

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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**COOK COUNTY**  
**GRAND MARAIS, MINNESOTA**

FOR THE YEAR ENDED DECEMBER 31, 2012

## **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, 2012**



**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, 2012**

		<u>Term Expires</u>
<b>Elected</b>		
<b>Commissioners</b>		
District 1	Janice Hall*	January 2015
District 2	Fritz Sobanja	January 2013
District 3	Sue Hakes	January 2015
District 4	James Johnson	January 2013
District 5	Bruce Martinson	January 2015
<b>Officers</b>		
<b>Elected</b>		
Attorney	Timothy Scannell	January 2015
Auditor/Treasurer	Braidy Powers	January 2015
Recorder/Registrar of Titles	Dusty Nelms	January 2015
Sheriff	Mark Falk	January 2015
<b>Appointed</b>		
Assessor/Land Commissioner	Betty Schultz	January 2017
Court Administrator	Diane Herrick-Schmidt	Indefinite
Highway Engineer	David Betts	May 2015
Veteran Services Officer	Clarence Everson	April 2013
<b>Human Services Board</b>		
Chair	Sue Hakes	January 2015
Vice Chair	Janice Hall	January 2015
Member	Fritz Sobanja	January 2013
Member	Diane Fitzgerald	January 2013
Member	Carla LaPointe	January 2013
Member	Bruce Martinson	January 2015
Member	James Johnson	January 2013
Director	Sue Futterer	Indefinite

\*Chair

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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## INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Cook County

### Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances,

but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Cook County as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cook County's basic financial statements. The supplementary information and other information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and

reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Tax Capacity, Tax Rates, and Percentage of Collections schedule, included in the report as Other Information, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2013, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cook County's internal control over financial reporting and compliance.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 25, 2013

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012  
(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, 2012. 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 position is \$74,149,123 of which \$54,724,767 is invested in capital assets, net of related debt, and \$7,165,020 is restricted to specific purposes; \$12,259,336 remains as unrestricted net position available to help ensure fiscal strength in the face of uncertainty in the continuing level of support by state and federal governments.
- The Cook County and Grand Marais Joint Economic Development Authority (EDA) is shown as a "Discretely Presented Component Unit." The EDA has a total net position of \$4,519,476 of which \$4,734,143 is invested in capital assets, net of related debt, and \$341,937 is restricted to specific purposes. The majority of these amounts are for Superior National Golf Course in Lutsen and the Cedar Grove Business Park in Grand Marais.
- Cook County's net position increased by \$1,652,963 for the year ended December 31, 2012, due mainly to an ongoing runway project at the airport. Total net position of the County's discretely presented component unit (EDA) decreased by \$55,509. Unrestricted net position worsened from a negative \$202,995 in 2011 to a negative \$213,101 in 2012. The decline is mainly due to an increase in investment in capital assets and an operating loss on golf course operations.
- The net cost of governmental activities was \$6,783,733 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 \$8,436,696 more than covered the net cost, resulting in the \$1,652,963 increase in net position referred to above.
- Governmental funds' fund balances increased \$8,958,276 in 2012. The change was due primarily to a \$9,660,000 bond issue for a YMCA funded by a 1 percent Local Option Sales Tax, and a \$2,175,000 Capital Equipment note for highway, public safety, and communications.

## 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 Position 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 Position and the Statement of Activities**

The Statement of Net Position 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 position and changes in them. You can think of the County's net position--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 position 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 Position 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 activities are to oversee operation and management of Superior National Golf Course in Lutsen, to develop the Cedar Grove Business Park, and to manage a Housing Rehabilitation Program. 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 Position 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 position (Table 1) and changes in net position (Table 2) of the County's governmental and component unit activities.

**Table 1**  
**Net Position**

	Governmental Activities		Component Unit Activities	
	2012	2011	2012	2011
Current and other assets	\$ 37,604,320	\$ 28,786,999	\$ 538,900	\$ 641,458
Capital assets	<u>60,263,527</u>	<u>55,186,457</u>	<u>4,890,640</u>	<u>5,090,012</u>
Total Assets	<u>\$ 97,867,847</u>	<u>\$ 83,973,456</u>	<u>\$ 5,429,540</u>	<u>\$ 5,731,470</u>
Long-term debt outstanding	\$ 22,301,851	\$ 10,355,658	\$ 500,000	\$ 650,000
Other liabilities	<u>1,416,873</u>	<u>1,121,638</u>	<u>410,064</u>	<u>506,485</u>
Total Liabilities	<u>\$ 23,718,724</u>	<u>\$ 11,477,296</u>	<u>\$ 910,064</u>	<u>\$ 1,156,485</u>
Net Position				
Net investment in capital assets	\$ 54,724,767	\$ 53,771,458	\$ 4,390,640	\$ 4,440,012
Restricted	7,165,020	5,429,348	341,937	337,968
Unrestricted	<u>12,259,336</u>	<u>13,295,354</u>	<u>(213,101)</u>	<u>(202,995)</u>
Total Net Position	<u>\$ 74,149,123</u>	<u>\$ 72,496,160</u>	<u>\$ 4,519,476</u>	<u>\$ 4,574,985</u>

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

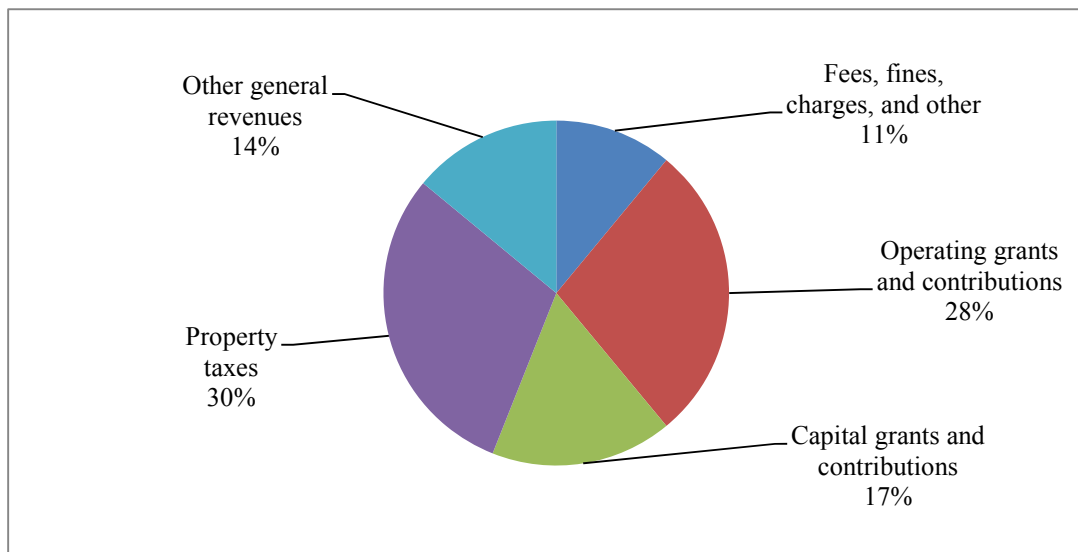
**Table 2**  
**Changes in Net Position**

	Governmental Activities		Component Unit Activities	
	2012	2011	2012	2011
Revenues				
Program revenues				
Fees, fines, charges, and other	\$ 2,155,429	\$ 1,767,587	\$ 842,741	\$ 822,706
Operating grants and contributions	5,551,680	6,734,029	54,000	9,500
Capital grants and contributions	3,290,206	2,843,308	-	204,847
General revenues				
Property taxes	5,758,484	5,483,887	153,444	152,061
Other taxes	1,981,212	1,865,833	118,812	50,000
Unrestricted grants and contributions	379,715	429,856	-	225,403
Investment income	272,930	385,594	189	236
Miscellaneous	<u>44,355</u>	<u>77,688</u>	<u>147,859</u>	<u>10,556</u>
Total Revenues	<u>\$ 19,434,011</u>	<u>\$ 19,587,782</u>	<u>\$ 1,317,045</u>	<u>\$ 1,475,309</u>

	Governmental Activities		Component Unit Activities	
	2012	2011	2012	2011
Expenses				
General government	\$ 4,554,062	\$ 3,318,946	\$ -	\$ -
Public safety	3,153,387	3,072,498	-	-
Highways and streets	5,004,171	4,326,591	-	-
Sanitation	460,061	413,245	-	-
Human services	2,063,005	1,878,410	-	-
Health	299,624	559,815	-	-
Culture and recreation	746,855	2,944,031	-	-
Golf course	-	-	1,134,421	1,001,202
Conservation of natural resources	416,567	488,253	-	-
Economic development	513,355	556,085	238,133	113,356
Bond issuance and interest	569,961	219,535	-	-
<b>Total Expenses</b>	<b>\$ 17,781,048</b>	<b>\$ 17,777,409</b>	<b>\$ 1,372,554</b>	<b>\$ 1,114,558</b>
Increase (Decrease) in Net Position	\$ 1,652,963	\$ 1,810,373	\$ (55,509)	\$ 360,751
Net Position - January 1	72,496,160	70,685,787	4,574,985	4,214,234
Net Position - December 31	<u>\$ 74,149,123</u>	<u>\$ 72,496,160</u>	<u>\$ 4,519,476</u>	<u>\$ 4,574,985</u>

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

### Total County Revenues by Sources



## Governmental Activities

The cost of all governmental activities this year was \$17,781,048. However, as shown in the Statement of Activities (Exhibit 2), the amount taxpayers ultimately financed for these activities through County taxes was \$5,758,484, five percent more than 2011. Some of the cost was paid by those who directly benefited from the programs (\$2,155,429), or by other governments and organizations that subsidized certain programs with grants and contributions (\$8,841,886).

Table 3 presents the cost of each of the County's 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	
	2012	2011	2012	2011
General government	\$ 4,554,062	\$ 3,318,946	\$ 1,474,665	\$ 178,496
Public safety	3,153,387	3,072,498	2,122,338	1,206,588
Highways and streets	5,004,171	4,326,591	1,689,111	(67,346)
Sanitation	460,061	413,245	321,427	223,050
Human services	2,063,005	1,878,410	1,060,910	870,373
Culture and recreation	746,855	2,944,031	545,758	2,681,805
Conservation of natural resources	416,567	488,253	337,682	454,848
Economic development	513,355	556,085	(1,288,245)	386,819
All others	869,585	779,350	520,087	497,852
Total	<u>\$ 17,781,048</u>	<u>\$ 17,777,409</u>	<u>\$ 6,783,733</u>	<u>\$ 6,432,485</u>

## The County's Funds

As the County completed the year, its governmental funds reported a combined fund balance of \$32,122,240 as compared to last year's total of \$23,009,163. The increase was primarily due to issuance of Sales Tax and Equipment bonds. Please see Exhibit 5 for details.

