

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

COOK COUNTY
GRAND MARAIS, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2014

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 150 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 700 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, 2014



**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, 2014

	<u>Term Expires</u>
Elected	
Commissioners	
District 1	Janice Hall* January 2015
District 2	Garry Gamble January 2017
District 3	Sue Hakes January 2015
District 4	Heidi Doo-Kirk January 2017
District 5	Bruce Martinson January 2015
Officers	
Elected	
Attorney	Molly Hicken January 2015
Auditor/Treasurer	Braidy Powers January 2015
Recorder/Registrar of Titles	Dusty Nelms January 2015
Sheriff	Pat Eliason January 2015
Court Judge	Mike Cuzzo January 2017
Appointed	
Assessor/Land Commissioner	Betty Schultz January 2017
Court Administrator	Diane Herrick-Schmidt Indefinite
Highway Engineer	David Betts May 2015
Veteran Services Officer	Pat Strand Indefinite
Human Services Board	
Chair	Sue Hakes January 2015
Vice Chair	Carla LaPointe January 2015
Member	Janice Hall January 2015
Member	Garry Gamble January 2017
Member	Jerry Lilja January 2015
Member	Bruce Martinson January 2015
Member	Heidi Doo Kirk January 2017
Director	Sue Futterer Indefinite

*Chair

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Cook County
Grand Marais, Minnesota

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, 2014, 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, 2014, and the respective changes in financial position 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 16, 2015, 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 16, 2015

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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, 2014
(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, 2014. 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 \$74,083,147, of which \$52,882,313 is the net investment in capital assets, and \$8,580,777 is restricted to specific purposes; \$12,620,057 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 \$5,503,734, of which \$5,545,525 is net investment in capital assets. 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 decreased by \$182,366 for the year ended December 31, 2014, indicating that funds were used to pay for unbudgeted expenses. Total net position of the County's discretely presented component unit (EDA) increased by \$20,904. Unrestricted net position for the EDA improved from a negative \$141,501 in 2013 to a negative \$41,791 in 2014. The improvement is mainly due to an increase in investment in capital assets from one percent Local Option Sales Tax.
- The net cost of governmental activities was \$9,350,221 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 \$9,167,855 just fell short of covering the net cost, resulting in the \$182,366 decrease in net position referred to above.
- Governmental funds' fund balances decreased \$825,194 in 2014: \$22,342,611 to \$21,517,417. The change was due primarily to Local Option Sales Tax expenditures for projects authorized in the one percent legislation.

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	
	2014	2013	2014	2013
Assets				
Current and other assets	\$ 25,337,446	\$ 27,403,795	\$ 1,542,959	\$ 515,937
Capital assets	73,072,040	70,258,078	5,545,525	5,620,925
Total Assets	\$ 98,409,486	\$ 97,661,873	\$ 7,088,484	\$ 6,136,862
Liabilities				
Long-term debt outstanding	\$ 22,946,498	\$ 21,685,481	\$ -	\$ 340,000
Other liabilities	1,379,841	1,710,879	1,584,750	314,032
Total Liabilities	\$ 24,326,339	\$ 23,396,360	\$ 1,584,750	\$ 654,032
Net Position				
Net investment in capital assets	\$ 52,882,313	\$ 54,769,637	\$ 5,545,525	\$ 5,280,925
Restricted	8,580,777	6,566,123	-	343,406
Unrestricted	12,620,057	12,929,753	(41,791)	(141,501)
Total Net Position	\$ 74,083,147	\$ 74,265,513	\$ 5,503,734	\$ 5,482,830

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

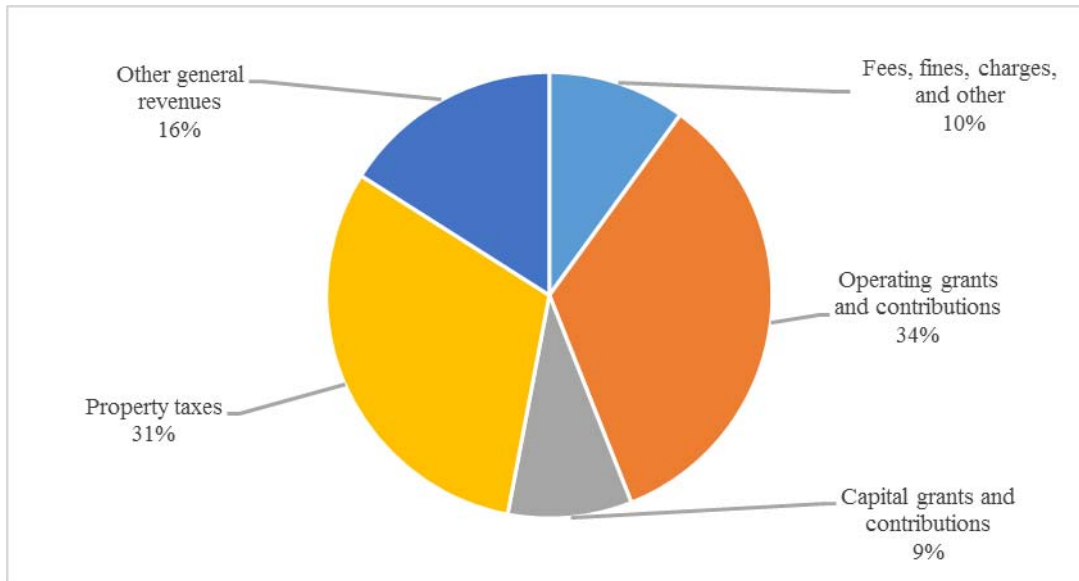
**Table 2
Changes in Net Position**

	Governmental Activities		Component Unit Activities	
	2014	2013	2014	2013
Revenues				
Program revenues				
Fees, fines, charges, and other	\$ 1,816,929	\$ 2,432,961	\$ 554,149	\$ 774,141
Operating grants and contributions	6,436,993	6,250,569	70,347	57,720
Capital grants and contributions	1,799,730	3,252,686	-	-
General revenues				
Property taxes	6,005,940	5,996,598	211,573	149,271
Other taxes	2,080,938	2,304,253	2,718,095	1,035,249
Unrestricted grants and contributions	448,709	472,152	-	-
Investment income	623,791	(408,936)	86	108
Sale of business lots	-	-	22,888	-
Miscellaneous	8,477	179,454	123,897	84,541
Total Revenues	\$ 19,221,507	\$ 20,479,737	\$ 3,701,035	\$ 2,101,030

	Governmental Activities		Component Unit Activities	
	2014	2013	2014	2013
Expenses				
General government	\$ 3,260,792	\$ 4,318,073	\$ -	\$ -
Public safety	3,018,269	3,492,924	-	-
Highways and streets	4,935,090	5,251,578	-	-
Sanitation	411,319	412,870	-	-
Human services	2,235,437	2,075,003	-	-
Health	298,126	312,572	-	-
Culture and recreation	1,172,617	1,169,240	-	-
Golf course	-	-	844,715	962,530
Conservation of natural resources	702,876	1,031,171	-	-
Economic development	2,577,886	1,858,942	2,835,416	175,146
Bond issuance and interest	791,461	440,974	-	-
Total Expenses	\$ 19,403,873	\$ 20,363,347	\$ 3,680,131	\$ 1,137,676
Increase (Decrease) in Net Position	\$ (182,366)	\$ 116,390	\$ 20,904	\$ 963,354
Net Position - January 1	74,265,513	74,149,123	5,482,830	4,519,476
Net Position - December 31	<u>\$ 74,083,147</u>	<u>\$ 74,265,513</u>	<u>\$ 5,503,734</u>	<u>\$ 5,482,830</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 \$19,403,873, a 4.7 percent decrease from 2013. However, as shown in the Statement of Activities (Exhibit 2), the amount taxpayers ultimately financed for these activities through County taxes was \$6,005,940, 0.2 percent more than 2013. Some of the cost was paid by those who directly benefited from the programs (\$1,816,929) or by other governments and organizations that subsidized certain programs with grants and contributions (\$8,236,723).

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	
	2014	2013	2014	2013
General government	\$ 3,260,792	\$ 4,318,073	\$ 457,456	\$ 1,347,183
Public safety	3,018,269	3,492,924	1,928,022	2,471,504
Highways and streets	4,935,090	5,251,578	1,581,070	623,906
Sanitation	411,319	412,870	258,813	145,277
Human services	2,235,437	2,075,003	915,015	1,112,773
Culture and recreation	1,172,617	1,169,240	833,688	822,845
Conservation of natural resources	702,876	1,031,171	276,842	735,328
Economic development	2,577,886	1,858,942	2,287,423	881,013
All others	1,089,587	753,546	811,892	287,302
Total	\$ 19,403,873	\$ 20,363,347	\$ 9,350,221	\$ 8,427,131

The County's Funds

As the County completed the year, its governmental funds reported a combined fund balance of \$21,517,417, compared to last year's total of \$22,342,611. This percentage decrease is negligible and was spread across the various departments. Note: capital assets are not shown in reporting governmental funds. Please see Exhibit 3 for details.

General Fund Budgetary Highlights

There were no significant changes to the final approved budget for the year ended December 31, 2014.

Expenditures, excluding capital, were \$921,909 above the final budget amounts. The most significant event that led to the higher costs was related to unbudgeted grants for economic development and the airport runway extension. The higher than budgeted total expenditures of \$2,043,754 were largely offset by revenues that exceeded budget by \$1,770,095. Grant revenues and related expenditures and capital were generally not budgeted. Please see Exhibit A-1 for details.

CAPITAL ASSETS

At the end of 2014, the County had a net investment of \$73,072,040 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 \$2,813,962, or four percent over last year.

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

	Governmental Activities	
	2014	2013
Land and easements	\$ 1,781,918	\$ 1,781,918
Construction in progress	3,030,521	13,538,007
Buildings and improvements	16,625,436	7,459,288
Machinery, vehicles, furniture, and equipment	3,706,297	3,583,813
Infrastructure	47,927,868	43,895,052
Total	<u>\$ 73,072,040</u>	<u>\$ 70,258,078</u>

The majority of the changes in 2014 are transfers of work in progress for a YMCA and road improvements. Please see Note 2.A.3. for details.

DEBT

At year-end, the County had \$22,380,000 in bonds and notes outstanding; 2013 year-end was \$21,125,000. The increase is due to the issuance of \$2,410,000 of Tax Abatement Bonds that will be used to improve Superior National Golf Course in Lutsen. This increase is offset by a small decrease from the annual payments of the Capital Improvement Bonds and the Sales Tax Revenue Bonds.

Table 5
Outstanding Debt at Year-End

	Governmental Activities	
	2014	2013
Capital Improvement (Refunding) Bonds of 2011	\$ 715,000	\$ 1,070,000
Sales Tax Revenue Bonds	17,385,000	17,880,000
Capital Equipment Note	1,870,000	2,175,000
Tax Abatement Bonds of 2014	2,410,000	-
Total	<u>\$ 22,380,000</u>	<u>\$ 21,125,000</u>

See “Notes to the Financial Statements,” Notes 2.C.2. through 2.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 2014 budget, tax levy, and fees that will be charged for various activities:

- continuing unfunded state mandates,
- the desire to maintain a fund balance of at least 75 percent of General Fund operating expenditures,
- the slowly recovering economy and its effect on taxpayers and investment income, and
- increasing changes in technology, including County-wide broadband and its effect on government services and taxpayers.

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, 2014**

	Primary Government Governmental Activities	Component Unit Cook County and Grand Marais Joint Economic Development Authority
<u>Assets</u>		
Cash and pooled investments	\$ 18,246,583	\$ 255,253
Petty cash and change funds	1,217	-
Taxes receivable		
Prior	248,172	20,059
Accounts receivable - net	435,380	10,819
Land held for resale	-	1,230,000
Loan receivable	1,140,510	-
Due from other governments	4,760,953	-
Inventories	503,110	26,828
Prepaid items	1,521	-
Capital assets		
Non-depreciable	4,812,439	3,807,143
Depreciable - net of accumulated depreciation	68,259,601	1,738,382
Total Assets	\$ 98,409,486	\$ 7,088,484
<u>Liabilities</u>		
Accounts payable	\$ 627,335	\$ 28,632
Salaries payable	312,445	-
Contracts payable	95,240	60,000
Gift certificates	-	15,673
Due to other governments	44,032	1,405,000
Accrued interest payable	234,569	-
Unearned revenue	66,220	75,445
Long-term liabilities		
Due within one year	1,200,000	-
Due in more than one year	21,746,498	-
Total Liabilities	\$ 24,326,339	\$ 1,584,750

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	Primary Government Governmental Activities	Component Unit Cook County and Grand Marais Joint Economic Development Authority
<u>Net Position</u>		
Net investment in capital assets	\$ 52,882,313	\$ 5,545,525
Restricted for		
General government	354,396	-
Highways and streets	1,158,200	-
Public safety	220,501	-
Culture and recreation	3,873,381	-
Conservation of natural resources	41,868	-
Economic development	2,079,765	-
Environmental improvements	852,666	-
Unrestricted	12,620,057	(41,791)
Total Net Position	\$ 74,083,147	\$ 5,503,734

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
Primary government		
Governmental activities		
General government	\$ 3,260,792	\$ 499,786
Public safety	3,018,269	309,252
Highways and streets	4,935,090	303,529
Sanitation	411,319	152,506
Human services	2,235,437	369,939
Health	298,126	45,101
Culture and recreation	1,172,617	38,813
Conservation of natural resources	702,876	7,962
Economic development	2,577,886	90,041
Interest expense and bond issuance costs	791,461	-
Total Governmental Activities	\$ 19,403,873	\$ 1,816,929
Component unit		
Cook County and Grand Marais Joint Economic Development Authority	\$ 3,680,131	\$ 554,149
 General Revenues		
Property taxes		
Mortgage registry and deed tax		
Local sales tax		
Taxes - other		
Payments in lieu of tax		
Grants and contributions not restricted to specific programs		
Gain/loss on disposal of capital assets		
Unrestricted investment earnings		
Sale of business lots		
Miscellaneous		
Total general revenues		
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>
\$ 2,303,550	\$ -	\$ (457,456)	
780,995	-	(1,928,022)	
1,250,761	1,799,730	(1,581,070)	
-	-	(258,813)	
950,483	-	(915,015)	
232,594	-	(20,431)	
300,116	-	(833,688)	
418,072	-	(276,842)	
200,422	-	(2,287,423)	
-	-	(791,461)	
<u>\$ 6,436,993</u>	<u>\$ 1,799,730</u>	<u>\$ (9,350,221)</u>	
<u>\$ 70,347</u>	<u>\$ -</u>		<u>\$ (3,055,635)</u>
		\$ 6,005,940	\$ 211,573
		7,281	-
		1,376,144	2,718,095
		334,496	-
		363,017	-
		448,709	-
		(57,359)	26,464
		623,791	86
		-	22,888
		65,836	97,433
		<u>\$ 9,167,855</u>	<u>\$ 3,076,539</u>
		\$ (182,366)	\$ 20,904
		<u>74,265,513</u>	<u>5,482,830</u>
		<u>\$ 74,083,147</u>	<u>\$ 5,503,734</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, 2014**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 6,169,357	\$ 1,297,877
Petty cash and change funds	1,217	-
Taxes receivable - prior	111,006	57,909
Accounts receivable	231,140	2,721
Loans receivable	1,140,510	-
Due from other funds	146,278	-
Due from other governments	3,057,324	1,314,851
Prepaid items	-	-
Inventories	-	503,110
	\$ 10,856,832	\$ 3,176,468
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 254,657	\$ 122,769
Salaries payable	197,026	62,063
Contracts payable	-	95,240
Due to other funds	838	-
Due to other governments	30,669	-
Unearned revenue	8,630	-
	\$ 491,820	\$ 280,072
Deferred Inflows of Resources		
Unavailable revenue		
Taxes	\$ 148,367	\$ 49,822
Grants	16,557	1,201,859
Long-term receivables	1,124,548	-
Other	-	-
	\$ 1,289,472	\$ 1,251,681

EXHIBIT 3

<u>Public Health and Human Services</u>	<u>Local Option Sales Tax</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 653,401	\$ 5,588,255	\$ 2,885,963	\$ 1,651,730	\$ 18,246,583
-	-	-	-	1,217
41,996	-	28,261	9,000	248,172
59,738	-	-	141,781	435,380
-	-	-	-	1,140,510
838	-	-	-	147,116
189,143	151,460	-	48,175	4,760,953
1,521	-	-	-	1,521
-	-	-	-	503,110
<u>\$ 946,637</u>	<u>\$ 5,739,715</u>	<u>\$ 2,914,224</u>	<u>\$ 1,850,686</u>	<u>\$ 25,484,562</u>
\$ 105,562	\$ 20,978	\$ -	\$ 123,369	\$ 627,335
53,356	-	-	-	312,445
-	-	-	-	95,240
20,584	-	-	125,694	147,116
13,363	-	-	-	44,032
57,590	-	-	-	66,220
<u>\$ 250,455</u>	<u>\$ 20,978</u>	<u>\$ -</u>	<u>\$ 249,063</u>	<u>\$ 1,292,388</u>
\$ 36,131	\$ -	\$ 24,315	\$ 7,742	\$ 266,377
2,189	-	-	48,175	1,268,780
-	-	-	-	1,124,548
15,052	-	-	-	15,052
<u>\$ 53,372</u>	<u>\$ -</u>	<u>\$ 24,315</u>	<u>\$ 55,917</u>	<u>\$ 2,674,757</u>

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General	Road and Bridge
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
(Continued)		
Fund Balances		
Nonspendable		
Environmental improvements - principal	\$ -	\$ -
Inventories	-	503,110
Prepaid items	-	-
Restricted		
EDA	-	-
Environmental improvements	-	-
Capital equipment	-	-
Golf course improvements	-	-
Forfeited tax	-	-
Special projects	-	-
Revolving loans	550,051	-
Law library	15,882	-
National Forest Title III	106,408	-
Recorder's technology equipment	88,378	-
Recorder's compliance	122,304	-
Enhanced 911	152,702	-
Attorney's forfeiture	7,836	-
Drug forfeitures	4,521	-
DWI forfeitures	11,810	-
Extension services	41,868	-
Sheriff's contingency fund	5,000	-
20% unorganized townships	703	-
DNR snowmobile	9,320	-
Conceal and carry	37,148	-
Election equipment	1,863	-
Assigned		
Subsequent year's expenses	79,751	-
Emergency purposes	9,782	-
Hovland dock	1,471	-
Planning and zoning permit software	6,113	-
Telephone	115,821	-
Skateboard park	6,460	-
Data processing equipment	246,003	-
Elections	14,318	-
Sheriff's cars	173,769	-

EXHIBIT 3
(Continued)

<u>Public Health and Human Services</u>	<u>Local Option Sales Tax</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 584,434	\$ 584,434
-	-	-	-	503,110
1,521	-	-	-	1,521
-	-	-	8,458	8,458
-	-	-	268,232	268,232
-	-	344,916	-	344,916
-	-	1,521,256	-	1,521,256
-	-	-	11,022	11,022
-	5,718,737	-	-	5,718,737
-	-	-	-	550,051
-	-	-	-	15,882
-	-	-	-	106,408
-	-	-	-	88,378
-	-	-	-	122,304
-	-	-	-	152,702
-	-	-	-	7,836
-	-	-	-	4,521
-	-	-	-	11,810
-	-	-	-	41,868
-	-	-	-	5,000
-	-	-	-	703
-	-	-	-	9,320
-	-	-	-	37,148
-	-	-	-	1,863
-	-	-	-	79,751
-	-	-	-	9,782
-	-	-	-	1,471
-	-	-	-	6,113
-	-	-	-	115,821
-	-	-	-	6,460
-	-	-	-	246,003
-	-	-	-	14,318
-	-	-	-	173,769

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General	Road and Bridge
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
(Continued)		
Fund Balances		
Assigned (Continued)		
Landfill future development	130,088	-
County cars	111,800	-
Photocopiers	80,340	-
E-911 signs	1,000	-
County landings maintenance	56,832	-
Plat book fund	6,220	-
Hazardous materials team	1,383	-
NERCC facilities	22,118	-
Sheriff's response unit	833	-
Highways and streets	-	1,141,605
Human services	-	-
Building improvements	-	-
Debt service	-	-
Unassigned	6,855,644	-
	\$ 9,075,540	\$ 1,644,715
Total Fund Balances	\$ 9,075,540	\$ 1,644,715
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 10,856,832	\$ 3,176,468

EXHIBIT 3
(Continued)

<u>Public Health and Human Services</u>	<u>Local Option Sales Tax</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
-	-	-	-	130,088
-	-	-	-	111,800
-	-	-	-	80,340
-	-	-	-	1,000
-	-	-	-	56,832
-	-	-	-	6,220
-	-	-	-	1,383
-	-	-	-	22,118
-	-	-	-	833
-	-	-	-	1,141,605
641,289	-	-	-	641,289
-	-	-	720,949	720,949
-	-	1,023,737	-	1,023,737
-	-	-	(47,389)	6,808,255
<u>\$ 642,810</u>	<u>\$ 5,718,737</u>	<u>\$ 2,889,909</u>	<u>\$ 1,545,706</u>	<u>\$ 21,517,417</u>
<u><u>\$ 946,637</u></u>	<u><u>\$ 5,739,715</u></u>	<u><u>\$ 2,914,224</u></u>	<u><u>\$ 1,850,686</u></u>	<u><u>\$ 25,484,562</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, 2014**

Fund balances - total governmental funds (Exhibit 3)		\$ 21,517,417
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.		73,072,040
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		2,674,757
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	\$ (715,000)	
Sales tax revenue bonds	(17,385,000)	
General obligation notes	(1,870,000)	
Tax abatement bonds	(2,410,000)	
Accrued interest payable	(234,569)	
Compensated absences	(566,498)	(23,181,067)
Net Position of Governmental Activities (Exhibit 1)		\$ 74,083,147

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Road and Bridge
Revenues		
Taxes	\$ 2,843,070	\$ 1,486,390
Special assessments	71,321	-
Licenses and permits	62,916	-
Intergovernmental	4,691,129	3,754,684
Charges for services	368,413	290,955
Fines and forfeits	22,117	-
Gifts and contributions	18,967	-
Investment earnings	632,711	-
Miscellaneous	651,751	12,574
	\$ 9,362,395	\$ 5,544,603
Total Revenues		
Expenditures		
Current		
General government	\$ 3,592,805	\$ -
Public safety	2,716,942	-
Highways and streets	-	5,913,387
Sanitation	371,393	-
Human services	-	-
Health	-	-
Culture and recreation	926,044	-
Conservation of natural resources	621,925	-
Economic development	212,744	-
Capital outlay	1,236,445	-
Debt service		
Principal	-	-
Interest	-	-
Bond issuance costs	-	-
Administrative (fiscal) charges	-	-
	\$ 9,678,298	\$ 5,913,387
Total Expenditures		
Excess of Revenues Over (Under) Expenditures	\$ (315,903)	\$ (368,784)
Other Financing Sources (Uses)		
Transfers in	\$ 700,841	\$ 925,000
Transfers out	(725,000)	-
G.O. tax abatement bonds issued	-	-
	\$ (24,159)	\$ 925,000
Total Other Financing Sources (Uses)		
Net Change in Fund Balance	\$ (340,062)	\$ 556,216
Fund Balance - January 1	9,415,602	1,187,917
Increase (decrease) in inventories	-	(99,418)
Fund Balance - December 31	\$ 9,075,540	\$ 1,644,715

EXHIBIT 5

<u>Public Health and Human Services</u>	<u>Local Options Sales Tax</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 1,028,998	\$ 1,376,144	\$ 691,737	\$ 225,230	\$ 7,651,569
-	-	-	-	71,321
13,868	-	-	-	76,784
1,074,125	300,000	-	27,118	9,847,056
224,021	-	-	-	883,389
-	-	-	-	22,117
-	-	-	-	18,967
-	-	-	5,845	638,556
143,099	14,107	-	31,291	852,822
\$ 2,484,111	\$ 1,690,251	\$ 691,737	\$ 289,484	\$ 20,062,581
\$ -	\$ -	\$ -	\$ 76,989	\$ 3,669,794
-	-	-	-	2,716,942
-	-	-	-	5,913,387
-	-	-	-	371,393
2,227,764	-	-	-	2,227,764
298,126	-	-	-	298,126
-	-	-	-	926,044
-	81,000	-	-	702,925
-	2,069,748	-	141,768	2,424,260
-	525,697	-	365,521	2,127,663
-	495,000	660,000	-	1,155,000
-	532,559	23,936	-	556,495
-	-	105,139	-	105,139
-	900	2,525	-	3,425
\$ 2,525,890	\$ 3,704,904	\$ 791,600	\$ 584,278	\$ 23,198,357
\$ (41,779)	\$ (2,014,653)	\$ (99,863)	\$ (294,794)	\$ (3,135,776)
\$ -	\$ -	\$ -	\$ 33,355	\$ 1,659,196
-	-	(934,196)	-	(1,659,196)
-	-	2,410,000	-	2,410,000
\$ -	\$ -	\$ 1,475,804	\$ 33,355	\$ 2,410,000
\$ (41,779)	\$ (2,014,653)	\$ 1,375,941	\$ (261,439)	\$ (725,776)
684,589	7,733,390	1,513,968	1,807,145	22,342,611
-	-	-	-	(99,418)
\$ 642,810	\$ 5,718,737	\$ 2,889,909	\$ 1,545,706	\$ 21,517,417

**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, 2014**

Net change in fund balances - total governmental funds (Exhibit 5) \$ (725,776)

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

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

Deferred inflows of resources - December 31	\$ 2,674,757	
Deferred inflows of resources - January 1	<u>(3,458,472)</u>	(783,715)

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	\$ 5,456,078	
Net book value of assets disposed of	(57,359)	
Current year depreciation	<u>(2,584,757)</u>	2,813,962

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

Principal repayments - General obligation bonds	\$ 850,000	
Principal repayments - Tax abatement bonds	<u>305,000</u>	1,155,000

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.

Tax abatements bonds	\$ <u>(2,410,000)</u>	(2,410,000)
----------------------	-----------------------	-------------

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	\$ (126,402)	
Change in compensated absences	(6,017)	
Change in inventories	<u>(99,418)</u>	<u>(231,837)</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ (182,366)

FIDUCIARY FUNDS

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014**

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and pooled investments	\$ 795,877
Accounts receivable	128,761
Due from other governments	<u>70,027</u>
Total Assets	<u><u>\$ 994,665</u></u>
<u>Liabilities</u>	
Accounts payable	\$ 131,013
Due to other governments	<u>863,652</u>
Total Liabilities	<u><u>\$ 994,665</u></u>

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014. 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**

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 4.C. The County also participates in jointly-governed organizations described in Note 4.D.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net 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 position, 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**

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 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.

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

Additionally, the County reports the following fund types:

The Leased Lakeshore Permanent Fund is used to account for funds collected from the sale of County-owned lakeshore leased lots. In accordance with 1998 Minn. Laws ch. 389, art. 16, § 31, the principal on these sales must remain in an environmental trust fund, and only the interest may be spent on improvement of natural resources.

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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, 2014, 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 gains for 2014 were \$632,711.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Deposits and Investments (Continued)

Cook County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission. The investment in the pool is measured at the amortized cost per share provided by the pool which would closely approximate fair value.

2. Receivables and Payables

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

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

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

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

3. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/ expense) until then. Currently, the County has no items that qualify for reporting in this category.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

3. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item, unavailable revenue, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

4. 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.

5. 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.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

5. Capital Assets (Continued)

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

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

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

6. 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.

7. Unearned Revenue

Governmental funds and the government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)

8. 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 are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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.

9. Classification of Net Position

Net position in the government-wide and the component unit financial statements is classified in the following categories:

Net investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)

10. Classification of Fund Balance

In the fund financial statements, 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. These classifications are as follows:

Nonspendable - amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash (non-current loans, inventories, and prepaid items).

Restricted - amounts of fund balance subject to external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or constraints imposed by law through constitutional provisions and enabling legislation.

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

Assigned - amounts the County intends to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining positive amounts not restricted or committed. In the General Fund, assigned amounts represent intended uses as determined by the County Board or by the Auditor-Treasurer.

Unassigned - the residual classification in the General Fund, it includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

10. Classification of Fund Balance (Continued)

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

11. 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.

E. Future Change in Accounting Standards

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, replaces Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to employer governments that provide pensions through pension plans administered as trusts or similar arrangement that meet certain criteria. GASB Statement 68 requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement will be effective for the County's calendar year 2015. The County has not yet determined the financial statement impact of adopting this new standard.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

2. 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	\$ 18,246,583
Petty cash and change funds	1,217
Cook County and Grand Marais Joint Economic Development Authority component unit	
Cash and pooled investments	255,253
Fiduciary funds	
Cash and pooled investments	<u>795,877</u>
 Total Cash and Investments	 <u>\$ 19,298,930</u>

a. Deposits

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

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2014, the primary government's deposits were not exposed to custodial credit risk.

The Cook County and Grand Marais Joint Economic Development Authority component unit does not have a policy for custodial credit risk. At December 31, 2014, \$7,612 of the Authority's deposits were exposed to custodial credit risk.

b. Investments

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

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

Interest Rate Risk

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

Credit Risk

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

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

Negotiable certificates of deposit	
Insured	\$ 4,874,092
Government securities	
Insured	7,747,151
Uninsured, held by counterparty	2,156,343

Concentration of Credit Risk

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table presents the County's cash and pooled investment balances at December 31, 2014, 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 Home Loan Mortgage Corporation Discount Note	AAA	Moody's		02/27/2015	\$ 242,803
Federal Home Loan Mortgage Corporation Discount Note	AAA	Moody's		06/24/2024	398,996
Total Federal Home Loan Mortgage Corporation Discount Notes			<5%		\$ 641,799
Federal Home Loan Bank Note					
Federal Home Loan Bank Note	AAA	Moody's		12/12/2022	\$ 853,647
Federal Home Loan Bank Note	AA+	Moody's		02/14/2023	500,325
Federal Home Loan Bank Note	AAA	Moody's		05/08/2023	749,377
Federal Home Loan Bank Note	AAA	Moody's		05/23/2023	499,705
Federal Home Loan Bank Note	AAA	Moody's		06/20/2023	500,725
Federal Home Loan Bank Note	AAA	Moody's		05/22/2023	749,895
Federal Home Loan Bank Note	AAA	Moody's		05/23/2023	749,558
Total Federal Home Loan Bank Notes			24.26%		\$ 4,603,232
Governmental National Mortgage Association Notes	N/A	N/A	14.00%	01/20/2042	\$ 2,656,343
Federal Farm Credit Bank Bonds	N/A	N/A	10.55%	01/20/2042	\$ 2,002,120
Investment pools/mutual funds					
MM - Sales Tax Bond	N/A	N/A		N/A	\$ 2,646,086
MM - Money Market	N/A	N/A		N/A	922,954
MAGIC Fund	N/A	N/A		N/A	627,557
Total investment pools/mutual funds			22.12%		\$ 4,196,597
Certificates of deposit - negotiable					
GE Capital Bank	N/A	N/A		07/13/2018	\$ 244,368
CIT Bank Salt Lake UT	N/A	N/A		06/27/2019	244,113
World's Foremost Bank	N/A	N/A		05/08/2023	190,428
American Exp Cent BK	N/A	N/A			243,991
Sallie May Bank	N/A	N/A			149,049
Discover Bank	N/A	N/A			243,890
BMW Bank of America	N/A	N/A			243,439
Comenity Capital Bank	N/A	N/A			243,792
American Exp Bank FSB	N/A	N/A			243,613
Washington Trust Co	N/A	N/A			241,876
Webster Five Cents	N/A	N/A			241,293
Suntrust	N/A	N/A			210,667
Goldman Sachs	N/A	N/A			233,132
BMO Harris	N/A	N/A			241,902
Bank Hapoalim	N/A	N/A			34,000
Northfield Bank Staten Island	N/A	N/A			46,000
First Coml Bank Miss	N/A	N/A			249,042
Firstbank PR Santurce	N/A	N/A			149,623
Bank Baroda New York	N/A	N/A			250,000
Everbank Jacksonville	N/A	N/A			33,000

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

2. 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	
Brookline Bank Mass	N/A	N/A			249,038
Paragon Commercial Bank Raleigh	N/A	N/A			249,020
Enerank USA Salt Lake City	N/A	N/A			32,874
Wex Bank Midvale Utah	N/A	N/A			248,084
Bank Internet San Diego	N/A	N/A			50,014
Merrick Bank South Jordan Utah	N/A	N/A			33,000
Barclays Bank Del	N/A	N/A			34,844
Total certificates of deposit - negotiable			25.69%		\$ 4,874,092
Total pooled investments					\$ 18,974,183
Deposits					68,277
Petty cash					1,217
Deposits - component unit					255,253
Total Cash and Investments					\$ 19,298,930

2. Receivables

Receivables as of December 31, 2014, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 248,172	\$ -
Accounts	435,380	-
Loans	1,140,510	1,036,679
Due from other governments	4,760,953	927,518
Total Governmental Activities	\$ 6,585,015	\$ 1,964,197

Loans receivable represent amounts owing from private businesses within the county for economic development. The revolving loan fund activity is included in the General Fund. At year-end, the County had 31 loans with balances outstanding. Scheduled collections on these loans range from 5 to 20 years. Due from other governments, amounts not scheduled for collection during the subsequent year, are loans to fire districts for the purchase of equipment. Loans are repaid through the fire district tax levies. Collections for the loans to fire districts range from 7 to 19 years.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land and easements	\$ 1,781,918	\$ -	\$ -	\$ 1,781,918
Construction in progress	13,538,007	2,764,901	13,272,387	3,030,521
Total capital assets not depreciated	\$ 15,319,925	\$ 2,764,901	\$ 13,272,387	\$ 4,812,439
Capital assets depreciated				
Buildings	\$ 11,114,048	\$ 9,719,400	\$ -	\$ 20,833,448
Improvements other than buildings	998,062	-	-	998,062
Machinery, vehicles, furniture, and equipment	8,823,816	961,336	323,024	9,462,128
Infrastructure	60,687,700	5,282,828	-	65,970,528
Total capital assets depreciated	\$ 81,623,626	\$ 15,963,564	\$ 323,024	\$ 97,264,166
Less: accumulated depreciation for				
Buildings	\$ 4,170,016	\$ 502,687	\$ -	\$ 4,672,703
Improvements other than buildings	482,806	50,565	-	533,371
Machinery, vehicles, furniture, and equipment	5,240,003	781,493	265,665	5,755,831
Infrastructure	16,792,648	1,250,012	-	18,042,660
Total accumulated depreciation	\$ 26,685,473	\$ 2,584,757	\$ 265,665	\$ 29,004,565
Total capital assets depreciated, net	\$ 54,938,153	\$ 13,378,807	\$ 57,359	\$ 68,259,601
Capital Assets, Net	\$ 70,258,078	\$ 16,143,708	\$ 13,329,746	\$ 73,072,040

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

Governmental Activities	
General government	\$ 196,299
Public safety	286,610
Highways and streets, including depreciation of infrastructure assets	1,661,946
Sanitation	38,299
Culture and recreation	246,573
Conservation of natural resources	1,405
Economic development	153,625
Total Depreciation Expense - Governmental Activities	\$ 2,584,757

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2014, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Public Health and Human Services Fund	\$ 20,584	Reimburse for supplies and services
	Forfeited Tax Fund	<u>125,694</u>	To fund deficit cash
Total Due to General Fund		\$ 146,278	
Public Health and Human Services Fund	General Fund	<u>838</u>	Charges for services
Total Due To/From Other Funds		<u>\$ 147,116</u>	

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2014, consisted of the following:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
Debt Service Fund	General Fund	\$ 700,841	Equipment purchases
	Road and Bridge Fund	200,000	Equipment purchases
	Building Fund	<u>33,355</u>	Equipment purchases
Total Transfer from Debt Service Fund		\$ 934,196	
General Fund	Road and Bridge Fund	<u>725,000</u>	Equipment purchases
Total Transfers		<u>\$ 1,659,196</u>	

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2014, were as follows:

	Governmental Activities
Accounts	\$ 627,335
Salaries	312,445
Contracts	95,240
Due to other governments	44,032
Total Payables	\$ 1,079,052

2. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2014
Capital Improvement (Refunding) Bonds of 2011	2016	\$345,000 - \$360,000	0.55 - 1.30	\$ 1,415,000	\$ 715,000
Sales Tax Revenue Bonds of 2011	2032	\$280,000 - \$565,000	2.00 - 3.65	8,500,000	7,885,000
Taxable Sales Tax Revenue Bonds of 2012	2035	\$160,000 - \$1,240,000	2.00 - 3.30	9,660,000	9,500,000
Tax Abatement Bonds of 2014	2037	\$95,000 - \$160,000	1.10 - 3.50	2,410,000	2,410,000
Total General Obligation Bonds, Net					\$ 20,510,000
General Obligation Notes					
Capital Equipment Notes of 2012	2020	\$305,000 - \$320,000	0.35 - 1.10	2,175,000	\$ 1,870,000

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**

2. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2014, were as follows:

Year Ending December 31	Capital Improvement and Sales Tax Revenue and Abatement Bonds		General Obligation Capital Equipment Notes	
	Principal	Interest	Principal	Interest
2015	\$ 895,000	\$ 575,071	\$ 305,000	\$ 13,244
2016	920,000	580,109	310,000	11,783
2017	575,000	564,644	310,000	10,000
2018	695,000	548,772	310,000	7,752
2019	715,000	530,602	315,000	5,016
2020 - 2024	4,025,000	2,330,271	320,000	1,760
2025 - 2029	4,895,000	1,691,022	-	-
2030 - 2034	6,085,000	807,365	-	-
2035 - 2037	1,705,000	45,223	-	-
Total	\$ 20,510,000	\$ 7,673,079	\$ 1,870,000	\$ 49,555

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Capital improvement bonds	\$ 1,070,000	\$ -	\$ 355,000	\$ 715,000	\$ 355,000
Sales tax revenue bonds	8,220,000	-	335,000	7,885,000	340,000
Taxable sales tax revenue bonds	9,660,000	-	160,000	9,500,000	200,000
Tax abatement bonds	-	2,410,000	-	2,410,000	-
Total bonds payable	\$ 18,950,000	\$ 2,410,000	\$ 850,000	\$ 20,510,000	\$ 895,000
Notes payable					
Capital equipment notes	2,175,000	-	305,000	1,870,000	305,000
Compensated absences	560,481	426,493	420,476	566,498	-
Long-Term Liabilities	\$ 21,685,481	\$ 2,836,493	\$ 1,575,476	\$ 22,946,498	\$ 1,200,000

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

2. 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; and
- General Obligation Tax Abatements Bonds, Series 2014A, October 21, 2014.

3. 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 five years of credited service.

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.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. 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 highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for 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 remaining year. 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 remaining year. Under 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 Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent for each year of service.

For all General Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for 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 General 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.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. 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 were required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary in 2014. Public Employees Police and Fire Fund members were required to contribute 10.20 percent of their annual covered salary in 2014.

In 2014, the County was required to contribute the following percentages of annual covered payroll:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	15.30

The County's contributions for the years ending December 31, 2014, 2013, and 2012, for the General Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Employees Retirement Fund	\$ 304,062	\$ 301,347	\$ 285,707
Public Employees Police and Fire Fund	131,483	125,764	121,384

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

These contribution amounts are equal to the contractually required contributions for each year as set by state statute. Contribution rates increased on January 1, 2015, in the General Employees Retirement Fund Coordinated Plan (6.50 percent for members and 7.50 percent for employers) and the Public Employees Police and Fire Fund (10.80 percent for members and 16.20 percent for employers).

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, 2014, were:

	Employee	Employer
Contribution amount	\$ 6,617	\$ 6,617
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

4. 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 \$480,000 per claim in 2014 and \$490,000 per claim in 2015. 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**

4. 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.

Commitments and Contingencies

In May 2015, Cook County entered into a joint powers agreement with the City of Grand Marais and the Cook County and Grand Marais Joint Economic Development Authority (EDA) for the reassessment of business park lots for the EDA's Cedar Grove Business Park project and for clarity in determining contributions for servicing the debt service on this project. Under the original agreement, the City would receive the first \$60,000 on the sale of each lot to cover the debt payments; however, based on current valuations, the lot sales are not expected to cover the debt payments. The revised agreement states all proceeds from the future sales of the business park lots will go into a reserve account with the City to be used for redemption of the debt service on the project, Bond Series 2009A, which had an original face value of \$1,685,000. Cook County shall annually pay the City, on or before July 1 each year, an amount which constitutes 50 percent of the net annual bond payment in accordance with the debt service payment schedule of the bond, less any proceeds from lot sales. The amount of the future liability to the County cannot be determined as it is contingent on the sales of the business lots.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

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

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.

Arrowhead Regional Corrections is financed through state grants and contributions from the participating counties. Cook County provided \$280,061 in funding during 2014.

Separate financial information can be obtained from:

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

Carlton, Cook, Lake, and St. Louis Community Health Board

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Carlton, Cook, Lake, and St. Louis Community Health Board (Continued)

The Community Health Services Board is composed of nine members. 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 2014.

Separate financial information can be obtained from:

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

Northeast Minnesota Office of Job Training

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

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

Separate financial information can be obtained from:

Northeast Minnesota Office of Job Training
820 North 9th Street, Suite 210
Virginia, Minnesota 55792

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Minnesota Counties Information System (MCIS)

Aitkin, Carlton, Cass, Chippewa, Cook, Crow Wing, Dodge, Itasca, Koochiching, Lac qui Parle, Lake, Sherburne, and St. Louis Counties entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, for the purpose of operating and maintaining data processing facilities and management information systems for use by its members.

MCIS is governed by a 13-member Board, composed of a member appointed by each of the participating counties' Board of Commissioners. Financing is obtained through user charges to the member. Cass County is the fiscal agent for MCIS.

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

Separate financial information can be obtained from:

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

Northern Counties Land Use Coordinating Board

The Northern Counties Land Use Coordinating 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 the Aitkin, Cook, 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 comprise 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 provided no funding to this organization during 2014.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Northern Counties Land Use Coordinating Board (Continued)

Separate financial information can be obtained from:

Northern Counties Land Use Coordinating Board
St. Louis County Courthouse
100 North 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 Cook County, Lake County, Independent School District 381, Independent School District 166, and the Grand Portage Reservation. The purpose of the Collaborative is to form a coalition of agencies, schools, and communities along the North Shore that will systematically address the mental health and other needs of the whole person for all children and youth; ensure their graduation from high school; and assist them in becoming healthy, happy, productive citizens.

Control of the North Shore Collaborative is vested in a Board of Directors. Financing is provided by state and federal grants, appropriations from Collaborative members, and miscellaneous revenues. Lake County is the fiscal agent for the Collaborative and handles all of the financial transactions for the organization. Financial information for the Collaborative for the fiscal year ended December 31, 2014, is as follows:

Total Assets	\$	163,160
Total Liabilities		163,160

Separate financial information can be obtained from:

Lake County
601 3rd Avenue
Two Harbors, Minnesota 55616

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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 2014.

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.

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 Council member 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.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Northeast Minnesota Regional Radio Board (Continued)

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 2014.

Separate financial information can be obtained from:

Itasca County
123 N.E. 4th Street
Grand Rapids, Minnesota 55744-2847

D. Jointly-Governed Organizations

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

North Shore Management Board

The North Shore Management Board provides Lake Superior Shoreline planning for Cook, Lake, and St. Louis Counties; the Cities of Beaver Bay, Grand Marais, Silver Bay, and Two Harbors; and the Towns of Duluth and Lakewood. During the year, the County made payments of \$2,500 to the Board.

Community Health Information Collaborative

The Community Health Information Collaborative (CHIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. The County did not contribute to the CHIC during 2014.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Region Two - Northeast Minnesota Homeland Security Emergency Management Organization

The Region Two - Northeast Minnesota Security Emergency Management Organization was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the region. Control is vested in the Board, which is composed of representatives appointed by each Board of County Commissioners. Cook County's responsibility does not extend beyond making this appointment.

Minnesota Criminal Justice Data Communications Network

The Minnesota Criminal Justice Data Communications Network Joint Powers Agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, the County made no payments to the joint powers.

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Aitkin, Beltrami, Clay, Clearwater, Cook, Douglas, Grant, Itasca, Kittson, Koochiching, Lake of the Woods, Mahnomen, Marshall, McLeod, Mille Lacs, Norman, Otter Tail, Pennington, Polk, Pope, Red Lake, Roseau, Stevens, Todd, and Traverse Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee, which is composed of ten directors, each with an alternate, who are appointed annually by each respective County Board. The County's responsibility does not extend beyond making this appointment.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Sentence to Serve

Cook County, in conjunction with other local governments, participates in the State of Minnesota's Sentence to Serve (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from various foundations and initiative funds, as well as the Departments of Corrections and Natural Resources, provide the funds needed to operate the STS program. Cook County has no operational or financial control over the STS program. The County does not budget for any percentage of this program.

E. Tax-Forfeited Land

The County manages approximately 4,259 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.

5. 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.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

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

A. Summary of Significant Accounting Policies (Continued)

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. The Authority has one blended component unit, the Resource Development Council of Cook County, Inc.

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 and government-wide 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 accounts, and savings accounts.

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.

Land Held for Resale

Land held for resale comprises the business lots for sale in the Cedar Grove Business Park. The Authority constructed the Cedar Grove Business Park within the City of Grand Marais to provide land sites for new or existing businesses. The lots are valued at the lower of historical cost or fair market value.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

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

A. Summary of Significant Accounting Policies (Continued)

Capital Assets

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

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

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

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

B. Detailed Notes

1. Assets

Receivables

The Authority's receivables as of December 31, 2014, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes receivable	\$ 20,059	\$ -
Accounts receivable	10,819	-
Total	\$ 30,878	\$ -

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

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

B. Detailed Notes

1. Assets (Continued)

Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 295,658	\$ -	\$ 81,973	\$ 213,685
Construction in progress	3,455,410	2,668,108	2,530,060	3,593,458
Total capital assets not depreciated	\$ 3,751,068	\$ 2,668,108	\$ 2,612,033	\$ 3,807,143
Capital assets depreciated				
Land improvements	\$ 4,424,884	\$ -	\$ -	\$ 4,424,884
Buildings and structures	372,371	-	-	372,371
Furniture and equipment	1,039,458	63,717	34,991	1,068,184
Total capital assets depreciated	\$ 5,836,713	\$ 63,717	\$ 34,991	\$ 5,865,439
Less: accumulated depreciation for				
Land improvements	\$ 2,733,440	\$ 151,467	\$ -	\$ 2,884,907
Buildings and structures	372,371	-	-	372,371
Furniture and equipment	861,045	43,725	34,991	869,779
Total accumulated depreciation	\$ 3,966,856	\$ 195,192	\$ 34,991	\$ 4,127,057
Total capital assets depreciated, net	\$ 1,869,857	\$ (131,475)	\$ -	\$ 1,738,382
Capital Assets, Net	\$ 5,620,925	\$ 2,536,633	\$ 2,612,033	\$ 5,545,525

The Authority reclassified the lots for sale in the Cedar Grove Business Park from construction in progress to land held for resale.

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

Golf course	\$ 195,192
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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

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

B. Detailed Notes (Continued)

2. Liabilities

Operating Leases

The Authority leases golf carts under non-cancelable operating leases. Total costs for such leases were \$27,329 for the year ended December 31, 2014. The current operating leases expired on December 31, 2014. These operating leases are expected to be replaced by similar leases.

Short-Term Debt

The Authority took out a loan of \$225,000 in 2012 from Cook County to help pay operating costs. The Authority took out a loan of \$10,000 in 2013 and 2014 from the City of Grand Marais to help make contractor payments.

Short-term debt activity for the year ended December 31, 2014, is:

	<u>Beginning Balance</u>	<u>Additions/ Advances</u>	<u>Payments</u>	<u>Ending Balance</u>
Due to other governments	<u>\$ 185,000</u>	<u>\$ 10,000</u>	<u>\$ 20,000</u>	<u>\$ 175,000</u>

3. 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	<u>\$ 340,000</u>	<u>\$ -</u>	<u>\$ 340,000</u>	<u>\$ -</u>	<u>\$ -</u>

4. Sales Tax Collection Revenue

During 2014, the Authority received payments of \$2,718,095 from Cook County to cover the costs incurred by the Authority for planning costs and capital purchases of the golf course. The funds received were derived from the one percent sales tax collected by Cook County and are reported as nonoperating revenues in the financial statements.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

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

C. Risk Management

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

D. Cedar Grove Business Park

The Authority constructed the Cedar Grove Business Park within the City of Grand Marais to provide land sites for new or existing businesses. The project was funded by the Minnesota Department of Employment and Economic Development, Iron Range Resources grants obtained by the City, and a City-issued bond. The City has an agreement with the Authority whereby proceeds from lot sales are to be remitted to the City at the time of the sale to be used to help repay the City-issued bond that financed the improvement. Unsold lots are recorded based on the fair value as land held for resale and due to other governments on the balance sheet.

6. Stewardship, Compliance, and Accountability

Excess of Expenditures over Appropriations and Deficit Fund Equity

The Airport Special Revenue fund, a nonmajor fund, incurred expenditures that exceeded the appropriations in the amount of \$328,308. Additionally, the expenditures were in excess of revenues and available resources resulting in a deficit fund equity of \$47,389. Capital outlay expenditures were greater than anticipated.

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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,724,488	\$ 2,724,488	\$ 2,843,070	\$ 118,582
Special assessments	-	-	71,321	71,321
Licenses and permits	48,700	48,700	62,916	14,216
Intergovernmental	3,629,132	3,629,132	4,691,129	1,061,997
Charges for services	470,250	470,250	368,413	(101,837)
Fines and forfeits	15,500	15,500	22,117	6,617
Gifts and contributions	-	-	18,967	18,967
Investment earnings	300,000	300,000	632,711	332,711
Miscellaneous	404,230	404,230	651,751	247,521
Total Revenues	\$ 7,592,300	\$ 7,592,300	\$ 9,362,395	\$ 1,770,095
Expenditures				
Current				
General government				
Commissioners	\$ 341,009	\$ 341,009	\$ 324,284	\$ 16,725
Courts	35,000	35,000	19,109	15,891
Law library	25,250	25,250	25,426	(176)
County auditor	666,437	666,437	768,901	(102,464)
County assessor	293,667	293,667	285,406	8,261
Elections	18,535	18,535	38,814	(20,279)
Data processing	563,227	563,227	523,262	39,965
Personnel	189,144	189,144	186,117	3,027
Attorney	417,766	417,766	370,775	46,991
Recorder	189,772	189,772	184,803	4,969
Planning and zoning	298,904	298,904	294,937	3,967
Buildings and plant	497,946	497,946	528,930	(30,984)
Veterans service officer	36,064	36,064	42,041	(5,977)
Total general government	\$ 3,572,721	\$ 3,572,721	\$ 3,592,805	\$ (20,084)
Public safety				
Sheriff	\$ 2,029,781	\$ 2,029,781	\$ 1,883,594	\$ 146,187
Boat and water safety	-	-	3,452	(3,452)
Emergency services	102,522	102,522	108,644	(6,122)
Coroner	15,500	15,500	25,318	(9,818)
E-911 system	70,487	70,487	55,500	14,987
County jail	208,697	208,697	273,186	(64,489)
Community corrections	255,017	255,017	252,617	2,400
Other public safety	17,500	17,500	114,631	(97,131)
Total public safety	\$ 2,699,504	\$ 2,699,504	\$ 2,716,942	\$ (17,438)

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Sanitation				
Solid waste	\$ 53,620	\$ 53,620	\$ 57,152	\$ (3,532)
Recycling	319,357	319,357	313,822	5,535
Other sanitation	-	-	419	(419)
Total sanitation	\$ 372,977	\$ 372,977	\$ 371,393	\$ 1,584
Culture and recreation				
Historical society	\$ 70,000	\$ 70,000	\$ 73,548	\$ (3,548)
Parks	98,000	98,000	95,080	2,920
Senior citizens	81,000	81,000	81,000	-
Regional library	130,810	130,810	130,810	-
Contributions to the YMCA	-	-	162,066	(162,066)
Other	131,916	131,916	383,540	(251,624)
Total culture and recreation	\$ 511,726	\$ 511,726	\$ 926,044	\$ (414,318)
Conservation of natural resources				
Cooperative extension	\$ 71,172	\$ 71,172	\$ 79,900	\$ (8,728)
Soil and water conservation	39,526	39,526	39,526	-
Agricultural inspections	9,000	9,000	33,779	(24,779)
Environmental services	225,471	225,471	468,720	(243,249)
Total conservation of natural resources	\$ 345,169	\$ 345,169	\$ 621,925	\$ (276,756)
Economic development				
Community development	\$ 15,000	\$ 15,000	\$ 212,744	\$ (197,744)
Other miscellaneous	\$ 2,847	\$ 2,847	\$ -	\$ 2,847
Capital outlay				
General government	\$ 20,000	\$ 20,000	\$ 162,134	\$ (142,134)
Public safety	92,100	92,100	335,992	(243,892)
Sanitation	-	-	1,342	(1,342)
Culture and recreation	2,500	2,500	10,996	(8,496)
Conservation of natural resources	-	-	785	(785)
Economic development	-	-	725,196	(725,196)
Total capital outlay	\$ 114,600	\$ 114,600	\$ 1,236,445	\$ (1,121,845)
Total Expenditures	\$ 7,634,544	\$ 7,634,544	\$ 9,678,298	\$ (2,043,754)

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess of Revenues Over (Under)				
Expenditures	<u>\$ (42,244)</u>	<u>\$ (42,244)</u>	<u>\$ (315,903)</u>	<u>\$ (273,659)</u>
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 700,841	\$ 700,841
Transfers out	<u>(350,000)</u>	<u>(350,000)</u>	<u>(725,000)</u>	<u>(375,000)</u>
Total Other Financing Sources (Uses)	<u>\$ (350,000)</u>	<u>\$ (350,000)</u>	<u>\$ (24,159)</u>	<u>\$ 325,841</u>
Net Change in Fund Balance	<u>\$ (392,244)</u>	<u>\$ (392,244)</u>	<u>\$ (340,062)</u>	<u>\$ 52,182</u>
Fund Balance - January 1	<u>9,415,602</u>	<u>9,415,602</u>	<u>9,415,602</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 9,023,358</u></u>	<u><u>\$ 9,023,358</u></u>	<u><u>\$ 9,075,540</u></u>	<u><u>\$ 52,182</u></u>

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,456,211	\$ 1,456,211	\$ 1,486,390	\$ 30,179
Intergovernmental	3,839,530	3,839,530	3,754,684	(84,846)
Charges for services	318,000	318,000	290,955	(27,045)
Miscellaneous	100,000	100,000	12,574	(87,426)
Total Revenues	\$ 5,713,741	\$ 5,713,741	\$ 5,544,603	\$ (169,138)
Expenditures				
Current				
Highways and streets				
Administration	\$ 335,852	\$ 335,852	\$ 318,269	\$ 17,583
Maintenance	2,509,011	2,509,011	2,112,760	396,251
Construction	2,781,332	2,781,332	2,512,847	268,485
Equipment maintenance and shop	737,546	737,546	969,511	(231,965)
Total Expenditures	\$ 6,363,741	\$ 6,363,741	\$ 5,913,387	\$ 450,354
Excess of Revenues Over (Under) Expenditures	\$ (650,000)	\$ (650,000)	\$ (368,784)	\$ 281,216
Other Financing Sources (Uses)				
Transfers in	550,000	550,000	925,000	375,000
Net Change in Fund Balance	\$ (100,000)	\$ (100,000)	\$ 556,216	\$ 656,216
Fund Balance - January 1	1,187,917	1,187,917	1,187,917	-
Increase (decrease) in inventories	-	-	(99,418)	(99,418)
Fund Balance - December 31	\$ 1,087,917	\$ 1,087,917	\$ 1,644,715	\$ 556,798

**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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,032,804	\$ 1,032,804	\$ 1,028,998	\$ (3,806)
Licenses and permits	15,900	15,900	13,868	(2,032)
Intergovernmental	979,448	979,448	1,074,125	94,677
Charges for services	251,827	251,827	224,021	(27,806)
Miscellaneous	89,704	89,704	143,099	53,395
Total Revenues	\$ 2,369,683	\$ 2,369,683	\$ 2,484,111	\$ 114,428
Expenditures				
Current				
Human services				
Income maintenance	\$ 645,619	\$ 645,619	\$ 640,571	\$ 5,048
Social services	1,474,809	1,474,809	1,565,407	(90,598)
Other	-	-	21,786	(21,786)
Total human services	\$ 2,120,428	\$ 2,120,428	\$ 2,227,764	\$ (107,336)
Health				
Nursing service	331,993	331,993	298,126	33,867
Total Expenditures	\$ 2,452,421	\$ 2,452,421	\$ 2,525,890	\$ (73,469)
Net Change in Fund Balance	\$ (82,738)	\$ (82,738)	\$ (41,779)	\$ 40,959
Fund Balance - January 1	684,589	684,589	684,589	-
Fund Balance - December 31	\$ 601,851	\$ 601,851	\$ 642,810	\$ 40,959

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the following major funds: the General Fund and the Road and Bridge and Public Health and Human Services 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.

2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2014, expenditures exceeded appropriations in the following funds:

	Excess Expenditures	
General Fund	\$ 2,043,754	Primarily funded by greater than anticipated revenues, much of which correspond to the excess expenditures.
Public Health and Human Services Special Revenue Fund	73,469	Funded by increased reimbursements which are tied to expenditures and by use of fund balance.

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SUPPLEMENTARY INFORMATION

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

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

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

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 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, 2014**

	Building	Special Golf Course Lodging Tax
<u>Assets</u>		
Cash and pooled investments	\$ 732,182	\$ 8,458
Taxes receivable - prior	5,122	-
Accounts receivable	-	-
Due from other governments	-	-
	\$ 737,304	\$ 8,458
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 11,948	\$ -
Due to other funds	-	-
	\$ 11,948	\$ -
Deferred Inflows of Resources		
Unavailable revenue		
Taxes	\$ 4,407	\$ -
Grants	-	-
	\$ 4,407	\$ -
Fund Balances		
Nonspendable		
Environmental improvements - principal	\$ -	\$ -
Restricted		
EDA	-	8,458
Environmental improvements	-	-
Forfeited tax	-	-
Assigned		
Building improvements	720,949	-
Unassigned	-	-
	\$ 720,949	\$ 8,458
Total Fund Balances	\$ 720,949	\$ 8,458
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 737,304	\$ 8,458

EXHIBIT B-1

Revenue Funds			Leased Lakeshore Permanent	Total (Exhibit 3)
Airport	Forfeited Tax	Total		
\$ 58,424	\$ -	\$ 799,064	\$ 852,666	\$ 1,651,730
3,878	-	9,000	-	9,000
5,065	136,716	141,781	-	141,781
48,175	-	48,175	-	48,175
\$ 115,542	\$ 136,716	\$ 998,020	\$ 852,666	\$ 1,850,686
\$ 111,421	\$ -	\$ 123,369	\$ -	\$ 123,369
-	125,694	125,694	-	125,694
\$ 111,421	\$ 125,694	\$ 249,063	\$ -	\$ 249,063
\$ 3,335	\$ -	\$ 7,742	\$ -	\$ 7,742
48,175	-	48,175	-	48,175
\$ 51,510	\$ -	\$ 55,917	\$ -	\$ 55,917
\$ -	\$ -	\$ -	\$ 584,434	\$ 584,434
-	-	8,458	-	8,458
-	-	-	268,232	268,232
-	11,022	11,022	-	11,022
-	-	720,949	-	720,949
(47,389)	-	(47,389)	-	(47,389)
\$ (47,389)	\$ 11,022	\$ 693,040	\$ 852,666	\$ 1,545,706
\$ 115,542	\$ 136,716	\$ 998,020	\$ 852,666	\$ 1,850,686

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Building	Special Golf Course Lodging Tax
Revenues		
Taxes	\$ 126,217	\$ 4,107
Intergovernmental	-	-
Investment earnings	-	3
Miscellaneous	-	-
	\$ 126,217	\$ 4,110
Expenditures		
Current		
General government	\$ 76,989	\$ -
Economic development	-	-
Capital outlay	34,530	-
	\$ 111,519	\$ -
Excess of Revenues Over (Under) Expenditures	\$ 14,698	\$ 4,110
Other Financing Sources (Uses)		
Transfers in	33,355	-
Net Change in Fund Balance	\$ 48,053	\$ 4,110
Fund Balance - January 1	672,896	4,348
Fund Balance - December 31	\$ 720,949	\$ 8,458

EXHIBIT B-2

Revenue Funds			Leased Lakeshore Permanent	Total (Exhibit 5)
Airport	Forfeited Tax	Total		
\$ 94,906	\$ -	\$ 225,230	\$ -	\$ 225,230
27,118	-	27,118	-	27,118
-	-	3	5,842	5,845
31,291	-	31,291	-	31,291
\$ 153,315	\$ -	\$ 283,642	\$ 5,842	\$ 289,484
\$ -	\$ -	\$ 76,989	\$ -	\$ 76,989
141,768	-	141,768	-	141,768
330,991	-	365,521	-	365,521
\$ 472,759	\$ -	\$ 584,278	\$ -	\$ 584,278
\$ (319,444)	\$ -	\$ (300,636)	\$ 5,842	\$ (294,794)
-	-	33,355	-	33,355
\$ (319,444)	\$ -	\$ (267,281)	\$ 5,842	\$ (261,439)
272,055	11,022	960,321	846,824	1,807,145
\$ (47,389)	\$ 11,022	\$ 693,040	\$ 852,666	\$ 1,545,706

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

EXHIBIT B-3

**BUDGETARY COMPARISON SCHEDULE
AIRPORT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 95,300	\$ 95,300	\$ 94,906	\$ (394)
Intergovernmental	24,650	24,650	27,118	2,468
Miscellaneous	21,717	21,717	31,291	9,574
Total Revenues	\$ 141,667	\$ 141,667	\$ 153,315	\$ 11,648
Expenditures				
Current				
Economic development	\$ 124,451	\$ 124,451	\$ 141,768	\$ (17,317)
Capital outlay	20,000	20,000	330,991	(310,991)
Total Expenditures	\$ 144,451	\$ 144,451	\$ 472,759	\$ (328,308)
Net Change in Fund Balance	\$ (2,784)	\$ (2,784)	\$ (319,444)	\$ 339,956
Fund Balance - January 1	272,055	272,055	272,055	-
Fund Balance - December 31	\$ 269,271	\$ 269,271	\$ (47,389)	\$ 339,956

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, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>MEDICAL AND DEPENDENT CARE FLEX PLAN</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 4,025	\$ 64,893	\$ 66,696	\$ 2,222
<u>Liabilities</u>				
Accounts payable	\$ 4,025	\$ 64,893	\$ 66,696	\$ 2,222
 <u>SOIL AND WATER CONSERVATION DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 309,474	\$ 525,889	\$ 439,628	\$ 395,735
<u>Liabilities</u>				
Due to other governments	\$ 309,474	\$ 525,889	\$ 439,628	\$ 395,735
 <u>MORTGAGE REGISTRY</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 9,872	\$ 96,360	\$ 99,742	\$ 6,490
<u>Liabilities</u>				
Due to other governments	\$ 9,872	\$ 96,360	\$ 99,742	\$ 6,490

**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, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>FIRE DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 11,721	\$ 290,060	\$ 288,444	\$ 13,337
<u>Liabilities</u>				
Due to other governments	\$ 11,721	\$ 290,060	\$ 288,444	\$ 13,337
 <u>CITIES AND TOWNS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 77,184	\$ 1,506,611	\$ 1,494,039	\$ 89,756
<u>Liabilities</u>				
Due to other governments	\$ 77,184	\$ 1,506,611	\$ 1,494,039	\$ 89,756
 <u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 113,547	\$ 2,497,286	\$ 2,458,503	\$ 152,330
Due from other governments	21	-	21	-
Total Assets	\$ 113,568	\$ 2,497,286	\$ 2,458,524	\$ 152,330
<u>Liabilities</u>				
Due to other governments	\$ 113,568	\$ 2,497,286	\$ 2,458,524	\$ 152,330

**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, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>LODGING TAX</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 40,724	\$ 1,571,614	\$ 1,612,308	\$ 30
Accounts receivable	81,566	128,761	81,566	128,761
Total Assets	\$ 122,290	\$ 1,700,375	\$ 1,693,874	\$ 128,791
<u>Liabilities</u>				
Accounts payable	\$ 122,290	\$ 1,700,375	\$ 1,693,874	\$ 128,791
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 66,117	\$ 12,751,045	\$ 12,735,528	\$ 81,634
<u>Liabilities</u>				
Due to other governments	\$ 66,117	\$ 12,751,045	\$ 12,735,528	\$ 81,634
 <u>SCHOOL</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 63,705	\$ 2,149,310	\$ 2,158,672	\$ 54,343
Due from other governments	-	70,027	-	70,027
Total Assets	\$ 63,705	\$ 2,219,337	\$ 2,158,672	\$ 124,370
<u>Liabilities</u>				
Due to other governments	\$ 63,705	\$ 2,219,337	\$ 2,158,672	\$ 124,370

**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, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 696,369	\$ 21,453,068	\$ 21,353,560	\$ 795,877
Accounts receivable	81,566	128,761	81,566	128,761
Due from other governments	21	70,027	21	70,027
Total Assets	\$ 777,956	\$ 21,651,856	\$ 21,435,147	\$ 994,665
<u>Liabilities</u>				
Accounts payable	\$ 126,315	\$ 1,765,268	\$ 1,760,570	\$ 131,013
Due to other governments	651,641	19,886,588	19,674,577	863,652
Total Liabilities	\$ 777,956	\$ 21,651,856	\$ 21,435,147	\$ 994,665

OTHER SCHEDULES

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Governmental Funds	Component Unit
Shared Revenue		
State		
Highway users tax	\$ 3,667,770	\$ -
PERA rate reimbursement	17,931	-
Disparity reduction credit	3,157	-
Police aid	96,469	-
County program aid	282,362	-
Taconite credit	145,259	-
Casino revenue aid	47,961	-
Enhanced 911	94,838	-
Total shared revenue	\$ 4,355,747	\$ -
Reimbursement for Services		
State		
Minnesota Department of Health	\$ 6,649	\$ -
Minnesota Department of Human Services	133,090	-
Total reimbursement for services	\$ 139,739	\$ -
Payments		
State		
Payments in lieu of taxes	\$ 363,017	\$ -
Local		
Local contributions	300,000	52,347
Total payments	\$ 663,017	\$ 52,347
Grants		
State		
Minnesota Department/Board of		
Public Safety	\$ 11,573	\$ -
Agriculture	121,592	-
Transportation	27,118	-
Health	50,477	-
Environmental Assistance	175,703	-
Natural Resources	191,288	-
Human Services	311,269	-
Veterans Affairs	7,500	-
Water and Soil Resources	30,781	-
Miscellaneous boards	89,576	-
Total state	\$ 1,016,877	\$ -

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

*EXHIBIT D-1
(Continued)*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Governmental Funds	Component Unit
Grants (Continued)		
Federal		
Department of		
Agriculture	\$ 2,107,423	\$ -
Commerce	53,878	-
Housing and Urban Development	200,422	18,000
Interior	211,311	-
Transportation	94,556	-
Education	2,288	-
Health and Human Services	528,195	-
Homeland Security	369,675	-
Environmental Protection Agency	103,928	-
Total federal	\$ 3,671,676	\$ 18,000
Total state and federal grants	\$ 4,688,553	\$ 18,000
Total Intergovernmental Revenue	\$ 9,847,056	\$ 70,347

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Direct		
U.S. Forest Service Cooperative Agreement	R9-9-95-36C	\$ 32,417
Law Enforcement Cooperative Agreement	11-LE-11090903	12,373
Cooperative Forestry Assistance	10.664	7,293
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	31,572
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	76,566
Passed Through Minnesota Office of Management & Budget Schools and Roads - Grants to States	10.665	<u>1,947,202</u>
Total U.S. Department of Agriculture		<u>\$ 2,107,423</u>
U.S. Department of Commerce		
Passed Through Minnesota Department of Natural Resources Coastal Zone Management Administration Awards	11.419	<u>\$ 53,878</u>
U.S. Department of Housing and Urban Development		
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	\$ 200,422
Passed Through St. Louis County Home Investment Partnerships Program	14.239	<u>18,000</u>
Total U.S. Department of Housing and Urban Development		<u>\$ 218,422</u>
U.S. Department of the Interior		
Direct		
Payments in Lieu of Taxes	15.226	<u>\$ 211,311</u>

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

*EXHIBIT D-2
(Continued)*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	\$ 16,887
Passed Through Minnesota Department of Natural Resources Highway Planning and Construction Cluster Recreational Trails Program	20.219	<u>77,669</u>
Total U.S. Department of Transportation		<u>\$ 94,556</u>
U.S. Environmental Protection Agency		
Passed Through Minnesota Pollution Control Agency Great Lakes Program	66.469	\$ 98,928
Passed Through Minnesota Department of Health Beach Monitoring and Notification Program Implementation Grants	66.472	<u>5,000</u>
Total U.S. Environmental Protection Agency		<u>\$ 103,928</u>
U.S. Department of Education		
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board Special Education - Grants for Infants and Families	84.181	<u>\$ 2,288</u>
U.S. Department of Health and Human Services		
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board Public Health Emergency Preparedness	93.069	\$ 20,669
Temporary Assistance for Needy Families (Temporary Assistance for Needy Families 93.558 \$39,967)	93.558	3,244
Maternal and Child Health Services Block Grant to the States	93.994	4,807
Passed Through Koochiching County Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	93.912	18,507

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**EXHIBIT D-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	1,393
Temporary Assistance for Needy Families (Temporary Assistance for Needy Families 93.558 \$39,967)	93.558	36,723
Child Support Enforcement	93.563	133,183
Refugee and Entrant Assistance - State-Administered Programs	93.566	415
Child Care and Development Block Grant	93.575	916
Stephanie Tubbs Jones Child Welfare Services Program	93.645	919
Foster Care Title IV-E	93.658	17,873
Social Services Block Grant	93.667	34,617
Children's Health Insurance Program	93.767	51
Medical Assistance Program	93.778	215,828
Total U.S. Department of Health and Human Services		\$ 489,145
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 10,473
Passed Through Minnesota Department of Public Safety		
Emergency Management Performance Grants	97.042	16,557
Pre-Disaster Mitigation	97.047	218,249
Homeland Security Grant Program	97.067	140,953
Total U.S. Department of Homeland Security		\$ 386,232
Total Federal Awards		\$ 3,667,183

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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 \$18,000 of federal funding under CFDA No. 14.239 - Home Investment Partnerships Program, which is 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, 2014. 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 or changes in net position 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	\$	94,556
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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

5. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 3,671,676
Federal Expenditures of the Cook County and Grand Marais Joint Economic Development Authority	18,000
Grants unavailable in 2013, recognized as revenue in 2014 Medical Assistance Program	(39,050)
Grants received more than 60 days after year-end, unavailable in 2014 Emergency Management Performance Grants	<u>16,557</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 3,667,183</u>

6. Subrecipients

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2014.

**Other Information
Section**

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

EXHIBIT E-1

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

	2013		2014		2015	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	\$ 16,500,288		\$ 16,473,774		\$ 16,462,413	
Personal property	278,041		289,789		272,159	
Fiscal disparity contribution	(391,702)		(382,647)		(447,825)	
Net Tax Capacity	\$ 16,386,627		\$ 16,380,916		\$ 16,286,747	
Taxes Levied for County Purposes						
General	\$ 3,235,830	19.72	\$ 3,086,788	18.85	\$ 3,206,697	19.70
Road and Bridge	1,387,612	8.42	1,424,211	8.66	1,593,967	9.74
Social Services	1,030,361	6.25	1,032,804	6.28	1,151,248	7.04
Airport	95,300	0.58	95,300	0.58	95,300	0.58
Government Center	360,000	2.18	360,000	2.19	379,528	2.32
YMCA Operations	-	-	110,000	0.67	110,000	0.67
Economic Development	150,000	0.91	210,000	1.28	252,320	1.54
Total Levy for County Purposes	\$ 6,259,103	38.06	\$ 6,319,103	38.51	\$ 6,789,060	41.59
Less Credits Payable by State						
Taconite homestead credit	\$ 351,005		\$ 350,056		\$ 360,344	
Disparity reduction aid	3,157		3,157		3,157	
Total Credits Payable by State	\$ 354,162		\$ 353,213		\$ 363,501	
Net Levy for County Purposes	\$ 5,904,941		\$ 5,965,890		\$ 6,425,559	
Tax Capacity - Light and Power	\$ 54,270		\$ 57,292		\$ 54,796	
Light and Power Tax Levy (distributed pursuant to Minn. Stat. § 273.42, as amended)						
	\$ 28,504		\$ 29,883		\$ 27,858	
Percentage of Tax Collections for All Purposes	99.73%		99.72%			

(Unaudited)

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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:

Schools and Roads - Grants to States

CFDA #10.665

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

Cook County qualified as a low-risk auditee? **No**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 1996-003

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 informed us that it would not be cost effective 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.

Finding 2006-006

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 will continue 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 2016.

ITEM ARISING THIS YEAR

Finding 2014-001

Sheriff's Department Control Procedures

Criteria: Timely deposits of cash receipted and reconciliations of receipts to deposits are basic internal controls which are necessary to ensure that the County's assets are adequately safeguarded.

Condition: During the audit of the Sheriff's Department, cash was counted. There was \$750 of cash on hand related to phone cards that had not been deposited and was not reconcilable to the Department's receipt book. It could not be determined when the funds were received. Due to not reconciling receipts to funds received, amounts deposited by the Sheriff's Department could not be traced to amounts deposited with the Auditor's Office.

Context: The establishment and oversight of department control procedures is particularly important because, generally, these smaller departments lack proper segregation of duties, which increases the risk of errors or fraud.

Effect: Internal control procedures in place to ensure accounting records are properly maintained and adequately supported are not working as intended. This increases the risk that errors or fraud could occur in the department and not be detected timely by County staff.

Cause: The County Board relies on management within the individual departments to ensure proper internal controls have been established and are working as intended. Although individual department managers may be aware that certain control procedures should be performed, there is limited formal guidance documenting what internal control policies and procedures should be implemented by departmental staff.

Recommendation: We recommend Cook County's management implement oversight and monitoring procedures to ensure that internal control policies and procedures are being implemented by staff.

The Office of the State Auditor has a Statement of Position 2007-1010 which discusses the importance of internal controls. It can be found on our website, http://www.auditor.state.mn.us/other/Statements/importanceic_0703_statement.pdf, along with useful information, and may offer additional guidance.

Client's Response:

The Sheriff's Office staff will start depositing the funds from the jail phone cards more frequently, as well as reconciling with the jail phone card receipts and receipts from the book by the window. They will start doing this weekly. They will count the money in the envelope, match it up with the phone card number on the sheets the dispatchers fill out and initial that they have matched it up and verify there is a yellow receipt with the funds. Melissa will then make the deposit with the Auditor's Office and reconcile it in the deposit book.

PREVIOUSLY REPORTED ITEM RESOLVED

Audit Adjustments and/or Restatements (2013-001)

During the 2013 audit, material audit adjustments were required to eliminate improper receivables, reduce revenue and expenditures to proper balances, and correct an adjusting journal entry reallocating revenues and expenditures.

Resolution

During the 2014 audit, no material audit adjustments were identified.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

OTHER ITEM FOR CONSIDERATION

GASB Statement No. 68, Accounting and Financial Reporting for Pensions

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for state and local governments. Effective for your calendar year 2015 financial statements, the GASB changed those standards as they apply to employers that provide pension benefits.

GASB Statement 68 significantly changes pension accounting and financial reporting for governmental employers that prepare financial statements on the accrual basis by separating pension accounting methodology from pension funding methodology. Statement 68 requires employers to include a portion of the Public Employees Retirement Association (PERA) total employers' unfunded liability, called the "net pension liability" on the face of the County's government-wide statement of financial position. The County's financial position will be immediately impacted by its unfunded share of the pension liability.

Statement 68 changes the amount employers report as pension expense and defers some allocations of expenses to future years—deferred outflows or inflows of resources. It requires pension costs to be calculated by an actuary; whereas, in the past pension costs were equal to the amount of employer contributions sent to PERA during the year. Additional footnote disclosures and required supplementary information schedules are also required by Statement 68.

The net pension liability that will be reported in Cook County’s financial statements is an accounting estimate of the proportionate share of PERA’s unfunded liability at a specific point in time. That number will change from year to year and is based on assumptions about the probability of the occurrence of events far into the future. Those assumptions include how long people will live, how long they will continue to work, projected salary increases, and how well pension trust investments will do. PERA has been proactive in taking steps toward implementation and will be providing most of the information needed by employers to report the net pension liability and deferred outflows/inflows of resources.



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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
Grand Marais, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the 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, 2014, 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 16, 2015.

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 1996-003, 2006-006, and 2014-001, 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 in connection with the audit of the County's financial statements: 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 for tax increment financing because the County administers no tax increment financing districts.

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

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

Cook County's Response to Findings

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 subjected 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

September 16, 2015

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY 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
Grand Marais, Minnesota

Report on Compliance for the 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, 2014. 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 Cook 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 the major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Opinion on the 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, 2014.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 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 16, 2015

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR