,949
Old National Bank	N/A	N/A		06/04/2009	96,513
Preferred Bank	N/A	N/A		06/18/2009	96,531
Private Bank	N/A	N/A		03/27/2009	96,000
Sallie Mae Bank	N/A	N/A		06/18/2009	96,548
Siverton Bank	N/A	N/A		07/02/2009	96,731
Sovereign Bank	N/A	N/A		05/26/2010	96,806
Sterling Savings	N/A	N/A		03/12/2009	96,373
Wachovia Bank	N/A	N/A		06/30/2009	96,726
Wachovia MTG	N/A	N/A		06/30/2009	96,726
Western Bank	N/A	N/A		05/29/2009	96,000
Lehman Bros Bank Callable (12/19/12)	N/A	N/A		12/19/2012	93,327
Lasalle Bank NA Callable (12/27/15)	N/A	N/A		12/27/2015	93,773
Standard Federal Bank NA Callable	N/A	N/A		12/27/2015	88,608
American National Bank	N/A	N/A		02/25/2009	99,453
Centennial Bank	N/A	N/A		06/09/2009	98,547
Community Bank	N/A	N/A		04/03/2009	99,116
Crown Bank	N/A	N/A		05/21/2009	98,885
Discover Bank	N/A	N/A		06/18/2009	98,400
First Credit Bank	N/A	N/A		06/24/2009	98,753
First Financial Bank USA	N/A	N/A		05/26/2009	98,653
National Republic Bank	N/A	N/A		06/16/2009	98,419
Park National Bank	N/A	N/A		01/29/2009	99,740
San Diego National Bank	N/A	N/A		06/29/2009	98,452
Tennessee Commerce Bank	N/A	N/A		01/16/2009	99,823
Tustin Community Bank	N/A	N/A		05/21/2009	98,717
West Pointe Bank	N/A	N/A		05/21/2009	98,866
Total Negotiable Certificates of Deposit			31.30%		\$ 4,939,953
Freddie Mac	AAA	Moody's		12/15/2019	\$ 500,230
Freddie Mac	AAA	Moody's		03/15/2018	100,504
Freddie Mac	AAA	Moody's		12/15/2015	125,000
Total Freddie Mac					\$ 725,734
Total pooled investments					\$ 12,698,740
Deposits					1,098,880
Petty cash					1,032
Fund investments					15,322
Cash with escrow agent					408,151
Deposits - component unit					348,332
Total Cash and Investments					\$ 14,570,457

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2008, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes, including lodging taxes	\$ 197,342	\$ -
Loans	918,571	859,914
Due from other governments	4,772,553	209,167
Accounts	872,756	-
Interest	99,132	-
MCCF deposit	50,000	-
Total Governmental Activities	\$ 6,910,354	\$ 1,069,081

3. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Increase	Decrease	Transfers	Ending Balance
Capital assets not depreciated					
Land and easements	\$ 745,738	\$ -	\$ -	\$ -	\$ 745,738
Construction in progress	2,084,545	104,066	15,355	(1,771,608)	401,648
Total capital assets not depreciated	\$ 2,830,283	\$ 104,066	\$ 15,355	\$ (1,771,608)	\$ 1,147,386
Capital assets depreciated					
Buildings	\$ 10,228,539	\$ -	\$ -	\$ -	\$ 10,228,539
Improvements other than buildings	839,381	-	-	-	839,381
Machinery, vehicles, furniture, and equipment	5,409,115	267,698	198,989	-	5,477,824
Infrastructure	46,263,953	2,202,038	-	1,771,608	50,237,599
Total capital assets depreciated	\$ 62,740,988	\$ 2,469,736	\$ 198,989	\$ 1,771,608	\$ 66,783,343

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Transfers	Ending Balance
Less: accumulated depreciation for					
Buildings	\$ 2,618,984	\$ 249,230	\$ -	\$ -	\$ 2,868,214
Improvements other than buildings	193,334	42,019	-	-	235,353
Machinery, vehicles, furniture, and equipment	3,801,160	403,134	197,147	-	4,007,147
Infrastructure	10,355,666	957,259	-	-	11,312,925
Total accumulated depreciation	\$ 16,969,144	\$ 1,651,642	\$ 197,147	\$ -	\$ 18,423,639
Total capital assets depreciated, net	\$ 45,771,844	\$ 818,094	\$ 1,842	\$ 1,771,608	\$ 48,359,704
Capital Assets, Net	\$ 48,602,127	\$ 922,160	\$ 17,197	\$ -	\$ 49,507,090

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 176,402
Public safety	165,794
Highways and streets, including depreciation of infrastructure assets	1,084,583
Sanitation	23,905
Culture and recreation	22,967
Conservation of natural resources	1,405
Economic development	176,586
	<hr/>
Total Depreciation Expense - Governmental Activities	\$ 1,651,642

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2008, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Public Health and Human Human Services Fund	\$ 25,042	Reimburse for supplies and services
	Forfeited Tax Fund	136,716	To fund deficit cash
	Road and Bridge Fund	6,988	Reimburse for supplies and services
	Airport Fund	<u>49,372</u>	To fund deficit cash
Total Due to General Fund		\$ 218,118	
Road and Bridge Fund	General Fund	<u>2,020</u>	Charges for services
Total Due To/From Other Funds		<u>\$ 220,138</u>	

Due to/from other funds are expected to be repaid within the year.

2. Interfund Advances

The General Fund advanced \$104,968 to the Airport Special Revenue Fund to finance a new T-hangar. It is to be repaid over ten years, from 2005 through 2014, with interest at three percent. The balance outstanding as of December 31, 2008, is \$73,032.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers (Continued)

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2008, consisted of the following:

Transfers to Road and Bridge Fund from other governmental funds		
General Fund	\$ 500,000	To fund capital purchases
Transfers to Debt Service Fund from other governmental funds		
Hospital Sales Tax Fund	\$ 2,123,017	To fund debt payments
Golf Course Lodging Tax Fund	210,399	To fund debt payments
Transfers to Debt Service Fund	\$ 2,333,416	
Total Interfund Transfers	\$ 2,833,416	

C. Liabilities

1. Payables

Payables at December 31, 2008, were as follows:

	<u>Governmental Activities</u>
Accounts	\$ 384,711
Salaries	357,914
Contracts	142,276
Due to other governments	42,623
Total Payables	\$ 927,524

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2008
General obligation bonds					
G.O. Care Center Bonds of 1999	2009	\$3,056/month	0.00	\$ 330,000	\$ 9,166
G.O. Care Center Crossover Refunding Bonds of 2003	2014	\$125,000 - \$190,000	2.20 - 3.35	1,260,000	875,000
G.O. Tax Increment Improvement Refunding Bonds of 2003	2013	\$175,000 - \$235,000	1.75 - 3.20	1,630,000	735,000
Refunding Certificates of Participation of 2003	2017	\$205,000 - \$385,000	2.50 - 4.00	4,235,000	2,970,000
Total general obligation bonds				<u>\$ 7,455,000</u>	\$ 4,589,166
Less: unamortized charge - refunding bonds					<u>(138,147)</u>
Total General Obligation Bonds, Net					<u>\$ 4,451,019</u>

All long-term debt is paid by the Debt Service Fund.

3. Debt Service Requirements

Debt service requirements at December 31, 2008, were as follows:

Year Ending December 31	General Obligation Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
2009	\$ 344,166	\$ 45,765	\$ 285,000	\$ 104,900
2010	340,000	37,091	295,000	95,905
2011	370,000	27,300	300,000	85,935
2012	185,000	16,055	315,000	75,015
2013	190,000	10,126	325,000	63,332
2014 - 2017	190,000	3,182	1,450,000	118,660
Total	<u>\$ 1,619,166</u>	<u>\$ 139,519</u>	<u>\$ 2,970,000</u>	<u>\$ 543,747</u>

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 3,920,831	\$ -	\$ 2,301,665	\$ 1,619,166	\$ 344,166
Certificates of participation	3,245,000	-	275,000	2,970,000	285,000
Less: deferred charges - refunding bonds	(155,247)	-	(17,100)	(138,147)	-
Total bonds payable	\$ 7,010,584	\$ -	\$ 2,559,565	\$ 4,451,019	\$ 629,166
Compensated absences	459,134	393,815	383,145	469,804	-
Long-Term Liabilities	<u>\$ 7,469,718</u>	<u>\$ 393,815</u>	<u>\$ 2,942,710</u>	<u>\$ 4,920,823</u>	<u>\$ 629,166</u>

5. Ongoing Disclosure of Long-Term Liabilities

The County has covenanted to provide ongoing disclosure of certain annual financial information and operating data with respect to the County, including audited financial statements of the County. The County's ongoing disclosures are with respect to the following issues:

- General Obligation Care Center Crossover Refunding Bonds, Series 2003, August 6, 2003;
- General Obligation Tax Increment Improvement Refunding Bonds, Series 2003, August 1, 2003; and
- General Obligation Refunding Certificates of Participation, Series 2003, August 20, 2003.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of Cook County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund and the Public Employees Police and Fire Fund, which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund.

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

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For the Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

For Public Employees Retirement Fund members whose annuity is calculated using Method 1, and all Public Employees Police and Fire Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.1 and 6.0 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members were required to contribute 8.6 percent of their annual covered salary in 2008. That rate increased to 9.4 percent in 2009.

The County is required to contribute the following percentages of annual covered payroll in 2008 and 2009:

	<u>2008</u>	<u>2009</u>
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.50	6.75
Public Employees Police and Fire Fund	12.90	14.10

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2008, 2007, and 2006, for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Public Employees Retirement Fund	\$ 230,288	\$ 217,263	\$ 201,022
Public Employees Police and Fire Fund	91,937	86,071	66,278

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

B. Defined Contribution Plan

Five commissioners of Cook County are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA in accordance with Minn. Stat. ch. 353D. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minn. Stat. § 353D.03 specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

4. Pension Plans

B. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2008, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 6,883	\$ 6,883
Percentage of covered payroll	5%	5%

Required contribution rates were 5.0 percent.

5. Summary of Significant Contingencies and Other Items

A. Risk Management

The County 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 County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For group health insurance, the County belongs to the North East Service Cooperative (NESC). For other risks, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$410,000 per claim in 2008 and \$430,000 per claim in 2009. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

The Property and Casualty Division of MCIT is self-sustaining, and the County pays an annual premium to cover current and future losses. MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

The NESC is a joint powers entity which sponsors a plan to provide group employee health benefits to its participating members. All members pool premiums and losses; however, a particular member may receive increases or decreases depending on a good or bad year of claims experience. Premiums are determined annually by the NESC and are based partially on the experience of the County and partially on the experience of the group. The NESC solicits proposals from carriers and negotiates the contracts.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

C. Joint Ventures

Arrowhead Regional Corrections

The County, in a joint powers agreement pursuant to Minn. Stat. § 471.59, participates with Carlton, Koochiching, Lake, and St. Louis Counties in the Arrowhead Regional Corrections Board, which was established pursuant to the Community Corrections Act, Minn. Stat. §§ 401.01-.16.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Arrowhead Regional Corrections (Continued)

The Arrowhead Regional Corrections Board comprises three major divisions: juvenile institutional services, adult institutional services, and court and field services. These divisions are composed of the five participating counties' probation departments, the Arrowhead Juvenile Detention Center, and the Northeast Regional Corrections Center.

Arrowhead Regional Corrections is governed by an eight-member Board, composed of one member appointed from each of the participating counties' Boards of Commissioners, except for St. Louis County, which has three members appointed by its Board. In addition, the right to have an additional member is annually rotated among Carlton, Cook, Koochiching, and Lake Counties.

Arrowhead Regional Corrections is financed through state grants and contributions from the participating counties. During 2007 (the most recent information available), county contributions were in the following proportion:

	<u>Percent (%)</u>
Carlton County	9.53
Cook County	1.52
Koochiching County	2.75
Lake County	2.28
St. Louis County	<u>83.92</u>
Total	<u><u>100.00</u></u>

Following is a summary of the financial information from Arrowhead Regional Corrections' government-wide statements for December 31, 2007:

Total Assets	\$ 12,819,588
Total Liabilities	5,417,642
Total Net Assets	7,401,946
Total Revenues	21,415,725
Total Expenses	20,476,511
Change in Net Assets	939,214

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Arrowhead Regional Corrections (Continued)

Cook County provided \$205,857 in funding during 2008. Separate financial information can be obtained from:

Arrowhead Regional Corrections
320 West 2nd Street
Suite 113
Duluth, Minnesota 55802

Community Health Board

Carlton, Cook, Lake, and St. Louis Counties entered into a joint powers agreement creating and operating the Carlton, Cook, Lake, and St. Louis Community Health Board. This agreement was entered into January 1, 1977, and is established pursuant to Minn. Stat. § 471.59.

The Community Health Board is composed of nine members. The Carlton, Cook, and Lake County Boards of Commissioners each appoint two members; the St. Louis County Board of Commissioners appoints three members. Financing is obtained through federal and state grants. Cook County provided no funding to this organization in 2008.

At December 31, 2007 (the most recent information available), the Community Health Board's summary of financial information was:

Total Assets	\$ 1,311,645
Total Liabilities	1,154,632
Total Net Assets	157,013
Total Revenues	3,742,318
Total Expenses	3,716,572
Change in Net Assets	25,746

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Community Health Board (Continued)

Separate financial information can be obtained from:

Carlton, Cook, Lake, and St. Louis Community Health Board
404 West Superior Street
Suite 220
Duluth, Minnesota 55802

Northeast Minnesota Office of Job Training

Aitkin, Carlton, Cook, Itasca, Koochiching, Lake, and St. Louis Counties (excluding the City of Duluth) entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, for the purpose of developing and implementing a private and public job training program. The United States Congress, through the Job Training Partnership Act of 1982, authorized states to establish “service delivery areas” to provide programs to achieve full employment through the use of grants. The counties identified above are defined as such a service delivery area, and the Northeast Minnesota Office of Job Training is designated as the grant recipient and administrator for such service delivery area. Cook County is not a funding mechanism for this organization.

The governing body is composed of seven members, one from the Board of Commissioners of each of the participating counties.

A summary of the financial information of Northeast Minnesota Office of Job Training’s government-wide statements for June 30, 2008, was:

Total Assets	\$ 2,697,187
Total Liabilities	1,317,583
Total Net Assets	1,379,604
Total Revenues	5,034,686
Total Expenses	5,160,410
Change in Net Assets	(125,724)

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Northeast Minnesota Office of Job Training (Continued)

Separate financial information can be obtained from:

Northeast Minnesota Office of Job Training
820 North Ninth Street
Suite 210
Virginia, Minnesota 55792

Minnesota Counties Information Systems

The County entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, creating and operating the Minnesota Counties Information Systems (MCIS). MCIS operates and maintains data processing facilities and management information systems for the benefit of the 13 member counties of this agreement.

MCIS is governed by a 13-member board. Each participating county appoints a member. Financing is obtained through user charges to the members. Cass County is the fiscal agent for MCIS.

Each county's share of the assets and liabilities cannot be accurately determined since it will depend on the number of counties that are members when the agreement is dissolved.

A summary of the financial information of MCIS at December 31, 2006 (the most recent information available), was:

Total Assets	\$	785,330
Total Liabilities		202,814
Total Net Assets		582,516
Total Revenues		2,387,269
Total Expenses		2,195,143
Change in Net Assets		192,126

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Minnesota Counties Information Systems (Continued)

Separate financial information can be obtained from:

Minnesota Counties Information Systems
413 Southeast 7th Avenue
Grand Rapids, Minnesota 55744

Northern Counties Land Use Board

The Northern Counties Land Use Board was established through a joint powers agreement, pursuant to Minn. Stat. § 471.59, for the purpose of helping to formulate land use plans for the protection, sustainable use, and development of lands and natural resources.

The joint powers are Aitkin, Cook, Itasca, Koochiching, Lake, Lake of the Woods, and St. Louis Counties. Three elected County Commissioners from St. Louis County and two from each of the other counties make up the membership of the Board. St. Louis County handles all of the financial transactions for this organization through its Northern Counties Land Use Board Agency Fund.

A summary of the financial statements at December 31, 2006 (the most recent information available), is shown below:

Total Assets	\$	75,537
Total Liabilities		20,061
Total Net Assets		55,476
Total Revenues		23,750
Total Expenses		7,780
Change in Net Assets		15,970

The County contributed \$5,000 during 2008 to the Northern Counties Land Use Board.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Northern Counties Land Use Board (Continued)

Separate financial information can be obtained from:

Northern Counties Land Use Board
P.O. Box 136
Ranier, Minnesota 56668

North Shore Collaborative

The North Shore Collaborative was established in 1995 pursuant to Minn. Stat. § 124D.23. The Collaborative includes Lake County, Cook County, Independent School District #381, Independent School District #166, and the Grand Portage Reservation. The purpose of the Collaborative is to form a coalition of agencies, schools, and communities along the North Shore that will systematically address the mental health and other needs of the whole person for all children and youth; ensure their graduation from high school; and assist them in becoming healthy, happy, productive citizens.

Control of the North Shore Collaborative is vested in a Board of Directors. Financing is provided by state and federal grants, appropriations from Collaborative members, and miscellaneous revenues. Lake County is the fiscal agent for the Collaborative and handles all of the financial transactions for the organization. Financial information for the Collaborative for the fiscal year ended December 31, 2008, is as follows:

Assets	<u>\$ 217,836</u>
Liabilities	<u>\$ 217,836</u>

Arrowhead Health Alliance

Carlton, Cook, Koochiching, and Lake Counties entered into a joint powers agreement, pursuant to Minn. Stat. §§ 471.59 and 256B.692, for the purpose of organizing, governing, planning, and administering a county-based purchasing entity to participate in prepaid healthcare programs through the Minnesota Department of Human Services and the federal Centers for Medicare and Medicaid Services.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Arrowhead Health Alliance (Continued)

Control of the Arrowhead Health Alliance is vested in a Board of Directors composed of one representative from each of the member counties. Carlton County is the fiscal agent for the Alliance.

Cook County contributed \$30,373 in start-up funds to the Arrowhead Health Alliance in 2007. The County provided no further funding in 2008.

D. Jointly-Governed Organizations

Cook County, in conjunction with other local governments, has formed joint powers boards to provide a variety of services. The County appoints at least one member to the following organizations:

North Shore Management Board

The North Shore Management Board provides Lake Superior Shoreline planning for Cook, Lake, and St. Louis Counties; the Cities of Beaver Bay, Grand Marais, Silver Bay, and Two Harbors; and the Towns of Duluth and Lakewood. The County made no payments to the North Shore Management Board in 2008.

Minnesota Community Capital Fund

The County is a Class C member of the Minnesota Community Capital Fund (MCCF). The MCCF was established to address unmet development financing needs of communities and economic development organizations throughout greater Minnesota by pooling local revolving loan fund resources and providing professional management services to support local efforts. The MCCF is designed to provide its members with greater lending flexibility and the capacity to originate multiple loans that are much larger than would be possible with limited local resources.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items (Continued)

E. Tax-Forfeited Land

The County manages approximately 4,500 acres of state-owned tax-forfeited land. This land generates revenues primarily from recreational land leases and land and timber sales. Land management costs, including forestry costs such as site preparation, seedlings, tree planting, and logging roads, are accounted for as current operating expenditures. Revenues in excess of expenditures are distributed to the County and cities, towns, and school districts within the County according to state statute.

6. Component Unit Disclosures - Cook County and Grand Marais Joint Economic Development Authority

A. Summary of Significant Accounting Policies

In addition to those identified in Note 1, the County's discretely presented component unit has the following significant accounting policies.

Reporting Entity

The Cook County and Grand Marais Joint Economic Development Authority is governed by a seven-member Board. Four members are appointed by the Cook County Board of Commissioners, and three members are appointed by the Grand Marais City Council. The Authority is considered to be a component unit of Cook County.

Basis of Presentation

The Authority prepares separate financial statements.

Basis of Accounting

The Authority's fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

6. Component Unit Disclosures - Cook County and Grand Marais Joint Economic Development Authority

A. Summary of Significant Accounting Policies (Continued)

Cash and Investments

The Authority's cash consists of petty cash, checking, and savings accounts. The Authority's assets held by trustee are invested in a mutual fund and an external investment pool, the MAGIC Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2-a7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). Therefore, the fair value of the Authority's position in the pool is the same as the value of the pool shares.

Inventories

Inventory is comprised of golf course merchandise for resale. All inventories are valued at lower of cost or market using the first in/first out (FIFO) method. Inventories are recorded as expenses when consumed.

Restricted Assets

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

Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$1,000. Such assets are recorded at historical cost, except for land, which was donated. Donated capital assets are recorded at estimated fair value at the date of donation.

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

6. Component Unit Disclosures - Cook County and Grand Marais Joint Economic Development Authority

A. Summary of Significant Accounting Policies

Capital Assets (Continued)

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

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

B. Detailed Notes

1. Assets

Receivables

The Authority's receivables as of December 31, 2008, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Next Year
Taxes receivable	\$ 12,272	\$ -
Accounts receivable	385	-
Total Governmental Activities	\$ 12,657	\$ -

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

6. Component Unit Disclosures - Cook County and Grand Marais Joint Economic Development Authority

B. Detailed Notes

1. Assets (Continued)

Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

	Beginning Balance, Restated	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 295,658	\$ -	\$ -	\$ 295,658
Construction in progress	2,127,345	76,180	-	2,203,525
Total capital assets not depreciated	\$ 2,423,003	\$ 76,180	\$ -	\$ 2,499,183
Capital assets depreciated				
Land improvements	\$ 4,221,622	\$ -	\$ -	\$ 4,221,622
Buildings and structures	372,371	-	-	372,371
Furniture and equipment	835,737	-	-	835,737
Total capital assets depreciated	\$ 5,429,730	\$ -	\$ -	\$ 5,429,730
Less: accumulated depreciation for				
Land improvements	\$ 1,846,797	\$ 140,429	\$ -	\$ 1,987,226
Buildings and structures	278,869	19,855	-	298,724
Furniture and equipment	696,594	27,298	-	723,892
Total accumulated depreciation	\$ 2,822,260	\$ 187,582	\$ -	\$ 3,009,842
Total capital assets depreciated, net	\$ 2,607,470	\$ (187,582)	\$ -	\$ 2,419,888
Governmental Activities Capital Assets, Net	\$ 5,030,473	\$ (111,402)	\$ -	\$ 4,919,071

Depreciation expense was charged to functions/programs of the government as follows:

Golf course	\$ 187,582
-------------	------------

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

6. Component Unit Disclosures - Cook County and Grand Marais Joint Economic Development Authority

B. Detailed Notes (Continued)

2. Liabilities

Operating Leases

The Authority leases golf carts under non-cancelable operating leases. Total costs for such leases were \$38,812 for the year ended December 31, 2008. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2009	\$ 24,030

Capital Leases

The Authority has entered into lease agreements as lessee for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. These capital leases consist of the following at December 31, 2008:

Lease	Maturity	Installment	Payment Amount	Original Amount	Balance
2005 mower	2009	Annual	\$ 4,807	\$ 19,908	\$ 4,527
2005 top-dresser	2009	Annual	2,302	9,510	1,922
Total Capital Leases					\$ 6,449

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2008, were as follows:

Total minimum lease payments due in 2009	\$ 7,109
Less: amount representing interest	(660)
Present Value of Minimum Lease Payments	\$ 6,449

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

6. Component Unit Disclosures - Cook County and Grand Marais Joint Economic Development Authority

B. Detailed Notes

2. Liabilities (Continued)

Short-Term Debt

The Authority has a note payable with Security State Bank for Authority operations. This note is accounted for in the General Fund.

The Authority purchased land and a building to be held for resale using a contract for deed. This property was sold and the contract paid off in 2009. The contract for deed and the asset held for resale are reported in the General Fund.

The Authority has a line of credit agreement with Grand Marais State Bank for golf course operations. This agreement is accounted for in the Golf Course Enterprise Fund.

Short-term debt activity for the year ended December 31, 2008, is

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Paid</u>	<u>Ending Balance</u>
Note payable	\$ -	\$ 50,000	\$ 25,000	\$ 25,000
Contract for deed	-	240,000	-	240,000
Line of credit	23,550	200,300	200,050	23,800
Total	<u>\$ 23,550</u>	<u>\$ 490,300</u>	<u>\$ 225,050</u>	<u>\$ 288,800</u>

3. Long-Term Debt

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2008</u>
1998 Golf Course Revenue Bonds	2015	\$35,000 - \$175,000	4.40 - 5.60	\$ 1,820,000	<u>\$ 1,050,000</u>

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

6. Component Unit Disclosures - Cook County and Grand Marais Joint Economic Development Authority

B. Detailed Notes

3. Long-Term Debt (Continued)

Debt service requirements at December 31, 2008, were as follows:

Year Ending December 31	Revenue Bonds	
	Principal	Interest
2009	\$ 125,000	\$ 54,028
2010	135,000	47,104
2011	140,000	39,712
2012	150,000	31,845
2013	160,000	23,357
2014 - 2015	340,000	19,279
Total	<u>\$ 1,050,000</u>	<u>\$ 215,325</u>

4. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Golf course revenue bonds	\$ 1,170,000	\$ -	\$ 120,000	\$ 1,050,000	\$ 125,000
Capital leases	15,581	-	9,132	6,449	6,449
Total	<u>\$ 1,185,581</u>	<u>\$ -</u>	<u>\$ 129,132</u>	<u>\$ 1,056,449</u>	<u>\$ 131,449</u>

C. Risk Management

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

6. Component Unit Disclosures - Cook County and Grand Marais Joint Economic Development Authority (Continued)

D. Construction Commitment

In 2006, the Authority began work on the Cedar Grove Business Park, which was substantially completed by December 31, 2008. This is a project within the City of Grand Marais to provide land sites for new or existing businesses. The project was funded by the Minnesota Department of Employment and Economic Development, Iron Range Resources grants obtained by the City, and a City-issued bond. The City entered into an agreement with the Authority whereby lot purchasers will be assessed \$60,000 per platted lot, payable from the closing proceeds at the time of the sale. The assessment will be used to repay the City-issued bond that financed the improvement.

E. Contingent Liabilities

In October 2007, the Minnesota Pollution Control Agency (MPCA) asserted a claim against the Authority for alleged violations of a Storm Water Pollution Prevention Plan (SWAPP) Permit. The MPCA intends to hold the Authority jointly and severally liable with the contractor for alleged SWAPP violations as they relate to the Cedar Grove Business Park construction project. There is a tentative settlement that was not finalized at the end of the audit. The final amount of the penalties to be assessed, if any, has not been determined as of the date of the audit.

F. Joint Ventures

In 2008, the Authority entered into a joint powers agreement with the Lake County Housing and Redevelopment Authority, pursuant to Minn. Stat. § 471.59, for the purpose of preserving the existing housing market, encouraging new housing construction, and providing housing opportunities to the residents of Lake and Cook Counties. The power of each party will be exercised jointly under this agreement with the assistance of a housing coordinator to be retained by both parties. The Lake County Housing and Redevelopment Authority is the fiscal agent, and all financial information is included as part of the Lake County Housing and Redevelopment Authority's financial statement.

REQUIRED SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,187,383	\$ 3,187,383	\$ 3,134,539	\$ (52,844)
Special assessments	-	-	36,608	36,608
Licenses and permits	65,300	65,300	60,548	(4,752)
Intergovernmental	1,672,377	1,672,377	2,995,895	1,323,518
Charges for services	473,950	473,950	365,254	(108,696)
Fines and forfeits	-	-	7,366	7,366
Gifts and contributions	-	-	6,399	6,399
Investment earnings	400,000	400,000	589,214	189,214
Miscellaneous	241,405	241,405	736,689	495,284
Total Revenues	\$ 6,040,415	\$ 6,040,415	\$ 7,932,512	\$ 1,892,097
Expenditures				
Current				
General government				
Commissioners	\$ 349,814	\$ 349,814	\$ 298,342	\$ 51,472
Law library	27,100	27,100	25,545	1,555
County auditor	525,239	525,239	705,009	(179,770)
County assessor	231,401	231,401	224,873	6,528
Elections	20,500	20,500	27,624	(7,124)
Data processing	417,691	417,691	414,899	2,792
Personnel	138,616	138,616	136,613	2,003
Attorney	266,833	266,833	300,080	(33,247)
Recorder	181,781	181,781	192,570	(10,789)
Planning and zoning	263,743	263,743	254,987	8,756
Buildings and plant	439,248	439,248	470,969	(31,721)
Veterans service officer	21,422	21,422	38,505	(17,083)
Other general government	3,606	3,606	747	2,859
Total general government	\$ 2,886,994	\$ 2,886,994	\$ 3,090,763	\$ (203,769)
Public safety				
Sheriff	\$ 1,549,244	\$ 1,549,244	\$ 1,536,517	\$ 12,727
Boat and water safety	-	-	9,182	(9,182)
Emergency services	140,291	140,291	172,139	(31,848)
Coroner	10,400	10,400	9,303	1,097
E-911 system	46,121	46,121	48,158	(2,037)
County jail	199,951	199,951	229,456	(29,505)
Community corrections	244,436	244,436	224,632	19,804
Civil defense	-	-	391	(391)
Other public safety	9,000	9,000	38,487	(29,487)
Total public safety	\$ 2,199,443	\$ 2,199,443	\$ 2,268,265	\$ (68,822)

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Sanitation				
Solid waste	\$ 92,496	\$ 92,496	\$ 60,504	\$ 31,992
Recycling	284,930	284,930	311,469	(26,539)
Other sanitation	-	-	5,308	(5,308)
Total sanitation	\$ 377,426	\$ 377,426	\$ 377,281	\$ 145
Culture and recreation				
Historical society	\$ 15,342	\$ 15,342	\$ 18,293	\$ (2,951)
Parks	-	-	63,418	(63,418)
Senior citizens	99,395	99,395	100,043	(648)
Regional library	119,435	119,435	119,435	-
Other	128,292	128,292	376,825	(248,533)
Total culture and recreation	\$ 362,464	\$ 362,464	\$ 678,014	\$ (315,550)
Conservation of natural resources				
Cooperative extension	\$ 64,658	\$ 64,658	\$ 57,382	\$ 7,276
Soil and water conservation	35,181	35,181	63,163	(27,982)
Agricultural inspections	6,126	6,126	4,120	2,006
Agricultural society/County fair	10,900	10,900	3,515	7,385
Water planning	45,000	45,000	22,194	22,806
Environmental services	111,123	111,123	120,464	(9,341)
Other	-	-	29,155	(29,155)
Total conservation of natural resources	\$ 272,988	\$ 272,988	\$ 299,993	\$ (27,005)
Economic development				
Community development	\$ 19,000	\$ 19,000	\$ 490,818	\$ (471,818)
Capital outlay				
General government	\$ 53,600	\$ 53,600	\$ 40,779	\$ 12,821
Public safety	63,500	63,500	602,627	(539,127)
Sanitation	-	-	22,985	(22,985)
Culture and recreation	3,000	3,000	114,420	(111,420)
Conservation	2,000	2,000	1,652	348
Total capital outlay	\$ 122,100	\$ 122,100	\$ 782,463	\$ (660,363)
Total Expenditures	\$ 6,240,415	\$ 6,240,415	\$ 7,987,597	\$ (1,747,182)

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess of Revenues Over (Under) Expenditures	\$ (200,000)	\$ (200,000)	\$ (55,085)	\$ 144,915
Other Financing Sources (Uses)				
Transfers out	-	-	(500,000)	(500,000)
Net Change in Fund Balance	\$ (200,000)	\$ (200,000)	\$ (555,085)	\$ (355,085)
Fund Balance - January 1	<u>8,995,487</u>	<u>8,995,487</u>	<u>8,995,487</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 8,795,487</u>	<u>\$ 8,795,487</u>	<u>\$ 8,440,402</u>	<u>\$ (355,085)</u>

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,080,200	\$ 1,080,200	\$ 1,053,868	\$ (26,332)
Intergovernmental	4,376,075	4,376,075	2,762,570	(1,613,505)
Charges for services	200,000	200,000	237,057	37,057
Miscellaneous	-	-	3,000	3,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 5,656,275	\$ 5,656,275	\$ 4,056,495	\$ (1,599,780)
Expenditures				
Current				
Highways and streets				
Administration	\$ 261,807	\$ 261,807	\$ 324,949	\$ (63,142)
Maintenance	1,448,349	1,448,349	1,748,422	(300,073)
Construction	3,440,774	3,440,774	2,319,800	1,120,974
Equipment maintenance and shop	574,621	574,621	627,758	(53,137)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total highways and streets	\$ 5,725,551	\$ 5,725,551	\$ 5,020,929	\$ 704,622
Debt service				
Principal	\$ 80,000	\$ 80,000	\$ 80,000	\$ -
Interest	1,200	1,200	1,200	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total debt service	\$ 81,200	\$ 81,200	\$ 81,200	\$ -
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	\$ 5,806,751	\$ 5,806,751	\$ 5,102,129	\$ 704,622
Excess of Revenues Over (Under) Expenditures	\$ (150,476)	\$ (150,476)	\$ (1,045,634)	\$ (895,158)
Other Financing Sources (Uses)				
Transfers in	-	-	500,000	500,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Change in Fund Balance	\$ (150,476)	\$ (150,476)	\$ (545,634)	\$ (395,158)
Fund Balance - January 1	1,863,200	1,863,200	1,863,200	-
Increase (decrease) in reserved for inventories	-	-	109,647	109,647
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance - December 31	\$ 1,712,724	\$ 1,712,724	\$ 1,427,213	\$ (285,511)

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 856,974	\$ 856,974	\$ 823,730	\$ (33,244)
Licenses and permits	13,471	13,471	14,492	1,021
Intergovernmental	802,968	802,968	917,308	114,340
Charges for services	140,209	140,209	115,398	(24,811)
Miscellaneous	24,780	24,780	106,876	82,096
Total Revenues	\$ 1,838,402	\$ 1,838,402	\$ 1,977,804	\$ 139,402
Expenditures				
Current				
Human services				
Income maintenance	\$ 325,391	\$ 325,391	\$ 323,878	\$ 1,513
Social services	1,357,312	1,357,312	1,316,000	41,312
Total human services	\$ 1,682,703	\$ 1,682,703	\$ 1,639,878	\$ 42,825
Health				
Nursing service	\$ 254,746	\$ 254,746	\$ 278,452	\$ (23,706)
Miscellaneous	-	-	16,328	(16,328)
Total health	\$ 254,746	\$ 254,746	\$ 294,780	\$ (40,034)
Total Expenditures	\$ 1,937,449	\$ 1,937,449	\$ 1,934,658	\$ 2,791
Excess of Revenues Over (Under)				
Expenditures	\$ (99,047)	\$ (99,047)	\$ 43,146	\$ 142,193
Fund Balance - January 1	1,010,916	1,010,916	1,010,916	-
Fund Balance - December 31	\$ 911,869	\$ 911,869	\$ 1,054,062	\$ 142,193

This page was left blank intentionally.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2008**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and for the Road and Bridge, Public Health and Human Services, and Airport Special Revenue Funds. Budgets are not adopted for the Hospital Sales Tax, Building, Golf Course Lodging Tax, and Forfeited Tax Special Revenue Funds. All annual appropriations lapse at fiscal year-end. Cook County carries reserves over from year to year. The County Board may designate a specific use for some of the fund balances.

In July of each year, all departments and agencies submit requests for appropriations to the County Auditor/Treasurer so that a budget can be prepared. Before September 15, the proposed budget is presented to the County Board for review. A final budget is adopted by the Board and certified to the Auditor/Treasurer by December 28.

The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department with County Auditor/Treasurer approval. Transfers of appropriations between departments and/or funds require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

Encumbrance accounting is employed in governmental funds. Encumbrances (for example, purchase orders or contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reapportioned and honored during the subsequent year.

2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2008, expenditures exceeded appropriations in the following fund:

	<u>Excess Expenditures</u>	
General Fund	\$ 1,747,182	Mostly funded by greater than anticipated revenues

This page was left blank intentionally.

SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

The Building Special Revenue Fund is used to account for funds used for general government grounds and buildings.

The Airport Special Revenue Fund is used to account for funds used for the operation and maintenance of the County airport.

The Golf Course Lodging Tax Special Revenue Fund is used to account for the collection of a County-levied two percent lodging tax to be used for marketing and promotion of tourism and for debt service payments on the golf course bonds.

The Hospital Sales Tax Special Revenue Fund is used to account for proceeds collected from a one percent sales tax on taxable sales transactions to be used to pay costs of expanding and improving the North Shore Hospital and Nursing Home.

The Leased Lakeshore Permanent Fund is used to account for funds collected from the sale of County-owned lakeshore leased lots. In accordance with 1998 Minn. Laws ch. 398, art. 16, § 31, the principal on these sales must remain in an environmental trust fund, and only the interest may be spent on improvement of natural resources.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	Special Revenue	
	Building	Airport
<u>Assets</u>		
Cash and pooled investments	\$ 671,266	\$ -
Taxes receivable		
Prior	1,568	1,766
Accounts receivable	-	3,922
Lodging taxes receivable	-	-
Due from other governments	-	125,983
	-	125,983
Total Assets	\$ 672,834	\$ 131,671
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ -	\$ 5,287
Due to other funds	-	49,372
Deferred revenue - unavailable	1,169	1,314
Advance from other funds	-	73,032
	-	73,032
Total Liabilities	\$ 1,169	\$ 129,005
Fund Balances		
Reserved for debt service	\$ -	\$ -
Reserved for environmental improvements	-	-
Unreserved		
Undesignated	671,665	2,666
	671,665	2,666
Total Fund Balances	\$ 671,665	\$ 2,666
Total Liabilities and Fund Balances	\$ 672,834	\$ 131,671

Statement 1

<u>Funds</u>				<u>Total Nonmajor Governmental Funds (Exhibit 3)</u>
<u>Golf Course Lodging Tax</u>	<u>Hospital Sales Tax</u>	<u>Total</u>	<u>Leased Lakeshore Permanent</u>	
\$ 346,291	\$ 1,391,952	\$ 2,409,509	\$ 767,087	\$ 3,176,596
-	-	3,334	-	3,334
-	-	3,922	15,728	19,650
24,070	-	24,070	-	24,070
-	-	125,983	-	125,983
\$ 370,361	\$ 1,391,952	\$ 2,566,818	\$ 782,815	\$ 3,349,633
\$ -	\$ -	\$ 5,287	\$ -	\$ 5,287
-	-	49,372	-	49,372
-	-	2,483	15,728	18,211
-	-	73,032	-	73,032
\$ -	\$ -	\$ 130,174	\$ 15,728	\$ 145,902
\$ 233,784	\$ -	\$ 233,784	\$ -	\$ 233,784
-	-	-	767,087	767,087
136,577	1,391,952	2,202,860	-	2,202,860
\$ 370,361	\$ 1,391,952	\$ 2,436,644	\$ 767,087	\$ 3,203,731
\$ 370,361	\$ 1,391,952	\$ 2,566,818	\$ 782,815	\$ 3,349,633

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Special Revenue	
	Building	Airport
Revenues		
Taxes	\$ 47,798	\$ 54,578
Intergovernmental	-	152,639
Investment earnings	-	-
Miscellaneous	-	29,622
	\$ 47,798	\$ 236,839
Expenditures		
Current		
General government	\$ 1,662	\$ -
Public safety	1,399	-
Culture and recreation	3,725	-
Economic development	-	111,067
Capital outlay	114,097	138,378
	\$ 120,883	\$ 249,445
Excess of Revenues Over (Under) Expenditures	\$ (73,085)	\$ (12,606)
Other Financing Sources (Uses)		
Transfers out	-	-
Net Change in Fund Balance	\$ (73,085)	\$ (12,606)
Fund Balance - January 1	744,750	15,272
Fund Balance - December 31	\$ 671,665	\$ 2,666

Statement 2

Funds			Leased Lakeshore Permanent	Total Nonmajor Governmental Funds (Exhibit 5)
Golf Course Lodging Tax	Hospital Sales Tax	Total		
\$ 324,937	\$ 351,081	\$ 778,394	\$ -	\$ 778,394
-	-	152,639	-	152,639
8,041	-	8,041	24,248	32,289
-	-	29,622	10,223	39,845
\$ 332,978	\$ 351,081	\$ 968,696	\$ 34,471	\$ 1,003,167
\$ -	\$ -	\$ 1,662	\$ -	\$ 1,662
-	-	1,399	-	1,399
-	-	3,725	-	3,725
106,252	-	217,319	-	217,319
-	-	252,475	-	252,475
\$ 106,252	\$ -	\$ 476,580	\$ -	\$ 476,580
\$ 226,726	\$ 351,081	\$ 492,116	\$ 34,471	\$ 526,587
(210,399)	(2,123,017)	(2,333,416)	-	(2,333,416)
\$ 16,327	\$ (1,771,936)	\$ (1,841,300)	\$ 34,471	\$ (1,806,829)
354,034	3,163,888	4,277,944	732,616	5,010,560
\$ 370,361	\$ 1,391,952	\$ 2,436,644	\$ 767,087	\$ 3,203,731

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
AIRPORT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 56,000	\$ 56,000	\$ 54,578	\$ (1,422)
Intergovernmental	320,025	320,025	152,639	(167,386)
Miscellaneous	30,976	30,976	29,622	(1,354)
Total Revenues	\$ 407,001	\$ 407,001	\$ 236,839	\$ (170,162)
Expenditures				
Current				
Economic development	\$ 112,195	\$ 112,195	\$ 111,067	\$ 1,128
Capital outlay	319,500	319,500	138,378	181,122
Total Expenditures	\$ 431,695	\$ 431,695	\$ 249,445	\$ 182,250
Excess of Revenues Over (Under)				
Expenditures	\$ (24,694)	\$ (24,694)	\$ (12,606)	\$ 12,088
Fund Balance - January 1	15,272	15,272	15,272	-
Fund Balance - December 31	\$ (9,422)	\$ (9,422)	\$ 2,666	\$ 12,088

FIDUCIARY FUNDS

This page was left blank intentionally.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

AGENCY FUNDS

The County reports the following fund type:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

This page was left blank intentionally.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Statement 3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Balance January 1	Additions	Deductions	Balance December 31
<u>MEDICAL AND DEPENDENT CARE FLEX PLAN</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 5,962	\$ 110,676	\$ 110,539	\$ 6,099
<u>Liabilities</u>				
Accounts payable	\$ 5,962	\$ 110,676	\$ 110,539	\$ 6,099
 <u>SOIL AND WATER CONSERVATION DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 375,868	\$ 259,640	\$ 300,757	\$ 334,751
Due from other governments	-	388	-	388
Total Assets	\$ 375,868	\$ 260,028	\$ 300,757	\$ 335,139
<u>Liabilities</u>				
Due to other governments	\$ 375,868	\$ 260,028	\$ 300,757	\$ 335,139
 <u>MORTGAGE REGISTRY</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 10,495	\$ 216,088	\$ 208,995	\$ 17,588
<u>Liabilities</u>				
Due to other governments	\$ 10,495	\$ 216,088	\$ 208,995	\$ 17,588

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Statement 3
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Balance January 1	Additions	Deductions	Balance December 31
<u>FIRE DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 17,930	\$ 259,799	\$ 268,473	\$ 9,256
<u>Liabilities</u>				
Due to other governments	\$ 17,930	\$ 259,799	\$ 268,473	\$ 9,256
 <u>CITIES AND TOWNS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 57,813	\$ 1,161,742	\$ 1,175,056	\$ 44,499
Accounts receivable	112	-	112	-
Total Assets	\$ 57,925	\$ 1,161,742	\$ 1,175,168	\$ 44,499
<u>Liabilities</u>				
Due to other governments	\$ 57,925	\$ 1,161,742	\$ 1,175,168	\$ 44,499
 <u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 107,610	\$ 2,105,737	\$ 2,115,271	\$ 98,076
Accounts receivable	507	217	507	217
Due from other governments	21	-	-	21
Total Assets	\$ 108,138	\$ 2,105,954	\$ 2,115,778	\$ 98,314
<u>Liabilities</u>				
Due to other governments	\$ 107,600	\$ 2,105,732	\$ 2,115,240	\$ 98,092
Accounts payable	538	222	538	222
Total Liabilities	\$ 108,138	\$ 2,105,954	\$ 2,115,778	\$ 98,314

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Statement 3
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Balance January 1	Additions	Deductions	Balance December 31
<u>LODGING TAX</u>				
<u>Assets</u>				
Accounts receivable	\$ 35,179	\$ 829,106	\$ 820,522	\$ 43,763
<u>Liabilities</u>				
Accounts payable	\$ 35,179	\$ 43,763	\$ 35,179	\$ 43,763
Due to other governments	-	785,343	785,343	-
Total Liabilities	\$ 35,179	\$ 829,106	\$ 820,522	\$ 43,763
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 5,989	\$ 10,195,754	\$ 10,205,108	\$ (3,365)
Due from other governments	2,029	3,365	2,029	3,365
Total Assets	\$ 8,018	\$ 10,199,119	\$ 10,207,137	\$ -
<u>Liabilities</u>				
Due to other governments	\$ 8,018	\$ 10,199,119	\$ 10,207,137	\$ -
 <u>SCHOOL</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 28,363	\$ 1,433,197	\$ 1,429,811	\$ 31,749
Accounts receivable	3,579	-	3,579	-
Due from other governments	91,845	321,731	91,845	321,731
Total Assets	\$ 123,787	\$ 1,754,928	\$ 1,525,235	\$ 353,480
<u>Liabilities</u>				
Due to other governments	\$ 123,787	\$ 1,754,928	\$ 1,525,235	\$ 353,480

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Statement 3
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 610,030	\$ 15,742,633	\$ 15,814,010	\$ 538,653
Accounts receivable	39,377	829,323	824,720	43,980
Due from other governments	93,895	325,484	93,874	325,505
Total Assets	\$ 743,302	\$ 16,897,440	\$ 16,732,604	\$ 908,138
<u>Liabilities</u>				
Accounts payable	\$ 41,679	\$ 154,661	\$ 146,256	\$ 50,084
Due to other governments	701,623	16,742,779	16,586,348	858,054
Total Liabilities	\$ 743,302	\$ 16,897,440	\$ 16,732,604	\$ 908,138

OTHER SCHEDULES

This page was left blank intentionally.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 5

TAX CAPACITY, TAX RATES, LEVIES, AND PERCENTAGE OF COLLECTIONS

	2007		2008		2009	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	\$ 13,823,645		\$ 15,927,544		\$ 17,674,331	
Personal property	140,416		154,301		160,692	
Fiscal disparity contribution	(226,393)		(254,623)		(264,603)	
Net Tax Capacity	<u>\$ 13,737,668</u>		<u>\$ 15,827,222</u>		<u>\$ 17,570,420</u>	
Taxes Levied for County Purposes						
General	\$ 3,008,201	19.99	\$ 3,232,510	19.88	\$ 3,121,056	17.78
Road and Bridge	1,070,093	7.77	1,077,200	6.79	1,142,157	6.48
Social Services	746,194	5.46	856,974	5.40	909,416	5.16
Airport	72,500	0.53	56,000	0.35	61,000	0.35
Government Center	385,000	2.80	390,000	2.46	390,000	2.21
Economic Development	85,000	0.62	135,290	0.85	140,565	0.80
Total Levy for County Purposes	<u>\$ 5,366,988</u>	<u>37.17</u>	<u>\$ 5,747,974</u>	<u>35.73</u>	<u>\$ 5,764,194</u>	<u>32.78</u>
Less Credits Payable by State						
Taconite homestead credit	\$ 342,235		\$ 351,725		\$ 355,713	
Disparity reduction aid	3,157		3,157		3,157	
HACA and agricultural credit	263,481		92,327		-	
Total Credits Payable by State	<u>\$ 608,873</u>		<u>\$ 447,209</u>		<u>\$ 358,870</u>	
Net Levy for County Purposes	<u>\$ 4,758,115</u>		<u>\$ 5,300,765</u>		<u>\$ 5,405,324</u>	
Tax Capacity - Light and Power						
Assessed at 43%	<u>\$ 44,731</u>		<u>\$ 47,661</u>		<u>\$ 47,887</u>	
Light and Power Tax Levy (distributed pursuant to Minn. Stat. § 273.42, as amended)						
Assessed at 43%	<u>\$ 21,485</u>	48.03	<u>\$ 21,900</u>	45.95	<u>\$ 21,805</u>	45.53
Percentage of Tax Collections for All Purposes						
	98.66%		99.14%			

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 6

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Funds	Component Unit
Shared Revenue		
State		
Highway users tax	\$ 1,592,591	\$ -
PERA rate reimbursement	17,931	126
Police aid	80,726	-
County program aid	46,163	-
Market value credit	142,620	-
Taconite credit	192,163	-
Mobile home taconite credit	109	-
Casino revenue aid	84,145	-
Enhanced 911	81,789	-
	\$ 2,238,237	\$ 126
Total Shared Revenue		
Reimbursement for Services		
State		
Minnesota Department of Human Services	\$ 193,883	\$ -
	\$ 193,883	\$ -
Payments		
State		
Payments in lieu of taxes	\$ 184,231	\$ -
Local		
Local contributions	-	87,582
	\$ 184,231	\$ 87,582
Total Payments		
Grants		
State		
Minnesota Department of		
Public Safety	\$ 1,003,338	\$ -
Transportation	57,442	-
Health	25,509	-
Natural Resources	252,856	-
Human Services	345,414	-
Veterans Affairs	15,900	-
Pollution Control Agency	50,470	-
Water and Soil Resources Board	220,596	-
Office of Environmental Assistance	55,000	-
Miscellaneous boards	5,608	-
	\$ 2,032,133	\$ -
Total State		

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 6
(Continued)

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Funds	Component Unit
Grants (Continued)		
Federal		
Department of		
Agriculture	\$ 1,195,323	\$ -
Commerce	32,056	-
Interior	188,474	-
Transportation	182,066	-
Health and Human Services	364,723	-
Homeland Security	227,238	-
Environmental Protection Agency	4,000	-
	\$ 2,193,880	\$ -
Total Federal		
	\$ 4,226,013	\$ -
Total State and Federal Grants		
	\$ 6,842,364	\$ 87,708
Total Intergovernmental Revenue	\$ 6,842,364	\$ 87,708

This page was left blank intentionally.

This page was left blank intentionally.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 7

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Cook County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Cook County and are reported in the "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*." None were material weaknesses.
- C. No instances of noncompliance material to the financial statements of Cook County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Cook County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

National Forest Lands - 25% Payments to States	CFDA #10.665
National Forest Lands - 3/4 of 1%	CFDA #10.668
Payments in Lieu of Taxes	CFDA #15.226
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Cook County was not determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-3 Segregation of Duties

To provide for adequate internal control, the following duties should be segregated, if possible:

- Bank reconciliations should be prepared by someone who is independent of the cash collection and receipting function and the cash disbursement function. If this is not possible, someone independent of these functions should review the bank reconciliations.
- Individuals who collect and receipt cash should not also:
 - post cash receipts to the general ledger system,
 - process cash disbursements,
 - maintain the general ledger,
 - make bank deposits,
 - make wire transfers,
 - make general journal entries, or
 - prepare billings.
- Individuals who process vouchers for payments should not also:
 - print or sign checks or
 - make journal entries.

In the Cook County Auditor/Treasurer's Office, the same individuals who collect and receipt cash also process cash disbursements and make the bank deposits. Also, at the departmental level, there is a lack of segregation of duties between the cash collection and billing functions.

We recommend the County segregate these functions as much as possible. Where it is not possible to segregate these duties, Cook County management should be aware of the lack of segregation of the accounting functions and implement oversight procedures to ensure that the internal control policies and procedures are being followed by staff.

Client's Response:

The County is aware of the lack of segregation of accounting functions and will continue to monitor the situation and implement oversight procedures where possible.

06-4 Preparation of Financial Statements

Cook County is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of the financial statements is the responsibility of the County's management. Financial statement preparation in accordance with GAAP requires internal controls over both: (1) recording, processing, and summarizing accounting data (maintaining internal books and records); and (2) preparing and reporting appropriate government-wide and fund financial statements, including the related notes to the financial statements.

As is the case with many small and medium-sized entities, the County has relied on its independent external auditors to assist in the preparation of the basic financial statements, including notes to the financial statements, as part of its external financial reporting process. Currently, the County has its external auditor prepare the conversion adjustments needed to prepare the government-wide financial statements. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal control. This arrangement is not unusual for an organization the size of Cook County. This decision was based on the availability of the County's staff and the cost benefit of using the auditor's expertise rather than to prepare the financial statements internally. As a result of this condition, the County has implemented oversight procedures to compensate for this internal control weakness as it relates to the preparation of financial statements in accordance with GAAP.

We recommend the County continually review and monitor the internal controls that have been established for the preparation of its annual financial statements in accordance with GAAP.

Client's Response:

The County continues to rely upon the State Auditor's staff for preparation of some aspects of its financial statements, while continuing to look for ways to reduce that reliance. The County will continue to review and monitor the internal controls for the preparation of its financial statements in accordance with GAAP.

06-6 Accounting Policies and Procedures Manual

Cook County has various policies and procedures documents that have been adopted by the County Board. Although some of these policies are accounting-related policies, most of the policies are administrative in nature.

The County does not have a current and comprehensive accounting policies and procedures manual. All governments should document their accounting policies and procedures. Although other methods might suffice, this documentation is traditionally in the form of an accounting policies and procedures manual. This manual should document the accounting policies and procedures which make up the County's internal control system.

An accounting policies and procedures manual will enhance employees' understanding of their role and function in the internal control system, establish responsibilities, provide guidance for employees, improve efficiency and consistency of transaction processing, and improve compliance with established policies. It can also help to prevent deterioration of key elements in the County's internal control system and help to avoid circumvention of County policies.

We recommend the County establish an accounting policies and procedures manual. The accounting policies and procedures manual should be prepared by appropriate levels of management and be approved by the County Board to emphasize its importance and authority. The documentation should describe procedures as they are intended to be performed, indicate which employees are to perform which procedures, and explain the design and purpose of control-related procedures to increase employee understanding and support for controls.

Client's Response:

The County Auditor's Office continues to accumulate and document accounting policies and procedures with the goal of producing a policies and procedures manual for approval by the County Board.

ITEM ARISING THIS YEAR

08-1 Inventory

The Road and Bridge inventory at Cook County is maintained on a perpetual system. Inventory purchases are entered to the inventory system from vendor invoices, and usage slips are used to enter usage into the system. However, purchases and usage of inventory have not been posted to the system on a timely basis. At the time of our audit, the Cook County Highway Department was six months behind in entering purchases and usage in the perpetual inventory system.

Also, access to inventory is generally limited to individuals needing the inventory for repairs and maintenance. However, inventory is not locked up, and sometimes access to inventory is uncontrolled.

We recommend County personnel update the perpetual inventory system on a monthly basis for purchases and usage to better control management of inventory stock. Access to inventory should be limited to designated personnel, and inventory should be kept in a locked or secured area when possible.

Client's Response:

The Cook County Highway Department has a monthly perpetual inventory system in place and will make a diligent effort to update the system on a monthly basis for purchases and usage to maintain better control of inventory items.

PREVIOUSLY REPORTED ITEM RESOLVED

Audit Adjustments (06-5)

During our previous audit, material audit adjustments were required to be made to the County's accounting records to fairly state them in accordance with GAAP.

Resolution

The County has designated the County Auditor/Treasurer as the individual responsible for reviewing, understanding, and approving adjustments proposed by the external auditor for the financial statements. The only material adjustments necessary this year were the conversion entries from the fund financial statements to the government-wide financial statements. The County Auditor/Treasurer reviewed and approved these entries.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

07-2 Safekeeping of Investments

Minnesota Statute § 118A.06 requires that all investments be held in safekeeping with:

- a federal reserve bank;
- any bank authorized under the laws of the United States or any state to exercise corporate trust powers, including, but not limited to, the bank from which the investment is purchased;
- a primary reporting dealer in United States government securities to the Federal Reserve Bank of New York; or
- a securities broker-dealer having its principal executive office in Minnesota licensed under chapter 80A, or an affiliate of it, and regulated by the Securities and Exchange Commission.

Cook County has securities on hand at December 31, 2008, with FTN Financial Group totaling \$1,885,824. FTN Financial Group is not a primary reporting dealer to the Federal Reserve Bank of New York nor does it maintain its principal executive offices in Minnesota. The investments for this broker are being held through the Depository Trust Company. Therefore, we do not believe that these investments are being safekept in accordance with Minn. Stat. § 118A.06.

We recommend the County Auditor/Treasurer comply with the requirements of Minn. Stat. § 118A.06. Investments may be held only by brokerage firms that are primary reporting dealers or have their principal offices in Minnesota. If investments are purchased through these dealers, the investments must be held at a bank rather than at the brokerage firm.

Client's Response:

It was recently determined that FTN, as a subsidiary of a bank holding company, does not have the authority to exercise corporate trust powers. The County Auditor has sold the remaining three certificates of deposit that had been held with FTN and is now in compliance with Minn. Stat. § 118A.06.

PREVIOUSLY REPORTED ITEM RESOLVED

Solicitation of Bids (07-1)

In the prior audit, for one item chosen for testing of compliance with Minnesota bid laws, the County could not provide supporting documentation that the bid had been solicited by public notice as required by Minn. Stat. § 471.345, subd. 3.

Resolution

All requirements reviewed over the procurement process in the current year were complied with by the County.

This page was left blank intentionally.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of County Commissioners
Cook County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Cook County as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-3, 06-4, 06-6, and 08-1 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

Minnesota Legal Compliance

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* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, Cook County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as item 07-2.

Cook County's written responses to the significant deficiencies and legal compliance finding identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners, management, others within Cook County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

/s/Greg Hierlinger

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

November 30, 2009

This page was left blank intentionally.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Cook County

Compliance

We have audited the compliance of Cook County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Cook County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cook County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Cook County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of Cook County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Cook County's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Cook County as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 30, 2009. Our audit was performed for the purpose of forming opinions on the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management and others within the County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

November 30, 2009

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

This page was left blank intentionally.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 8

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Direct		
U.S. Forest Service Cooperative Agreement	R9-9-95-36C	\$ 23,000
Cooperative Forestry Assistance	10.664	22,395
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	18,393
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamps Program	10.561	34,544
Passed Through Minnesota Department of Natural Resources Cooperative Forestry Assistance	10.664	17,996
Passed Through Minnesota Department of Finance Federal Forests - 25% Payments to States	10.665	321,731
Federal Forests - 3/4 of 1%	10.668	757,264
Total U.S. Department of Agriculture		\$ 1,195,323
U.S. Department of Commerce		
Passed Through Minnesota Department of Natural Resources Coastal Zone Management Administration Grant	11.419	\$ 32,056
U.S. Department of the Interior		
Direct		
Payments in Lieu of Taxes	15.226	\$ 188,474
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Airport Improvement Program	20.106	\$ 125,983
Passed Through Minnesota Department of Natural Resources Recreational Trails Program	20.219	56,083
Total U.S. Department of Transportation		\$ 182,066
U.S. Environmental Protection Agency		
Passed Through Minnesota Pollution Control Agency Great Lakes Program	66.469	\$ 4,000

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 8
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	\$ 3,113
Temporary Assistance for Needy Families (TANF)	93.558	17,261
Child Support Enforcement	93.563	93,863
Refugee and Entrant Assistance	93.566	100
Child Care Cluster		
Block Grant - Child Care and Development	93.575	9,302
Child Care Mandatory and Matching Funds	93.596	3,060
Foster Care Title IV-E	93.658	28,523
Social Services Block Grant Title XX	93.667	40,270
Chafee Foster Care Independence Program	93.674	2,525
State Children's Insurance Program	93.767	116
Medical Assistance Program	93.778	131,856
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board		
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	29,967
Maternal and Child Health Services Block Grant	93.994	4,767
		<hr/>
Total U.S. Department of Health and Human Services		\$ 364,723
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 33,709
Passed Through Minnesota Department of Public Safety		
Disaster Grants-Public Assistance	97.036	291,802
Homeland Security Grant Program	97.067	15,147
		<hr/>
Total U.S. Department of Homeland Security		\$ 340,658
		<hr/>
Total Federal Awards		\$ 2,307,300

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by the County. The County's reporting entity is defined in Note 1 to the basic financial statements.
2. The expenditures on this schedule are on the modified accrual basis of accounting.
3. Pass-through grant numbers were not assigned by the pass-through agencies.
4. Cook County did not pass any federal awards to subrecipients in 2008.
5. Expenditures on this schedule differ from federal revenues reported on the Schedule of Intergovernmental Revenue because some expenditures are reported when the revenues are not available for recognition. These timing differences result in adjustments to deferred revenue totaling \$113,420.