## General Fund Budgetary Highlights

There were no significant changes to the final approved budget for the year ended December 31, 2012

Expenditures, excluding capital, were \$1,071,453 above the final budget amounts. The most significant event that led to the higher costs was related to unbudgeted grants for wildfire fuel reduction. Other significant events included expenditures from our revolving loan fund and grants for ski and snowmobile trail maintenance. The higher than budgeted expenditures were more than offset by revenues that exceeded budget by \$1,375,177. Grant revenues and related expenditures, capital, and operating costs were generally not budgeted. Please see Exhibit A-1 for details.



## CAPITAL ASSETS

At the end of 2012, the County had a net investment of \$60,263,527 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 \$ 5,077,070, or nine percent over last year.

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

	Governmental Activities	
	2012	2011
Land and easements	\$ 1,573,271	\$ 1,504,271
Construction in progress	8,494,246	2,682,612
Buildings and improvements	7,209,170	7,513,081
Machinery, vehicles, furniture, and equipment	3,126,356	2,541,028
Infrastructure	39,860,484	40,945,465
Total	<u>\$ 60,263,527</u>	<u>\$ 55,186,457</u>

The majority of the changes in 2012 are for road and bridge equipment and work in progress for a YMCA, airport runway, and a hockey rink. Please see Note 3.A.3. for details.

## DEBT

At year-end, the County had \$21,750,000 in bonds and notes outstanding, versus \$9,828,153 last year. The large increase is due to the net result of a \$2,175,000 Capital Equipment Note and a \$9,660,000 Sales Tax Revenue Bond for the YMCA.

**Table 5**  
**Outstanding Debt at Year-End**

	Governmental Activities	
	2012	2011
Capital Improvement (Refunding) Bonds of 2011	\$ 1,415,000	\$ 1,415,000
Sales Tax Revenue Bonds	18,160,000	8,500,000
Capital Equipment Note	2,175,000	-
Less: deferred charges for refunding bonds	-	(86,847)
Total	<u>\$ 21,750,000</u>	<u>\$ 9,828,153</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 2012 budget, tax levy, and fees that will be charged for various activities:

- continuing and increasing unfunded State mandates,
- the need to maintain an unrestricted fund balance of at least 50 percent of operating expenditures.
- the continuing weak economy and its affect on taxpayers and investment income

## **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 POSITION  
DECEMBER 31, 2012**

	<b>Primary Government Governmental Activities</b>	<b>Component Unit Cook County and Grand Marais Joint Economic Development Authority</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 26,976,689	\$ 140,612
Petty cash and change funds	1,217	-
Investments	15,909	-
Taxes receivable		
Prior	267,375	13,093
Accounts receivable - net	514,808	2,170
Lodging taxes receivable	4,684	-
Accrued interest receivable	26,290	-
Loan receivable	1,242,042	-
Due from other governments	7,835,207	5,000
Inventories	718,385	34,522
Prepaid items	1,714	
Restricted assets		
Cash and pooled investments	-	343,503
Capital assets		
Non-depreciable	10,067,517	2,825,718
Depreciable - net of accumulated depreciation	50,196,010	2,064,922
<b>Total Assets</b>	<b>\$ 97,867,847</b>	<b>\$ 5,429,540</b>
<b><u>Liabilities</u></b>		
Accounts payable	\$ 715,218	\$ 80,744
Salaries payable	244,006	-
Contracts payable	229,191	43,722
Gift certificates	-	10,916
Due to other governments	37,346	225,000
Accrued interest payable	125,812	11,566
Unearned revenue	65,300	38,116
Long-term liabilities		
Due within one year	625,000	160,000
Due in more than one year	21,676,851	340,000
<b>Total Liabilities</b>	<b>\$ 23,718,724</b>	<b>\$ 910,064</b>

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET POSITION  
DECEMBER 31, 2012**

	<u><b>Primary Government Governmental Activities</b></u>	<u><b>Component Unit Cook County and Grand Marais Joint Economic Development Authority</b></u>
<b><u>Net Position</u></b>		
Net investment in capital assets	\$ 54,724,767	\$ 4,390,640
Restricted for		
General government	292,842	-
Highways and streets	2,857,308	-
Public safety	159,093	-
Culture and recreation	2,545,257	-
Conservation of natural resources	52,869	-
Economic development	414,976	-
Debt service	-	341,937
Environmental improvements	842,675	-
Unrestricted	<u>12,259,336</u>	<u>(213,101)</u>
<b>Total Net Position</b>	<b><u>\$ 74,149,123</u></b>	<b><u>\$ 4,519,476</u></b>

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
<b>Primary government</b>		
<b>Governmental activities</b>		
General government	\$ 4,554,062	\$ 747,432
Public safety	3,153,387	464,009
Highways and streets	5,004,171	263,767
Sanitation	460,061	107,512
Human services	2,063,005	339,553
Health	299,624	37,458
Culture and recreation	746,855	21,127
Conservation of natural resources	416,567	1,655
Economic development	513,355	172,916
Interest expense and bond issuance costs	569,961	-
<b>Total Governmental Activities</b>	<b>\$ 17,781,048</b>	<b>\$ 2,155,429</b>
<b>Component unit</b>		
Cook County and Grand Marais Joint Economic Development Authority	<b>\$ 1,372,554</b>	<b>\$ 842,741</b>

**General Revenues**

Property taxes  
Lodging tax  
Mortgage registry and deed tax  
Local sales tax  
Taxes - other  
Payments in lieu of tax  
Grants and contributions not restricted to  
specific programs  
Unrestricted investment earnings  
Miscellaneous

**Special Items - Liability settlement**

**Total general revenues and special items**

**Change in net position**

**Net Position - Beginning**

**Net Position - Ending**



**EXHIBIT 2**

<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>	
<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>	<u>Discretely Presented Component Unit</u>
\$ 2,331,965	\$ -	\$ (1,474,665)	
567,040	-	(2,122,338)	
1,365,118	1,686,175	(1,689,111)	
31,122	-	(321,427)	
662,542	-	(1,060,910)	
312,040	-	49,874	
179,970	-	(545,758)	
77,230	-	(337,682)	
24,653	1,604,031	1,288,245	
-	-	(569,961)	
<u>\$ 5,551,680</u>	<u>\$ 3,290,206</u>	<u>\$ (6,783,733)</u>	
<u>\$ 54,000</u>	<u>\$ -</u>		<u>\$ (475,813)</u>
		\$ 5,758,484	\$ 153,444
		-	50,000
		7,792	-
		1,248,519	68,812
		473,485	-
		251,416	-
		379,715	-
		272,930	189
		44,355	35,864
		-	111,995
		<u>\$ 8,436,696</u>	<u>\$ 420,304</u>
		\$ 1,652,963	\$ (55,509)
		<u>72,496,160</u>	<u>4,574,985</u>
		<u>\$ 74,149,123</u>	<u>\$ 4,519,476</u>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 5,918,079	\$ -
Petty cash and change funds	1,217	-
Investments	-	-
Taxes receivable		
Prior	136,070	63,228
Accounts receivable	287,199	13,028
Lodging taxes receivable	-	-
Accrued interest receivable	26,290	-
Loans receivable	1,242,042	-
Due from other funds	1,564,933	-
Due from other governments	3,024,629	3,128,579
Prepaid items	-	-
Inventories	-	718,385
Advance to other funds	25,796	-
	<b>\$ 12,226,255</b>	<b>\$ 3,923,220</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 191,666	\$ 57,096
Salaries payable	158,243	48,177
Contracts payable	-	229,191
Due to other funds	-	82,193
Due to other governments	10,605	15,596
Deferred revenue - unavailable	1,158,885	2,949,868
Deferred revenue - unearned	6,789	-
Advance from other funds	-	-
	<b>\$ 1,526,188</b>	<b>\$ 3,382,121</b>

**EXHIBIT 3**

<u>Public Health and Human Services</u>	<u>Airport</u>	<u>Local Option Sales Tax</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 872,328	\$ -	\$ 16,323,884	\$ 3,862,398	\$ 26,976,689
-	-	-	-	1,217
15,909	-	-	-	15,909
42,195	4,726	-	21,156	267,375
77,865	-	-	136,716	514,808
-	-	-	4,684	4,684
-	-	-	-	26,290
-	-	-	-	1,242,042
-	-	-	-	1,564,933
144,783	1,355,829	181,387	-	7,835,207
1,714	-	-	-	1,714
-	-	-	-	718,385
-	-	-	-	25,796
<u><b>\$ 1,154,794</b></u>	<u><b>\$ 1,360,555</b></u>	<u><b>\$ 16,505,271</b></u>	<u><b>\$ 4,024,954</b></u>	<u><b>\$ 39,195,049</b></u>
\$ 114,174	\$ 19,653	\$ 326,591	\$ 6,038	\$ 715,218
37,586	-	-	-	244,006
-	-	-	-	229,191
23,999	1,299,457	-	159,284	1,564,933
11,145	-	-	-	37,346
61,457	3,800	-	17,009	4,191,019
58,511	-	-	-	65,300
-	25,796	-	-	25,796
<u><b>\$ 306,872</b></u>	<u><b>\$ 1,348,706</b></u>	<u><b>\$ 326,591</b></u>	<u><b>\$ 182,331</b></u>	<u><b>\$ 7,072,809</b></u>

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Liabilities and Fund Balances (Continued)</u></b>		
<b>Fund Balances</b>		
Nonspendable		
Environmental improvements - principal	\$ -	\$ -
Inventories	-	718,385
Restricted		
EDA	-	-
Environmental improvements	-	-
Capital equipment	-	-
Special projects	-	-
Revolving loans	410,291	-
Law library	24,383	-
National forest Title III	78,785	-
Recorder's technology equipment	70,750	-
Recorder's compliance	91,015	-
Enhanced 911	95,269	-
Attorney's forfeiture	87	-
Drug forfeitures	409	-
DWI forfeitures	11,707	-
Extension services	39,790	-
Sheriff's contingency fund	5,000	-
20% unorganized townships	22,203	-
DNR snowmobile	16,246	-
Conceal and carry	30,370	-
Election equipment	5,619	-
Parks and recreation	20,328	-
Law enforcement	92	-
Timber development	13,079	-
Assigned		
Subsequent year's expenses	19,751	-
Sprinkler deposits	98,500	-
Emergency purposes	5,541	-
Hovland dock	1,471	-
Planning and zoning permit software	6,113	-
Telephone	101,389	-
Skateboard park	10,046	-
Data processing equipment	411,078	-
Elections	13,995	-
Sheriff's cars	287,316	-



**EXHIBIT 3**  
**(Continued)**

<u>Public Health and Human Services</u>	<u>Airport</u>	<u>Local Option Sales Tax</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 584,434	\$ 584,434
-	-	-	-	718,385
-	-	-	4,685	4,685
-	-	-	258,241	258,241
-	-	-	2,135,111	2,135,111
-	-	16,178,680	-	16,178,680
-	-	-	-	410,291
-	-	-	-	24,383
-	-	-	-	78,785
-	-	-	-	70,750
-	-	-	-	91,015
-	-	-	-	95,269
-	-	-	-	87
-	-	-	-	409
-	-	-	-	11,707
-	-	-	-	39,790
-	-	-	-	5,000
-	-	-	-	22,203
-	-	-	-	16,246
-	-	-	-	30,370
-	-	-	-	5,619
-	-	-	-	20,328
-	-	-	-	92
-	-	-	-	13,079
-	-	-	-	19,751
-	-	-	-	98,500
-	-	-	-	5,541
-	-	-	-	1,471
-	-	-	-	6,113
-	-	-	-	101,389
-	-	-	-	10,046
-	-	-	-	411,078
-	-	-	-	13,995
-	-	-	-	287,316

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Fund Balances</b>		
Assigned (Continued)		
Landfill future development	132,736	-
County cars	120,066	-
Photocopiers	55,216	-
County landings maintenance	51,230	-
Hazardous materials team	1,383	-
NERCC facilities	22,118	-
Sheriff's response unit	2,993	-
Human services	-	-
Building improvements	-	-
Debt service	-	-
Economic development	-	-
Unassigned	8,423,702	(177,286)
<b>Total Fund Balances</b>	<b>\$ 10,700,067</b>	<b>\$ 541,099</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 12,226,255</b>	<b>\$ 3,923,220</b>

**EXHIBIT 3**  
**(Continued)**

<u>Public Health and Human Services</u>	<u>Airport</u>	<u>Local Option Sales Tax</u>	<u>Nonmajor Funds</u>	<u>Total</u>
-	-	-	-	132,736
-	-	-	-	120,066
-	-	-	-	55,216
-	-	-	-	51,230
-	-	-	-	1,383
-	-	-	-	22,118
-	-	-	-	2,993
847,922	-	-	-	847,922
-	-	-	457,029	457,029
-	-	-	425,691	425,691
-	11,849	-	-	11,849
-	-	-	(22,568)	8,223,848
<u>\$ 847,922</u>	<u>\$ 11,849</u>	<u>\$ 16,178,680</u>	<u>\$ 3,842,623</u>	<u>\$ 32,122,240</u>
<u><u>\$ 1,154,794</u></u>	<u><u>\$ 1,360,555</u></u>	<u><u>\$ 16,505,271</u></u>	<u><u>\$ 4,024,954</u></u>	<u><u>\$ 39,195,049</u></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 POSITION--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2012**

<b>Fund balances - total governmental funds (Exhibit 3)</b>		<b>\$ 32,122,240</b>
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.		60,263,527
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		4,191,019
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Capital improvement bonds	\$ (1,415,000)	
Sales tax revenue bonds	(18,160,000)	
General obligation notes	(2,175,000)	
Accrued interest payable	(125,812)	
Compensated absences	(551,851)	
	(22,427,663)	(22,427,663)
<b>Net Position of Governmental Activities (Exhibit 1)</b>		<b>\$ 74,149,123</b>

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>General</b>	<b>Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 3,212,283	\$ 1,433,461
Special assessments	41,388	-
Licenses and permits	67,056	-
Intergovernmental	3,881,345	3,393,692
Charges for services	401,372	263,767
Fines and forfeits	16,748	-
Gifts and contributions	6,235	-
Investment earnings	283,526	-
Miscellaneous	1,138,950	44,355
	<b>\$ 9,048,903</b>	<b>\$ 5,135,275</b>
<b>Total Revenues</b>		
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 3,306,846	\$ -
Public safety	2,878,370	-
Highways and streets	-	7,003,465
Sanitation	435,719	-
Human services	-	-
Health	-	-
Culture and recreation	711,873	-
Conservation of natural resources	410,493	-
Intergovernmental	-	-
Economic development	176,301	-
<b>Capital outlay</b>	482,130	-
<b>Debt service</b>		
Interest	-	-
Bond issuance costs	-	-
Administrative (fiscal) charges	-	-
	<b>\$ 8,401,732</b>	<b>\$ 7,003,465</b>
<b>Total Expenditures</b>		
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 647,171</b>	<b>\$ (1,868,190)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ -	\$ 500,000
Transfers out	(500,000)	-
Capital equipment note issued	-	-
Revenue bonds issued	-	-
	<b>\$ (500,000)</b>	<b>\$ 500,000</b>
<b>Total Other Financing Sources (Uses)</b>		
<b>Net Change in Fund Balance</b>	<b>\$ 147,171</b>	<b>\$ (1,368,190)</b>
<b>Fund Balance - January 1</b>	<b>10,552,896</b>	<b>1,754,489</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>154,800</b>
<b>Fund Balance - December 31</b>	<b>\$ 10,700,067</b>	<b>\$ 541,099</b>

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

**EXHIBIT 5**

<b>Public Health and Human Services</b>	<b>Airport</b>	<b>Local Options Sales Tax</b>	<b>Nonmajor Funds</b>	<b>Total</b>
\$ 939,363	\$ 94,912	\$ 1,248,519	\$ 532,184	\$ 7,460,722
-	-	-	-	41,388
13,251	-	-	-	80,307
891,334	1,628,684	-	17,619	9,812,674
212,236	-	-	-	877,375
-	-	-	-	16,748
-	-	-	-	6,235
-	-	-	7,596	291,122
127,317	21,272	-	-	1,331,894
<b>\$ 2,183,501</b>	<b>\$ 1,744,868</b>	<b>\$ 1,248,519</b>	<b>\$ 557,399</b>	<b>\$ 19,918,465</b>
\$ -	\$ -	\$ 319,423	\$ 70,197	\$ 3,696,466
-	-	-	3,436	2,881,806
-	-	-	-	7,003,465
-	-	-	-	435,719
2,066,435	-	-	-	2,066,435
299,624	-	-	-	299,624
-	-	-	15,043	726,916
-	-	-	-	410,493
-	-	831,977	-	831,977
-	109,446	-	50,000	335,747
-	1,628,477	1,436,880	182,476	3,729,963
-	-	178,236	8,724	186,960
-	-	146,260	29,493	175,753
-	-	-	13,865	13,865
<b>\$ 2,366,059</b>	<b>\$ 1,737,923</b>	<b>\$ 2,912,776</b>	<b>\$ 373,234</b>	<b>\$ 22,795,189</b>
<b>\$ (182,558)</b>	<b>\$ 6,945</b>	<b>\$ (1,664,257)</b>	<b>\$ 184,165</b>	<b>\$ (2,876,724)</b>
\$ -	\$ -	\$ -	\$ -	\$ 500,000
-	-	-	-	(500,000)
-	-	-	2,175,000	2,175,000
-	-	9,660,000	-	9,660,000
<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,660,000</b>	<b>\$ 2,175,000</b>	<b>\$ 11,835,000</b>
<b>\$ (182,558)</b>	<b>\$ 6,945</b>	<b>\$ 7,995,743</b>	<b>\$ 2,359,165</b>	<b>\$ 8,958,276</b>
<b>1,030,480</b>	<b>4,904</b>	<b>8,182,937</b>	<b>1,483,458</b>	<b>23,009,164</b>
<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>154,800</b>
<b>\$ 847,922</b>	<b>\$ 11,849</b>	<b>\$ 16,178,680</b>	<b>\$ 3,842,623</b>	<b>\$ 32,122,240</b>

**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, 2012**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ 8,958,276**

Amounts reported for governmental activities in the statement of activities are different because:

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.

Deferred revenue - December 31	\$ 4,191,019	
Deferred revenue - January 1	<u>(4,675,473)</u>	(484,454)

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	\$ 7,235,061	
Net book value of assets disposed of	(123,179)	
Current year depreciation	<u>(2,034,812)</u>	5,077,070

The issuance of long-term debt provides current financial resources to governmental funds. In the government-wide statement of net position, the debt is reported as a liability.

Capital equipment note issued	\$ (2,175,000)	
Revenue bonds issued	<u>(9,660,000)</u>	(11,835,000)

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	\$ (60,185)	
Amortization of premiums and bond issuance costs	(133,198)	
Change in compensated absences	(24,346)	
Change in inventories	<u>154,800</u>	<u>(62,929)</u>

**Change in Net Position of Governmental Activities (Exhibit 2) \$ 1,652,963**



**FIDUCIARY FUNDS**

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**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2012**

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and pooled investments	\$ 405,298
Accounts receivable	92,615
Due from other governments	<u>198,559</u>
<b>Total Assets</b>	<b><u><u>\$ 696,472</u></u></b>
<u>Liabilities</u>	
Accounts payable	\$ 142,537
Due to other governments	<u>553,935</u>
<b>Total Liabilities</b>	<b><u><u>\$ 696,472</u></u></b>

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**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

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, 2012. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the 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**

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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**

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1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the 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 position, 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 position are reported in three parts: (1) net investment in capital assets, (2) restricted net positions, and (3) unrestricted net position. 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 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**

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

The Local Option Sales Tax Special Revenue Fund is used to account for the collection of a one percent sales and use tax to fund the construction, improvements, and additions to County community centers and public recreation areas.

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.

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.



**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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**

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1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Position 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, 2012, 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 2012 were \$283,526.

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). The investment in the pool is measured at the net asset value per share provided by the pool.

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**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position 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**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position 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.

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 position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

7. Long-Term Obligations (Continued)

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

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources of the governmental funds. Fund balances are classified as:

Nonspendable - amounts that cannot be spent because they are not in spendable form (non-current loans, inventories and prepaid items).

Restricted - amounts to be used for specific purposes as determined by enabling legislation or imposed by grantors or debt covenants; used before unrestricted fund balance when an expenditure is incurred for which both restricted and unrestricted (committed, assigned, or unassigned) fund balance is available.

Committed - amounts to be used for specific purposes as determined by formal County Board action; used when an expenditure is incurred for which committed, assigned, or unassigned fund balance is available.

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

8. Fund Equity (Continued)

Assigned - amounts intended to be used for certain purposes as determined by the County Board, or by the Auditor-Treasurer. Assigned fund balance totals \$3,083,433 and includes assignments for capital improvements, highways and streets and several other identified projects. Assigned fund balance is used when an expenditure is incurred for which both assigned and unassigned fund balance is available.

Unassigned - amount remaining in the General Fund that has not been restricted, committed, or assigned, or deficit residual fund balances in other governmental funds.

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**

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2. Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Appropriations

For the year ended December 31, 2012, expenditures exceeded appropriations in the following funds:

General Fund	\$ 1,154,083	Primarily funded by greater than anticipated revenues, much of which correspond to the excess expenditures.
Road and Bridge Fund	272,878	Fund balance used to cover the increase in expenditures.
Public Health and Human Services Special Revenue Fund	173,809	Funded by increased reimbursements which are tied to expenditures and by use of fund balance.
Airport Fund	1,223,456	The runway rehabilitation project resulted in a significant increase in expenditures which was funded primarily by grants.

B. Deficit Fund Balances

For the year ended December 31, 2012, the Forfeited Tax Special Revenue Fund had a deficit fund balance of \$22,568. This deficit will be made up with future tax levies and other revenue sources.

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	\$	26,976,689
Petty cash and change funds		1,217
Investments		15,909
Cook County and Grand Marais Joint Economic Development Authority component unit		
Cash and pooled investments		140,612
Restricted assets held by trustee		343,503
Fiduciary funds		
Cash and pooled investments		405,298
Total Cash and Investments	\$	27,883,228

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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 not owned or controlled by the financial institution furnishing the collateral.

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, 2012, the primary government's bank balances of \$3,612,590 were not exposed to custodial credit risk.

The Cook County and Grand Marais Joint Economic Development Authority component unit had bank balances of \$153,031 at December 31, 2012, and these were not exposed to custodial credit risk.



**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

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3. Detailed Notes on All Funds

B. Assets

1. Deposits and Investments (Continued)

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;
- (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.

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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.

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

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Custodial Credit Risk (Continued)

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	\$	5,775,140
Uninsured, held by counterparty		-
Government securities		
Insured		10,220,651
Uninsured, held by counterparty		1,820,775

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.

The following table presents the County's cash and pooled investment balances at December 31, 2012, 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		12/28/2017	\$ 1,148,540
Federal National Mortgage Association Note	Aaa	Moody's		05/07/2019	500,035
Federal National Mortgage Association Note	Aaa	Moody's		10/23/2019	500,175
Total Federal National Mortgage Association Notes			10.54%		\$ 2,148,750
U.S. government agency securities					
Federal Home Loan Mortgage Corporation Discount Note	Aaa	Moody's		06/27/2017	\$ 1,195,428
Federal Home Loan Mortgage Corporation Discount Note	Aaa	Moody's		07/17/2019	750,263
Federal Home Loan Mortgage Corporation Discount Note	Aaa	Moody's		05/27/2020	248,355
Total Federal Home Loan Mortgage Corporation Discount Notes			10.76%		\$ 2,194,046

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk Over 5 Percent of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
Federal Home Loan Bank Note	Aaa	Moody's		01/25/2022	500,125
Federal Home Loan Bank Note	Aaa	Moody's		07/18/2022	\$ 750,120
Federal Home Loan Bank Note	Aaa	Moody's		07/19/2022	750,225
Federal Home Loan Bank Note	Aaa	Moody's		07/26/2022	500,120
Federal Home Loan Bank Note	Aaa	Moody's		08/15/2022	500,215
Federal Home Loan Bank Note	Aaa	Moody's		08/16/2022	759,953
Federal Home Loan Bank Note	Aaa	Moody's		10/25/2022	150,030
Federal Home Loan Bank Note	Aaa	Moody's		12/05/2022	248,083
Federal Home Loan Bank Note	AAA	S&P		12/28/2022	250,355
Total Federal Home Loan Bank Notes			21.63%		\$ 4,409,226
Governmental National Mortgage Association Notes	N/A	N/A	11.38%	11/15/2023 01/20/2041	\$ 2,320,775
U.S. Treasury Note	N/A	N/A		02/15/2013	49,074
U.S. Treasury Note	N/A	N/A		02/15/2013	155,696
U.S. Treasury Note	N/A	N/A		03/31/2013	7,041
U.S. Treasury Note	N/A	N/A		08/15/2013	96,357
U.S. Treasury Note	N/A	N/A		01/31/2014	41,026
U.S. Treasury Note	N/A	N/A		02/15/2014	82,951
U.S. Treasury Note	N/A	N/A		01/31/2015	107,217
U.S. Treasury Note	N/A	N/A		04/15/2015	286,538
U.S. Treasury Note	N/A	N/A		01/31/2015	142,733
Total U.S. Treasury Notes			4.75%		\$ 968,633
Investment pools/mutual funds					
Wells Fargo Treasury Money Market Fund	N/A	N/A		N/A	2,570,726
Ehlers Money market	N/A	N/A		N/A	3,408,496
U.S. Government Money Market	N/A	N/A		N/A	271
MAGIC Fund	N/A	N/A		N/A	4,949
Total investment pools/mutual funds			12.64%		\$ 5,984,442

**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	
Certificates of deposit - Negotiable					
Treasuries from Merrill Lynch	N/A	N/A		06/27/2019	248,746
CIT Bank Salt Lake UT	N/A	N/A		07/13/2018	251,564
TIB Independent Bankersbank Irving	N/A	N/A		01/30/2013	199,986
Bank Baroda New York	N/A	N/A		03/21/2013	248,025
Oriental Bank & Trust Corp	N/A	N/A		03/21/2013	247,975
Mizuho Corporate Bank	N/A	N/A		03/26/2013	149,969
Homebanc Natl Assn Lake Mary	N/A	N/A		03/26/2013	247,945
Beal Bank	N/A	N/A		06/19/2013	248,407
Merrick Bank	N/A	N/A		04/01/2013	249,189
Everbank	N/A	N/A		03/28/2013	248,238
State Bank India	N/A	N/A		03/20/2013	249,164
G.E. Capital	N/A	N/A		03/14/2013	249,102
Rockville Bank	N/A	N/A		02/08/2013	249,040
Key Bank NA Cleveland	N/A	N/A		02/01/2013	248,035
Discover Bank Greenwood DE	N/A	N/A		02/01/2013	248,045
Park Sterling Bank	N/A	N/A		01/31/2013	248,052
Glacier Bank	N/A	N/A		01/28/2013	249,030
Tab Bank INC Ogden UT	N/A	N/A		01/15/2013	248,010
Apple Bank	N/A	N/A		01/11/2013	248,025
Sovereign Bank	N/A	N/A		12/31/2012	248,022
Sun Trust Bank	N/A	N/A		05/28/2014	232,558
Lake Sunapee Bank	N/A	N/A		05/23/2017	251,315
HSBC BK USA MC LEAN VA	N/A	N/A		08/04/2023	216,181
BMO Harris Bank Chicago	N/A	N/A		08/21/2024	250,518
Total certificates of deposit - negotiable			28.32%		\$ 5,775,141
Total pooled investments					\$ 23,801,013
Deposits					3,580,974
Petty cash					1,217
Fund investments					15,909
Deposits - component unit					484,115
Total Cash and Investments					\$ 27,883,228

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2012, 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	\$ 267,375	\$ -
Accounts	514,808	-
Accrued interest	26,290	-
Loans	1,242,042	1,122,080
Due from other governments	7,835,207	773,707
Total Governmental Activities	\$ 9,885,722	\$ 1,895,787

3. Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land and easements	\$ 1,504,271	\$ 69,000	\$ -	\$ 1,573,271
Construction in progress	2,682,612	5,811,634	-	8,494,246
Total capital assets not depreciated	\$ 4,186,883	\$ 5,880,634	\$ -	\$ 10,067,517
Capital assets depreciated				
Buildings	\$ 10,527,944	\$ 8,200	\$ 5,670	\$ 10,530,474
Improvements other than buildings	998,062	-	-	998,062
Machinery, vehicles, furniture, and equipment	7,261,314	1,346,227	565,962	8,041,579
Infrastructure	55,463,910	-	-	55,463,910
Total capital assets depreciated	\$ 74,251,230	\$ 1,354,427	\$ 571,632	\$ 75,034,025

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Less: accumulated depreciation for				
Buildings	\$ 3,631,348	\$ 258,208	\$ 2,381	\$ 3,887,175
Improvements other than buildings	381,577	50,614	-	432,191
Machinery, vehicles, furniture, and				
Equipment	4,720,286	641,009	446,072	4,915,223
Infrastructure	<u>14,518,445</u>	<u>1,084,981</u>	<u>-</u>	<u>15,603,426</u>
Total accumulated depreciation	<u>\$ 23,251,656</u>	<u>\$ 2,034,812</u>	<u>\$ 448,453</u>	<u>\$ 24,838,015</u>
Total capital assets depreciated, net	<u>\$ 50,999,574</u>	<u>\$ (680,385)</u>	<u>\$ 123,179</u>	<u>\$ 50,196,010</u>
Capital Assets, Net	<u>\$ 55,186,457</u>	<u>\$ 5,200,249</u>	<u>\$ 123,179</u>	<u>\$ 60,263,527</u>

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

Governmental Activities	
General government	\$ 178,615
Public safety	261,406
Highways and streets, including depreciation of infrastructure assets	1,367,265
Sanitation	28,575
Culture and recreation	19,939
Conservation of natural resources	1,404
Economic development	<u>177,608</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,034,812</u>

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2012, 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	Road and Bridge Fund	\$ 82,193	To fund deficit cash
	Public Health and Human Services Fund	23,999	Reimburse for supplies and services
	Airport Fund	1,299,457	To fund deficit cash
	Forfeited Tax Fund	<u>159,284</u>	To fund deficit cash
Total Due to General Fund		<u>\$ 1,564,933</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, 2012, is \$25,796.

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2012, consisted of the following:

Transfer to the Road and Bridge Special Revenue Fund from the General Fund	<u>\$ 500,000</u>	To fund equipment purchases
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**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2012, were as follows:

	Governmental Activities
Accounts	\$ 715,218
Salaries	244,006
Contracts	229,191
Due to other governments	37,346
Total Payables	\$ 1,225,761

2. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2012
Capital Improvement (Refunding) Bonds of 2011	2016	\$345,000 - \$360,000	0.55 - 1.30	\$ 1,415,000	\$ 1,415,000
Sales Tax Revenue Bonds of 2011	2032	\$280,000 - \$565,000	2.00 - 3.65	8,500,000	8,500,000
Taxable Sales Tax Revenue Bonds of 2012	2035	\$160,000 - \$1,240,000	2.00 - 3.30	9,660,000	9,660,000
Total General Obligation Bonds, Net					\$ 19,575,000
General Obligation Notes					
Capital Equipment Notes of 2012	2020	\$305,000 - \$320,000	0.35 - 1.10	2,175,000	\$ 2,175,000

All long-term debt except for the sales tax revenue bonds is paid by the Debt Service Fund. The sales tax revenue bonds debt service is paid by the Local Option Sales Tax Special Revenue 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, 2012, were as follows:

Year Ending December 31	Capital Improvement and Sales Tax Revenue Bonds		General Obligation Capital Equipment Notes	
	Principal	Interest	Principal	Interest
2013	\$ 625,000	\$ 447,321	\$ 1,415,000	\$ 9,498
2014	850,000	542,031	305,000	14,464
2015	895,000	528,663	305,000	13,244
2016	920,000	513,548	310,000	11,783
2017	575,000	498,084	310,000	10,000
2018 - 2022	3,245,000	2,227,645	945,000	14,528
2023 - 2027	3,980,000	1,707,183	-	-
2028 - 2032	4,890,000	1,011,550	-	-
2033 - 2035	3,595,000	179,116	-	-
<b>Total</b>	<b>\$ 19,575,000</b>	<b>\$ 7,655,141</b>	<b>\$ 2,175,000</b>	<b>\$ 73,517</b>

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Capital improvement bonds	\$ 1,415,000	\$ -	\$ -	\$ 1,415,000	\$ 345,000
Sales tax revenue bonds	8,500,000	-	-	8,500,000	280,000
Taxable sales tax revenue bonds	-	9,660,000	-	9,660,000	-
<b>Total bonds payable</b>	<b>\$ 9,915,000</b>	<b>\$ 9,660,000</b>	<b>\$ -</b>	<b>\$ 19,575,000</b>	<b>\$ 625,000</b>
Notes payable					
Capital equipment notes	-	2,175,000	-	2,175,000	-
Compensated absences	527,505	444,058	419,712	551,851	-
<b>Long-Term Liabilities</b>	<b>\$ 10,442,505</b>	<b>\$ 12,279,058</b>	<b>\$ 419,712</b>	<b>\$ 22,301,851</b>	<b>\$ 625,000</b>

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

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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 issues:

- General Obligation Capital Improvement Bonds, Series 2011A, November 22, 2011
- General Obligation Sales Tax Revenue Bonds, Series 2011B, November 22, 2011
- General Obligation Sales Tax Revenue Bonds, Series 2012A, December 31, 2012
- Taxable General Obligation Sales Tax Revenue Bonds, Series 2012B, December 13, 2012

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 General 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.

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

All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

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4. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

Two methods are used to compute benefits for the General Employees Retirement Fund 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 General 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 General Employees Retirement Fund and the Public Employees Police and Fire Fund. That report may be obtained on the Internet at [www.mnpera.org](http://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**

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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. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60 percent.

The County is required to contribute the following percentages of annual covered payroll in 2012:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	14.40

The County's contributions for the years ending December 31, 2012, 2011, and 2010, for the General Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	2012	2011	2010
General Employees Retirement Fund	\$ 285,707	\$ 280,337	\$ 262,695
Public Employees Police and Fire Fund	121,384	114,460	110,619

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

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

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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, 2012, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 8,412	\$ 8,412
Percentage of covered payroll	5%	5%

Required contribution rates were 5.0 percent.

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

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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). 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 \$460,000 per claim in 2012 and \$470,000 per claim in 2013. 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**

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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**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Arrowhead Regional Corrections

Arrowhead Regional Corrections is financed through state grants and contributions from the participating counties. During 2011 (the most recent information available), county contributions were in the following proportion:

	<u>Percent (%)</u>
Carlton County	9.25
Cook County	1.13
Koochiching County	1.82
Lake County	2.22
St. Louis County	<u>85.58</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, 2011:

Total Assets	\$ 11,583,872
Total Liabilities	5,480,324
Total Net Assets	6,103,548
Total Revenues	20,207,852
Total Expenses	21,169,166
Change in Net Assets	(961,314)

Cook County provided \$221,988 in funding during 2012. Separate financial information can be obtained from:

Arrowhead Regional Corrections  
211 West 2nd Street  
Suite 450  
Duluth, Minnesota 55802

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

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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 2012.

At December 31, 2012, the Community Health Board's summary of financial information was:

Total Assets	\$ 1,069,874
Total Liabilities	834,118
Total Net Position	235,756
Total Revenues	4,748,262
Total Expenses	9,760,579
Change in Net Position	(12,317)

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**

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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, 2012, was:

Total Assets	\$	3,244,642
Total Liabilities		1,805,858
Total Net Assets		1,438,784
Total Revenues		5,300,003
Total Expenses		5,236,622
Change in Net Assets		63,381

Separate financial information can be obtained from:

Northeast Minnesota Office of Job Training  
820 North Ninth Street, Suite 240  
P.O. Box 1028  
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**

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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, 2010 (the most recent information available), was:

Total Assets	\$	1,527,727
Total Liabilities		349,605
Total Net Assets		1,178,122
Total Revenues		2,984,785
Total Expenses		2,591,311
Change in Net Assets		393,474

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, Pennington, Roseau 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**

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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, 2012, is shown below:

Total Assets	\$	127,231
Total Liabilities		794
Total Fund Balance		126,437
Total Revenues		16,500
Total Expenses		6,704
Change in Fund Balance		9,796

The County contributed \$2,000 during 2012 to the Northern Counties Land Use Board.

Separate financial information can be obtained from:

Northern Counties Land Use Board  
St. Louis County Courthouse  
100 N. 5th Avenue West, #214  
Duluth, Minnesota 55802

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**

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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, 2012, is as follows:

Total Assets	\$	200,164
Total Liabilities	\$	200,164

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. In 2012, St. Louis County joined the Arrowhead Health Alliance.

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 2012.

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**

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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 did not provide any funding in 2012.

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 organization:

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 \$2,500 to the North Shore Management Board in 2012.

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.

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

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

A. Summary of Significant Accounting Policies

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

Reporting Entity

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

Basis of Presentation

The Authority prepares separate financial statements.

Basis of Accounting

The Authority's governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Its enterprise fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

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). The investment in the pool is measured by the net asset value per share provided by the pool.



**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

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

A. Summary of Significant Accounting Policies (Continued)

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 position because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

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:

<u>Assets</u>	<u>Years</u>
Land improvements	30
Buildings and structures	20
Furniture and equipment	1 - 20

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

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

B. Detailed Notes

1. Assets

Receivables

The Authority's receivables as of December 31, 2012, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Next Year
Taxes receivable	\$ 13,093	\$ -
Accounts receivable	2,170	-
Total	\$ 15,263	\$ -

Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 295,658	\$ -	\$ -	\$ 295,658
Construction in progress	2,530,060	-	-	2,530,060
Total capital assets not depreciated	\$ 2,825,718	\$ -	\$ -	\$ 2,825,718
Capital assets depreciated				
Land improvements	\$ 4,424,884	\$ -	\$ -	\$ 4,424,884
Buildings and structures	372,371	-	-	372,371
Furniture and equipment	1,039,728	9,950	2,970	1,046,708
Total capital assets depreciated	\$ 5,836,983	\$ 9,950	\$ 2,970	\$ 5,843,963
Less: accumulated depreciation for				
Land improvements	\$ 2,431,381	\$ 150,592	\$ -	\$ 2,581,973
Buildings and structures	353,322	16,306	-	369,628
Furniture and equipment	787,986	42,424	2,970	827,440
Total accumulated depreciation	\$ 3,572,689	\$ 209,322	\$ 2,970	\$ 3,779,041
Total capital assets depreciated, net	\$ 2,264,294	\$ (199,372)	\$ -	\$ 2,064,922
Capital Assets, Net	\$ 5,090,012	\$ (199,372)	\$ -	\$ 4,890,640

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

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

B. Detailed Notes

1. Assets

Capital Assets (Continued)

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

Golf course	\$ 209,322
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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.

2. Liabilities

Operating Leases

The Authority leases golf carts under non-cancelable operating leases. Total costs for such leases were \$25,890 for the year ended December 31, 2012. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2013	\$ 20,846
2014	20,846
Total	\$ 41,692

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

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

B. Detailed Notes

2. Liabilities (Continued)

Short-Term Debt

The Authority took out a loan \$225,000 in 2012 from Cook County to help pay operating costs.

The Authority took out an advance of \$225,000 in 2011 from Cook County to fund the golf season's start-up costs for the golf course.

Short-term debt activity for the year ended December 31, 2012, is:

	<u>Beginning Balance</u>	<u>Additions/ Advances</u>	<u>Payments</u>	<u>Ending Balance</u>
Due to other governments	\$ -	\$ 225,000	\$ -	\$ 225,000
Advances	\$ 225,000	\$ -	\$ 225,000	\$ -

3. Long-Term Debt

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2012</u>
1998 Golf Course Revenue Bonds	2015	\$35,000 - \$175,000	4.40 - 5.60	\$ 1,820,000	\$ 500,000

Debt service requirements at December 31, 2012, were as follows:

<u>Year Ending December 31</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 160,000	\$ 23,845
2014	165,000	14,379
2015	175,000	4,900
Total	\$ 500,000	\$ 43,124

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

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

B. Detailed Notes (Continued)

4. Changes in Long-Term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
Golf course revenue bonds	\$ 650,000	\$ -	\$ 150,000	\$ 500,000	\$ 160,000

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.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

*EXHIBIT A-1*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 3,405,770	\$ 3,405,770	\$ 3,212,283	\$ (193,487)
Special assessments	-	-	41,388	41,388
Licenses and permits	52,850	52,850	67,056	14,206
Intergovernmental	3,166,719	3,166,719	3,881,345	714,626
Charges for services	274,856	274,856	401,372	126,516
Fines and forfeits	4,000	4,000	16,748	12,748
Gifts and contributions	3,500	3,500	6,235	2,735
Investment earnings	200,000	200,000	283,526	83,526
Miscellaneous	566,031	566,031	1,138,950	572,919
<b>Total Revenues</b>	<b>\$ 7,673,726</b>	<b>\$ 7,673,726</b>	<b>\$ 9,048,903</b>	<b>\$ 1,375,177</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 360,500	\$ 360,500	\$ 330,306	\$ 30,194
Courts	10,900	10,900	-	10,900
Law library	26,125	26,125	25,725	400
County auditor	555,753	555,753	620,250	(64,497)
County assessor	224,489	224,489	211,345	13,144
Elections	18,620	18,620	42,140	(23,520)
Data processing	482,721	482,721	478,536	4,185
Personnel	137,648	137,648	140,458	(2,810)
Broadband	-	-	92,183	(92,183)
Attorney	316,839	316,839	352,224	(35,385)
Recorder	178,508	178,508	215,407	(36,899)
Planning and zoning	281,333	281,333	297,108	(15,775)
Buildings and plant	484,840	484,840	459,400	25,440
Veterans service officer	23,500	23,500	14,880	8,620
Other general government	-	-	26,884	(26,884)
<b>Total general government</b>	<b>\$ 3,101,776</b>	<b>\$ 3,101,776</b>	<b>\$ 3,306,846</b>	<b>\$ (205,070)</b>

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

*EXHIBIT A-1  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 1,890,393	\$ 1,890,393	\$ 2,009,162	\$ (118,769)
Boat and water safety	-	-	8,324	(8,324)
Emergency services	105,870	105,870	125,734	(19,864)
Coroner	13,900	13,900	15,861	(1,961)
E-911 system	55,013	55,013	64,985	(9,972)
County jail	224,761	224,761	199,467	25,294
Community corrections	278,980	278,980	279,822	(842)
Other public safety	7,000	7,000	175,015	(168,015)
<b>Total public safety</b>	<b>\$ 2,575,917</b>	<b>\$ 2,575,917</b>	<b>\$ 2,878,370</b>	<b>\$ (302,453)</b>
<b>Sanitation</b>				
Solid waste	\$ 53,433	\$ 53,433	\$ 75,509	\$ (22,076)
Recycling	321,169	321,169	360,210	(39,041)
<b>Total sanitation</b>	<b>\$ 374,602</b>	<b>\$ 374,602</b>	<b>\$ 435,719</b>	<b>\$ (61,117)</b>
<b>Culture and recreation</b>				
Historical society	\$ 70,000	\$ 70,000	\$ 70,000	\$ -
Parks	97,000	97,000	86,661	10,339
Senior citizens	81,000	81,000	81,000	-
Regional library	131,109	131,109	131,109	-
Other	123,666	123,666	343,103	(219,437)
<b>Total culture and recreation</b>	<b>\$ 502,775</b>	<b>\$ 502,775</b>	<b>\$ 711,873</b>	<b>\$ (209,098)</b>
<b>Conservation of natural resources</b>				
Cooperative extension	\$ 70,011	\$ 70,011	\$ 66,245	\$ 3,766
Soil and water conservation	40,120	40,120	54,356	(14,236)
Agricultural inspections	9,000	9,000	53,770	(44,770)
Agricultural society/County fair	7,300	7,300	96	7,204
Environmental services	148,301	148,301	206,767	(58,466)
Other	-	-	29,259	(29,259)
<b>Total conservation of natural resources</b>	<b>\$ 274,732</b>	<b>\$ 274,732</b>	<b>\$ 410,493</b>	<b>\$ (135,761)</b>

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

*EXHIBIT A-1  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Economic development</b>				
Community development	\$ 15,000	\$ 15,000	\$ 176,301	\$ (161,301)
<b>Other miscellaneous</b>	\$ 3,347	\$ 3,347	\$ -	\$ 3,347
<b>Capital outlay</b>				
General government	\$ 46,500	\$ 46,500	\$ 150,370	\$ (103,870)
Public safety	245,000	245,000	277,103	(32,103)
Sanitation	108,000	108,000	54,657	53,343
<b>Total capital outlay</b>	\$ 399,500	\$ 399,500	\$ 482,130	\$ (82,630)
<b>Total Expenditures</b>	\$ 7,247,649	\$ 7,247,649	\$ 8,401,732	\$ (1,154,083)
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ 426,077	\$ 426,077	\$ 647,171	\$ 221,094
<b>Other Financing Sources (Uses)</b>				
Transfers out	(500,000)	(500,000)	(500,000)	-
<b>Net Change in Fund Balance</b>	\$ (73,923)	\$ (73,923)	\$ 147,171	\$ 221,094
<b>Fund Balance - January 1</b>	10,552,896	10,552,896	10,552,896	-
<b>Fund Balance - December 31</b>	\$ 10,478,973	\$ 10,478,973	\$ 10,700,067	\$ 221,094

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

*EXHIBIT A-2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,439,289	\$ 1,439,289	\$ 1,433,461	\$ (5,828)
Intergovernmental	4,497,298	4,497,298	3,393,692	(1,103,606)
Charges for services	262,000	262,000	263,767	1,767
Miscellaneous	32,000	32,000	44,355	12,355
<b>Total Revenues</b>	<b>\$ 6,230,587</b>	<b>\$ 6,230,587</b>	<b>\$ 5,135,275</b>	<b>\$ (1,095,312)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 308,434	\$ 308,434	\$ 313,922	\$ (5,488)
Maintenance	2,504,364	2,504,364	2,259,357	245,007
Construction	2,889,798	2,889,798	3,226,866	(337,068)
Equipment maintenance and shop	1,027,991	1,027,991	1,203,320	(175,329)
<b>Total Expenditures</b>	<b>\$ 6,730,587</b>	<b>\$ 6,730,587</b>	<b>\$ 7,003,465</b>	<b>\$ (272,878)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (500,000)</b>	<b>\$ (500,000)</b>	<b>\$ (1,868,190)</b>	<b>\$ (1,368,190)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	500,000	500,000	500,000	-
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,368,190)</b>	<b>\$ (1,368,190)</b>
<b>Fund Balance - January 1</b>	<b>1,754,489</b>	<b>1,754,489</b>	<b>1,754,489</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>-</b>	<b>154,800</b>	<b>154,800</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,754,489</b>	<b>\$ 1,754,489</b>	<b>\$ 541,099</b>	<b>\$ (1,213,390)</b>

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

*EXHIBIT A-3*

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 943,779	\$ 943,779	\$ 939,363	\$ (4,416)
Licenses and permits	15,933	15,933	13,251	(2,682)
Intergovernmental	854,211	854,211	891,334	37,123
Charges for services	201,625	201,625	212,236	10,611
Miscellaneous	97,132	97,132	127,317	30,185
<b>Total Revenues</b>	<b>\$ 2,112,680</b>	<b>\$ 2,112,680</b>	<b>\$ 2,183,501</b>	<b>\$ 70,821</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 1,905,731	\$ 1,905,731	\$ 466,707	\$ 1,439,024
Social services	-	-	1,599,728	(1,599,728)
<b>Total human services</b>	<b>\$ 1,905,731</b>	<b>\$ 1,905,731</b>	<b>\$ 2,066,435</b>	<b>\$ (160,704)</b>
<b>Health</b>				
Nursing service	286,519	286,519	299,624	(13,105)
<b>Total Expenditures</b>	<b>\$ 2,192,250</b>	<b>\$ 2,192,250</b>	<b>\$ 2,366,059</b>	<b>\$ (173,809)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (79,570)</b>	<b>\$ (79,570)</b>	<b>\$ (182,558)</b>	<b>\$ (102,988)</b>
<b>Fund Balance - January 1</b>	<b>1,030,480</b>	<b>1,030,480</b>	<b>1,030,480</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 950,910</b>	<b>\$ 950,910</b>	<b>\$ 847,922</b>	<b>\$ (102,988)</b>

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

*EXHIBIT A-4*

**BUDGETARY COMPARISON SCHEDULE  
AIRPORT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 95,300	\$ 95,300	\$ 94,912	\$ (388)
Intergovernmental	404,650	404,650	1,628,684	1,224,034
Miscellaneous	23,717	23,717	21,272	(2,445)
	<u>23,717</u>	<u>23,717</u>	<u>21,272</u>	<u>(2,445)</u>
<b>Total Revenues</b>	<b><u>\$ 523,667</u></b>	<b><u>\$ 523,667</u></b>	<b><u>\$ 1,744,868</u></b>	<b><u>\$ 1,221,201</u></b>
<b>Expenditures</b>				
<b>Current</b>				
Economic development	\$ 114,467	\$ 114,467	\$ 109,446	\$ 5,021
<b>Capital outlay</b>	<u>400,000</u>	<u>400,000</u>	<u>1,628,477</u>	<u>(1,228,477)</u>
<b>Total Expenditures</b>	<b><u>\$ 514,467</u></b>	<b><u>\$ 514,467</u></b>	<b><u>\$ 1,737,923</u></b>	<b><u>\$ (1,223,456)</u></b>
<b>Net Change in Fund Balance</b>	<b><u>\$ 9,200</u></b>	<b><u>\$ 9,200</u></b>	<b><u>\$ 6,945</u></b>	<b><u>\$ (2,255)</u></b>
<b>Fund Balance - January 1</b>	<u>4,904</u>	<u>4,904</u>	<u>4,904</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<b><u><u>\$ 14,104</u></u></b>	<b><u><u>\$ 14,104</u></u></b>	<b><u><u>\$ 11,849</u></u></b>	<b><u><u>\$ (2,255)</u></u></b>

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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 Building, Golf Course Lodging Tax, Forfeited Tax, Local Option Sales Tax, and Hospital Sales 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 assign 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) 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, 2012, expenditures exceeded appropriations in the following funds:

	Excess Expenditures	
General Fund	\$ 1,154,083	Primarily funded by greater than anticipated revenues, much of which correspond to the excess expenditures.
Road and Bridge Special Revenue Fund	272,878	Primarily funded by greater than anticipated revenues, much of which correspond to the excess expenditures.
Public Health and Human Services Special Revenue Fund	173,988	Funded by increased reimbursements which are tied to expenditures and by use of fund balance.
Airport Special Revenue Fund	1,223,456	Funded by project grant reimbursements.

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

The 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. Collections for this one percent sales tax ceased in 2008.

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, 2012**

	<b>Building</b>	<b>Special Golf Course Lodging Tax</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 462,232	\$ 1
Prior	4,259	-
Accounts receivable	-	-
Lodging taxes receivable	-	4,684
	<b>\$ 466,491</b>	<b>\$ 4,685</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 6,038	\$ -
Due to other funds	-	-
Deferred revenue - unavailable	3,424	-
	<b>\$ 9,462</b>	<b>\$ -</b>
<b>Fund Balances</b>		
Nonspendable		
Environmental improvements - principal	\$ -	\$ -
Restricted		
EDA	-	4,685
Environmental improvements	-	-
Capital equipment	-	-
Assigned		
Building improvements	457,029	-
Debt service	-	-
Unassigned	-	-
	<b>\$ 457,029</b>	<b>\$ 4,685</b>
<b>Total fund balances</b>	<b>\$ 457,029</b>	<b>\$ 4,685</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 466,491</b>	<b>\$ 4,685</b>

**EXHIBIT B-1**

<b>Revenue Funds</b>				
<b>Forfeited Tax</b>	<b>Total</b>	<b>Debt Service</b>	<b>Leased Lakeshore Permanent</b>	<b>Total (Exhibit 3)</b>
\$ -	\$ 462,233	\$ 2,557,490	\$ 842,675	\$ 3,862,398
-	4,259	16,897	-	21,156
136,716	136,716	-	-	136,716
-	4,684	-	-	4,684
<b>\$ 136,716</b>	<b>\$ 607,892</b>	<b>\$ 2,574,387</b>	<b>\$ 842,675</b>	<b>\$ 4,024,954</b>
\$ -	\$ 6,038	\$ -	\$ -	\$ 6,038
159,284	159,284	-	-	159,284
-	3,424	13,585	-	17,009
<b>\$ 159,284</b>	<b>\$ 168,746</b>	<b>\$ 13,585</b>	<b>\$ -</b>	<b>\$ 182,331</b>
\$ -	\$ -	\$ -	\$ 584,434	\$ 584,434
-	4,685	-	-	4,685
-	-	-	258,241	258,241
-	-	2,135,111	-	2,135,111
-	457,029	-	-	457,029
-	-	425,691	-	425,691
(22,568)	(22,568)	-	-	(22,568)
<b>\$ (22,568)</b>	<b>\$ 439,146</b>	<b>\$ 2,560,802</b>	<b>\$ 842,675</b>	<b>\$ 3,842,623</b>
<b>\$ 136,716</b>	<b>\$ 607,892</b>	<b>\$ 2,574,387</b>	<b>\$ 842,675</b>	<b>\$ 4,024,954</b>

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Special Revenue Funds</u>		
	<u>Building</u>	<u>Golf Course Lodging Tax</u>	<u>Forfeited Tax</u>
<b>Revenues</b>			
Taxes	\$ 105,160	\$ 50,563	\$ -
Intergovernmental	17,619	-	-
Investment earnings	-	6	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Revenues</b>	<b>\$ 122,779</b>	<b>\$ 50,569</b>	<b>\$ -</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 70,197	\$ -	\$ -
Public safety	3,436	-	-
Culture and recreation	15,043	-	-
Economic development	-	50,000	-
<b>Capital outlay</b>	8,200	-	-
<b>Debt service</b>			
Interest	-	-	-
Bond issuance expense	-	-	-
Administrative - fiscal charges	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Expenditures</b>	<b>\$ 96,876</b>	<b>\$ 50,000</b>	<b>\$ -</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 25,903</b>	<b>\$ 569</b>	<b>\$ -</b>
<b>Other Financing Sources (Uses)</b>			
Capital equipment note issued	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net Change in Fund Balance</b>	<b>\$ 25,903</b>	<b>\$ 569</b>	<b>\$ -</b>
<b>Fund Balance - January 1</b>	<b>431,126</b>	<b>4,116</b>	<b>(22,568)</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Fund Balance - December 31</b>	<b>\$ 457,029</b>	<b>\$ 4,685</b>	<b>\$ (22,568)</b>
	<u>          </u>	<u>          </u>	<u>          </u>

**EXHIBIT B-2**

<u>Hospital Sales Tax</u>	<u>Total</u>	<u>Debt Service</u>	<u>Leased Lakeshore Permanent</u>	<u>Total (Exhibit 5)</u>
\$ -	\$ 155,723	\$ 376,461	\$ -	\$ 532,184
-	17,619	-	-	17,619
-	6	-	7,590	7,596
<u>\$ -</u>	<u>\$ 173,348</u>	<u>\$ 376,461</u>	<u>\$ 7,590</u>	<u>\$ 557,399</u>
\$ -	\$ 70,197	\$ -	\$ -	\$ 70,197
-	3,436	-	-	3,436
-	15,043	-	-	15,043
-	50,000	-	-	50,000
174,276	182,476	-	-	182,476
-	-	8,724	-	8,724
-	-	29,493	-	29,493
-	-	13,865	-	13,865
<u>\$ 174,276</u>	<u>\$ 321,152</u>	<u>\$ 52,082</u>	<u>\$ -</u>	<u>\$ 373,234</u>
\$ (174,276)	\$ (147,804)	\$ 324,379	\$ 7,590	\$ 184,165
-	-	2,175,000	-	2,175,000
\$ (174,276)	\$ (147,804)	\$ 2,499,379	\$ 7,590	\$ 2,359,165
<u>174,276</u>	<u>586,950</u>	<u>61,423</u>	<u>835,085</u>	<u>1,483,458</u>
<u>\$ -</u>	<u>\$ 439,146</u>	<u>\$ 2,560,802</u>	<u>\$ 842,675</u>	<u>\$ 3,842,623</u>

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**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**

*EXHIBIT C-1*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>MEDICAL AND DEPENDENT CARE FLEX PLAN</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>10,171</u>	\$ <u>94,115</u>	\$ <u>95,474</u>	\$ <u>8,812</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ <u>10,171</u>	\$ <u>94,115</u>	\$ <u>95,474</u>	\$ <u>8,812</u>
 <b><u>SOIL AND WATER CONSERVATION DISTRICT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>149,568</u>	\$ <u>333,663</u>	\$ <u>409,630</u>	\$ <u>73,601</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 4,091	\$ -	\$ 4,091	\$ -
Due to other governments	<u>145,477</u>	<u>333,663</u>	<u>405,539</u>	<u>73,601</u>
<b>Total Liabilities</b>	<b>\$ <u>149,568</u></b>	<b>\$ <u>333,663</u></b>	<b>\$ <u>409,630</u></b>	<b>\$ <u>73,601</u></b>
 <b><u>MORTGAGE REGISTRY</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>17,325</u>	\$ <u>149,149</u>	\$ <u>153,744</u>	\$ <u>12,730</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>17,325</u>	\$ <u>149,149</u>	\$ <u>153,744</u>	\$ <u>12,730</u>

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

*EXHIBIT C-1  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>FIRE DISTRICTS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 10,948	\$ 273,035	\$ 273,501	\$ 10,482
<b><u>Liabilities</u></b>				
Due to other governments	\$ 10,948	\$ 273,035	\$ 273,501	\$ 10,482
 <b><u>CITIES AND TOWNS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 50,124	\$ 1,410,264	\$ 1,367,262	\$ 93,126
<b><u>Liabilities</u></b>				
Due to other governments	\$ 50,124	\$ 1,410,264	\$ 1,367,262	\$ 93,126
 <b><u>STATE REVENUE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 78,282	\$ 2,351,660	\$ 2,312,199	\$ 117,743
Accounts receivable	105	153	105	153
Due from other governments	-	11	-	11
<b>Total Assets</b>	<b>\$ 78,387</b>	<b>\$ 2,351,824</b>	<b>\$ 2,312,304</b>	<b>\$ 117,907</b>
<b><u>Liabilities</u></b>				
Due to other governments	\$ 78,387	\$ 2,351,824	\$ 2,312,304	\$ 117,907

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

*EXHIBIT C-1  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>LODGING TAX</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 37,106	\$ 1,463,777	\$ 1,459,620	\$ 41,263
Accounts receivable	77,831	92,462	77,831	92,462
<b>Total Assets</b>	<b>\$ 114,937</b>	<b>\$ 1,556,239</b>	<b>\$ 1,537,451</b>	<b>\$ 133,725</b>
<b><u>Liabilities</u></b>				
Accounts payable	<b>\$ 114,937</b>	<b>\$ 1,556,239</b>	<b>\$ 1,537,451</b>	<b>\$ 133,725</b>
<b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<b>\$ 38,305</b>	<b>\$ 12,245,363</b>	<b>\$ 12,296,475</b>	<b>\$ (12,807)</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 123	\$ -	\$ 123	\$ -
Due to other governments	38,182	12,245,363	12,296,352	(12,807)
<b>Total Liabilities</b>	<b>\$ 38,305</b>	<b>\$ 12,245,363</b>	<b>\$ 12,296,475</b>	<b>\$ (12,807)</b>
<b><u>SCHOOL</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 46,882	\$ 2,018,044	\$ 2,004,578	\$ 60,348
Due from other governments	255,948	198,548	255,948	198,548
<b>Total Assets</b>	<b>\$ 302,830</b>	<b>\$ 2,216,592</b>	<b>\$ 2,260,526</b>	<b>\$ 258,896</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 302,830</b>	<b>\$ 2,216,592</b>	<b>\$ 2,260,526</b>	<b>\$ 258,896</b>

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

*EXHIBIT C-1  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 438,711	\$ 20,339,070	\$ 20,372,483	\$ 405,298
Accounts receivable	77,936	92,615	77,936	92,615
Due from other governments	255,948	198,559	255,948	198,559
<b>Total Assets</b>	<b>\$ 772,595</b>	<b>\$ 20,630,244</b>	<b>\$ 20,706,367</b>	<b>\$ 696,472</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 129,322	\$ 1,650,354	\$ 1,637,139	\$ 142,537
Due to other governments	643,273	18,979,890	19,069,228	553,935
<b>Total Liabilities</b>	<b>\$ 772,595</b>	<b>\$ 20,630,244</b>	<b>\$ 20,706,367</b>	<b>\$ 696,472</b>



## **OTHER SCHEDULES**

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**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

*EXHIBIT D-1*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Governmental Funds</b>	<b>Component Unit</b>
<b>Shared Revenue</b>		
<b>State</b>		
Highway users tax	\$ 2,937,231	\$ -
PERA rate reimbursement	17,931	-
Disparity reduction credit	3,157	-
Police aid	77,670	-
County program aid	125,919	-
Market value credit	5,097	-
Taconite credit	175,418	-
Casino revenue aid	52,193	-
Enhanced 911	74,987	-
	<b>\$ 3,469,603</b>	<b>\$ -</b>
<b>Reimbursement for Services</b>		
<b>State</b>		
Minnesota Department of Human Services	<b>\$ 149,095</b>	<b>\$ -</b>
<b>Payments</b>		
<b>State</b>		
Payments in lieu of taxes	\$ 251,416	\$ -
<b>Local</b>		
Local contributions	25,415	15,000
	<b>\$ 276,831</b>	<b>\$ 15,000</b>
<b>Grants</b>		
<b>State</b>		
Minnesota Department/Board of		
Public Safety	\$ 29,905	\$ -
Agriculture	77,295	-
Transportation	24,653	-
Health	52,783	-
Economic Security	17,619	-
Natural Resources	179,970	-
Human Services	268,476	-
Veterans Affairs	3,698	-
Water and Soil Resources	31,122	-
Miscellaneous boards	8,119	-
	<b>\$ 693,640</b>	<b>\$ -</b>

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

***EXHIBIT D-1  
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Governmental Funds</b>	<b>Component Unit</b>
<b>Grants (Continued)</b>		
<b>Federal</b>		
Department of		
Agriculture	\$ 2,458,512	\$ -
Commerce	24,776	-
Interior	200,054	-
Justice	-	-
Transportation	1,859,059	-
Energy	19,079	-
Health and Human Services	419,340	-
Homeland Security	242,685	-
<b>Total federal</b>	<b>\$ 5,223,505</b>	<b>\$ -</b>
<b>Total state and federal grants</b>	<b>\$ 5,917,145</b>	<b>\$ -</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 9,812,674</b>	<b>\$ 15,000</b>

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

*EXHIBIT D-2*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Direct		
U.S. Forest Service Cooperative Agreement	R9-9-95-36C	\$ 56,493
Cooperative Forestry Assistance	10.664	60,082
Wildland Fire Management - ARRA	10.688	11,700
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	27,853
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	46,134
Passed Through Minnesota Office of Management and Budget Schools and Roads - Grants to States	10.665	2,256,250
<b>Total U.S. Department of Agriculture</b>		<b>\$ 2,458,512</b>
<b>U.S. Department of Commerce</b>		
Passed Through Minnesota Department of Natural Resources Coastal Zone Management Administration Awards	11.419	\$ 14,236
Passed Through Minnesota Department of Public Safety Public Safety Interoperable Communications Grant Programs	11.555	10,540
<b>Total U.S. Department of Commerce</b>		<b>\$ 24,776</b>
<b>U.S. Department of the Interior</b>		
Direct		
Payments in Lieu of Taxes	15.226	\$ 200,054
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Airport Improvement Program	20.106	\$ 1,604,031
Highway Planning and Construction Cluster Highway Planning and Construction	20.205	26,088
Passed Through Minnesota Department of Natural Resources Highway Planning and Construction Cluster Recreational Trails Program	20.219	59,824
<b>Total U.S. Department of Transportation</b>		<b>\$ 1,689,943</b>

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

**EXHIBIT D-2  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Energy</b>		
Passed Through Minnesota Department of Commerce - Office of Energy Security Energy Efficiency and Conservation Block Grant - ARRA	81.128	<b>\$ 19,079</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board Universal Newborn Hearing Screening	93.251	\$ 450
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	17,105
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	30,353
Maternal and Child Health Services Block Grant to the States	93.994	4,775
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	1,500
Temporary Assistance for Needy Families (TANF) Cluster Temporary Assistance for Needy Families	93.558	34,787
Child Support Enforcement	93.563	80,423
Refugee and Entrant Assistance - State-Administered Programs	93.566	19
Child Care and Development Block Grant	93.575	560
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	406
Foster Care Title IV-E	93.658	30,989
Social Services Block Grant	93.667	39,757
Temporary Assistance for Needy Families Cluster Emergency Contingency Fund for TANF State Program - ARRA	93.714	897
Children's Health Insurance Program	93.767	3
Medical Assistance Program	93.778	177,316
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 419,340</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	\$ 9,194
Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	87,708
Emergency Management Performance Grants	97.042	15,499
Pre-Disaster Mitigation	97.047	93,630
Homeland Security Grant Program	97.067	36,654
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 242,685</b>
<b>Total Federal Awards</b>		<b>\$ 5,054,389</b>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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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. The Cook County and Grand Marais Joint Economic Development Authority discretely presented component unit expended \$39,000 of federal funding under CFDA #14.239 - Home Investment Partnerships Program, which is not included in the Schedule of Expenditures of Federal Awards of Cook County.

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, 2012. 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 position, 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. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

Highway Planning and Construction Cluster	\$	85,912
Temporary Assistance for Needy Families Cluster		35,684

**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

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5. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 5,223,505
Deferred in 2011, recognized as revenue in 2012	
Highway Planning and Construction	<u>(169,116)</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 5,054,389</u>

6. Subrecipients

During 2012, the County did not pass any federal money to subrecipients.

7. 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.



**Other Information  
Section**

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**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

*EXHIBIT E-1*

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

	2011		2012		2013	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
<b>Tax Capacity</b>						
Real property	\$ 18,656,794		\$ 17,305,450		\$ 16,500,288	
Personal property	288,739		287,432		278,041	
Fiscal disparity contribution	(317,449)		(334,487)		(391,702)	
<b>Net Tax Capacity</b>	<b>\$ 18,628,084</b>		<b>\$ 17,258,395</b>		<b>\$ 16,386,627</b>	
<b>Taxes Levied for County Purposes</b>						
General	\$ 3,091,306	16.62	\$ 3,157,819	18.28	\$ 3,235,830	19.72
Road and Bridge	1,383,067	7.40	1,414,289	8.16	1,387,612	8.42
Social Services	943,779	5.05	943,779	5.44	1,030,361	6.25
Airport	79,000	0.42	95,300	0.55	95,300	0.58
Government Center	390,000	2.09	378,000	2.18	360,000	2.18
Economic Development	148,566	0.80	148,566	0.86	150,000	0.91
<b>Total Levy for County Purposes</b>	<b>\$ 6,035,718</b>	<b>32.38</b>	<b>\$ 6,137,753</b>	<b>35.47</b>	<b>\$ 6,259,103</b>	<b>38.06</b>
<b>Less Credits Payable by State</b>						
Taconite homestead credit	\$ 332,478		\$ 350,718		\$ 351,005	
Disparity reduction aid	3,157		3,157		3,157	
<b>Total Credits Payable by State</b>	<b>\$ 335,635</b>		<b>\$ 353,875</b>		<b>\$ 354,162</b>	
<b>Net Levy for County Purposes</b>	<b>\$ 5,700,083</b>		<b>\$ 5,783,878</b>		<b>\$ 5,904,941</b>	
<b>Tax Capacity - Light and Power</b>	<b>\$ 58,005</b>		<b>\$ 54,830</b>		<b>\$ 54,270</b>	
<b>Light and Power Tax Levy (distributed pursuant to Minn. Stat. § 273.42, as amended)</b>	<b>\$ 28,447</b>		<b>\$ 28,018</b>		<b>\$ 28,504</b>	
<b>Percentage of Tax Collections for All Purposes</b>	<b>99.64%</b>		<b>99.31%</b>			

(Unaudited)

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**COOK COUNTY  
GRAND MARAIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Noncompliance material to the financial statements noted? **No**

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **No**

Type of auditor's report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **No**

The major program is:

Airport Improvement Program

CFDA #20.106

The threshold for distinguishing between Types A and B programs was \$300,000.

Cook County qualified as a low-risk auditee? **Yes**

## 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

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

**Condition:** Several of the County's departments that collect fees lack proper segregation of duties. These departments generally have one or two staff people who are responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

**Context:** Due to the limited number of office personnel within the County, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Cook County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

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

**Cause:** The County does not have the economic resources needed to hire additional qualified accounting staff in order to segregate duties in every department.

**Recommendation:** We recommend that the County's elected officials and management be aware of the lack of segregation of duties and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff to the extent possible.

#### 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. We will review the departmental procedures in effect for those departments that collect fees.*



06-6 Accounting Policies and Procedures Manual

**Criteria:** 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.

**Condition:** The County does not have a current and comprehensive accounting policies and procedures manual.

**Context:** This manual should be on hand to document the accounting policies and procedures which make up the County's internal control system. 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.

**Effect:** 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.

**Cause:** 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.

**Recommendation:** 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 policy and procedures manual for approval by the County Board in 2014.*

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS**

None.

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REBECCA OTTO  
STATE AUDITOR

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

### Independent Auditor's Report

Board of County Commissioners  
Cook County

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the 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, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 25, 2013.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Cook County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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. 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 the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 96-3 and 06-6 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

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

### **Minnesota Legal Compliance**

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains 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 audit considered all of the listed categories except that we did not test for compliance with the provisions of tax increment financing because that provision was not applicable.

In connection with our audit, nothing came to our attention that caused us to believe that Cook County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

## **Other Matters**

Cook County's responses to the internal control findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The County's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of This Report**

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 25, 2013

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REBECCA OTTO  
STATE AUDITOR

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## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

### Independent Auditor's Report

Board of County Commissioners  
Cook County

#### **Report on Compliance for Each Major Federal Program**

We have audited Cook County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2012. Cook County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the County's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

***Opinion on Each Major Federal Program***

In our opinion, Cook County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

**Report on Internal Control Over Compliance**

Management of Cook County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for its major federal program 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Purpose of This Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

September 25, 2013

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR