

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

COOK COUNTY
GRAND MARAIS, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2009

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

For the Year Ended December 31, 2009



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

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**ORGANIZATION
AS OF DECEMBER 31, 2009**

		<u>Term Expires</u>
Elected		
Commissioners		
District 1	Janice Hall	January 2011
District 2	Fritz Sobanja	January 2013
District 3	Robert Fenwick	January 2011
District 4	James Johnson	January 2013
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 2010
Veteran Services Officer	Richard McKenzie	April 2013
Human Services Board		
Chair	Robert Fenwick	January 2011
Vice Chair	Janice Hall	January 2011
Member	Fritz Sobanja	January 2013
Member	Diane Fitzgerald	January 2011
Member	Roger Linehan	January 2011
Member	Bruce Martinson	January 2011
Member	James Johnson	January 2013
Director	Sue Futterer	Indefinite

*Chair

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REBECCA OTTO
STATE AUDITOR

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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, 2009, 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, 2009, 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 September 21, 2010, 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

September 21, 2010

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009
(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, 2009. 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 \$68,857,728, of which \$51,297,586 is invested in capital assets, net of related debt, and \$3,516,620 is restricted to specific purposes; \$14,043,522 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 \$4,049,801, of which \$4,144,406 is invested in capital assets, net of related debt, and \$308,946 is restricted to specific purposes. The majority of these amounts are for the Superior National Golf Course in Lutsen and the Cedar Grove Business Park in Grand Marais.
- Cook County's net assets increased by \$4,707,223 for the year ended December 31, 2009, due mainly to major road renovation. Total net assets of the County's discretely presented component unit (EDA) increased by \$26,289. However, the unrestricted net assets decreased from a negative \$134,599 in 2008 to a negative \$403,551 in 2009. The decrease came in both the government activities (-\$143,074 Cedar Grove) and business type activities (-\$125,878 Superior National) due to deteriorating real estate markets and other factors.
- The net cost of governmental activities was \$2,116,593 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 \$6,823,816 more than covered the net cost, resulting in the \$4,707,223 increase in net assets referred to above.
- Governmental funds' fund balances decreased \$368,518 in 2009. The change was due primarily to the payoff of Hospital Sales Tax Bonds (\$900,850) and Golf Course L.T. Bonds (\$758,179) offsetting an increase due to operations.

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 the 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 the trustee, or fiduciary, over assets, which can be used only for the trust beneficiaries, based on the trust arrangement. 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	
	2009	2008	2009	2008
Current and other assets	\$ 18,839,869	\$ 21,107,730	\$ 460,099	\$ 680,047
Capital assets	53,982,587	49,507,090	5,069,406	4,919,071
Total Assets	\$ 72,822,456	\$ 70,614,820	\$ 5,529,505	\$ 5,599,118
Long-term debt outstanding	\$ 3,073,289	\$ 4,920,821	\$ 925,000	\$ 1,056,449
Other liabilities	891,439	1,543,495	554,704	519,157
Total Liabilities	\$ 3,964,728	\$ 6,464,316	\$ 1,479,704	\$ 1,575,606
Net Assets				
Invested in capital assets - net of debt	\$ 51,297,586	\$ 46,537,091	\$ 4,144,406	\$ 3,862,622
Restricted	3,516,620	5,308,803	308,946	295,489
Unrestricted	14,043,522	12,304,610	(403,551)	(134,599)
Total Net Assets	\$ 68,857,728	\$ 64,150,504	\$ 4,049,801	\$ 4,023,512

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

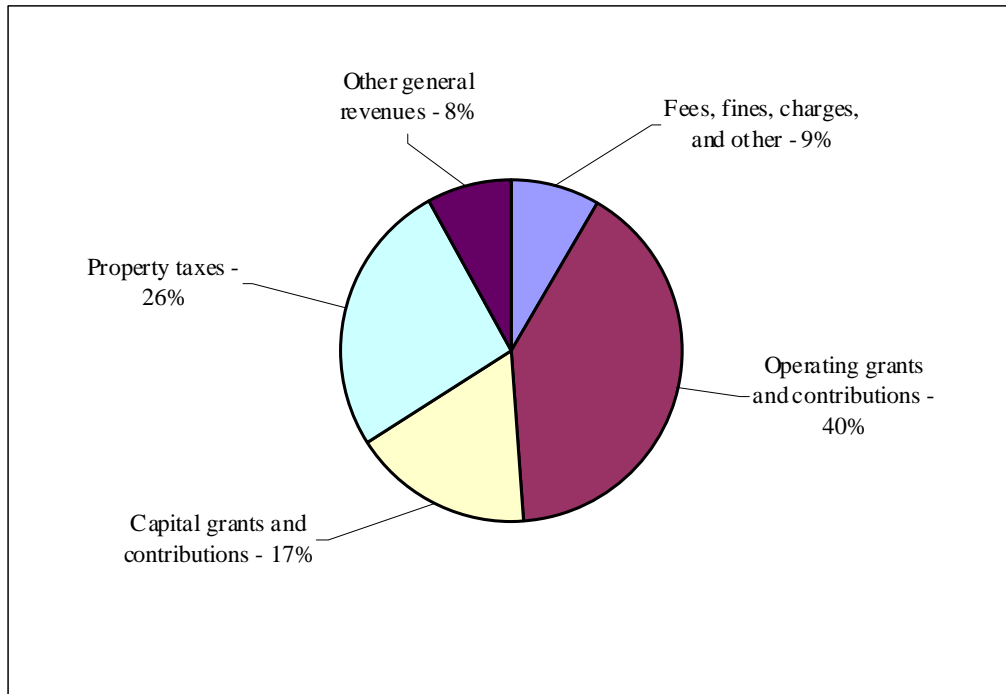
Table 2
Changes in Net Assets

	Governmental Activities		Component Unit Activities	
	2009	2008	2009	2008
Revenues				
Program revenues				
Fees, fines, charges, and other	\$ 1,736,106	\$ 1,971,921	\$ 751,139	\$ 809,255
Operating grants and contributions	8,031,836	5,607,569	65,100	9,626
Capital grants and contributions	3,355,563	1,569,936	-	-
General revenues				
Property taxes	5,241,977	5,206,183	140,989	136,222
Other taxes	572,127	1,210,797	50,000	50,000
Unrestricted grants and contributions	618,025	398,986		78,082
Investment income	368,362	652,578	10,896	282
Miscellaneous	23,325	-	9,896	68,716
Total Revenues	\$ 19,947,321	\$ 16,617,970	\$ 1,028,020	\$ 1,152,183

	Governmental Activities		Component Unit Activities	
	2009	2008	2009	2008
Expenses				
General government	\$ 3,221,796	\$ 3,314,665	\$ -	\$ -
Public safety	3,714,289	2,849,722	-	-
Highways and streets	3,929,651	3,661,540	-	-
Sanitation	410,788	462,041	-	-
Human services	1,766,475	1,648,262	-	-
Health	282,366	294,780	-	-
Culture and recreation	893,663	857,605	-	-
Golf course	-	-	825,254	936,827
Conservation of natural resources	373,767	314,051	-	-
Economic development	473,199	1,023,101	176,477	253,971
Interest	174,104	259,032	-	-
Total Expenses	\$ 15,240,098	\$ 14,684,799	\$ 1,001,731	\$ 1,190,798
Increase (Decrease) in Net Assets	\$ 4,707,223	\$ 1,933,171	\$ 26,289	\$ (38,615)
Net Assets - January 1	64,150,505	62,217,334	4,023,512	4,062,127
Prior period adjustment	-	-	-	-
Net Assets - December 31	\$ 68,857,728	\$ 64,150,505	\$ 4,049,801	\$ 4,023,512

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

Total County Revenues by Source



(Unaudited)

Governmental Activities

The cost of all governmental activities this year was \$15,240,098. However, as shown in the Statement of Activities (Exhibit 2), the amount taxpayers ultimately financed for these activities through County taxes was \$5,241,977, 0.7 percent higher than 2008. Some of the cost was paid by those who directly benefited from the programs (\$1,736,106) or by other governments and organizations that subsidized certain programs with grants and contributions (\$11,387,399).

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	
	2009	2008	2009	2008
Highways and streets	\$ 3,929,651	\$ 3,661,540	\$ (788,337)	\$ 696,993
General government	3,221,796	3,314,665	208,808	1,804,696
Public safety	3,714,289	2,849,722	907,375	738,869
Human services	1,766,475	1,648,262	796,706	738,363
Economic development	473,199	1,023,101	(210,806)	356,794
Culture and recreation	893,663	857,605	521,301	836,718
Sanitation	410,788	462,041	252,020	543
Conservation of natural resources	373,767	314,051	196,604	47,867
All others	456,470	553,812	232,922	314,530
Total (Net Expense)	\$ 15,240,098	\$ 14,684,799	\$ 2,116,593	\$ 5,535,373

The County's Funds

As the County completed the year, its governmental funds reported a combined fund balance of \$14,588,855 as compared to last year's total of \$14,957,373. Please see Exhibit 5 for details.

General Fund Budgetary Highlights

There were no significant changes to the final approved budget in December 2009.

Expenditures, excluding capital, were \$2,276,482 above the final budget amounts. The most significant event that led to the higher costs was an unbudgeted FEMA wildfire sprinkler grant. Other significant events included expenditures from our revolving loan fund, the park and recreation fund, as well as unbudgeted survey costs and grants for ski and snowmobile trail maintenance. The higher than budgeted expenditures were more than offset by revenues that exceeded budget by \$3,992,409. 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 2009, the County had a net investment of \$53,982,587 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 \$4,475,497, or 9.0 percent, over last year.

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

	Governmental Activities	
	2009	2008
Land and easements	\$ 1,137,093	\$ 745,738
Construction in progress	588,770	401,648
Buildings and improvements	7,977,952	7,964,353
Machinery, vehicles, furniture, and equipment	1,805,554	1,470,677
Infrastructure	42,473,218	38,924,674
Total	<u>\$ 53,982,587</u>	<u>\$ 49,507,090</u>

The majority of the changes in 2009 are additions to infrastructure. Please see Note 3.A.3. for details.

DEBT

At year-end, the County had \$2,563,953 in bonds and notes outstanding, versus \$4,451,019 last year--a decrease of 42.4 percent.

Table 5
Outstanding Debt at Year-End

	Governmental Activities	
	2009	2008
General obligation bonds	\$ -	\$ 1,619,166
Certificates of participation	2,685,000	2,970,000
Less: deferred charges for refunding bonds	(121,047)	(138,147)
Total	<u>\$ 2,563,953</u>	<u>\$ 4,451,019</u>

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 2010 budget, tax levy, and fees that will be charged for various activities:

- the levy limits imposed by the state for years 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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2009**

	Primary Government Governmental Activities	Discretely Presented Component Unit
<u>Assets</u>		
Cash and pooled investments	\$ 10,804,175	\$ 71,292
Petty cash and change funds	1,187	-
Cash with escrow agent	400,018	-
Investments	15,671	-
Taxes receivable		
Prior	175,567	11,712
Accounts receivable - net	834,787	10,435
Lodging taxes receivable	3,322	-
Accrued interest receivable	23,951	-
Loan receivable	1,062,254	-
Deposits receivable	50,000	-
Due from other governments	4,971,647	-
Inventories	432,722	36,582
Restricted assets		
Cash and pooled investments	-	330,078
Deferred charges	64,568	-
Capital assets		
Non-depreciable	1,725,863	2,626,178
Depreciable - net of accumulated depreciation	52,256,724	2,443,228
Total Assets	\$ 72,822,456	\$ 5,529,505
<u>Liabilities</u>		
Cash overdraft	\$ -	\$ 26,717
Accounts payable	273,696	167,289
Salaries payable	187,361	-
Contracts payable	267,819	83,722
Gift certificates	-	4,860
Due to other governments	28,616	203,912
Accrued interest payable	41,927	21,132
Unearned revenue	92,020	47,072
Long-term liabilities		
Due within one year	295,000	135,000
Due in more than one year	2,778,289	790,000
Total Liabilities	\$ 3,964,728	\$ 1,479,704

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

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET ASSETS
DECEMBER 31, 2009**

	Primary Government Governmental Activities	Discretely Presented Component Unit
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 51,297,586	\$ 4,144,406
Restricted for		
General government	177,744	-
Highways and streets	1,183,041	-
Public safety	216,125	-
Culture and recreation	73,508	-
Conservation of natural resources	257,106	-
Economic development	387,545	-
Debt service	420,855	308,946
Environmental uses - expendable	42,190	-
Environmental uses - non-expendable	758,506	-
Unrestricted	14,043,522	(403,551)
Total Net Assets	\$ 68,857,728	\$ 4,049,801

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
Primary government		
Governmental activities		
General government	\$ 3,221,796	\$ 625,642
Public safety	3,714,289	311,852
Highways and streets	3,929,651	170,728
Sanitation	410,788	88,720
Human services	1,766,475	222,094
Health	282,366	34,582
Culture and recreation	893,663	20,990
Conservation of natural resources	373,767	5,361
Economic development	473,199	256,137
Interest	174,104	-
Total Governmental Activities	<u>\$ 15,240,098</u>	<u>\$ 1,736,106</u>
Component unit		
Cook County and Grand Marais Joint Economic Development Agency	<u>\$ 1,001,731</u>	<u>\$ 751,139</u>
General Revenues		
		Property taxes
		Lodging tax
		Mortgage registry and deed tax
		Taxes - other
		Payments in lieu of tax
		Grants and contributions not restricted to specific programs
		Unrestricted investment earnings
		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 Government Governmental Activities	Discretely Presented Component Unit
\$ 2,387,346	\$ -	\$ (208,808)	
2,495,062	-	(907,375)	
1,313,654	3,233,606	788,337	
70,048	-	(252,020)	
747,675	-	(796,706)	
188,966	-	(58,818)	
337,630	13,742	(521,301)	
171,802	-	(196,604)	
319,653	108,215	210,806	
-	-	(174,104)	
\$ 8,031,836	\$ 3,355,563	\$ (2,116,593)	
\$ 65,100	\$ -		\$ (185,492)
		\$ 5,241,977	\$ 140,989
		-	50,000
		9,262	-
		368,245	-
		194,620	-
		618,025	-
		368,362	10,896
		23,325	9,896
		\$ 6,823,816	\$ 211,781
		\$ 4,707,223	\$ 26,289
		64,150,505	4,023,512
		\$ 68,857,728	\$ 4,049,801

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 6,539,609	\$ 993,360
Petty cash and change funds	1,187	-
Cash with escrow agent	-	-
Investments	-	-
Taxes receivable		
Prior	95,868	35,665
Accounts receivable	17,249	17,907
Lodging taxes receivable	-	-
Accrued interest receivable	23,951	-
Loans receivable	1,062,254	-
Due from other funds	191,315	1,920
Due from other governments	2,802,604	1,868,944
Inventories	-	432,722
Advance to other funds	61,741	-
MCCF deposit receivable	50,000	-
	\$ 10,845,778	\$ 3,350,518
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 116,603	\$ 58,117
Salaries payable	120,139	40,135
Contracts payable	-	267,819
Due to other funds	2,058	848
Due to other governments	8,272	9,119
Deferred revenue - unavailable	1,078,329	1,556,582
Deferred revenue - unearned	25,763	-
Advance from other funds	-	-
	\$ 1,351,164	\$ 1,932,620
Fund Balances		
Reserved for		
Encumbrances	\$ -	\$ 510,255
Inventories	-	432,722
Economic development	387,545	-
Law library	41,702	-
Recorder's equipment purchases	52,884	-
Recorder's compliance	71,187	-
Sheriff's contingency	5,000	-
Debt service	-	-
Highway projects	-	6,613
Enhanced 911	182,671	-
MCCF deposit	50,000	-

EXHIBIT 3

<u>Public Health and Human Services</u>	<u>Forfeited Tax</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 1,090,897	\$ -	\$ 2,180,309	\$ 10,804,175
-	-	-	1,187
-	-	400,018	400,018
15,671	-	-	15,671
28,397	-	15,637	175,567
26,787	767,616	5,228	834,787
-	-	3,322	3,322
-	-	-	23,951
-	-	-	1,062,254
138	-	848	194,221
221,656	-	78,443	4,971,647
-	-	-	432,722
-	-	-	61,741
-	-	-	50,000
<u>\$ 1,383,546</u>	<u>\$ 767,616</u>	<u>\$ 2,683,805</u>	<u>\$ 19,031,263</u>
\$ 95,141	\$ -	\$ 3,835	\$ 273,696
27,087	-	-	187,361
-	-	-	267,819
32,368	138,440	20,507	194,221
11,225	-	-	28,616
53,162	630,900	17,961	3,336,934
66,257	-	-	92,020
-	-	61,741	61,741
<u>\$ 285,240</u>	<u>\$ 769,340</u>	<u>\$ 104,044</u>	<u>\$ 4,442,408</u>
\$ -	\$ -	\$ -	\$ 510,255
-	-	-	432,722
-	-	-	387,545
-	-	-	41,702
-	-	-	52,884
-	-	-	71,187
-	-	-	5,000
-	-	420,855	420,855
-	-	-	6,613
-	-	-	182,671
-	-	-	50,000

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	General	Road and Bridge
<u>Liabilities and Fund Balances</u>		
(Continued)		
Fund Balances		
Reserved for (Continued)		
Customer deposits	83,500	-
Environmental improvements - principal payments	-	-
Environmental improvements - interest payments	-	-
Law enforcement	92	-
Timber development	220,285	-
Parks and recreation	73,508	-
Election equipment	11,971	-
Extension services	35,748	-
Conceal and carry	18,796	-
Snowmobile safety enforcement	9,566	-
Unreserved		
Designated for future expenditures	19,751	-
Designated for equipment purchases	-	311,938
Designated for E-911 signs	1,440	-
Designated for hazardous materials team	1,383	-
Designated for search and rescue	3,006	-
Designated for attorney's forfeiture	2,312	-
Designated for emergency purposes	2,372	-
Designated for drug forfeitures	1,416	-
Designated for elections	44,811	-
Designated for software	6,113	-
Designated for skateboard park	10,468	-
Designated for national forest title III	9,630	-
Designated for DWI forfeitures	13,521	-
Designated for Hovland dock	1,471	-
Designated for plat books	9,318	-
Designated for County telephone	44,026	-
Designated for 20% organized townships	23,102	-
Designated for data processing	332,153	-
Designated for NERCC facilities	22,118	-
Designated for Sheriff's cars	191,381	-
Designated for landfill future development	157,837	-
Designated for County cars	113,460	-
Designated for photocopies	19,161	-
Designated for County landings	45,297	-
Undesignated	7,174,612	156,370
Unreserved, reported in nonmajor		
Special revenue funds	-	-
Debt service fund	-	-
Total Fund Balances	\$ 9,494,614	\$ 1,417,898
Total Liabilities and Fund Balances	\$ 10,845,778	\$ 3,350,518

EXHIBIT 3
(Continued)

<u>Public Health and Human Services</u>	<u>Forfeited Tax</u>	<u>Nonmajor Funds</u>	<u>Total</u>
-	-	-	83,500
-	-	579,338	579,338
-	-	221,358	221,358
-	-	-	92
-	-	-	220,285
-	-	-	73,508
-	-	-	11,971
-	-	-	35,748
-	-	-	18,796
-	-	-	9,566
-	-	-	19,751
-	-	-	311,938
-	-	-	1,440
-	-	-	1,383
-	-	-	3,006
-	-	-	2,312
-	-	-	2,372
-	-	-	1,416
-	-	-	44,811
-	-	-	6,113
-	-	-	10,468
-	-	-	9,630
-	-	-	13,521
-	-	-	1,471
-	-	-	9,318
-	-	-	44,026
-	-	-	23,102
-	-	-	332,153
-	-	-	22,118
-	-	-	191,381
-	-	-	157,837
-	-	-	113,460
-	-	-	19,161
-	-	-	45,297
1,098,306	(1,724)	-	8,427,564
-	-	928,554	928,554
-	-	429,656	429,656
<u>\$ 1,098,306</u>	<u>\$ (1,724)</u>	<u>\$ 2,579,761</u>	<u>\$ 14,588,855</u>
<u>\$ 1,383,546</u>	<u>\$ 767,616</u>	<u>\$ 2,683,805</u>	<u>\$ 19,031,263</u>

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**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, 2009**

Fund balances - total governmental funds (Exhibit 3)		\$ 14,588,855
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.		53,982,587
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		3,336,934
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Certificates of participation	\$ (2,563,953)	
Accrued interest payable	(41,927)	
Compensated absences	(509,336)	
Deferred debt issuance charges	64,568	
	(3,050,648)	(3,050,648)
Net Assets of Governmental Activities (Exhibit 1)		<u><u>\$ 68,857,728</u></u>

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	General	Road and Bridge
Revenues		
Taxes	\$ 2,972,984	\$ 1,124,471
Special assessments	50,883	-
Licenses and permits	57,212	-
Intergovernmental	5,736,008	6,269,442
Charges for services	327,353	170,728
Fines and forfeits	16,584	-
Gifts and contributions	32,524	-
Investment earnings	399,659	-
Miscellaneous	797,943	23,325
	\$ 10,391,150	\$ 7,587,966
Expenditures		
Current		
General government	\$ 3,063,406	\$ -
Public safety	3,505,485	-
Highways and streets	-	7,625,213
Sanitation	383,111	-
Human services	-	-
Health	-	-
Culture and recreation	870,617	-
Conservation of natural resources	366,821	-
Economic development	236,618	-
Capital outlay	910,880	-
Debt service		
Principal	-	-
Interest	-	-
Bond redemption costs	-	-
Administrative (fiscal) charges	-	-
	\$ 9,336,938	\$ 7,625,213
Excess of Revenues Over (Under) Expenditures	\$ 1,054,212	\$ (37,247)
Other Financing Sources (Uses)		
Transfers in	\$ -	\$ -
Transfers out	-	-
	\$ -	\$ -
Net Change in Fund Balance	\$ 1,054,212	\$ (37,247)
Fund Balance - January 1	8,440,402	1,427,213
Increase (decrease) in reserved for inventories	-	27,932
Fund Balance - December 31	\$ 9,494,614	\$ 1,417,898

EXHIBIT 5

<u>Public Health and Human Services</u>	<u>Forfeited Tax</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 876,849	\$ 438	\$ 653,141	\$ 5,627,883
-	-	-	50,883
13,582	-	-	70,794
967,296	-	148,155	13,120,901
119,489	-	-	617,570
-	-	-	16,584
-	-	295,000	327,524
-	-	22,286	421,945
102,605	-	38,231	962,104
<u>\$ 2,079,821</u>	<u>\$ 438</u>	<u>\$ 1,156,813</u>	<u>\$ 21,216,188</u>
\$ -	\$ -	\$ 4,660	\$ 3,068,066
-	-	-	3,505,485
-	-	3,430	7,628,643
-	-	665	383,776
1,753,211	-	-	1,753,211
282,366	-	-	282,366
-	-	79	870,696
-	2,162	-	368,983
-	-	163,923	400,541
-	-	389,062	1,299,942
-	-	1,896,767	1,896,767
-	-	150,792	150,792
-	-	397	397
-	-	2,973	2,973
<u>\$ 2,035,577</u>	<u>\$ 2,162</u>	<u>\$ 2,612,748</u>	<u>\$ 21,612,638</u>
<u>\$ 44,244</u>	<u>\$ (1,724)</u>	<u>\$ (1,455,935)</u>	<u>\$ (396,450)</u>
\$ -	\$ -	\$ 1,659,029	\$ 1,659,029
-	-	(1,659,029)	(1,659,029)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 44,244	\$ (1,724)	\$ (1,455,935)	\$ (396,450)
1,054,062	-	4,035,696	14,957,373
-	-	-	27,932
<u>\$ 1,098,306</u>	<u>\$ (1,724)</u>	<u>\$ 2,579,761</u>	<u>\$ 14,588,855</u>

**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, 2009**

Net change in fund balances - total governmental funds (Exhibit 5) \$ (396,450)

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	\$ 3,336,934	
Deferred revenue - January 1	<u>(4,581,382)</u>	(1,244,448)

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	\$ 6,288,138	
Net book value of assets disposed of	(24,419)	
Current year depreciation	<u>(1,788,222)</u>	4,475,497

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	\$ 1,619,165	
Certificates of participation	<u>285,000</u>	1,904,165

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	\$ 41,706	
Amortization of premiums and bond issuance costs	(61,648)	
Change in compensated absences	(39,531)	
Change in inventories	<u>27,932</u>	<u>(31,541)</u>

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 4,707,223

FIDUCIARY FUNDS

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2009**

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and pooled investments	\$ 401,578
Accounts receivable	61,428
Due from other governments	<u>327,602</u>
Total Assets	<u>\$ 790,608</u>
<u>Liabilities</u>	
Accounts payable	\$ 68,304
Due to other governments	<u>722,304</u>
Total Liabilities	<u>\$ 790,608</u>

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009

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, 2009. 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 Economic Development Authority Board.	Cook County and Grand Marais Joint Economic Development Authority 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.

Additionally, the County reports the following fund types:

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.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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. 389, 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.

Agency funds 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.

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.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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, 2009, 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 2009 were \$400,475.

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.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Receivables and Payables (Continued)

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.

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.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Capital Assets (Continued)

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

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.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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.

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.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Appropriations

For the year ended December 31, 2009, expenditures exceeded appropriations in the following funds:

	<u>Excess Expenditures</u>	
General Fund	\$ 2,864,162	Primarily funded by greater than anticipated revenues, much of which correspond to the excess expenditures.
Road and Bridge Special Revenue Fund	150,056	Funded with greater than expected construction reimbursements.
Public Health and Human Services Special Revenue Fund	127,811	Funded by increased reimbursements which are tied to expenditures and by use of fund balance.
Airport Special Revenue Fund	15,383	Funded through future revenue sources.

B. Deficit Fund Balances

For the year ended December 31, 2009, the County had two funds that had deficit fund balances.

	<u>Fund Balance December 31, 2009</u>
Forfeited Tax Special Revenue Fund	\$ (1,724)
Airport Special Revenue Fund	(5,280)

These deficits will be made up with future tax levies and other revenue sources.

**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	\$ 10,804,175
Petty cash and change funds	1,187
Cash with escrow agent	400,018
Investments	15,671
Cook County and Grand Marais Joint Economic Development Authority component unit	
Cash and pooled investments	71,292
Cash overdraft	(26,717)
Restricted assets held by trustee	330,078
Fiduciary funds	
Cash and pooled investments	<u>401,578</u>
Total Cash and Investments	<u>\$ 11,997,282</u>

a. Deposits

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

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution 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, 2009, the primary government's bank balances of \$3,699,012 were not exposed to custodial credit risk.

The Cook County and Grand Marais Joint Economic Development Authority component unit had bank balances of \$90,105 at December 31, 2009, and these were not exposed to custodial credit risk.

b. Investments

The County may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

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

**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. The County does not have an investment policy for custodial credit risk. 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	\$ 1,518,864
Uninsured, held by counterparty	-
Government securities	
Insured	1,500,008
Uninsured, held by counterparty	4,590,228

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, 2009, and information relating to potential investment risks:

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. government agency securities					
Federal National Mortgage Association Note	AAA	Moody's		07/14/2014	\$ 199,904
Federal National Mortgage Association Note	AAA	Moody's		11/25/2014	99,194
Total Federal National Mortgage Association Notes			3.90%		\$ 299,098
Federal Home Loan Mortgage Corporation Discount Note	AAA	Moody's		08/26/2014	\$ 100,432
Federal Home Loan Mortgage Corporation Discount Note	AAA	Moody's		07/11/2019	296,725
Total Federal Home Loan Mortgage Corporation Discount Notes			5.19%		\$ 397,157
Federal Home Loan Bank Note	AAA	Moody's		06/29/2010	\$ 102,005
Federal Home Loan Bank Note	AAA	Moody's		10/15/2012	300,094
Federal Home Loan Bank Note	AAA	Moody's		11/10/2014	500,781
Federal Home Loan Bank Note	AAA	Moody's		10/15/2015	109,909
Federal Home Loan Bank Note	AAA	Moody's		11/12/2015	200,062
Federal Home Loan Bank Note	AAA	Moody's		12/11/2015	99,900
Federal Home Loan Bank Note	AAA	Moody's		11/23/2016	299,028
Federal Home Loan Bank Note	AAA	Moody's		06/21/2017	100,576
Federal Home Loan Bank Note	AAA	Moody's		12/08/2017	497,031
Federal Home Loan Bank Note	AAA	Moody's		12/17/2019	449,393
Federal Home Loan Bank Note	AAA	Moody's		12/23/2019	500,000
Total Federal Home Loan Bank Notes			41.31%		\$ 3,158,779
Governmental National Mortgage Association Note	N/A	N/A		04/20/2024	\$ 3,035
Governmental National Mortgage Association Note	N/A	N/A		05/15/2024	3,500
Governmental National Mortgage Association Note	N/A	N/A		07/15/2024	2,312
Governmental National Mortgage Association Note	N/A	N/A		04/15/2026	3,295
Governmental National Mortgage Association Note	N/A	N/A		10/20/2026	728
Governmental National Mortgage Association Note	N/A	N/A		03/20/2028	5,618
Governmental National Mortgage Association Note	N/A	N/A		04/15/2028	12,002
Governmental National Mortgage Association Note	N/A	N/A		04/20/2028	3,173
Governmental National Mortgage Association Note	N/A	N/A		05/15/2028	1,293
Governmental National Mortgage Association Note	N/A	N/A		05/15/2008	7,877
Governmental National Mortgage Association Note	N/A	N/A		06/20/2028	2,021
Governmental National Mortgage Association Note	N/A	N/A		07/20/2028	2,508
Governmental National Mortgage Association Note	N/A	N/A		08/15/2028	9,145
Governmental National Mortgage Association Note	N/A	N/A		09/15/2028	3,113
Governmental National Mortgage Association Note	N/A	N/A		10/15/2028	3,173
Governmental National Mortgage Association Note	N/A	N/A		10/20/2028	2,304
Governmental National Mortgage Association Note	N/A	N/A		11/15/2028	3,252

**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		11/15/2028	4,510
Governmental National Mortgage Association Note	N/A	N/A		11/15/2028	8,195
Governmental National Mortgage Association Note	N/A	N/A		11/15/2028	4,153
Governmental National Mortgage Association Note	N/A	N/A		11/20/2028	10,490
Governmental National Mortgage Association Note	N/A	N/A		12/15/2028	3,197
Governmental National Mortgage Association Note	N/A	N/A		12/15/2028	1,171
Governmental National Mortgage Association Note	N/A	N/A		12/15/2028	2,771
Governmental National Mortgage Association Note	N/A	N/A		12/15/2028	7,209
Governmental National Mortgage Association Note	N/A	N/A		12/15/2028	2,538
Governmental National Mortgage Association Note	N/A	N/A		12/20/2028	7,163
Governmental National Mortgage Association Note	N/A	N/A		12/20/2028	2,275
Governmental National Mortgage Association Note	N/A	N/A		01/15/2029	8,483
Governmental National Mortgage Association Note	N/A	N/A		01/15/2029	1,392
Governmental National Mortgage Association Note	N/A	N/A		01/15/2029	4,920
Governmental National Mortgage Association Note	N/A	N/A		01/20/2029	4,802
Governmental National Mortgage Association Note	N/A	N/A		02/15/2029	6,528
Governmental National Mortgage Association Note	N/A	N/A		02/15/2029	2,875
Governmental National Mortgage Association Note	N/A	N/A		02/15/2029	1,397
Governmental National Mortgage Association Note	N/A	N/A		02/15/2029	2,924
Governmental National Mortgage Association Note	N/A	N/A		02/15/2029	8,124
Governmental National Mortgage Association Note	N/A	N/A		02/20/2029	38,504
Governmental National Mortgage Association Note	N/A	N/A		03/15/2029	5,106
Governmental National Mortgage Association Note	N/A	N/A		03/15/2029	1,722
Governmental National Mortgage Association Note	N/A	N/A		03/15/2029	8,173
Governmental National Mortgage Association Note	N/A	N/A		03/20/2029	10,216
Governmental National Mortgage Association Note	N/A	N/A		04/15/2029	2,449
Governmental National Mortgage Association Note	N/A	N/A		04/15/2029	3,917
Governmental National Mortgage Association Note	N/A	N/A		04/15/2029	9,494
Governmental National Mortgage Association Note	N/A	N/A		04/15/2029	2,408
Governmental National Mortgage Association Note	N/A	N/A		04/20/2029	12,335
Governmental National Mortgage Association Note	N/A	N/A		05/15/2029	9,943
Governmental National Mortgage Association Note	N/A	N/A		05/15/2029	8,498
Governmental National Mortgage Association Note	N/A	N/A		06/15/2029	3,444
Governmental National Mortgage Association Note	N/A	N/A		06/15/2029	1,140
Governmental National Mortgage Association Note	N/A	N/A		06/15/2029	6,319
Governmental National Mortgage Association Note	N/A	N/A		06/15/2029	7,974
Governmental National Mortgage Association Note	N/A	N/A		07/15/2029	1,997
Governmental National Mortgage Association Note	N/A	N/A		07/15/2029	3,705
Governmental National Mortgage Association Note	N/A	N/A		07/15/2029	8,143
Governmental National Mortgage Association Note	N/A	N/A		08/20/2029	1,616
Governmental National Mortgage Association Note	N/A	N/A		09/15/2029	2,287
Governmental National Mortgage Association Note	N/A	N/A		09/15/2029	8,622
Governmental National Mortgage Association Note	N/A	N/A		09/15/2029	4,391
Governmental National Mortgage Association Note	N/A	N/A		09/20/2029	5,803
Governmental National Mortgage Association Note	N/A	N/A		11/15/2029	4,760
Governmental National Mortgage Association Note	N/A	N/A		06/20/2030	10,405
Governmental National Mortgage Association Note	N/A	N/A		03/15/2031	2,628
Governmental National Mortgage Association Note	N/A	N/A		03/20/2031	5,564
Governmental National Mortgage Association Note	N/A	N/A		04/15/2031	2,200

**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		05/15/2031	4,207
Governmental National Mortgage Association Note	N/A	N/A		05/20/2031	9,702
Governmental National Mortgage Association Note	N/A	N/A		06/15/2031	12,314
Governmental National Mortgage Association Note	N/A	N/A		06/20/2031	5,531
Governmental National Mortgage Association Note	N/A	N/A		06/20/2031	4,622
Governmental National Mortgage Association Note	N/A	N/A		07/15/2031	2,042
Governmental National Mortgage Association Note	N/A	N/A		08/15/2031	8,773
Governmental National Mortgage Association Note	N/A	N/A		09/20/2031	8,842
Governmental National Mortgage Association Note	N/A	N/A		10/15/2031	6,994
Governmental National Mortgage Association Note	N/A	N/A		10/15/2031	6,429
Governmental National Mortgage Association Note	N/A	N/A		10/20/2031	9,574
Governmental National Mortgage Association Note	N/A	N/A		11/20/2031	9,678
Governmental National Mortgage Association Note	N/A	N/A		12/15/2031	1,761
Governmental National Mortgage Association Note	N/A	N/A		12/20/2031	6,847
Governmental National Mortgage Association Note	N/A	N/A		01/15/2032	7,401
Governmental National Mortgage Association Note	N/A	N/A		01/15/2032	2,530
Governmental National Mortgage Association Note	N/A	N/A		01/15/2032	8,215
Governmental National Mortgage Association Note	N/A	N/A		02/15/2032	15,997
Governmental National Mortgage Association Note	N/A	N/A		03/15/2032	5,475
Governmental National Mortgage Association Note	N/A	N/A		03/20/2032	2,286
Governmental National Mortgage Association Note	N/A	N/A		03/20/2032	6,681
Governmental National Mortgage Association Note	N/A	N/A		05/15/2032	18,904
Governmental National Mortgage Association Note	N/A	N/A		06/15/2032	9,634
Governmental National Mortgage Association Note	N/A	N/A		10/15/2032	10,128
Governmental National Mortgage Association Note	N/A	N/A		10/15/2032	6,832
Governmental National Mortgage Association Note	N/A	N/A		11/15/2032	1,778
Governmental National Mortgage Association Note	N/A	N/A		12/15/2032	5,779
Governmental National Mortgage Association Note	N/A	N/A		12/15/2032	4,914
Governmental National Mortgage Association Note	N/A	N/A		12/20/2032	7,218
Governmental National Mortgage Association Note	N/A	N/A		01/15/2033	6,406
Governmental National Mortgage Association Note	N/A	N/A		02/15/2033	5,393
Governmental National Mortgage Association Note	N/A	N/A		02/15/2033	5,597
Governmental National Mortgage Association Note	N/A	N/A		03/15/2033	7,391
Governmental National Mortgage Association Note	N/A	N/A		06/15/2033	7,652
Governmental National Mortgage Association Note	N/A	N/A		09/20/2033	7,558
Governmental National Mortgage Association Note	N/A	N/A		10/15/2033	7,458
Governmental National Mortgage Association Note	N/A	N/A		11/20/2033	10,422
Governmental National Mortgage Association Note	N/A	N/A		11/20/2033	6,216
Governmental National Mortgage Association Note	N/A	N/A		12/15/2033	8,870
Governmental National Mortgage Association Note	N/A	N/A		04/20/2034	12,175
Governmental National Mortgage Association Note	N/A	N/A		08/20/2034	11,333
Governmental National Mortgage Association Note	N/A	N/A		09/20/2034	7,732
Governmental National Mortgage Association Note	N/A	N/A		10/15/2034	9,382
Governmental National Mortgage Association Note	N/A	N/A		10/20/2034	10,371
Governmental National Mortgage Association Note	N/A	N/A		11/20/2034	9,383
Governmental National Mortgage Association Note	N/A	N/A		02/15/2036	15,453
Governmental National Mortgage Association Note	N/A	N/A		04/15/2036	14,139
Governmental National Mortgage Association Note	N/A	N/A		01/20/2037	7,791

**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		02/20/2038	6,413
Governmental National Mortgage Association Note	N/A	N/A		09/15/2038	12,023
Governmental National Mortgage Association Note	N/A	N/A		11/20/2038	5,659
Governmental National Mortgage Association Note	N/A	N/A		04/15/2038	7,937
Governmental National Mortgage Association Note	N/A	N/A		10/15/2038	12,017
Total Governmental National Mortgage Association Notes			N/A		\$ 783,088
U.S. Treasury Note	N/A	N/A		06/30/2010	\$ 151,964
U.S. Treasury Note	N/A	N/A		06/30/2010	158,042
U.S. Treasury Note	N/A	N/A		06/30/2011	98,824
U.S. Treasury Note	N/A	N/A		06/30/2011	68,008
U.S. Treasury Note	N/A	N/A		06/30/2011	29,753
U.S. Treasury Note	N/A	N/A		09/30/2011	92,240
U.S. Treasury Note	N/A	N/A		09/30/2011	318,069
U.S. Treasury Note	N/A	N/A		09/30/2011	125,107
U.S. Treasury Note	N/A	N/A		09/30/2012	96,582
U.S. Treasury Note	N/A	N/A		09/30/2012	53,656
U.S. Treasury Note	N/A	N/A		09/30/2012	79,412
U.S. Treasury Note	N/A	N/A		09/30/2012	62,242
U.S. Treasury Note	N/A	N/A		02/15/2013	72,420
U.S. Treasury Note	N/A	N/A		02/15/2013	45,795
Total U.S. Treasury Notes			18.99%		\$ 1,452,114
Investment pools/mutual funds					
Merrill Lynch	N/A	N/A		N/A	\$ 10,410
Tamarack U.S. Government Money Market	N/A	N/A		N/A	39
MAGIC Fund	N/A	N/A		N/A	26,576
Total investment pools/mutual funds			0.005%		\$ 37,025
Negotiable certificates of deposit					
American Express Bank	N/A	N/A		11/12/2010	\$ 98,448
American Express Bank	N/A	N/A		11/26/2010	98,507
BMW Bank	N/A	N/A		12/01/2010	98,531
Capital One Bank USA	N/A	N/A		02/01/2010	96,301
Capital One Bank USA	N/A	N/A		11/26/2010	98,514
Carolina First Bank	N/A	N/A		05/31/2011	97,961
Cit Bank	N/A	N/A		05/05/2010	97,185
GE Capital Finance	N/A	N/A		09/20/2010	98,153
Great Southern Bank	N/A	N/A		08/16/2010	97,930
Lehman Bros Bank Callable (12/19/12)	N/A	N/A		12/19/2012	96,290
Merrick Bank Corp.	N/A	N/A		01/21/2010	97,081
Morgan Stanley Bank	N/A	N/A		10/08/2010	98,251
Nexity Bank	N/A	N/A		02/08/2010	96,369
Sallie Mae Bank	N/A	N/A		06/03/2011	151,980
Sovereign Bank	N/A	N/A		05/26/2010	97,363
Total negotiable certificates of deposit			19.86%		\$ 1,518,864

**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	
Total pooled investments					\$ 7,646,125
Deposits					3,559,628
Petty cash					1,187
Fund investments					15,671
Cash with escrow agent					400,018
Deposits - component unit					<u>374,653</u>
Total Cash and Investments					<u>\$ 11,997,282</u>

2. Receivables

Receivables as of December 31, 2009, 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	\$ 178,889	\$ -
Loans	1,062,254	982,223
Due from other governments	4,971,647	179,273
Accounts	834,787	-
Interest	23,951	-
Minnesota Community Capital Fund deposit	50,000	-
Total Governmental Activities	<u>\$ 7,121,528</u>	<u>\$ 1,161,496</u>

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Increase	Decrease	Transfers	Ending Balance
Capital assets not depreciated					
Land and easements	\$ 745,738	\$ 391,355	\$ -	\$ -	\$ 1,137,093
Construction in progress	401,648	214,193	-	(27,071)	588,770
Total capital assets not depreciated	\$ 1,147,386	\$ 605,548	\$ -	\$ (27,071)	\$ 1,725,863
Capital assets depreciated					
Buildings	\$ 10,228,539	\$ 166,029	\$ -	\$ -	\$ 10,394,568
Improvements other than buildings	839,381	145,448	-	-	984,829
Machinery, vehicles, furniture, and equipment	5,477,824	798,536	252,838	-	6,023,522
Infrastructure	50,237,599	4,572,577	-	27,071	54,837,247
Total capital assets depreciated	\$ 66,783,343	\$ 5,682,590	\$ 252,838	\$ 27,071	\$ 72,240,166
Less: accumulated depreciation for					
Buildings	\$ 2,868,214	\$ 252,223	\$ -	\$ -	\$ 3,120,437
Improvements other than buildings	235,353	45,655	-	-	281,008
Machinery, vehicles, furniture, and equipment	4,007,147	439,240	228,419	-	4,217,968
Infrastructure	11,312,925	1,051,104	-	-	12,364,029
Total accumulated depreciation	\$ 18,423,639	\$ 1,788,222	\$ 228,419	\$ -	\$ 19,983,442
Total capital assets depreciated, net	\$ 48,359,704	\$ 3,894,368	\$ 24,419	\$ 27,071	\$ 52,256,724
Capital Assets, Net	\$ 49,507,090	\$ 4,499,916	\$ 24,419	\$ -	\$ 53,982,587

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

Governmental Activities	
General government	\$ 174,190
Public safety	197,359
Highways and streets, including depreciation of infrastructure assets	1,192,447
Sanitation	27,196
Culture and recreation	22,967
Conservation of natural resources	1,405
Economic development	172,658
Total Depreciation Expense - Governmental Activities	\$ 1,788,222

**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, 2009, 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 Services Fund	\$ 32,368	Reimburse for supplies and services
	Forfeited Tax Fund	138,440	To fund deficit cash
	Airport Fund	<u>20,507</u>	To fund deficit cash
Total due to General Fund		\$ 191,315	
Road and Bridge Fund	General Fund	1,920	Charges for services
Public Health and Human Services	General Fund	138	Charges for services
Airport Fund	Road and Bridge Fund	<u>848</u>	Reimbursement
Total Due To/From Other Funds		<u>\$ 194,221</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, 2009, is \$61,741.

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2009, consisted of the following:

Transfers to Debt Service Fund from other governmental funds			
Hospital Sales Tax Fund	\$ 900,850	To fund debt payments	
Golf Course Lodging Tax Fund	<u>758,179</u>	To fund debt payments	
Total Interfund Transfers	<u>\$ 1,659,029</u>		

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2009, were as follows:

	Governmental Activities
Accounts	\$ 273,696
Salaries	187,361
Contracts	267,819
Due to other governments	28,616
Total Payables	\$ 757,492

2. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2009
General obligation bonds Refunding Certificates of Participation of 2003	2017	\$205,000 - \$385,000	2.50 - 4.00	\$ 4,235,000	\$ 2,685,000
Less: unamortized charge - refunding bonds					(121,047)
Total General Obligation Bonds, Net					\$ 2,563,953

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2009, were as follows:

Year Ending December 31	Certificates of Participation	
	Principal	Interest
2010	\$ 295,000	\$ 95,905
2011	300,000	85,935
2012	315,000	75,015
2013	325,000	63,332
2014	340,000	50,860
2015 - 2017	1,110,000	67,800
Total	\$ 2,685,000	\$ 438,847

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 1,619,166	\$ -	\$ 1,619,166	\$ -	\$ -
Certificates of participation	2,970,000	-	285,000	2,685,000	295,000
Less: deferred charges - refunding bonds	(138,147)	-	(17,100)	(121,047)	-
Total bonds payable	\$ 4,451,019	\$ -	\$ 1,887,066	\$ 2,563,953	\$ 295,000
Compensated absences	469,804	435,840	396,309	509,335	-
Long-Term Liabilities	\$ 4,920,823	\$ 435,840	\$ 2,283,375	\$ 3,073,288	\$ 295,000

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

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 issue:

- General Obligation Refunding Certificates of Participation, Series 2003, August 20, 2003.

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.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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. Normal retirement age is 55 for Public Employees Police and Fire Fund members, and either 65 or 66 (depending on date hired) for Public Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the 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.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans (Continued)

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. 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 are required to contribute 9.4 percent.

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

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	6.75
Public Employees Police and Fire Fund	14.10

The County's contributions for the years ending December 31, 2009, 2008, and 2007, for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Public Employees Retirement Fund	\$ 259,434	\$ 230,288	\$ 217,263
Public Employees Police and Fire Fund	112,307	91,937	86,071

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

4. Pension Plans (Continued)

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. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the State Legislature. 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. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 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.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2009, were:

	Employee	Employer
Contribution amount	\$ 7,690	\$ 7,690
Percentage of covered payroll	5%	5%

Required contribution rates were 5.0 percent.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

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 Intergovernmental Trust (MCIT), formerly the Minnesota Counties Insurance Trust. 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 \$430,000 per claim in 2009 and \$450,000 per claim in 2010. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

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

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.

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.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Arrowhead Regional Corrections (Continued)

Arrowhead Regional Corrections is financed through state grants and contributions from the participating counties. During 2008 (the most recent information available), county contributions were in the following proportion:

	<u>Percent (%)</u>
Carlton County	10.48
Cook County	1.61
Koochiching County	1.98
Lake County	2.11
St. Louis County	<u>83.82</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, 2008:

Total Assets	\$ 13,531,737
Total Liabilities	5,588,087
Total Net Assets	7,943,650
Total Revenues	21,617,817
Total Expenses	21,076,113
Change in Net Assets	541,704

Cook County provided \$199,291 in funding during 2009. Separate financial information can be obtained from:

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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 2009.

At December 31, 2009, the Community Health Board's summary of financial information was:

Total Assets	\$ 1,139,568
Total Liabilities	981,637
Total Net Assets	157,931
Total Revenues	4,242,424
Total Expenses	4,209,848
Change in Net Assets	32,576

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Northeast Minnesota Office of Job Training (Continued)

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, 2009, was:

Total Assets	\$	3,038,740
Total Liabilities		1,650,067
Total Net Assets		1,388,673
Total Revenues		5,598,127
Total Expenses		5,589,058
Change in Net Assets		9,069

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.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Minnesota Counties Information Systems (Continued)

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, 2008 (the most recent information available), was:

Total Assets	\$	1,007,784
Total Liabilities		256,583
Total Net Assets		751,201
Total Revenues		2,534,122
Total Expenses		2,365,437
Change in Net Assets		168,685

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.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Northern Counties Land Use Board (Continued)

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 \$2,500 during 2009 to the Northern Counties Land Use Board.

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.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

North Shore Collaborative (Continued)

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, 2009, is as follows:

Assets	\$ 162,931
Liabilities	\$ 162,931

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 health care programs through the Minnesota Department of Human Services and the federal Centers for Medicare and Medicaid Services.

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 2009.

Northeast Minnesota Regional Radio Board

The Northeast Minnesota Regional Radio Board was established through a joint powers agreement, pursuant to Minn. Stat. §§ 471.59 and 403.39, to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) and to enhance and improve interoperable public safety communications.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Northeast Minnesota Regional Radio Board (Continued)

The joint powers are the Counties of Aitkin, Carlton, Cass, Cook, Crow Wing, Itasca, Kanabec, Koochiching, Lake, Pine, and St. Louis, and the Cities of Duluth, Hibbing, International Falls, and Virginia. Control of the Northeast Minnesota Regional Radio Board is vested in a Board of Directors composed of one County Commissioner from each of the member counties and one City Councilor from each of the member cities. In addition, there is one member from the Northeast Minnesota Regional Advisory Committee, one member from the Northeast Minnesota Regional Radio System User Committee, and one member from the Northeast Minnesota Owners and Operators Committee who are also voting members of the Board.

Itasca County is the fiscal agent for the Northeast Minnesota Regional Radio Board. Funding is provided by grants and contributions from participating members. Cook County contributed \$407 in funding in 2009.

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 contributed \$5,000 to the North Shore Management Board in 2009.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

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.

E. Tax-Forfeited Land

The County manages approximately 4,235 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.

**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)

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.

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

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.

**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)

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.

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, 2009, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Next Year
Taxes receivable	\$ 11,712	\$ -
Accounts receivable	10,435	-
Total Governmental Activities	\$ 22,147	\$ -

**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, 2009, was as follows:

	Beginning Balance	Increase	Decrease	Transfers/ Reclassifications	Ending Balance
Capital assets not depreciated					
Land	\$ 295,658	\$ -	\$ -	\$ 40,863	\$ 336,521
Construction in progress	2,203,525	126,995	-	(40,863)	2,289,657
Total capital assets not depreciated	\$ 2,499,183	\$ 126,995	\$ -	\$ -	\$ 2,626,178
Capital assets depreciated					
Land improvements	\$ 4,221,622	\$ 203,262	\$ -	\$ -	\$ 4,424,884
Buildings and structures	372,371	-	-	-	372,371
Furniture and equipment	835,737	4,652	-	-	840,389
Total capital assets depreciated	\$ 5,429,730	\$ 207,914	\$ -	\$ -	\$ 5,637,644
Less: accumulated depreciation for					
Land improvements	\$ 1,987,226	\$ 142,970	\$ -	\$ -	\$ 2,130,196
Buildings and structures	298,724	19,855	-	-	318,579
Furniture and equipment	723,892	21,749	-	-	745,641
Total accumulated depreciation	\$ 3,009,842	\$ 184,574	\$ -	\$ -	\$ 3,194,416
Total capital assets depreciated, net	\$ 2,419,888	\$ 23,340	\$ -	\$ -	\$ 2,443,228
Capital Assets, Net	\$ 4,919,071	\$ 150,335	\$ -	\$ -	\$ 5,069,406

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

Golf course	\$ 184,574
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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 \$38,189 for the year ended December 31, 2009. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2010	\$ 7,854

Short-Term Debt

The Authority had a note payable with Security State Bank for Authority operations. This note payable was paid off in 2009. This note was 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 had a line of credit agreement with Grand Marais State Bank for golf course operations. This agreement was accounted for in the Golf Course Enterprise Fund.

Short-term debt activity for the year ended December 31, 2009, is:

	Beginning Balance	Issued	Paid	Ending Balance
Note payable	\$ 25,000	\$ -	\$ 25,000	\$ -
Contract for deed	240,000	-	240,000	-
Line of credit	23,800	12,048	35,848	-
Advances	-	200,000	-	200,000
Total	\$ 288,800	\$ 212,048	\$ 300,848	\$ 200,000

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

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

B. Detailed Notes (Continued)

3. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2009
1998 Golf Course Revenue Bonds	2015	\$35,000 - \$175,000	4.40 - 5.60	\$ 1,820,000	\$ 925,000

Debt service requirements at December 31, 2009, were as follows:

Year Ending December 31	Revenue Bonds	
	Principal	Interest
2010	\$ 135,000	\$ 47,104
2011	140,000	39,712
2012	150,000	31,845
2013	160,000	23,357
2014	165,000	14,379
2015	175,000	4,900
Total	\$ 925,000	\$ 161,297

4. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Golf course revenue bonds	\$ 1,050,000	\$ -	\$ 125,000	\$ 925,000	\$ 135,000
Capital leases	6,449	-	6,449	-	-
Total	\$ 1,056,449	\$ -	\$ 131,449	\$ 925,000	\$ 135,000

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

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

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.

D. Construction Commitment

In 2006, the Authority began work on the Cedar Grove Business Park, which was substantially completed by December 31, 2009. 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. Assets related to the project will be transferred to the City of Grand Marais at some future date.

E. Contingent Liabilities

The Authority contracted with an engineering firm to provide design and engineering services for the Cedar Grove Business Park. Some amounts billed by the engineering firm to the Authority are related to the correction of violations identified by the Minnesota Pollution Control Agency (MPCA) for this project. Since the contractor on the project was determined liable for MPCA violations, the Authority is disputing certain engineering firm's billings related to the correction of the violations. As of December 31, 2009, the amount in dispute is \$98,670. This amount is not recorded as a liability on the financial statements of the Authority.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

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

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 statements.

REQUIRED SUPPLEMENTARY INFORMATION

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,470,056	\$ 3,470,056	\$ 2,972,984	\$ (497,072)
Special assessments	-	-	50,883	50,883
Licenses and permits	84,150	84,150	57,212	(26,938)
Intergovernmental	1,574,691	1,574,691	5,736,008	4,161,317
Charges for services	302,979	302,979	327,353	24,374
Fines and forfeits	-	-	16,584	16,584
Gifts and contributions	3,000	3,000	32,524	29,524
Investment earnings	400,000	400,000	399,659	(341)
Miscellaneous	563,865	563,865	797,943	234,078
Total Revenues	\$ 6,398,741	\$ 6,398,741	\$ 10,391,150	\$ 3,992,409
Expenditures				
Current				
General government				
Commissioners	\$ 346,162	\$ 346,162	\$ 403,578	\$ (57,416)
Courts	2,869	2,869	-	2,869
Law library	27,560	27,560	25,956	1,604
County auditor	536,002	536,002	577,241	(41,239)
County assessor	208,697	208,697	208,517	180
Elections	19,150	19,150	3,416	15,734
Data processing	418,337	418,337	438,901	(20,564)
Personnel	138,724	138,724	142,179	(3,455)
Broadband	-	-	33,694	(33,694)
Attorney	268,754	268,754	301,024	(32,270)
Recorder	194,346	194,346	194,992	(646)
Planning and zoning	261,477	261,477	240,723	20,754
Buildings and plant	474,139	474,139	448,912	25,227
Veterans service officer	24,975	24,975	36,238	(11,263)
Other general government	4,242	4,242	8,035	(3,793)
Total general government	\$ 2,925,434	\$ 2,925,434	\$ 3,063,406	\$ (137,972)
Public safety				
Sheriff	\$ 1,642,256	\$ 1,642,256	\$ 1,679,646	\$ (37,390)
Boat and water safety	-	-	6,224	(6,224)
Emergency services	80,607	80,607	139,408	(58,801)
Coroner	10,400	10,400	22,137	(11,737)
E-911 system	53,342	53,342	40,480	12,862
County jail	215,482	215,482	201,010	14,472
Community corrections	238,777	238,777	233,575	5,202
Other public safety	7,650	7,650	1,183,005	(1,175,355)
Total public safety	\$ 2,248,514	\$ 2,248,514	\$ 3,505,485	\$ (1,256,971)

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<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	\$ 49,789	\$ 49,789	\$ 47,300	\$ 2,489
Recycling	292,573	292,573	335,811	(43,238)
Total sanitation	\$ 342,362	\$ 342,362	\$ 383,111	\$ (40,749)
Culture and recreation				
Historical society	\$ 30,342	\$ 30,342	\$ 30,342	\$ -
Parks	9,500	9,500	157,397	(147,897)
Senior citizens	95,000	95,000	95,000	-
Regional library	123,895	123,895	123,895	-
Other	128,284	128,284	463,983	(335,699)
Total culture and recreation	\$ 387,021	\$ 387,021	\$ 870,617	\$ (483,596)
Conservation of natural resources				
Cooperative extension	\$ 65,172	\$ 65,172	\$ 76,101	\$ (10,929)
Soil and water conservation	35,302	35,302	91,726	(56,424)
Agricultural inspections	12,775	12,775	6,756	6,019
Agricultural society/County fair	10,900	10,900	8,572	2,328
Environmental services	112,596	112,596	130,456	(17,860)
Other	-	-	53,210	(53,210)
Total conservation of natural resources	\$ 236,745	\$ 236,745	\$ 366,821	\$ (130,076)
Economic development				
Community development	\$ 9,500	\$ 9,500	\$ 236,618	\$ (227,118)
Capital outlay				
General government	\$ 42,700	\$ 42,700	\$ 105,313	\$ (62,613)
Public safety	114,500	114,500	722,536	(608,036)
Culture and recreation	166,000	166,000	78,886	87,114
Conservation of natural resources	-	-	4,145	(4,145)
Total capital outlay	\$ 323,200	\$ 323,200	\$ 910,880	\$ (587,680)
Total Expenditures	\$ 6,472,776	\$ 6,472,776	\$ 9,336,938	\$ (2,864,162)
Excess of Revenues Over (Under)				
Expenditures	\$ (74,035)	\$ (74,035)	\$ 1,054,212	\$ 1,128,247
Fund Balance - January 1	8,440,402	8,440,402	8,440,402	-
Fund Balance - December 31	\$ 8,366,367	\$ 8,366,367	\$ 9,494,614	\$ 1,128,247

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,186,157	\$ 1,186,157	\$ 1,124,471	\$ (61,686)
Intergovernmental	6,004,000	6,004,000	6,269,442	265,442
Charges for services	285,000	285,000	170,728	(114,272)
Miscellaneous	-	-	23,325	23,325
Total Revenues	<u>\$ 7,475,157</u>	<u>\$ 7,475,157</u>	<u>\$ 7,587,966</u>	<u>\$ 112,809</u>
Expenditures				
Current				
Highways and streets				
Administration	\$ 273,847	\$ 273,847	\$ 306,281	\$ (32,434)
Maintenance	1,469,626	1,469,626	1,842,691	(373,065)
Construction	5,022,386	5,022,386	4,927,209	95,177
Equipment maintenance and shop	709,298	709,298	549,032	160,266
Total Expenditures	<u>\$ 7,475,157</u>	<u>\$ 7,475,157</u>	<u>\$ 7,625,213</u>	<u>\$ (150,056)</u>
Net Change in Fund Balance	\$ -	\$ -	\$ (37,247)	\$ (37,247)
Fund Balance - January 1	1,427,213	1,427,213	1,427,213	-
Increase (decrease) in reserved for inventories	-	-	27,932	27,932
Fund Balance - December 31	<u>\$ 1,427,213</u>	<u>\$ 1,427,213</u>	<u>\$ 1,417,898</u>	<u>\$ (9,315)</u>

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 879,416	\$ 879,416	\$ 876,849	\$ (2,567)
Licenses and permits	13,471	13,471	13,582	111
Intergovernmental	819,416	819,416	967,296	147,880
Charges for services	126,298	126,298	119,489	(6,809)
Miscellaneous	56,140	56,140	102,605	46,465
Total Revenues	<u>\$ 1,894,741</u>	<u>\$ 1,894,741</u>	<u>\$ 2,079,821</u>	<u>\$ 185,080</u>
Expenditures				
Current				
Human services				
Income maintenance	\$ 331,483	\$ 331,483	\$ 344,685	\$ (13,202)
Social services	1,320,437	1,320,437	1,408,526	(88,089)
Total human services	<u>\$ 1,651,920</u>	<u>\$ 1,651,920</u>	<u>\$ 1,753,211</u>	<u>\$ (101,291)</u>
Health				
Nursing service	\$ 255,846	\$ 255,846	\$ 273,758	\$ (17,912)
Miscellaneous	-	-	8,608	(8,608)
Total health	<u>\$ 255,846</u>	<u>\$ 255,846</u>	<u>\$ 282,366</u>	<u>\$ (26,520)</u>
Total Expenditures	<u>\$ 1,907,766</u>	<u>\$ 1,907,766</u>	<u>\$ 2,035,577</u>	<u>\$ (127,811)</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (13,025)</u>	<u>\$ (13,025)</u>	<u>\$ 44,244</u>	<u>\$ 57,269</u>
Fund Balance - January 1	<u>1,054,062</u>	<u>1,054,062</u>	<u>1,054,062</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 1,041,037</u></u>	<u><u>\$ 1,041,037</u></u>	<u><u>\$ 1,098,306</u></u>	<u><u>\$ 57,269</u></u>

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009

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, 2009, expenditures exceeded appropriations in the following funds:

	<u>Excess Expenditures</u>	
General Fund	\$ 2,864,162	Mostly funded by greater than anticipated revenues.
Road and Bridge Special Revenue Fund	150,056	Funded with greater than expected construction reimbursements.
Public Health and Human Services Special Revenue Fund	127,811	Funded by increased reimbursements which are tied to expenditures and by use of fund balance.

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SUPPLEMENTARY INFORMATION

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**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 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.

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, 2009**

	Special Revenue	
	Building	Airport
<u>Assets</u>		
Cash and pooled investments	\$ 579,459	\$ -
Cash with escrow agent	-	-
Taxes receivable		
Prior	1,554	1,904
Accounts receivable	-	132
Lodging taxes receivable	-	-
Due from other funds	-	848
Due from other governments	-	78,443
	\$ 581,013	\$ 81,327
	\$ 581,013	\$ 81,327
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 1,044	\$ 2,791
Due to other funds	-	20,507
Deferred revenue - unavailable	1,278	1,568
Advance from other funds	-	61,741
	\$ 2,322	\$ 86,607
	\$ 2,322	\$ 86,607
Fund Balances		
Reserved for debt service	\$ -	\$ -
Reserved for environmental improvements - principal payments	-	-
Reserved for environmental improvements - interest payments	-	-
Unreserved		
Designated for debt service	-	-
Designated for capital improvements	537,201	-
Undesignated	41,490	(5,280)
	\$ 578,691	\$ (5,280)
	\$ 578,691	\$ (5,280)
Total Liabilities and Fund Balances	\$ 581,013	\$ 81,327

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>Debt Service</u>	<u>Leased Lakeshore Permanent</u>	
\$ 17,515	\$ 355,143	\$ 952,117	\$ 427,496	\$ 800,696	\$ 2,180,309
-	-	-	400,018	-	400,018
-	-	3,458	12,179	-	15,637
-	-	132	-	5,096	5,228
3,322	-	3,322	-	-	3,322
-	-	848	-	-	848
-	-	78,443	-	-	78,443
<u>\$ 20,837</u>	<u>\$ 355,143</u>	<u>\$ 1,038,320</u>	<u>\$ 839,693</u>	<u>\$ 805,792</u>	<u>\$ 2,683,805</u>
\$ -	\$ -	\$ 3,835	\$ -	\$ -	\$ 3,835
-	-	20,507	-	-	20,507
-	-	2,846	10,019	5,096	17,961
-	-	61,741	-	-	61,741
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,929</u>	<u>\$ 10,019</u>	<u>\$ 5,096</u>	<u>\$ 104,044</u>
\$ 20,837	\$ -	\$ 20,837	\$ 400,018	\$ -	\$ 420,855
-	-	-	-	579,338	579,338
-	-	-	-	221,358	221,358
-	-	-	429,656	-	429,656
-	-	537,201	-	-	537,201
-	355,143	391,353	-	-	391,353
<u>\$ 20,837</u>	<u>\$ 355,143</u>	<u>\$ 949,391</u>	<u>\$ 829,674</u>	<u>\$ 800,696</u>	<u>\$ 2,579,761</u>
<u>\$ 20,837</u>	<u>\$ 355,143</u>	<u>\$ 1,038,320</u>	<u>\$ 839,693</u>	<u>\$ 805,792</u>	<u>\$ 2,683,805</u>

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Special Revenue	
	Building	Airport
Revenues		
Taxes	\$ 48,161	\$ 58,861
Intergovernmental	-	134,935
Gifts and contributions	-	-
Investment earnings	-	-
Miscellaneous	-	26,026
	\$ 48,161	\$ 219,822
Expenditures		
Current		
General government	\$ 4,660	\$ -
Highways and streets	3,430	-
Sanitation	665	-
Culture and recreation	79	-
Economic development	-	106,966
Capital outlay	132,301	120,802
Debt service		
Principal	-	-
Interest	-	-
Bond redemption costs	-	-
Administrative - fiscal charges	-	-
	\$ 141,135	\$ 227,768
Excess of Revenues Over (Under) Expenditures	\$ (92,974)	\$ (7,946)
Other Financing Sources (Uses)		
Transfers in	\$ -	\$ -
Transfers out	-	-
	\$ (92,974)	\$ (7,946)
Net Change in Fund Balance	\$ (92,974)	\$ (7,946)
Fund Balance - January 1	671,665	2,666
Fund Balance - December 31	\$ 578,691	\$ (5,280)

Statement 2

Funds					Total Nonmajor Governmental Funds (Exhibit 5)
Golf Course Lodging Tax	Hospital Sales Tax	Total	Debt Service	Leased Lakeshore Permanent	
\$ 169,795	\$ -	\$ 276,817	\$ 376,324	\$ -	\$ 653,141
-	-	134,935	13,220	-	148,155
295,000	-	295,000	-	-	295,000
816	-	816	66	21,404	22,286
-	-	26,026	-	12,205	38,231
\$ 465,611	\$ -	\$ 733,594	\$ 389,610	\$ 33,609	\$ 1,156,813
\$ -	\$ -	\$ 4,660	\$ -	\$ -	\$ 4,660
-	-	3,430	-	-	3,430
-	-	665	-	-	665
-	-	79	-	-	79
56,957	-	163,923	-	-	163,923
-	135,959	389,062	-	-	389,062
-	-	-	1,896,767	-	1,896,767
-	-	-	150,792	-	150,792
-	-	-	397	-	397
-	-	-	2,973	-	2,973
\$ 56,957	\$ 135,959	\$ 561,819	\$ 2,050,929	\$ -	\$ 2,612,748
\$ 408,654	\$ (135,959)	\$ 171,775	\$ (1,661,319)	\$ 33,609	\$ (1,455,935)
\$ -	\$ -	\$ -	\$ 1,659,029	\$ -	\$ 1,659,029
(758,179)	(900,850)	(1,659,029)	-	-	(1,659,029)
\$ (349,525)	\$ (1,036,809)	\$ (1,487,254)	\$ (2,290)	\$ 33,609	\$ (1,455,935)
370,362	1,391,952	2,436,645	831,964	767,087	4,035,696
\$ 20,837	\$ 355,143	\$ 949,391	\$ 829,674	\$ 800,696	\$ 2,579,761

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
AIRPORT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 61,000	\$ 61,000	\$ 58,861	\$ (2,139)
Intergovernmental	120,250	120,250	134,935	14,685
Miscellaneous	31,217	31,217	26,026	(5,191)
Total Revenues	\$ 212,467	\$ 212,467	\$ 219,822	\$ 7,355
Expenditures				
Current				
Economic development	\$ 112,385	\$ 112,385	\$ 106,966	\$ 5,419
Capital outlay	\$ 100,000	\$ 100,000	\$ 120,802	\$ (20,802)
Total Expenditures	\$ 212,385	\$ 212,385	\$ 227,768	\$ (15,383)
Excess of Revenues Over (Under) Expenditures	\$ 82	\$ 82	\$ (7,946)	\$ (8,028)
Fund Balance - January 1	2,666	2,666	2,666	-
Fund Balance - December 31	\$ 2,748	\$ 2,748	\$ (5,280)	\$ (8,028)

FIDUCIARY FUNDS

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**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.

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Statement 3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Balance January 1	Additions	Deductions	Balance December 31
<u>MEDICAL AND DEPENDENT CARE FLEX PLAN</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 6,099	\$ 102,274	\$ 101,380	\$ 6,993
<u>Liabilities</u>				
Accounts payable	\$ 6,099	\$ 102,274	\$ 101,380	\$ 6,993
 <u>SOIL AND WATER CONSERVATION DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 334,751	\$ 345,182	\$ 472,620	\$ 207,313
Due from other governments	388		388	-
Total Assets	\$ 335,139	\$ 345,182	\$ 473,008	\$ 207,313
<u>Liabilities</u>				
Due to other governments	\$ 335,139	\$ 345,182	\$ 473,008	\$ 207,313
 <u>MORTGAGE REGISTRY</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 17,588	\$ 209,313	\$ 217,273	\$ 9,628
<u>Liabilities</u>				
Due to other governments	\$ 17,588	\$ 209,313	\$ 217,273	\$ 9,628

**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, 2009**

	Balance January 1	Additions	Deductions	Balance December 31
<u>FIRE DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 9,256	\$ 250,007	\$ 241,935	\$ 17,328
<u>Liabilities</u>				
Due to other governments	\$ 9,256	\$ 250,007	\$ 241,935	\$ 17,328
 <u>CITIES AND TOWNS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 44,499	\$ 1,265,807	\$ 1,251,892	\$ 58,414
<u>Liabilities</u>				
Due to other governments	\$ 44,499	\$ 1,265,807	\$ 1,251,892	\$ 58,414
 <u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 98,076	\$ 2,125,139	\$ 2,142,643	\$ 80,572
Accounts receivable	217	117	217	117
Due from other governments	21	-	-	21
Total Assets	\$ 98,314	\$ 2,125,256	\$ 2,142,860	\$ 80,710
<u>Liabilities</u>				
Due to other governments	\$ 98,092	\$ 2,125,256	\$ 2,142,638	\$ 80,710
Accounts payable	222	-	222	-
Total Liabilities	\$ 98,314	\$ 2,125,256	\$ 2,142,860	\$ 80,710

**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, 2009**

	Balance January 1	Additions	Deductions	Balance December 31
<u>LODGING TAX</u>				
<u>Assets</u>				
Accounts receivable	\$ 43,763	\$ 1,145,859	\$ 1,128,311	\$ 61,311
<u>Liabilities</u>				
Accounts payable	\$ 43,763	\$ 61,310	\$ 43,762	\$ 61,311
Due to other governments	-	1,084,549	1,084,549	-
Total Liabilities	\$ 43,763	\$ 1,145,859	\$ 1,128,311	\$ 61,311
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ (3,365)	\$ 10,449,941	\$ 10,450,251	\$ (3,675)
Due from other governments	3,365	3,675	3,365	3,675
Total Assets	\$ -	\$ 10,453,616	\$ 10,453,616	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 10,453,616	\$ 10,453,616	\$ -
 <u>SCHOOL</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 31,749	\$ 1,576,742	\$ 1,583,486	\$ 25,005
Due from other governments	321,731	323,906	321,731	323,906
Total Assets	\$ 353,480	\$ 1,900,648	\$ 1,905,217	\$ 348,911
<u>Liabilities</u>				
Due to other governments	\$ 353,480	\$ 1,900,648	\$ 1,905,217	\$ 348,911

**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, 2009**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 538,653	\$ 16,324,405	\$ 16,461,480	\$ 401,578
Accounts receivable	43,980	1,145,976	1,128,528	61,428
Due from other governments	325,505	327,581	325,484	327,602
Total Assets	\$ 908,138	\$ 17,797,962	\$ 17,915,492	\$ 790,608
<u>Liabilities</u>				
Accounts payable	\$ 50,084	\$ 163,584	\$ 145,364	\$ 68,304
Due to other governments	858,054	17,634,378	17,770,128	722,304
Total Liabilities	\$ 908,138	\$ 17,797,962	\$ 17,915,492	\$ 790,608

OTHER SCHEDULES

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 5

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

	2008		2009		2010	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	\$ 15,927,544		\$ 17,674,331		\$ 19,105,562	
Personal property	154,301		160,692		326,041	
Fiscal disparity contribution	(254,623)		(264,603)		(253,297)	
Net Tax Capacity	<u>\$ 15,827,222</u>		<u>\$ 17,570,420</u>		<u>\$ 19,178,306</u>	
Taxes Levied for County Purposes						
General	\$ 3,232,510	19.88	\$ 3,121,056	17.78	\$ 3,086,310	16.13
Road and Bridge	1,077,200	6.79	1,142,157	6.48	1,383,066	7.20
Social Services	856,974	5.40	909,416	5.16	943,776	4.92
Airport	56,000	0.35	61,000	0.35	84,000	0.44
Government Center	390,000	2.46	390,000	2.21	390,000	2.03
Economic Development	135,290	0.85	140,565	0.80	148,566	0.77
Total Levy for County Purposes	<u>\$ 5,747,974</u>	<u>35.73</u>	<u>\$ 5,764,194</u>	<u>32.78</u>	<u>\$ 6,035,718</u>	<u>31.49</u>
Less Credits Payable by State						
Taconite homestead credit	\$ 351,725		\$ 355,713		\$ 344,090	
Disparity reduction aid	3,157		3,157		3,155	
HACA and agricultural credit	92,327		-		-	
Total Credits Payable by State	<u>\$ 447,209</u>		<u>\$ 358,870</u>		<u>\$ 347,245</u>	
Net Levy for County Purposes	<u>\$ 5,300,765</u>		<u>\$ 5,405,324</u>		<u>\$ 5,688,473</u>	
Tax Capacity - Light and Power						
Assessed at 43%	<u>\$ 47,661</u>		<u>\$ 47,887</u>		<u>\$ 50,407</u>	
Light and Power Tax Levy (distributed pursuant to Minn. Stat. § 273.42, as amended)						
Assessed at 43%	<u>\$ 21,900</u>	45.95	<u>\$ 21,805</u>	45.53	<u>\$ 23,127</u>	
Percentage of Tax Collections for All Purposes	99.14%		99.72%			

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 6

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental Funds	Component Unit
Shared Revenue		
State		
Highway users tax	\$ 4,081,763	\$ -
PERA rate reimbursement	17,931	-
Police aid	81,014	-
County program aid	200,177	-
Market value credit	191,875	-
Taconite credit	189,522	-
Casino revenue aid	18,520	-
Enhanced 911	75,497	-
	\$ 4,856,299	\$ -
Total shared revenue		
Reimbursement for Services		
State		
Minnesota Department of Human Services	\$ 261,783	\$ -
	\$ 261,783	\$ -
Payments		
State		
Payments in lieu of taxes	\$ 194,620	\$ -
Local		
Local contributions	405,736	9,500
	\$ 600,356	\$ 9,500
Total payments		
Grants		
State		
Minnesota Department/Board of		
Public Safety	\$ 947,643	\$ -
Transportation	46,839	-
Health	28,416	-
Natural Resources	287,630	-
Human Services	293,964	-
Veterans Affairs	13,900	-
Water and Soil Resources	24,053	-
Pollution Control Agency	15,981	-
Office of Environmental Assistance	55,475	-
Iron Range Resources	85,000	-
Miscellaneous boards	15,550	-
	\$ 1,814,451	\$ -
Total state		

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**Schedule 6
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental Funds	Component Unit
Grants (Continued)		
Federal		
Department of		
Agriculture	\$ 2,530,618	\$ -
Commerce	75,439	-
Interior	192,247	-
Transportation	1,056,323	-
Health and Human Services	365,430	-
Homeland Security	1,361,955	-
Environmental Protection Agency	6,000	-
Total federal	\$ 5,588,012	\$ -
Total state and federal grants	\$ 7,402,463	\$ -
Total Intergovernmental Revenue	\$ 13,120,901	\$ 9,500

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 7

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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:
- | | |
|---|--------------|
| Schools and Roads - Grants to States | CFDA #10.665 |
| Highway Planning and Construction Cluster | |
| Highway Planning and Construction | CFDA #20.205 |
| Highway Planning and Construction - ARRA | CFDA #20.205 |
| Recreational Trails Program | CFDA #20.219 |
| Pre-Disaster Mitigation | CFDA #97.047 |
- 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 our 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 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 is continuing to accumulate and document accounting policies and procedures with the goal of producing a policies and procedures manual for approval by the County Board.

PREVIOUSLY REPORTED ITEM RESOLVED

Inventory (08-1)

The County has a perpetual inventory system at the Highway Department. In the prior year, purchases and usage of inventory had not been posted to the system on a timely basis.

Resolution

Our review for the current year shows the client has caught up with its posting of the inventory activity and is now posting to the system on a monthly basis.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

07-2 Safekeeping of Investments

The County is required by Minn. Stat. § 118A.06 to hold all investments 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 investments on hand at December 31, 2009, with Wells Fargo Advisors totaling \$5,373,898. These government securities and certificates of deposit are both purchased and held by Wells Fargo Advisors and, therefore, we do not believe that these investments are being safekept in accordance with Minn. Stat. § 118A.06 as it was in effect at December 31, 2009.

This law was amended in 2010 to eliminate the requirement for broker-dealers to have their principal executive offices headquartered in Minnesota. Under the revised statutes, investments may be held by broker-dealers that are registered under chapter 80A or are exempt from registration, are regulated by the Securities and Exchange Commission, and maintain insurance through the Securities Investor Protection Corporation or excess insurance coverage in an amount equal to or greater than the value of the securities held.

We recommend the County Auditor/Treasurer comply with the requirements of Minn. Stat. § 118A.06.

Client's Response:

Cook County will comply with the requirements of Minn. Stat. § 118A.06. We will determine if Wells Fargo meets the requirements as amended in 2010 and make any changes needed to comply.

B. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of this standard is to enhance the usefulness of information included in the financial report about fund balance through clearer fund balance classifications that can be more consistently applied, as well as to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance reserved, unreserved, designated, and undesignated are being replaced by nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not in spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as the corpus of a permanent fund).

- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.
- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - spendable amounts not contained in the other classifications.

Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in Statement 54. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The requirements of GASB Statement 54 are effective for the County for the year ending December 31, 2011.

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

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, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 21, 2010. 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the Schedule of Findings and Questioned Costs as items 96-3, 06-4, and 06-6, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. 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.

Also included in the Schedule of Findings and Questioned Costs is an other item for consideration. We believe this information to be of benefit to the County, and it is reported for that purpose.

Cook County's written responses to the significant deficiencies and legal compliance findings 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

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 21, 2010

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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, 2009. 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, 2009.

Internal Control Over Compliance

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, and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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, 2009, and have issued our report thereon dated September 21, 2010. Our audit was performed for the purpose of forming opinions on Cook County's financial statements that collectively comprise 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

September 21, 2010

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 8

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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	33,747
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	25,613
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster		
State Administrative Matching Grants for SNAP	10.561	45,252
State Administrative Matching Grants for SNAP - ARRA	10.561	751
Passed Through Minnesota Department of Management & Budget Schools and Roads - Grants to State	10.665	2,402,255
Total U.S. Department of Agriculture		\$ 2,530,618
U.S. Department of Commerce		
Passed Through Minnesota Department of Natural Resources Coastal Zone Management Administration Awards	11.419	\$ 75,439
U.S. Department of the Interior		
Direct		
Payments in Lieu of Taxes	15.226	\$ 192,247
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Airport Improvement Program	20.106	\$ 108,215
Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	443,467
Highway Planning and Construction - ARRA	20.205	491,197
Passed Through Minnesota Department of Natural Resources Highway Planning and Construction Cluster Recreational Trails Program	20.219	31,164
Total U.S. Department of Transportation		\$ 1,074,043

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**Schedule 8
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Environmental Protection Agency		
Passed Through Minnesota Pollution Control Agency Great Lakes Program	66.469	\$ 6,000
U.S. Department of Health and Human Services		
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	\$ 20,149
Maternal and Child Health Services Block Grant	93.994	4,713
Passed Through Minnesota Department of Human Services Temporary Assistance for Needy Families Child Support Enforcement Cluster	93.558	21,469
Child Support Enforcement	93.563	91,257
Child Support Enforcement - ARRA	93.563	6,061
Refugee and Entrant Assistance	93.566	96
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	2,133
Child Welfare Services - State Grants	93.645	3,000
Foster Care Title IV-E Cluster		
Foster Care Title IV-E	93.658	32,373
Foster Care Title IV-E - ARRA	93.658	1,052
Social Services Block Grant	93.667	40,068
Medical Assistance Program	93.778	143,059
Total U.S. Department of Health and Human Services		\$ 365,430
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	\$ 6,668
Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	250,632
Pre-Disaster Mitigation	97.047	1,082,691
Homeland Security Grant Program	97.067	180,330
Total U.S. Department of Homeland Security		\$ 1,520,321
Total Federal Awards		\$ 5,764,098

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Cook County. The County's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Cook County under programs of the federal government for the year ended December 31, 2009. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Cook County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Cook County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 5,588,012
Grants received more than 60 days after year-end, deferred in 2009	
Highway Planning and Construction	17,720
Disaster Assistance Grants	<u>158,366</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 5,764,098</u>

5. Subrecipients

During 2009, the County did not pass any federal money to subrecipients.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

6. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.