

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

COOK COUNTY
GRAND MARAIS, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2007

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

For the Year Ended December 31, 2007



**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, 2007**

		<u>Term Expires</u>
Elected		
Commissioners		
District 1	Janice Hall	January 2011
District 2	Fritz Sobanja	January 2009
District 3	Robert Fenwick	January 2011
District 4	James Johnson	January 2009
District 5	Bruce Martinson*	January 2011
Officers		
Elected		
Attorney	Timothy Scannell	January 2011
Auditor/Treasurer	Braidy Powers	January 2011
Recorder/Registrar of Titles	Dusty Nelms	January 2011
Sheriff	Mark Falk	January 2011
Appointed		
Assessor/Land Commissioner	Ted Mershon	December 2008
Highway Engineer	Shae Kosmalski	May 2008
Veteran Services Officer	Dale Tormondson	January 2009
Human Services Board		
Chair	Robert Fenwick	January 2011
Vice Chair	James Johnson	January 2011
Member	Bev Green	January 2011
Member	Darrell Fisher	January 2011
Member	Fritz Sobanja	January 2011
Member	Janice Hall	January 2011
Member	Bruce Martinson	January 2011
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

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, 2007, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of Cook County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Cook County as of December 31, 2007, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We

have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2008, on our consideration of Cook County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

December 17, 2008

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007
(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, 2007. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the accompanying financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net assets are \$62,217,333, of which \$45,277,126 is invested in capital assets, net of related debt, and \$5,620,143 is restricted to specific purposes; \$11,320,064 remains as unrestricted net assets available to help ensure fiscal strength in the face of continued cuts in state aids.
- The Cook County and Grand Marais Joint Economic Development Authority (EDA) is shown as a "Discretely Presented Component Unit." The EDA has total net assets of \$4,062,127, of which \$3,844,892 is invested in capital assets, net of related debt, and \$292,889 is restricted to specific purposes. The majority of these amounts are for Superior National Golf Course in Lutsen and the Cedar Grove Business Park in Grand Marais.
- Cook County's net assets increased by \$2,285,330 for the year ended December 31, 2007, due mainly to major road renovation. The net assets of the County's discretely presented component unit (EDA) increased by \$1,955,555 due a prior period adjustment and current year capital costs related to the Cedar Grove Business Park. Much of this cost is offset by the proceeds of bonds issued by the City of Grand Marais. However, the Golf Course Enterprise Fund suffered a loss of \$117,462 in net assets.
- The net cost of governmental activities was \$6,135,212 for the current fiscal year. Net cost is the amount by which the cost of services had to be paid by taxes or other unrestricted funds. General revenues of \$8,420,542 more than covered the net cost, resulting in the \$2,285,330 increase in net assets referred to above.
- Governmental funds' fund balances increased \$955,928 in 2007. The change was due primarily to increased investment earnings in the General Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

- **Fiduciary funds**--The County is the trustee, or fiduciary, over assets, which can be used only for the trust beneficiaries, based on the trust arrangement. All of the County’s fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the County’s other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

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

The County as a Whole

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

Table 1
Net Assets

	Governmental Activities		Component Unit Activities	
	2007	2006	2007	2006
Current and other assets	\$ 21,977,250	\$ 21,208,228	\$ 693,244	\$ 1,052,799
Capital assets	48,602,126	47,979,093	5,030,473	3,091,308
Total Assets	\$ 70,579,376	\$ 69,187,321	\$ 5,723,717	\$ 4,144,107
Long-term debt outstanding	\$ 7,469,718	\$ 8,347,145	\$ 1,065,581	\$ 1,205,110
Other liabilities	892,325	908,173	596,009	832,425
Total Liabilities	\$ 8,362,043	\$ 9,255,318	\$ 1,661,590	\$ 2,037,535
Net Assets				
Invested in capital assets - net of debt	\$ 45,277,126	\$ 44,314,093	\$ 3,844,892	\$ 1,771,197
Restricted	5,620,143	5,146,025	292,889	292,599
Unrestricted	11,320,064	10,471,885	(75,654)	42,776
Total Net Assets	\$ 62,217,333	\$ 59,932,003	\$ 4,062,127	\$ 2,106,572

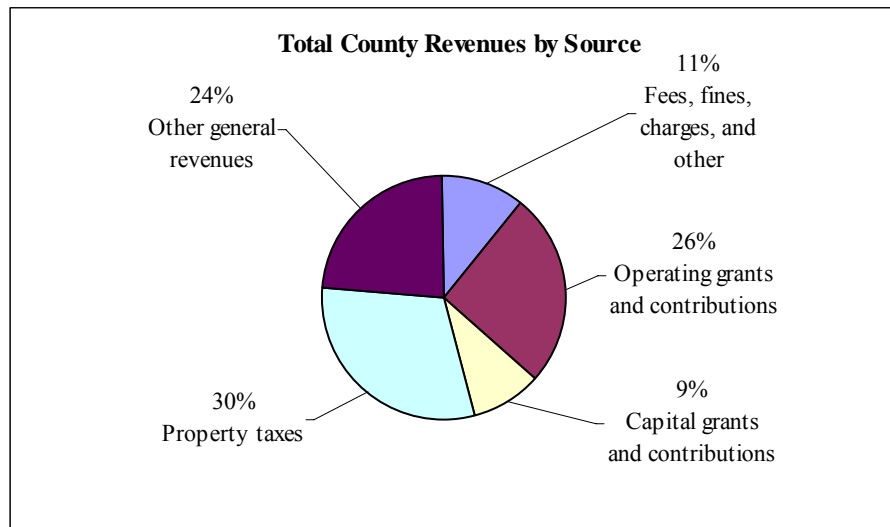
For details, please see the Statement of Net Assets, Exhibit 1.

Table 2
Changes in Net Assets

	Governmental Activities		Component Unit Activities	
	2007	2006	2007	2006
Revenues				
Program revenues				
Fees, fines, charges, and other	\$ 1,707,213	\$ 1,292,851	\$ 812,203	\$ 852,167
Operating grants and contributions	3,983,497	4,617,444	9,500	748,407
Capital grants and contributions	1,429,373	1,351,183	-	-
General revenues				
Property taxes	4,709,872	4,325,273	79,942	83,010
Other taxes	2,030,970	1,948,638	50,000	50,000
Unrestricted grants and contributions	773,125	842,796	1,290,273	-
Investment income	876,028	639,090	1,074	13,717
Contributions to permanent fund	-	5,043	-	-
Miscellaneous	30,547	71,916	10,557	675
Total Revenues	\$ 15,540,625	\$ 15,094,234	\$ 2,253,549	\$ 1,747,976

	Governmental Activities		Component Unit Activities	
	2007	2006	2007	2006
Expenses				
General government	\$ 2,879,185	\$ 2,798,431	\$ -	\$ -
Public safety	2,621,031	2,395,738	-	-
Highways and streets	3,258,585	2,856,980	-	-
Sanitation	426,936	410,537	-	-
Human services	1,799,331	1,566,894	-	-
Health	307,367	245,760	-	-
Culture and recreation	669,701	674,851	-	-
Golf course	-	-	984,314	1,026,501
Conservation of natural resources	308,708	502,355	-	-
Economic development	685,841	286,805	138,892	1,021,288
Interest	298,610	322,235	-	-
Total Expenses	\$ 13,255,295	\$ 12,060,586	\$ 1,123,206	\$ 2,047,789
Increase (Decrease) in Net Assets	\$ 2,285,330	\$ 3,033,648	\$ 1,130,343	\$ (299,813)
Net Assets - January 1	59,932,003	56,898,355	2,106,572	2,406,385
Prior period adjustment	-	-	825,212	-
Net Assets - December 31	\$ 62,217,333	\$ 59,932,003	\$ 4,062,127	\$ 2,106,572

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



Governmental Activities

The cost of all governmental activities this year was \$13,255,295. However, as shown in the Statement of Activities (Exhibit 2), the amount taxpayers ultimately financed for these activities through County taxes was \$4,709,872, 8.9 percent higher than 2006. Some of the cost was paid by those who directly benefited from the programs (\$1,707,213), or by other governments and organizations that subsidized certain programs with grants and contributions (\$5,412,870).

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

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Highways and streets	\$ 3,258,585	\$ 2,856,980	\$ 280,201	\$ (450,439)
General government	2,879,185	2,798,431	1,359,311	1,406,738
Public safety	2,621,031	2,395,738	1,803,554	1,823,120
Human services	1,799,331	1,566,894	753,626	684,169
Economic development	685,841	286,805	395,022	60,827
Culture and recreation	669,701	674,851	599,073	605,215
Sanitation	426,936	410,537	225,916	409,537
Conservation of natural resources	308,708	502,355	214,213	8,822
All others	605,977	567,995	504,296	251,119
Total (Net Expense)	<u>\$ 13,255,295</u>	<u>\$ 12,060,586</u>	<u>\$ 6,135,212</u>	<u>\$ 4,799,108</u>

The County’s Funds

As the County completed the year, its governmental funds reported a combined fund balance of \$17,711,265 as compared to last year’s total of \$16,755,337. The Road and Bridge Special Revenue Fund, Hospital Sales Tax Special Revenue Fund, and the General Fund accounted for \$322,459, \$647,765, and \$444,319 of that increase, respectively. Please see Exhibit 5 for details.

General Fund Budgetary Highlights

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

Expenditures, excluding capital, were \$755,444 above the final budget amounts. The most significant events that led to the higher costs were from designated and reserved amounts, including our revolving loan fund, and the park and recreation fund, as well as unbudgeted survey costs and grants such as those for ski and snowmobile trails. The higher than budgeted expenditures were more than offset by revenues that exceeded budget by \$1,286,704. Grant revenues and related expenditures, capital, and operating costs were generally not budgeted. Please see Schedule 1 for details.

CAPITAL ASSETS

At the end of 2007, the County had a net investment of \$48,602,127 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 \$623,034, or 1.3 percent, over last year.

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

	Governmental Activities	
	2007	2006
Land and easements	\$ 745,738	\$ 745,738
Construction in progress	2,084,545	354,831
Buildings and improvements	8,255,602	8,307,133
Machinery, vehicles, furniture, and equipment	1,607,955	1,784,096
Infrastructure	35,908,287	36,787,295
Total	<u>\$ 48,602,127</u>	<u>\$ 47,979,093</u>

The majority of the changes in 2007 are included in construction in progress. Please see Note 3.A.3. for details.

DEBT

At year-end, the County had \$7,010,584 in bonds and notes outstanding, versus \$7,905,149 last year--a decrease of 11.3 percent.

Table 5
Outstanding Debt at Year-End

	Governmental Activities	
	2007	2006
General obligation bonds	\$ 3,920,831	\$ 4,567,498
Certificates of participation	3,245,000	3,510,000
Less: deferred charges for refunding bonds	(155,247)	(172,349)
Total	<u>\$ 7,010,584</u>	<u>\$ 7,905,149</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2008 budget, tax levy, and fees that will be charged for various activities:

- continuing reductions in state aids to local governments;
- the continued escalation of health insurance costs, which are slated to increase eight percent in 2008;
- the need to maintain an unrestricted fund balance of at least 50 percent of operating expenditures; and
- to hold the levy at a ten percent increase, given the above factors, the County budgeted a use of fund balance of \$474,217.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2007**

	Primary Government Governmental Activities	Discretely Presented Component Unit
<u>Assets</u>		
Cash and pooled investments	\$ 15,615,272	\$ 341,240
Petty cash and change funds	1,032	-
Cash with escrow agent	428,651	-
Investments	15,072	-
Taxes receivable		
Prior	104,154	7,505
Accounts receivable - net	886,004	2,164
Lodging taxes receivable	26,439	-
Accrued interest receivable	76,497	-
Loan receivable	676,887	-
Deposits receivable	25,000	-
Due from other governments	3,701,281	-
Inventories	295,143	19,716
Prepaid items	-	3,238
Restricted assets		
Cash and pooled investments	-	319,381
Deferred charges	125,818	-
Capital assets		
Non-depreciable	2,830,283	2,423,003
Depreciable - net of accumulated depreciation	45,771,843	2,607,470
Total Assets	\$ 70,579,376	\$ 5,723,717
<u>Liabilities</u>		
Accounts payable	\$ 261,749	\$ 39,812
Salaries payable	306,867	1,381
Line of credit	-	23,550
Contracts payable	70,957	383,006
Due to other governments	35,642	-
Accrued interest payable	105,959	26,492
Unearned revenue	111,151	1,768
Bonds payable - current	-	120,000
Long-term liabilities		
Due within one year	946,667	9,132
Due in more than one year	6,523,051	1,056,449
Total Liabilities	\$ 8,362,043	\$ 1,661,590

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

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET ASSETS
DECEMBER 31, 2007**

	Primary Government Governmental Activities	Discretely Presented Component Unit
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 45,277,126	\$ 3,844,892
Restricted for		
General government	137,036	-
Highways and streets	2,536,327	-
Public safety	183,645	-
Culture and recreation	257,806	-
Conservation of natural resources	1,076,472	-
Economic development	698,590	-
Debt service	730,267	292,889
Unrestricted	11,320,064	(75,654)
Total Net Assets	\$ 62,217,333	\$ 4,062,127

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
Primary government		
Governmental activities		
General government	\$ 2,879,185	\$ 586,714
Public safety	2,621,031	211,505
Highways and streets	3,258,585	164,841
Sanitation	426,936	148,981
Human services	1,799,331	247,602
Health	307,367	28,262
Culture and recreation	669,701	48,628
Conservation of natural resources	308,708	9,238
Economic development	685,841	261,442
Interest	298,610	-
Total Governmental Activities	<u>\$ 13,255,295</u>	<u>\$ 1,707,213</u>
Component unit		
Cook County and Grand Marais Joint Economic Development Authority	<u>\$ 1,123,206</u>	<u>\$ 812,203</u>

General Revenues

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

Total general revenues

Change in net assets

Net Assets - Beginning, as restated (Note 6.A.)

Net Assets - 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 Government Governmental Activities</u>	<u>Discretely Presented Component Unit</u>
\$ 933,160	\$ -	\$ (1,359,311)	
605,972	-	(1,803,554)	
1,410,894	1,402,649	(280,201)	
52,039	-	(225,916)	
798,103	-	(753,626)	
73,419	-	(205,686)	
-	22,000	(599,073)	
85,257	-	(214,213)	
24,653	4,724	(395,022)	
-	-	(298,610)	
<u>\$ 3,983,497</u>	<u>\$ 1,429,373</u>	<u>\$ (6,135,212)</u>	
<u>\$ 9,500</u>	<u>\$ -</u>		<u>\$ (301,503)</u>
		\$ 4,709,872	\$ 79,942
		-	50,000
		12,167	-
		1,147,164	-
		695,491	-
		176,148	-
		773,125	1,290,273
		876,028	1,074
		-	6,432
		30,547	4,125
		<u>\$ 8,420,542</u>	<u>\$ 1,431,846</u>
		\$ 2,285,330	\$ 1,130,343
		<u>59,932,003</u>	<u>2,931,784</u>
		<u>\$ 62,217,333</u>	<u>\$ 4,062,127</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, 2007**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 7,764,637	\$ 1,517,192
Petty cash and change funds	1,032	-
Cash with escrow agent	-	-
Investments	-	-
Taxes receivable		
Prior	56,786	22,237
Accounts receivable	10,396	5,437
Lodging taxes receivable	-	-
Accrued interest receivable	76,497	-
Loans receivable	676,887	-
Due from other funds	198,659	-
Due from other governments	1,267,703	2,049,719
Inventories	-	295,143
Advance to other funds	83,994	-
MCCF deposit receivable	25,000	-
	\$ 10,161,591	\$ 3,889,728
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 125,785	\$ 39,850
Salaries payable	196,338	65,403
Contracts payable	-	70,957
Due to other funds	-	42,000
Due to other governments	15,551	5,073
Deferred revenue - unavailable	804,856	1,803,245
Deferred revenue - unearned	23,574	-
Advance from other funds	-	-
	\$ 1,166,104	\$ 2,026,528
Fund Balances		
Reserved for inventories	\$ -	\$ 295,144
Reserved for economic development	698,590	-
Reserved for law library	50,571	-
Reserved for recorder's equipment purchases	29,874	-
Reserved for recorder's compliance	41,497	-
Reserved for sheriff's contingency	5,000	-
Reserved for debt service	-	81,200
Reserved for highway projects	-	870,101
Reserved for enhanced 911	155,963	-

EXHIBIT 3

<u>Public Health and Human Services</u>	<u>Forfeited Tax</u>	<u>Hospital Sales Tax</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 970,219	\$ -	\$ 3,049,289	\$ 2,313,935	\$ 15,615,272
-	-	-	-	1,032
-	-	-	428,651	428,651
15,072	-	-	-	15,072
15,623	-	-	9,508	104,154
50,271	796,060	-	23,840	886,004
-	-	-	26,439	26,439
-	-	-	-	76,497
-	-	-	-	676,887
-	-	-	3,579	202,238
269,260	-	114,599	-	3,701,281
-	-	-	-	295,143
-	-	-	-	83,994
-	-	-	-	25,000
<u>\$ 1,320,445</u>	<u>\$ 796,060</u>	<u>\$ 3,163,888</u>	<u>\$ 2,805,952</u>	<u>\$ 22,137,664</u>
\$ 81,656	\$ -	\$ -	\$ 14,458	\$ 261,749
45,126	-	-	-	306,867
-	-	-	-	70,957
27,213	133,025	-	-	202,238
11,327	3,691	-	-	35,642
56,630	659,344	-	29,726	3,353,801
87,577	-	-	-	111,151
-	-	-	83,994	83,994
<u>\$ 309,529</u>	<u>\$ 796,060</u>	<u>\$ -</u>	<u>\$ 128,178</u>	<u>\$ 4,426,399</u>
\$ -	\$ -	\$ -	\$ -	\$ 295,144
-	-	-	-	698,590
-	-	-	-	50,571
-	-	-	-	29,874
-	-	-	-	41,497
-	-	-	-	5,000
-	-	-	649,067	730,267
-	-	-	-	870,101
-	-	-	-	155,963

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	General	Road and Bridge
<u>Liabilities and Fund Balances</u>		
Fund Balances (Continued)		
Reserved for MCCF deposit	25,000	-
Reserved for environmental improvements	-	-
Reserved for law enforcement	92	-
Reserved for timber development	297,281	-
Reserved for parks and recreation	257,806	-
Reserved for election equipment	15,094	-
Reserved for extension services	46,575	-
Reserved for conceal and carry	11,800	-
Reserved for snowmobile safety enforcement	10,882	-
Unreserved		
Designated for future expenditures	19,752	-
Designated for capital improvements	-	25,000
Designated for equipment purchases	-	247,000
Designated for E-911 signs	7,331	-
Designated for hazardous materials team	2,133	-
Designated for search and rescue	26,089	-
Designated for attorney's forfeiture	2,166	-
Designated for emergency purposes	1,132	-
Designated for drug forfeitures	1,416	-
Designated for elections	35,005	-
Designated for software	19,000	-
Designated for skateboard park	12,389	-
Designated for DWI forfeitures	9,282	-
Designated for Hovland dock	1,471	-
Designated for broadband	2,002	-
Designated for County telephone	40,773	-
Designated for 20% organized townships	21,425	-
Designated for data processing	314,104	-
Designated for NERCC facilities	22,118	-
Designated for sheriff's cars	228,561	-
Designated for landfill future development	91,574	-
Designated for County cars	127,966	-
Designated for photocopies	61,216	-
Designated for County landings	40,405	-
Undesignated	6,262,152	344,755
Unreserved, reported in nonmajor		
Special revenue funds	-	-
Debt service fund	-	-
	\$ 8,995,487	\$ 1,863,200
Total Fund Balances		
	\$ 10,161,591	\$ 3,889,728
Total Liabilities and Fund Balances		

EXHIBIT 3
(Continued)

<u>Public Health and Human Services</u>	<u>Forfeited Tax</u>	<u>Hospital Sales Tax</u>	<u>Nonmajor Funds</u>	<u>Total</u>
-	-	-	-	25,000
-	-	-	732,616	732,616
-	-	-	-	92
-	-	-	-	297,281
-	-	-	-	257,806
-	-	-	-	15,094
-	-	-	-	46,575
-	-	-	-	11,800
-	-	-	-	10,882
-	-	-	-	19,752
-	-	-	-	25,000
-	-	-	-	247,000
-	-	-	-	7,331
-	-	-	-	2,133
-	-	-	-	26,089
-	-	-	-	2,166
-	-	-	-	1,132
-	-	-	-	1,416
-	-	-	-	35,005
-	-	-	-	19,000
-	-	-	-	12,389
-	-	-	-	9,282
-	-	-	-	1,471
-	-	-	-	2,002
-	-	-	-	40,773
-	-	-	-	21,425
-	-	-	-	314,104
-	-	-	-	22,118
-	-	-	-	228,561
-	-	-	-	91,574
-	-	-	-	127,966
-	-	-	-	61,216
-	-	-	-	40,405
1,010,916	-	3,163,888	-	10,781,711
-	-	-	893,640	893,640
-	-	-	402,451	402,451
<u>\$ 1,010,916</u>	<u>\$ -</u>	<u>\$ 3,163,888</u>	<u>\$ 2,677,774</u>	<u>\$ 17,711,265</u>
<u>\$ 1,320,445</u>	<u>\$ 796,060</u>	<u>\$ 3,163,888</u>	<u>\$ 2,805,952</u>	<u>\$ 22,137,664</u>

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007**

Fund balances - total governmental funds (Exhibit 3)		\$ 17,711,265
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.		48,602,126
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		3,353,801
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (3,920,831)	
Certificates of participation	(3,089,753)	
Accrued interest payable	(105,959)	
Compensated absences	(459,134)	
Deferred debt issuance charges	125,818	
	(7,449,859)	(7,449,859)
Net Assets of Governmental Activities (Exhibit 1)		\$ 62,217,333

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	General	Road and Bridge
Revenues		
Taxes	\$ 2,813,228	\$ 1,033,063
Special assessments	37,180	-
Licenses and permits	79,977	-
Intergovernmental	2,455,092	3,291,287
Charges for services	420,083	164,841
Fines and forfeits	8,268	-
Gifts and contributions	27,203	-
Investment earnings	751,901	-
Miscellaneous	553,506	4,250
	\$ 7,146,438	\$ 4,493,441
Total Revenues		
Expenditures		
Current		
General government	\$ 2,726,407	\$ -
Public safety	2,368,507	-
Highways and streets	-	3,904,796
Sanitation	366,426	-
Human services	-	-
Health	-	-
Culture and recreation	646,010	-
Conservation of natural resources	282,204	-
Economic development	266,587	-
Capital outlay	198,050	-
Debt service		
Principal	-	75,000
Interest	-	3,375
Administrative (fiscal) charges	-	431
	\$ 6,854,191	\$ 3,983,602
Total Expenditures		
Excess of Revenues Over (Under) Expenditures	\$ 292,247	\$ 509,839
Other Financing Sources (Uses)		
Transfers in	\$ 152,072	\$ -
Transfers out	-	-
	\$ 152,072	\$ -
Total Other Financing Sources (Uses)		
Change in Fund Balance	\$ 444,319	\$ 509,839
Fund Balance - January 1	8,551,168	1,540,741
Increase (decrease) in reserved for inventories	-	(187,380)
	\$ 8,995,487	\$ 1,863,200
Fund Balance - December 31		

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

EXHIBIT 5

<u>Public Health and Human Services</u>	<u>Forfeited Tax</u>	<u>Hospital Sales Tax</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 718,175	\$ 43,643	\$ 1,147,164	\$ 764,518	\$ 6,519,791
-	-	-	-	37,180
12,287	-	-	-	92,264
857,715	-	-	88,012	6,692,106
150,227	-	-	-	735,151
-	-	-	-	8,268
-	-	-	-	27,203
-	-	-	127,228	879,129
97,375	-	-	56,657	711,788
\$ 1,835,779	\$ 43,643	\$ 1,147,164	\$ 1,036,415	\$ 15,702,880
\$ -	\$ 3,691	\$ -	\$ 306	\$ 2,730,404
-	-	-	2,678	2,371,185
-	-	-	-	3,904,796
-	-	-	-	366,426
1,790,287	-	-	-	1,790,287
307,367	-	-	-	307,367
-	-	-	1,311	647,321
-	25,748	-	-	307,952
-	-	-	239,272	505,859
-	-	-	245,553	443,603
-	-	-	836,667	911,667
-	-	-	264,790	268,165
-	-	-	4,109	4,540
\$ 2,097,654	\$ 29,439	\$ -	\$ 1,594,686	\$ 14,559,572
\$ (261,875)	\$ 14,204	\$ 1,147,164	\$ (558,271)	\$ 1,143,308
\$ -	\$ -	\$ -	\$ 717,077	\$ 869,149
-	(14,204)	(499,399)	(355,546)	(869,149)
\$ -	\$ (14,204)	\$ (499,399)	\$ 361,531	\$ -
\$ (261,875)	\$ -	\$ 647,765	\$ (196,740)	\$ 1,143,308
1,272,791	-	2,516,123	2,874,514	16,755,337
-	-	-	-	(187,380)
\$ 1,010,916	\$ -	\$ 3,163,888	\$ 2,677,774	\$ 17,711,265

**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, 2007**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 1,143,308

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

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

Deferred revenue - December 31	\$ 3,353,801	
Deferred revenue - January 1	<u>(3,516,056)</u>	(162,255)

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. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase the financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the sold asset.

Expenditures for general capital assets and infrastructure	\$ 2,209,799	
Net book value of assets sold	(3,314)	
Current year depreciation	<u>(1,583,452)</u>	623,033

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

Principal payments		
General obligation bonds	\$ 646,667	
Certificates of participation	<u>265,000</u>	911,667

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	\$ 10,011	
Amortization of premiums and bond issuance costs	(35,916)	
Change in compensated absences	(17,138)	
Change in inventories	<u>(187,380)</u>	<u>(230,423)</u>

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 2,285,330

FIDUCIARY FUNDS

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2007**

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and pooled investments	\$ 610,030
Accounts receivable	39,377
Due from other governments	<u>93,895</u>
Total Assets	<u><u>\$ 743,302</u></u>
<u>Liabilities</u>	
Accounts payable	\$ 41,679
Due to other governments	<u>701,623</u>
Total Liabilities	<u><u>\$ 743,302</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, 2007

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, 2007. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Blended Component Unit

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

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Blended Component Unit (Continued)

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

Discretely Presented Component Unit

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

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

The EDA 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 EDA 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 EDA has included the Resource Development Council of Cook County, Inc., as a blended component unit of the EDA.

Joint Ventures

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

2. Fund Financial Statements

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

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

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

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

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

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2007, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2007 were \$827,740.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

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

2. Receivables and Payables

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

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

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

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Inventories and Prepaid Items

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

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

4. Capital Assets

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

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

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

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Compensated Absences

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

6. Deferred Revenue

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

7. Long-Term Obligations

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

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Fund Equity

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

9. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations

For the year ended December 31, 2007, expenditures exceeded appropriations in the following funds:

General Fund	\$ 936,494	Primarily funded by greater than anticipated revenues, much of which correspond to the excess expenditures.
Public Health and Human Services Special Revenue Fund	\$ 264,656	Funded by increased reimbursements which are tied to expenditures and by use of fund balance.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Primary government	
Cash and pooled investments	\$ 15,615,272
Petty cash and change funds	1,032
Cash with fiscal agent	428,651
Investments	15,072
EDA component unit	
Cash and pooled investments	341,240
Restricted assets held by trustee	319,381
Fiduciary funds	
Cash and pooled investments	<u>610,030</u>
Total Cash and Investments	<u>\$ 17,330,678</u>

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest 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, revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2007, the primary government's bank balances of \$1,301,999 were not exposed to custodial credit risk.

The Cook County and Grand Marais Joint EDA component unit had bank balances of \$77,927 at December 31, 2007, and these were not exposed to custodial credit risk.

b. Investments

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

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

Interest Rate Risk

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

Credit Risk

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

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

Negotiable certificates of deposit	
Insured	\$ 3,360,758
Uninsured, held by counterparty	1,385,922
Government securities	
Insured	3,846,320
Uninsured, held by counterparty	2,144,458

Concentration of Credit Risk

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table presents the County's cash and pooled investment balances at December 31, 2007, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. Government agency securities					
Federal National Mortgage Association Note	N/A	N/A		01/15/2008	\$ 20,987
Federal National Mortgage Association Note	N/A	N/A		01/25/2008	29,925
Federal National Mortgage Association Note	N/A	N/A		05/15/2008	38,190
Federal National Mortgage Association Note	N/A	N/A		01/30/2009	100,000
Federal National Mortgage Association Note	N/A	N/A		08/27/2009	100,000
Federal National Mortgage Association Note	N/A	N/A		02/10/2011	100,000
Federal National Mortgage Association Note	N/A	N/A		10/15/2011	15,637
Federal National Mortgage Association Note	N/A	N/A		03/15/2012	24,991
Federal National Mortgage Association Note	N/A	N/A		03/15/2012	53,241
Federal National Mortgage Association Note	N/A	N/A		03/17/2014	100,000
Federal National Mortgage Association Note	N/A	N/A		08/20/2014	125,469
Federal National Mortgage Association Note	N/A	N/A		12/12/2017	100,281
Federal National Mortgage Association Note	N/A	N/A		07/01/2019	35,598
Federal National Mortgage Association Note	N/A	N/A		11/01/2020	30,304
Federal National Mortgage Association Note	N/A	N/A		10/01/2021	17,416
Federal National Mortgage Association Note	N/A	N/A		06/01/2022	24,300
Federal National Mortgage Association Note	N/A	N/A		09/01/2022	25,040
Federal National Mortgage Association Note	N/A	N/A		12/01/2022	55,713
Federal National Mortgage Association Note	N/A	N/A		12/19/2022	100,000
Total Federal National Mortgage Association Notes			7.23%		\$ 1,097,092
Federal Home Loan Mortgage Corporation Discount Note					
Federal Home Loan Mortgage Corporation Discount Note	N/A	N/A		10/23/2008	\$ 100,000
Federal Home Loan Mortgage Corporation Discount Note	AAA	Moody's		09/08/2011	201,382
Federal Home Loan Mortgage Corporation Discount Note	N/A	N/A		07/15/2012	23,128
Federal Home Loan Mortgage Corporation Discount Note	AAA	Moody's		10/23/2012	201,840
Federal Home Loan Mortgage Corporation Discount Note	AAA	Moody's		06/18/2014	200,682
Federal Home Loan Mortgage Corporation Discount Note	AAA	Moody's		11/26/2014	100,650
Federal Home Loan Mortgage Corporation Discount Note	AAA	Moody's		11/28/2014	301,940
Federal Home Loan Mortgage Corporation Discount Note	N/A	N/A		04/15/2019	100,000
Total Federal Home Loan Mortgage Corporation Discount Notes			8.11%		\$ 1,229,622
Federal Home Loan Bank Note					
Federal Home Loan Bank Note	AAA	Moody's		09/24/2009	\$ 200,690
Federal Home Loan Bank Note	AAA	Moody's		10/15/2009	100,391
Federal Home Loan Bank Note	AAA	Moody's		06/29/2010	100,000
Federal Home Loan Bank Note	AAA	Moody's		04/10/2012	125,339
Federal Home Loan Bank Note	AAA	Moody's		09/25/2012	100,000
Federal Home Loan Bank Note	AAA	Moody's		10/01/2012	126,094
Federal Home Loan Bank Note	AAA	Moody's		10/22/2012	100,000
Federal Home Loan Bank Note	AAA	Moody's		06/19/2013	92,806
Federal Home Loan Bank Note	AAA	Moody's		10/15/2015	100,000
Federal Home Loan Bank Note	AAA	Moody's		03/30/2010	100,000
Federal Home Loan Bank Note	AAA	Moody's		05/24/2017	99,998
Federal Home Loan Bank Note	AAA	Moody's		06/21/2017	100,000
Federal Home Loan Bank Note	AAA	Moody's		12/08/2030	149,668
Total Federal Home Loan Bank Notes			9.86%		\$ 1,494,986

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration	Interest	Carrying (Fair) Value
	Credit Rating	Rating Agency	Risk Over 5 Percent of Portfolio	Rate Risk Maturity Date	
Government National Mortgage Association Note	N/A	N/A		04/20/2024	\$ 3,991
Government National Mortgage Association Note	N/A	N/A		05/15/2024	4,889
Government National Mortgage Association Note	N/A	N/A		07/15/2024	3,166
Government National Mortgage Association Note	N/A	N/A		04/15/2026	4,512
Government National Mortgage Association Note	N/A	N/A		10/20/2026	902
Government National Mortgage Association Note	N/A	N/A		03/20/2028	7,682
Government National Mortgage Association Note	N/A	N/A		04/15/2028	17,081
Government National Mortgage Association Note	N/A	N/A		04/20/2028	4,314
Government National Mortgage Association Note	N/A	N/A		05/15/2028	1,880
Government National Mortgage Association Note	N/A	N/A		05/15/2008	11,402
Government National Mortgage Association Note	N/A	N/A		06/20/2028	2,973
Government National Mortgage Association Note	N/A	N/A		07/20/2028	3,390
Government National Mortgage Association Note	N/A	N/A		09/15/2028	4,432
Government National Mortgage Association Note	N/A	N/A		10/15/2028	5,359
Government National Mortgage Association Note	N/A	N/A		10/20/2028	3,151
Government National Mortgage Association Note	N/A	N/A		11/15/2028	3,965
Government National Mortgage Association Note	N/A	N/A		11/15/2028	6,256
Government National Mortgage Association Note	N/A	N/A		11/15/2028	11,261
Government National Mortgage Association Note	N/A	N/A		11/15/2028	5,643
Government National Mortgage Association Note	N/A	N/A		11/20/2028	15,016
Government National Mortgage Association Note	N/A	N/A		12/15/2028	4,700
Government National Mortgage Association Note	N/A	N/A		12/15/2028	1,668
Government National Mortgage Association Note	N/A	N/A		12/15/2028	3,636
Government National Mortgage Association Note	N/A	N/A		12/15/2028	9,201
Government National Mortgage Association Note	N/A	N/A		12/15/2028	3,414
Government National Mortgage Association Note	N/A	N/A		12/20/2028	9,868
Government National Mortgage Association Note	N/A	N/A		12/20/2028	3,180
Government National Mortgage Association Note	N/A	N/A		01/15/2029	11,060
Government National Mortgage Association Note	N/A	N/A		01/15/2029	1,791
Government National Mortgage Association Note	N/A	N/A		01/15/2029	7,495
Government National Mortgage Association Note	N/A	N/A		01/20/2029	6,549
Government National Mortgage Association Note	N/A	N/A		02/15/2029	8,164
Government National Mortgage Association Note	N/A	N/A		02/15/2029	4,130
Government National Mortgage Association Note	N/A	N/A		02/15/2029	2,402
Government National Mortgage Association Note	N/A	N/A		02/15/2029	4,316
Government National Mortgage Association Note	N/A	N/A		02/15/2029	10,665
Government National Mortgage Association Note	N/A	N/A		02/20/2029	49,102
Government National Mortgage Association Note	N/A	N/A		03/15/2029	7,751
Government National Mortgage Association Note	N/A	N/A		03/15/2029	2,800
Government National Mortgage Association Note	N/A	N/A		03/15/2029	11,423
Government National Mortgage Association Note	N/A	N/A		03/20/2029	14,467
Government National Mortgage Association Note	N/A	N/A		04/15/2029	3,151
Government National Mortgage Association Note	N/A	N/A		04/15/2029	5,181
Government National Mortgage Association Note	N/A	N/A		04/15/2029	11,654
Government National Mortgage Association Note	N/A	N/A		04/15/2029	3,346
Government National Mortgage Association Note	N/A	N/A		04/20/2029	16,125
Government National Mortgage Association Note	N/A	N/A		05/15/2029	11,573
Government National Mortgage Association Note	N/A	N/A		06/15/2029	4,028
Government National Mortgage Association Note	N/A	N/A		06/15/2029	1,856
Government National Mortgage Association Note	N/A	N/A		06/15/2029	10,910
Government National Mortgage Association Note	N/A	N/A		07/15/2029	2,601
Government National Mortgage Association Note	N/A	N/A		07/15/2029	4,731
Government National Mortgage Association Note	N/A	N/A		07/15/2029	11,363
Government National Mortgage Association Note	N/A	N/A		08/20/2029	2,240
Government National Mortgage Association Note	N/A	N/A		09/15/2029	2,748
Government National Mortgage Association Note	N/A	N/A		09/15/2029	6,356

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration	Interest	Carrying (Fair) Value
	Credit Rating	Rating Agency	Risk Over 5 Percent of Portfolio	Rate Risk Maturity Date	
Government National Mortgage Association Note	N/A	N/A		09/20/2029	10,395
Government National Mortgage Association Note	N/A	N/A		11/15/2029	5,444
Government National Mortgage Association Note	N/A	N/A		06/20/2030	13,392
Government National Mortgage Association Note	N/A	N/A		03/15/2031	3,768
Government National Mortgage Association Note	N/A	N/A		03/20/2031	8,534
Government National Mortgage Association Note	N/A	N/A		04/15/2031	2,751
Government National Mortgage Association Note	N/A	N/A		05/15/2031	6,270
Government National Mortgage Association Note	N/A	N/A		05/20/2031	13,804
Government National Mortgage Association Note	N/A	N/A		06/20/2031	8,038
Government National Mortgage Association Note	N/A	N/A		07/15/2031	3,118
Government National Mortgage Association Note	N/A	N/A		08/15/2031	10,804
Government National Mortgage Association Note	N/A	N/A		09/20/2031	12,320
Government National Mortgage Association Note	N/A	N/A		10/15/2031	9,633
Government National Mortgage Association Note	N/A	N/A		11/20/2031	14,281
Government National Mortgage Association Note	N/A	N/A		12/15/2031	2,599
Government National Mortgage Association Note	N/A	N/A		12/20/2031	9,344
Government National Mortgage Association Note	N/A	N/A		01/15/2032	3,635
Government National Mortgage Association Note	N/A	N/A		03/15/2032	11,895
Government National Mortgage Association Note	N/A	N/A		03/20/2032	3,429
Government National Mortgage Association Note	N/A	N/A		03/20/2032	9,714
Government National Mortgage Association Note	N/A	N/A		10/15/2032	11,271
Government National Mortgage Association Note	N/A	N/A		11/15/2032	2,725
Government National Mortgage Association Note	N/A	N/A		12/15/2032	6,433
Government National Mortgage Association Note	N/A	N/A		12/30/2032	10,238
Government National Mortgage Association Note	N/A	N/A		01/15/2033	8,868
Government National Mortgage Association Note	N/A	N/A		02/15/2033	8,038
Government National Mortgage Association Note	N/A	N/A		02/15/2033	7,195
Government National Mortgage Association Note	N/A	N/A		06/15/2033	10,721
Government National Mortgage Association Note	N/A	N/A		10/15/2033	12,138
Government National Mortgage Association Note	N/A	N/A		11/20/2033	13,012
Government National Mortgage Association Note	N/A	N/A		11/20/2033	9,120
Government National Mortgage Association Note	N/A	N/A		12/15/2033	11,242
Government National Mortgage Association Note	N/A	N/A		01/20/2037	14,376
Total Government National Mortgage Association Notes			N/A		\$ 685,455
U.S. Treasury Note	N/A	N/A		02/14/2008	\$ 4,983
U.S. Treasury Note	N/A	N/A		02/15/2008	42,003
U.S. Treasury Note	N/A	N/A		02/15/2008	44,004
U.S. Treasury Note	N/A	N/A		02/28/2008	12,939
U.S. Treasury Note	N/A	N/A		03/27/2008	421,922
U.S. Treasury Note	N/A	N/A		05/15/2009	90,076
U.S. Treasury Note	N/A	N/A		08/15/2009	1,028
U.S. Treasury Note	N/A	N/A		03/15/2010	90,829
U.S. Treasury Note	N/A	N/A		03/15/2010	25,514
U.S. Treasury Note	N/A	N/A		03/15/2010	112,260
U.S. Treasury Note	N/A	N/A		03/15/2010	40,822
U.S. Treasury Note	N/A	N/A		03/15/2010	24,493
U.S. Treasury Note	N/A	N/A		03/15/2010	28,575
U.S. Treasury Note	N/A	N/A		03/15/2010	23,473
U.S. Treasury Note	N/A	N/A		06/30/2011	29,748
Total U.S. Treasury Notes			6.55%		\$ 992,669

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Investment pools/mutual funds					
Merrill Lynch	N/A	N/A		N/A	\$ 11,587
Tamarack US Government Money Market	N/A	N/A		N/A	112
MAGIC Fund	N/A	N/A		N/A	4,407,678
Total investment pools/mutual funds			29.14%		\$ 4,419,377
Negotiable certificates of deposit					
Enerbank USA	N/A	N/A		01/02/2008	\$ 99,986
First National Bank of Barnesville	N/A	N/A		01/09/2008	99,887
Two Rivers Bank	N/A	N/A		01/22/2008	99,707
First Regional Bank	N/A	N/A		01/31/2008	99,580
Security Pacific Bank	N/A	N/A		01/31/2008	99,582
Columbus Bank and Trust	N/A	N/A		03/07/2008	95,086
Lasalle Bank	N/A	N/A		03/07/2008	97,476
National Bank of South Carolina	N/A	N/A		03/07/2008	95,085
Capmark Bank of Utah	N/A	N/A		03/19/2008	97,000
GMAC Bank of Utah	N/A	N/A		03/19/2008	97,000
Indymac	N/A	N/A		03/31/2008	98,792
Tustin Community Bank	N/A	N/A		04/09/2008	98,702
Scotia Bank of Puerto Rico	N/A	N/A		04/14/2008	97,000
Tomato Bank of California	N/A	N/A		04/28/2008	97,000
Cathay Bank of California	N/A	N/A		05/01/2008	97,000
Colonial Bank of Alabama	N/A	N/A		05/01/2008	97,000
TCM	N/A	N/A		05/19/2008	98,233
Midfirst Bank of Oklahoma	N/A	N/A		05/21/2008	97,000
West Pointe Bank	N/A	N/A		05/21/2008	98,223
Washington Bank of Nevada	N/A	N/A		05/23/2008	96,000
Franklin Bank of Texas	N/A	N/A		05/30/2008	97,000
Colorado Community Bank	N/A	N/A		06/03/2008	98,062
Keybank	N/A	N/A		06/03/2008	98,062
Baroda Bank of New York	N/A	N/A		06/05/2008	97,000
New South Federal Savings Bank of Alabama	N/A	N/A		06/05/2008	97,000
Imperial Bank of California	N/A	N/A		06/12/2008	97,000
National Republic Bank of Chicago	N/A	N/A		06/16/2008	97,899
East West Bank of California	N/A	N/A		06/19/2008	97,000
Bank of Florida	N/A	N/A		06/27/2008	97,000
Bank of Ohio	N/A	N/A		06/30/2008	97,000
Bankcorp Bank of Delaware	N/A	N/A		06/30/2008	97,000
Bank of New Jersey	N/A	N/A		09/10/2008	96,573
First Financial Bank	N/A	N/A		11/21/2008	95,960
Fidelity Bank of Florida	N/A	N/A		11/26/2008	95,897
E-trade Bank of Virginia	N/A	N/A		11/28/2008	95,000
Teambank of Kansas	N/A	N/A		11/28/2008	95,000
Omni Bank	N/A	N/A		12/04/2008	95,843
Wheatland	N/A	N/A		12/04/2008	95,843
First Federal Bank of California	N/A	N/A		12/17/2008	95,000
Commercial Bank	N/A	N/A		05/08/2009	99,109
Greenbank	N/A	N/A		06/15/2009	95,875
National Bank	N/A	N/A		11/02/2009	96,287
Hilltop Community Bank	N/A	N/A		11/06/2009	96,283

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Foundation Bank	N/A	N/A		11/09/2009	96,296
Firstbank	N/A	N/A		11/23/2009	96,311
Horizon Bank	N/A	N/A		05/20/2010	95,026
Lehman Brothers Bank	N/A	N/A		12/19/2012	93,199
Lasalle Bank	N/A	N/A		12/27/2015	92,816
Standard Federal Bank	N/A	N/A		12/27/2015	95,000
Total negotiable certificates of deposit			31.30%		\$ 4,746,680
Freddie Mac	AAA	Moody's	N/A	12/15/2019	\$ 500,000
Total pooled investments					\$ 15,165,881
Deposits					1,059,421
Petty cash					1,032
Fund investments					15,072
Cash with escrow agent					428,651
Deposits - component unit					660,621
Total Cash and Investments					\$ 17,330,678

2. Receivables

Receivables as of December 31, 2007, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes, including lodging taxes	\$ 130,593	\$ -
Loans	676,887	562,469
Due from other governments	3,701,281	232,423
Accounts	886,004	-
Interest	76,497	-
MCCF deposit	25,000	-
Total Governmental Activities	\$ 5,496,262	\$ 794,892

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land and easements	\$ 745,738	\$ -	\$ -	\$ 745,738
Construction in progress	354,831	1,729,714	-	2,084,545
Total capital assets not depreciated	\$ 1,100,569	\$ 1,729,714	\$ -	\$ 2,830,283
Capital assets depreciated				
Buildings	\$ 10,043,532	\$ 185,007	\$ -	\$ 10,228,539
Improvements other than buildings	786,293	53,088	-	839,381
Machinery, vehicles, furniture, and equipment	5,281,524	241,991	114,400	5,409,115
Infrastructure	46,263,953	-	-	46,263,953
Total capital assets depreciated	\$ 62,375,302	\$ 480,086	\$ 114,400	\$ 62,740,988
Less: accumulated depreciation for				
Buildings	\$ 2,372,390	\$ 246,594	\$ -	\$ 2,618,984
Improvements other than buildings	150,302	43,032	-	193,334
Machinery, vehicles, furniture, and equipment	3,497,428	414,818	111,086	3,801,160
Infrastructure	9,476,658	879,008	-	10,355,666
Total accumulated depreciation	\$ 15,496,778	\$ 1,583,452	\$ 111,086	\$ 16,969,144
Total capital assets depreciated, net	\$ 46,878,524	\$ (1,103,366)	\$ 3,314	\$ 45,771,844
Capital Assets, Net	\$ 47,979,093	\$ 626,348	\$ 3,314	\$ 48,602,127

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

Governmental Activities	
General government	\$ 170,093
Public safety	155,075
Highways and streets, including depreciation of infrastructure assets	1,026,264
Sanitation	23,500
Culture and recreation	22,967
Conservation of natural resources	1,405
Economic development	184,148
Total Depreciation Expense - Governmental Activities	\$ 1,583,452

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2007, 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	\$ 27,213	Reimburse for supplies and services
	Forfeited Tax Fund	129,446	Forfeited tax distribution
	Road and Bridge Fund	<u>42,000</u>	Reimburse for supplies and services
Total Due to General Fund		\$ 198,659	
Other governmental funds	Forfeited Tax Fund	<u>3,579</u>	Forfeited tax distribution
Total Due To/From Other Funds		<u>\$ 202,238</u>	

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

2. Interfund Advances

The General Fund has advanced \$104,968 to the Airport Special Revenue Fund to finance a new T-hangar. It will be repaid over ten years, from 2005 through 2014, with interest at three percent. The balance outstanding as of December 31, 2007, is \$83,994.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2007, consisted of the following:

Transfers to General Fund from other governmental funds		
Golf Course Lodging Tax Fund	\$ 141,447	Interest repayment
Forfeited Tax Special Revenue Fund	<u>10,625</u>	Distribute net proceeds
Transfers to General Fund	<u>\$ 152,072</u>	
Transfers to Building Fund from other governmental funds		
Forfeited Tax Special Revenue Fund	<u>\$ 3,579</u>	Distribute net proceeds
Transfers to Debt Service Fund from other governmental funds		
Hospital Sales Tax Fund	\$ 499,399	To fund debt payments
Golf Course Lodging Tax Fund	<u>214,099</u>	To fund debt payments
Transfers to Debt Service Fund	<u>\$ 713,498</u>	
Total Interfund Transfers	<u>\$ 869,149</u>	

C. Liabilities

1. Payables

Payables at December 31, 2007, were as follows:

	<u>Governmental Activities</u>
Accounts	\$ 261,749
Salaries	306,867
Contracts	70,957
Due to other governments	<u>35,642</u>
Total Payables	<u>\$ 675,215</u>

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2007
General obligation bonds					
G.O. Care Center Bonds of 1999	2009	\$3,056/month	0.00	\$ 330,000	\$ 45,831
G.O. Hospital Refunding Bonds of 2001	2014	\$200,000 - \$265,000	4.00 - 4.55	3,110,000	1,865,000
G.O. State Aid Road Refunding Bonds of 2003	2008	\$70,000 - \$80,000	1.65 - 3.00	380,000	80,000
G.O. Care Center Crossover Refunding Bonds of 2003	2014	\$125,000 - \$190,000	2.20 - 3.35	1,260,000	1,010,000
G.O. Tax Increment Improvement Refunding Bonds of 2003	2013	\$175,000 - \$235,000	1.75 - 3.20	1,630,000	920,000
Refunding Certificates of Participation of 2003	2017	\$205,000 - \$385,000	2.50 - 4.00	4,235,000	3,245,000
Total general obligation bonds				<u>\$ 10,945,000</u>	\$ 7,165,831
Less: unamortized charge - refunding bonds					<u>(155,247)</u>
Total General Obligation Bonds, Net					<u>\$ 7,010,584</u>

The G.O. State Aid Road Refunding Bonds are paid out of the Road and Bridge Special Revenue Fund. All other long-term debt is paid by the Debt Service Fund.

3. Debt Service Requirements

Debt service requirements at December 31, 2007, were as follows:

Year Ending December 31	General Obligation Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
2008	\$ 671,667	\$ 129,493	\$ 275,000	\$ 113,300
2009	594,164	111,256	285,000	104,900
2010	600,000	91,966	295,000	95,905
2011	640,000	70,910	300,000	85,935
2012	470,000	47,661	315,000	75,015
2013 - 2017	945,000	38,069	1,775,000	181,992
Total	<u>\$ 3,920,831</u>	<u>\$ 489,355</u>	<u>\$ 3,245,000</u>	<u>\$ 657,047</u>

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 4,567,498	\$ -	\$ 646,667	\$ 3,920,831	\$ 671,667
Certificates of participation	3,510,000	-	265,000	3,245,000	275,000
Less: deferred charges - refunding bonds	(172,349)	-	(17,102)	(155,247)	-
Total bonds payable	\$ 7,905,149	\$ -	\$ 894,565	\$ 7,010,584	\$ 946,667
Compensated absences	441,996	348,104	330,966	459,134	-
Long-Term Liabilities	<u>\$ 8,347,145</u>	<u>\$ 348,104</u>	<u>\$ 1,225,531</u>	<u>\$ 7,469,718</u>	<u>\$ 946,667</u>

5. Ongoing Disclosure of Long-Term Liabilities

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

- General Obligation Hospital Refunding Bonds, Series 2001, March 8, 2001;
- General Obligation Care Center Crossover Refunding Bonds, Series 2003, August 6, 2003;
- General Obligation Tax Increment Improvement Refunding Bonds, Series 2003, August 1, 2003; and
- General Obligation Refunding Certificates of Participation, Series 2003, August 20, 2003.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

Plan Description

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

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

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

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

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.75 percent, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan increased in 2008 to 6.00 percent. Public Employees Police and Fire Fund members were required to contribute 7.80 percent of their annual covered salary in 2007. That rate increased to 8.60 percent in 2008.

The County is required to contribute the following percentages of annual covered payroll in 2007 and 2008:

	<u>2007</u>	<u>2008</u>
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.25	6.50
Public Employees Police and Fire Fund	11.70	12.90

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2007, 2006, and 2005, for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Public Employees Retirement Fund	\$ 217,263	\$ 201,022	\$ 178,090
Public Employees Police and Fire Fund	86,071	66,278	56,440

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

B. Defined Contribution Plan

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

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

4. Pension Plans

B. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2007, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 7,095	\$ 7,095
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

5. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For group health insurance, the County belongs to the North East Service Cooperative (NESC). For other risks, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$400,000 per claim in 2007 and \$410,000 per claim in 2008. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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

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

B. Contingent Liabilities

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

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

C. Joint Ventures

Arrowhead Regional Corrections

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Arrowhead Regional Corrections (Continued)

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

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

Arrowhead Regional Corrections is financed through state grants and contributions from the participating counties. During 2006 (the most recent information available), county contributions were in the following proportion:

	Percent (%)
Carlton County	9.38
Cook County	1.44
Koochiching County	1.96
Lake County	2.19
St. Louis County	85.03
Total	100.00

Following is a summary of the financial information from Arrowhead Regional Corrections' government-wide statements for December 31, 2006:

Total Assets	\$	12,013,685
Total Liabilities		5,550,953
Total Net Assets		6,462,732
Total Revenues		19,396,875
Total Expenses		19,207,216
Change in Net Assets		189,659

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Arrowhead Regional Corrections (Continued)

Cook County provided \$193,421 in funding during 2007. Separate financial information can be obtained from:

Arrowhead Regional Corrections
St. Louis County Courthouse
100 North 5th Avenue West
Room 319
Duluth, Minnesota 55802

Community Health Board

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

The Community Health Board is composed of nine members. The Carlton, Cook, and Lake County Boards of Commissioners each appoint two members; the St. Louis County Board of Commissioners appoints three members. Financing is obtained through federal and state grants. Cook County provided no funding to this organization in 2007.

At December 31, 2007, the Community Health Board's summary of financial information was:

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Community Health Board (Continued)

Separate financial information can be obtained from:

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

Northeast Minnesota Office of Job Training

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

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

A summary of the financial information of Northeast Minnesota Office of Job Training’s government-wide statements for June 30, 2007, was:

Total Assets	\$ 2,992,962
Total Liabilities	1,487,634
Total Net Assets	1,505,328
Total Revenues	5,373,069
Total Expenses	5,435,301
Change in Net Assets	(62,232)

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Northeast Minnesota Office of Job Training (Continued)

Separate financial information can be obtained from:

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

Minnesota Counties Information Systems

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

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

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

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

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Minnesota Counties Information Systems (Continued)

Separate financial information can be obtained from:

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

Northern Counties Land Use Board

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

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

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

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

The County contributed no funding during 2007 to the Northern Counties Land Use Board.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Northern Counties Land Use Board (Continued)

Separate financial information can be obtained from:

Northern Counties Land Use Board
Room 607
Government Services Center
320 West Second Street
Duluth, Minnesota 55802

North Shore Collaborative

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

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, 2007, is as follows:

Assets	\$ 253,554
	<hr/>
Liabilities	\$ 253,554
	<hr/>

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

5. 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 healthcare programs through the Minnesota Department of Human Services and the federal Centers for Medicare and Medicaid Services.

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

Cook County contributed \$30,373 to the Arrowhead Health Alliance in 2007.

D. Jointly-Governed Organizations

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

North Shore Management Board

The North Shore Management Board provides Lake Superior Shoreline planning for Cook, Lake, and St. Louis Counties; the Cities of Beaver Bay, Grand Marais, Silver Bay, and Two Harbors; and the Towns of Duluth and Lakewood. The County contributed \$5,000 to the North Shore Management Board in 2007.

Minnesota Community Capital Fund

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

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

E. Agriculture Best Management Loan Program (AgBest) and County-Wide Individual Sewage Treatment Systems (ISTS) Program

The County has entered into agreements with the Minnesota Department of Agriculture and a local lending institution to jointly administer loan programs to individuals to implement projects that prevent or mitigate nonpoint source water pollution. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement. The County has met those responsibilities for 2007.

F. Tax-Forfeited Land

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

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

A. Summary of Significant Accounting Policies

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

Reporting Entity

The Cook County and Grand Marais Joint Economic Development Authority is governed by a seven-member Board. Four members are appointed by the Cook County Board of Commissioners, and three members are appointed by the Grand Marais City Council. The Authority is considered to be a component unit of Cook County. The Resource Development Council of Cook County, Inc., (RDC) is a blended component unit of the Authority because the RDC's governing board is the same as the Authority's Board.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

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

A. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The Authority prepares separate financial statements.

The Authority reports the following major governmental funds:

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority not accounted for in other funds.

The Resource Development Council Special Revenue Fund is used to account for the activities of the RDC as a blended component unit of the Authority.

The Authority reports the following major enterprise fund:

The Golf Course Fund is used to account for the operations of the Superior National at Lutsen Golf Course.

Basis of Accounting

The government-wide and proprietary 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The Authority considers all revenues to be available if they are collected within 90 days after the end of the current period, except for tax, which have a 60-day accrual period.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

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

A. Summary of Significant Accounting Policies (Continued)

Cash and Investments

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

Inventories

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

Restricted Assets

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

Capital Assets

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

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

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

A. Summary of Significant Accounting Policies

Capital Assets (Continued)

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

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

Prior Period Adjustment

Net Assets - January 1, as previously reported	\$	2,106,572
Restatement		825,212
Net Assets - January 1, as restated	\$	2,931,784

In 2006, construction was in progress on the Cedar Grove Business Park. This construction in progress was not reported as a capital asset in the 2006 financial statements. The portion completed in 2006 is shown as a restatement of beginning capital assets and beginning net assets.

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

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

B. Detailed Notes on All Funds

1. Assets

Receivables

The Authority's receivables as of December 31, 2007, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Next Year
Governmental Activities		
Taxes receivable	\$ 7,505	\$ -
Accounts receivable	219	-
Total governmental activities	\$ 7,724	\$ -
Business Type Activities		
Accounts receivable	1,945	-
Total Component Unit	\$ 9,669	\$ -

Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

Governmental Activities

	Beginning Balance, Restated	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 81,973	\$ -	\$ -	\$ 81,973
Construction in progress	825,211	1,302,134	-	2,127,345
Total capital assets not depreciated	\$ 907,184	\$ 1,302,134	\$ -	\$ 2,209,318

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

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

B. Detailed Notes on All Funds

1. Assets

Capital Assets

Governmental Activities (Continued)

	Beginning Balance, Restated	Increase	Decrease	Ending Balance
Capital assets depreciated				
Furniture and equipment	\$ 1,986	\$ -	\$ -	\$ 1,986
Less: accumulated depreciation for Furniture and equipment	<u>1,986</u>	<u>-</u>	<u>-</u>	<u>1,986</u>
Total capital assets depreciated, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Governmental Activities Capital Assets, Net	<u>\$ 907,184</u>	<u>\$ 1,302,134</u>	<u>\$ -</u>	<u>\$ 2,209,318</u>

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 213,685	\$ -	\$ -	\$ 213,685
Capital assets depreciated				
Land improvements	\$ 4,212,872	\$ 8,750	\$ -	\$ 4,221,622
Buildings and structures	372,371	-	-	372,371
Furniture and equipment	<u>920,913</u>	<u>-</u>	<u>87,162</u>	<u>833,751</u>
Total capital assets depreciated	<u>\$ 5,506,156</u>	<u>\$ 8,750</u>	<u>\$ 87,162</u>	<u>\$ 5,427,744</u>
Less: accumulated depreciation for				
Land improvements	\$ 1,706,368	\$ 140,429	\$ -	\$ 1,846,797
Buildings and structures	259,889	18,980	-	278,869
Furniture and equipment	<u>744,249</u>	<u>37,521</u>	<u>87,162</u>	<u>694,608</u>
Total accumulated depreciation	<u>\$ 2,710,506</u>	<u>\$ 196,930</u>	<u>\$ 87,162</u>	<u>\$ 2,820,274</u>
Total capital assets depreciated, net	<u>\$ 2,795,650</u>	<u>\$ (188,180)</u>	<u>\$ -</u>	<u>\$ 2,607,470</u>
Business-Type Activities Capital Assets, Net	<u>\$ 3,009,335</u>	<u>\$ (188,180)</u>	<u>\$ -</u>	<u>\$ 2,821,155</u>

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

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

B. Detailed Notes on All Funds

1. Assets

Capital Assets (Continued)

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

Business-Type Activities	
Golf course	<u>\$ 196,930</u>

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

2. Liabilities

Operating Leases

The Authority leases golf carts under non-cancelable operating leases. Total costs for such leases were \$35,259 for the year ended December 31, 2007. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2008	\$ 24,030
2009	<u>24,030</u>
Total	<u>\$ 48,060</u>

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

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

B. Detailed Notes on All Funds

2. Liabilities (Continued)

Capital Leases

The Authority has entered into lease agreements as lessee for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. These capital leases consist of the following at December 31, 2007:

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original Amount</u>	<u>Balance</u>
Business-Type Activities					
2003 tractor	2008	Monthly	\$ 511	\$ 26,900	\$ 3,018
2005 mower	2009	Annual	4,807	19,908	8,791
2005 top-dresser	2009	Annual	2,302	9,510	<u>3,772</u>
Total Business-Type Activities Capital Leases					<u>\$ 15,581</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2007, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2008	\$ 10,177
2009	<u>7,108</u>
Total minimum lease payments	\$ 17,285
Less: amount representing interest	<u>(1,704)</u>
Present Value of Minimum Lease Payments	<u>\$ 15,581</u>

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

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

B. Detailed Notes on All Funds (Continued)

3. Long-Term Debt

Business-Type Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2007
1998 Golf Course Revenue Bonds	2015	\$35,000 - \$175,000	4.40 to 5.60	\$ 1,820,000	<u>\$ 1,170,000</u>

Debt service requirements at December 31, 2007, were as follows:

Business-Type Activities

Year Ending December 31	Revenue Bonds	
	Principal	Interest
2008	\$ 120,000	\$ 60,460
2009	125,000	54,028
2010	135,000	47,104
2011	140,000	39,712
2012	150,000	31,845
2013 - 2015	500,000	42,637
Total	<u>\$ 1,170,000</u>	<u>\$ 275,786</u>

4. Changes in Long-Term Liabilities

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Golf course revenue bonds	\$ 1,285,000	\$ -	\$ 115,000	\$ 1,170,000	\$ 120,000
Capital leases	35,110	-	19,529	15,581	9,132
Total	<u>\$ 1,320,110</u>	<u>\$ -</u>	<u>\$ 134,529</u>	<u>\$ 1,185,581</u>	<u>\$ 129,132</u>

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

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

C. Risk Management

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

D. Construction Commitment

In 2006, the Authority began work on the Cedar Grove Business Park. This is a project within the City of Grand Marais to provide land sites for new or existing businesses. The Authority has hired a contractor to perform the work, consisting primarily of road, utility, and infrastructure construction. The project is being funded by the sale of lots within the Business Park plus Minnesota Department of Employment and Economic Development and Iron Range Resources grants obtained by the City of Grand Marais and passed on to the Authority. At December 31, 2007, the Authority had the following commitment with respect to the unfinished construction project:

Total amended contract award	\$ 1,678,888
Work completed through December 31, 2007	<u>(1,674,429)</u>
Remaining Construction Commitment	<u>\$ 4,459</u>

E. Contingent Liabilities

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

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

F. Subsequent Events

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

REQUIRED SUPPLEMENTARY INFORMATION

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,866,370	\$ 2,866,370	\$ 2,813,228	\$ (53,142)
Special assessments	-	-	37,180	37,180
Licenses and permits	64,450	64,450	79,977	15,527
Intergovernmental	1,778,149	1,778,149	2,455,092	676,943
Charges for services	495,450	495,450	420,083	(75,367)
Fines and forfeits	5,000	5,000	8,268	3,268
Gifts and contributions	-	-	27,203	27,203
Investment earnings	405,000	405,000	751,901	346,901
Miscellaneous	245,315	245,315	553,506	308,191
Total Revenues	\$ 5,859,734	\$ 5,859,734	\$ 7,146,438	\$ 1,286,704
Expenditures				
Current				
General government				
Commissioners	\$ 328,617	\$ 328,617	\$ 391,675	\$ (63,058)
Courts	2,650	2,650	-	2,650
Law library	29,650	29,650	28,574	1,076
County auditor	496,963	496,963	478,810	18,153
County assessor	218,793	218,793	216,036	2,757
Elections	18,300	18,300	-	18,300
Data processing	426,617	426,617	379,346	47,271
Personnel	132,568	132,568	131,969	599
Attorney	234,467	234,467	258,859	(24,392)
Recorder	189,800	189,800	168,583	21,217
Planning and zoning	231,164	231,164	215,251	15,913
Buildings and plant	416,632	416,632	436,417	(19,785)
Veterans service officer	20,220	20,220	20,887	(667)
Other general government	7,147	7,147	-	7,147
Total general government	\$ 2,753,588	\$ 2,753,588	\$ 2,726,407	\$ 27,181

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 1,486,198	\$ 1,486,198	\$ 1,486,086	\$ 112
Drug task force	-	-	78,013	(78,013)
Boat and water safety	-	-	351	(351)
Emergency services	134,691	134,691	246,836	(112,145)
Coroner	8,000	8,000	23,774	(15,774)
E-911 system	50,768	50,768	72,696	(21,928)
County jail	192,607	192,607	208,096	(15,489)
Community corrections	250,718	250,718	230,971	19,747
DARE program	800	800	899	(99)
Civil defense	-	-	320	(320)
Other public safety	10,000	10,000	20,465	(10,465)
Total public safety	\$ 2,133,782	\$ 2,133,782	\$ 2,368,507	\$ (234,725)
Sanitation				
Solid waste	\$ 99,584	\$ 99,584	\$ 81,290	\$ 18,294
Recycling	272,722	272,722	284,983	(12,261)
Other sanitation	-	-	153	(153)
Total sanitation	\$ 372,306	\$ 372,306	\$ 366,426	\$ 5,880
Culture and recreation				
Historical society	\$ 27,787	\$ 27,787	\$ 23,114	\$ 4,673
Parks	-	-	104,015	(104,015)
Senior citizens	109,766	109,766	105,211	4,555
Regional library	111,179	111,179	111,179	-
Other	134,861	134,861	302,491	(167,630)
Total culture and recreation	\$ 383,593	\$ 383,593	\$ 646,010	\$ (262,417)
Conservation of natural resources				
Cooperative extension	\$ 57,576	\$ 57,576	\$ 57,456	\$ 120
Soil and water conservation	31,062	31,062	63,365	(32,303)
Agricultural inspections	4,425	4,425	4,823	(398)
Agricultural society/County fair	12,900	12,900	20,139	(7,239)
Water planning	25,969	25,969	27,178	(1,209)
Environmental services	106,496	106,496	99,832	6,664
Other	-	-	9,411	(9,411)
Total conservation of natural resources	\$ 238,428	\$ 238,428	\$ 282,204	\$ (43,776)

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Economic development				
Community development	\$ 19,000	\$ 19,000	\$ 266,587	\$ (247,587)
Capital outlay				
General government	\$ -	\$ -	\$ 23,829	\$ (23,829)
Public safety	-	-	110,128	(110,128)
Sanitation	17,000	17,000	18,115	(1,115)
Culture and recreation	-	-	45,978	(45,978)
Total capital outlay	<u>\$ 17,000</u>	<u>\$ 17,000</u>	<u>\$ 198,050</u>	<u>\$ (181,050)</u>
Total Expenditures	<u>\$ 5,917,697</u>	<u>\$ 5,917,697</u>	<u>\$ 6,854,191</u>	<u>\$ (936,494)</u>
Excess of Revenues Over (Under)				
Expenditures	\$ (57,963)	\$ (57,963)	\$ 292,247	\$ 350,210
Other Financing Sources (Uses)				
Transfers in	-	-	152,072	152,072
Change in Fund Balance	\$ (57,963)	\$ (57,963)	\$ 444,319	\$ 502,282
Fund Balance - January 1	<u>8,551,168</u>	<u>8,551,168</u>	<u>8,551,168</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 8,493,205</u>	<u>\$ 8,493,205</u>	<u>\$ 8,995,487</u>	<u>\$ 502,282</u>

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,073,093	\$ 1,073,093	\$ 1,033,063	\$ (40,030)
Intergovernmental	3,299,100	3,299,100	3,291,287	(7,813)
Charges for services	190,000	190,000	164,841	(25,159)
Miscellaneous	-	-	4,250	4,250
Total Revenues	<u>\$ 4,562,193</u>	<u>\$ 4,562,193</u>	<u>\$ 4,493,441</u>	<u>\$ (68,752)</u>
Expenditures				
Current				
Highways and streets				
Administration	\$ 270,162	\$ 270,162	\$ 330,333	\$ (60,171)
Maintenance	1,305,385	1,305,385	1,238,866	66,519
Construction	2,645,039	2,645,039	1,785,224	859,815
Equipment maintenance and shop	505,773	505,773	550,373	(44,600)
Total highways and streets	<u>\$ 4,726,359</u>	<u>\$ 4,726,359</u>	<u>\$ 3,904,796</u>	<u>\$ 821,563</u>
Debt service				
Principal	\$ 75,000	\$ 75,000	\$ 75,000	\$ -
Interest	3,375	3,375	3,375	-
Administrative (fiscal) charges	-	-	431	(431)
Total debt service	<u>\$ 78,375</u>	<u>\$ 78,375</u>	<u>\$ 78,806</u>	<u>\$ (431)</u>
Total Expenditures	<u>\$ 4,804,734</u>	<u>\$ 4,804,734</u>	<u>\$ 3,983,602</u>	<u>\$ 821,132</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (242,541)</u>	<u>\$ (242,541)</u>	<u>\$ 509,839</u>	<u>\$ 752,380</u>
Fund Balance - January 1	1,540,741	1,540,741	1,540,741	-
Increase (decrease) in reserved for inventories	<u>-</u>	<u>-</u>	<u>(187,380)</u>	<u>(187,380)</u>
Fund Balance - December 31	<u>\$ 1,298,200</u>	<u>\$ 1,298,200</u>	<u>\$ 1,863,200</u>	<u>\$ 565,000</u>

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 746,194	\$ 746,194	\$ 718,175	\$ (28,019)
Licenses and permits	12,600	12,600	12,287	(313)
Intergovernmental	769,611	769,611	857,715	88,104
Charges for services	175,593	175,593	150,227	(25,366)
Miscellaneous	-	-	97,375	97,375
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>\$ 1,703,998</u>	<u>\$ 1,703,998</u>	<u>\$ 1,835,779</u>	<u>\$ 131,781</u>
Expenditures				
Current				
Human services				
Income maintenance	\$ 314,244	\$ 314,244	\$ 344,075	\$ (29,831)
Social services	1,265,262	1,265,262	1,446,212	(180,950)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total human services	<u>\$ 1,579,506</u>	<u>\$ 1,579,506</u>	<u>\$ 1,790,287</u>	<u>\$ (210,781)</u>
Health				
Nursing service	\$ 253,492	\$ 253,492	\$ 271,666	\$ (18,174)
Miscellaneous	-	-	35,701	(35,701)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total health	<u>\$ 253,492</u>	<u>\$ 253,492</u>	<u>\$ 307,367</u>	<u>\$ (53,875)</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>\$ 1,832,998</u>	<u>\$ 1,832,998</u>	<u>\$ 2,097,654</u>	<u>\$ (264,656)</u>
Excess of Revenues Over (Under)				
Expenditures	\$ (129,000)	\$ (129,000)	\$ (261,875)	\$ (132,875)
Fund Balance - January 1	<u>1,272,791</u>	<u>1,272,791</u>	<u>1,272,791</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 1,143,791</u></u>	<u><u>\$ 1,143,791</u></u>	<u><u>\$ 1,010,916</u></u>	<u><u>\$ (132,875)</u></u>

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2007**

1. Budgetary Information

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

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

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

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

2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2007, expenditures exceeded appropriations in the following funds:

General Fund	\$ 936,494	Mostly funded by greater than anticipated revenues
Public Health and Human Services Special Revenue Fund	264,656	Primarily funded by grants reimbursing the expenditures

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SUPPLEMENTARY INFORMATION

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	Special Revenue	
Assets	Building	Airport
Cash and pooled investments	\$ 748,690	\$ 105,422
Cash with escrow agent	-	-
Taxes receivable		
Prior	-	1,507
Accounts receivable	-	248
Lodging taxes receivable	-	-
Due from other funds	3,579	-
	752,269	107,177
Total Assets	\$ 752,269	\$ 107,177
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 7,519	\$ 6,939
Deferred revenue - unavailable	-	972
Advance from other funds	-	83,994
	7,519	91,905
Total Liabilities	\$ 7,519	\$ 91,905
Fund Balances		
Reserved for debt service	\$ -	\$ -
Reserved for environmental improvements	-	-
Unreserved		
Designated for debt service	-	-
Designated for capital improvements	537,201	-
Undesignated	207,549	15,272
	744,750	15,272
Total Fund Balances	\$ 744,750	\$ 15,272
Total Liabilities and Fund Balances	\$ 752,269	\$ 107,177

Statement 1

<u>Funds</u>					
<u>Golf Course Lodging Tax</u>	<u>Total</u>	<u>Debt Service</u>	<u>Leased Lakeshore Permanent</u>	<u>Total (Exhibit 3)</u>	
\$ 327,595	\$ 1,181,707	\$ 399,612	\$ 732,616	\$ 2,313,935	
-	-	428,651	-	428,651	
-	1,507	8,001	-	9,508	
-	248	-	23,592	23,840	
26,439	26,439	-	-	26,439	
-	3,579	-	-	3,579	
<u>\$ 354,034</u>	<u>\$ 1,213,480</u>	<u>\$ 836,264</u>	<u>\$ 756,208</u>	<u>\$ 2,805,952</u>	
\$ -	\$ 14,458	\$ -	\$ -	\$ 14,458	
-	972	5,162	23,592	29,726	
-	83,994	-	-	83,994	
<u>\$ -</u>	<u>\$ 99,424</u>	<u>\$ 5,162</u>	<u>\$ 23,592</u>	<u>\$ 128,178</u>	
\$ 220,416	\$ 220,416	\$ 428,651	\$ -	\$ 649,067	
-	-	-	732,616	732,616	
-	-	402,451	-	402,451	
-	537,201	-	-	537,201	
133,618	356,439	-	-	356,439	
<u>\$ 354,034</u>	<u>\$ 1,114,056</u>	<u>\$ 831,102</u>	<u>\$ 732,616</u>	<u>\$ 2,677,774</u>	
<u>\$ 354,034</u>	<u>\$ 1,213,480</u>	<u>\$ 836,264</u>	<u>\$ 756,208</u>	<u>\$ 2,805,952</u>	

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Special Revenue</u>	
	<u>Building</u>	<u>Airport</u>
Revenues		
Taxes	\$ 24	\$ 69,950
Intergovernmental	-	71,440
Investment earnings	-	-
Miscellaneous	150	39,014
	<u>174</u>	<u>39,014</u>
Total Revenues	\$ 174	\$ 180,404
Expenditures		
Current		
General government	\$ 306	\$ -
Public safety	2,678	-
Culture and recreation	1,311	-
Economic development	-	122,630
Capital outlay	242,609	2,944
Debt service		
Principal	-	-
Interest	-	-
Administrative - fiscal charges	-	-
	<u>-</u>	<u>-</u>
Total Expenditures	\$ 246,904	\$ 125,574
Excess of Revenues Over (Under)		
Expenditures	\$ (246,730)	\$ 54,830
Other Financing Sources (Uses)		
Transfers in	\$ 3,579	\$ -
Transfers out	-	-
	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	\$ 3,579	\$ -
Net Change in Fund Balance	\$ (243,151)	\$ 54,830
Fund Balance - January 1	987,901	(39,558)
Fund Balance - December 31	\$ 744,750	\$ 15,272

Statement 2

Funds					
Golf Course Lodging Tax	Total	Debt Service	Leased Lakeshore Permanent	Total (Exhibit 5)	
\$ 326,880	\$ 396,854	\$ 367,664	\$ -	\$ 764,518	
-	71,440	16,572	-	88,012	
75,839	75,839	19,015	32,374	127,228	
-	39,164	-	17,493	56,657	
\$ 402,719	\$ 583,297	\$ 403,251	\$ 49,867	\$ 1,036,415	
\$ -	\$ 306	\$ -	\$ -	\$ 306	
-	2,678	-	-	2,678	
-	1,311	-	-	1,311	
116,642	239,272	-	-	239,272	
-	245,553	-	-	245,553	
-	-	836,667	-	836,667	
-	-	264,790	-	264,790	
-	-	4,109	-	4,109	
\$ 116,642	\$ 489,120	\$ 1,105,566	\$ -	\$ 1,594,686	
\$ 286,077	\$ 94,177	\$ (702,315)	\$ 49,867	\$ (558,271)	
\$ -	\$ 3,579	\$ 713,498	\$ -	\$ 717,077	
(355,546)	(355,546)	-	-	(355,546)	
\$ (355,546)	\$ (351,967)	\$ 713,498	\$ -	\$ 361,531	
\$ (69,469)	\$ (257,790)	\$ 11,183	\$ 49,867	\$ (196,740)	
423,503	1,371,846	819,919	682,749	2,874,514	
\$ 354,034	\$ 1,114,056	\$ 831,102	\$ 732,616	\$ 2,677,774	

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
AIRPORT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 72,500	\$ 72,500	\$ 69,950	\$ (2,550)
Intergovernmental	289,502	289,502	71,440	(218,062)
Miscellaneous	30,975	30,975	39,014	8,039
Total Revenues	\$ 392,977	\$ 392,977	\$ 180,404	\$ (212,573)
Expenditures				
Current				
Economic development	\$ 114,694	\$ 114,694	\$ 122,630	\$ (7,936)
Capital outlay	277,985	277,985	2,944	275,041
Total Expenditures	\$ 392,679	\$ 392,679	\$ 125,574	\$ 267,105
Change in Fund Balance	\$ 298	\$ 298	\$ 54,830	\$ 54,532
Fund Balance - January 1	(39,558)	(39,558)	(39,558)	-
Fund Balance - December 31	\$ (39,260)	\$ (39,260)	\$ 15,272	\$ 54,532

FIDUCIARY FUNDS

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

AGENCY FUNDS

The County reports the following fund type:

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

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Statement 3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
<u>MEDICAL AND DEPENDENT CARE FLEX PLAN</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>8,871</u>	\$ <u>123,422</u>	\$ <u>126,331</u>	\$ <u>5,962</u>
<u>Liabilities</u>				
Accounts payable	\$ <u>8,871</u>	\$ <u>123,422</u>	\$ <u>126,331</u>	\$ <u>5,962</u>
 <u>SOIL AND WATER CONSERVATION DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>77,950</u>	\$ <u>511,705</u>	\$ <u>213,787</u>	\$ <u>375,868</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>77,950</u>	\$ <u>511,705</u>	\$ <u>213,787</u>	\$ <u>375,868</u>
 <u>MORTGAGE REGISTRY</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>19,046</u>	\$ <u>220,753</u>	\$ <u>229,304</u>	\$ <u>10,495</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>19,046</u>	\$ <u>220,753</u>	\$ <u>229,304</u>	\$ <u>10,495</u>

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

*Statement 3
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
<u>FIRE DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 16,872	\$ 212,120	\$ 211,062	\$ 17,930
<u>Liabilities</u>				
Due to other governments	\$ 16,872	\$ 212,120	\$ 211,062	\$ 17,930
 <u>CITIES AND TOWNS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 33,055	\$ 1,065,112	\$ 1,040,354	\$ 57,813
Accounts receivable	338	112	338	112
Total Assets	\$ 33,393	\$ 1,065,224	\$ 1,040,692	\$ 57,925
<u>Liabilities</u>				
Due to other governments	\$ 33,393	\$ 1,065,224	\$ 1,040,692	\$ 57,925
 <u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 89,683	\$ 2,146,017	\$ 2,128,090	\$ 107,610
Accounts receivable	827	507	827	507
Due from other governments	-	21	-	21
Total Assets	\$ 90,510	\$ 2,146,545	\$ 2,128,917	\$ 108,138
<u>Liabilities</u>				
Due to other governments	\$ 89,822	\$ 2,146,007	\$ 2,128,229	\$ 107,600
Accounts payable	688	538	688	538
Total Liabilities	\$ 90,510	\$ 2,146,545	\$ 2,128,917	\$ 108,138

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

*Statement 3
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
<u>LODGING TAX</u>				
<u>Assets</u>				
Accounts receivable	\$ 34,794	\$ 768,231	\$ 767,846	\$ 35,179
<u>Liabilities</u>				
Accounts payable	\$ 34,794	\$ 35,179	\$ 34,794	\$ 35,179
Due to other governments	-	733,052	733,052	-
Total Liabilities	\$ 34,794	\$ 768,231	\$ 767,846	\$ 35,179
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ (1,733)	\$ 9,480,332	\$ 9,472,610	\$ 5,989
Due from other governments	1,733	2,029	1,733	2,029
Total Assets	\$ -	\$ 9,482,361	\$ 9,474,343	\$ 8,018
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 9,482,361	\$ 9,474,343	\$ 8,018
 <u>SCHOOL</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 33,519	\$ 1,375,561	\$ 1,380,717	\$ 28,363
Accounts receivable	26,863	3,579	26,863	3,579
Due from other governments	104,183	91,845	104,183	91,845
Total Assets	\$ 164,565	\$ 1,470,985	\$ 1,511,763	\$ 123,787
<u>Liabilities</u>				
Due to other governments	\$ 164,565	\$ 1,470,985	\$ 1,511,763	\$ 123,787

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

*Statement 3
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 277,263	\$ 15,135,022	\$ 14,802,255	\$ 610,030
Accounts receivable	62,822	772,429	795,874	39,377
Due from other governments	105,916	93,895	105,916	93,895
Total Assets	\$ 446,001	\$ 16,001,346	\$ 15,704,045	\$ 743,302
<u>Liabilities</u>				
Accounts payable	\$ 44,353	\$ 159,139	\$ 161,813	\$ 41,679
Due to other governments	401,648	15,842,207	15,542,232	701,623
Total Liabilities	\$ 446,001	\$ 16,001,346	\$ 15,704,045	\$ 743,302

OTHER SCHEDULES

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 5

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

	2006		2007		2008	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	\$ 11,603,494		\$ 13,823,645		\$ 15,927,544	
Personal property	132,758		140,416		154,301	
Fiscal disparity contribution	(184,193)		(226,393)		(254,623)	
Net Tax Capacity	\$ 11,552,059		\$ 13,737,668		\$ 15,827,222	
Taxes Levied for County Purposes						
General	\$ 2,673,538	19.45	\$ 3,008,201	19.99	\$ 3,232,510	19.88
Road and Bridge	1,046,034	9.05	1,070,093	7.77	1,077,200	6.79
Social Services	800,570	6.91	746,194	5.46	856,974	5.40
Airport	85,100	0.74	72,500	0.53	56,000	0.35
Government Center	392,000	3.38	385,000	2.80	390,000	2.46
Economic Development	82,620	0.07	85,000	0.62	135,290	0.85
Total Levy for County Purposes	\$ 5,079,862	39.60	\$ 5,366,988	37.17	\$ 5,747,974	35.73
Less Credits Payable by State						
Taconite homestead credit	\$ 328,952		\$ 342,235		\$ 351,725	
Disparity reduction aid	3,179		3,157		3,157	
HACA and agricultural credit	435,005		263,481		92,327	
Total Credits Payable by State	\$ 767,136		\$ 608,873		\$ 447,209	
Net Levy for County Purposes	\$ 4,312,726		\$ 4,758,115		\$ 5,300,765	
Tax Capacity - Light and Power						
Assessed at 43%	\$ 43,065		\$ 44,731		\$ 47,661	
Light and Power Tax Levy (distributed pursuant to Minn. Stat. § 273.42, as amended)						
Assessed at 43%	\$ 21,889	50.83	\$ 21,485	48.03	\$ 21,900	45.95
Percentage of Tax Collections for All Purposes	100.22%		98.66%			

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 6

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Funds	Component Unit
Shared Revenue		
State		
Highway users tax	\$ 2,655,770	\$ -
PERA rate reimbursement	17,931	3,579
Police aid	66,278	-
County program aid	263,481	-
Market value credit	217,878	-
Taconite credit	183,629	-
Mobile home taconite credit	129	-
Casino revenue aid	5,933	-
Enhanced 911	75,497	-
	\$ 3,486,526	\$ 3,579
Total Shared Revenue		
Reimbursement for Services		
State		
Minnesota Department of Human Services	\$ 449,580	\$ -
	\$ 449,580	\$ -
Payments		
State		
Payments in lieu of taxes	\$ 176,148	\$ -
Local		
Local contributions	-	1,286,694
	\$ 176,148	\$ 1,286,694
Total Payments		
Grants		
State		
Minnesota Department of		
Public Safety	\$ 166,868	\$ -
Transportation	62,259	-
Health	19,964	-
Natural Resources	176,731	-
Human Services	306,535	-
Veterans Affairs	13,900	-
Pollution Control Agency	47,331	-
Water and Soil Resources Board	24,458	-
Office of Environmental Assistance	52,039	-
Miscellaneous boards	5,628	-
	\$ 875,713	\$ -
Total State		

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 6
(Continued)

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Funds	Component Unit
Grants (Continued)		
Federal		
Department of		
Agriculture	\$ 872,921	\$ -
Commerce	34,676	-
Interior	118,141	-
Transportation	510,863	-
Health and Human Services	107,933	-
Homeland Security	59,605	-
Total Federal	\$ 1,704,139	\$ -
Total State and Federal Grants	\$ 2,579,852	\$ -
Total Intergovernmental Revenue	\$ 6,692,106	\$ 1,290,273

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 7

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Cook County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Cook County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." One of the significant deficiencies is a material weakness.
- C. No instances of noncompliance material to the financial statements of Cook County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Cook County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

National Forest Lands - 3/4 of 1%	CFDA #10.668
Highway Planning and Construction Grant	CFDA #20.205
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Cook County was not determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-3 Segregation of Duties

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

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

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

We recommend the County segregate these functions as much as possible. If it is not possible to segregate these duties, Cook County management should be aware of the lack of segregation of the accounting functions and implement oversight procedures to ensure that the internal control policies and procedures are being followed by staff. One oversight procedure that could be implemented is to distribute detailed monthly revenue and expenditure reports to department heads and require them to affirm they have reviewed the reports and concur with the revenues and expenditures reported for their department.

Client's Response:

The County is aware of the lack of segregation of accounting functions and will continue to monitor the situation and implement oversight procedures where possible. We instituted a new oversight procedure in January 2008. At that time we began distributing detailed revenue and expenditure reports to department heads on a monthly basis. The reports are sent to department heads who are required to affirm that they have reviewed the reports and concur with the revenue and expenditures on the departmental report. Beginning in 2009, the Auditor-Treasurer will review bank reconciliations on a monthly basis.

06-4 Preparation of Financial Statements

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

As is the case with many small and medium-sized entities, the County has relied on its independent external auditors to assist in the preparation of the basic financial statements, including notes to the financial statements, as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal control. The County has made strides in recent years towards preparing its own financial statements, including trial balance preparation, posting journal entries, and providing support for other disclosures. However, it does not yet have the expertise to prepare the entire financial statements. As a result of this condition, the County lacks internal control over the preparation of financial statements in accordance with GAAP.

We recommend the County financial staff continue training and working toward preparing the County's annual financial statements in accordance with GAAP. If the County still intends to have staff from the Office of the State Auditor assist in preparation then, at a minimum, it must identify and train individuals to obtain the expertise that can sufficiently review, understand, and approve the County's financial statements, including notes. As an alternative, the County could consider hiring an outside consultant to assist in preparing its basic financial statements.

Client's Response:

The County intends to have the state auditors continue to assist with the preparation of the financial statements. The County financial staff will continue training and working toward preparing more of the financial statements each year as is cost effective.

06-5 Audit Adjustments

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements of the financial statements on a timely basis. Statement on Auditing Standards No. 112 states that one control deficiency that shall be regarded as at least a significant deficiency is identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal controls, even if management subsequently corrects the misstatement.

During our audit, we proposed adjustments that resulted in significant changes to the County's financial statements. The County provides cash basis financial statements and prepares some of the modified accrual information necessary to adjust the cash basis financial statements to the modified accrual basis. However, County staff does not have the time nor the governmental accounting expertise to prepare all of the information necessary to provide accurate financial statements. Therefore, audit adjustments were necessary to record additional receivables, reconcile revenue, adjust deferred revenue, record the fair value adjustment for cash and pooled investments, and to make reclassification entries as necessary. Audit adjustments were also necessary to adjust modified accrual financial statements to the accrual basis for the government-wide financial statements.

We recommend that County staff review the trial balances and journal entries in detail to ensure they have an understanding of all of the audit adjustments made so that, in future audits, this information can be prepared by the County.

Client's Response:

The County financial staff prepared significantly more of the audit adjustments for the 2007 audit and will continue working toward preparation of all audit adjustments. The County's goal for the 2008 financial statements is to obtain the expertise from the state auditors to prepare the journal entries to adjust to the accrual basis for the government-wide financial statements.

06-6 Accounting Policies and Procedures Manual

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

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

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

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

Client's Response:

The County began accumulating information for an accounting policy and procedure manual in 2008. We will continue that process in 2009 with the goal of completing the manual.

PREVIOUSLY REPORTED ITEMS RESOLVED

Duplicate Check Numbers (05-1)

In our prior audit, we noted three separate occasions where the Auditor/Treasurer's Office personnel had issued a sequence of checks with check numbers that had already been used by the County. This was due to incorrect ranges of check numbers being keyed into the system.

Resolution

The County has implemented new procedures where the County's Financial Coordinator now tracks and reviews the check numbers being used prior to the printing of the checks.

Inventory (06-1)

The perpetual inventory system was not adequately maintained; purchases and usage of inventory were not being recorded in a timely manner. Also, gravel and salt and sand stockpile inventory balances were not accurate on the accounting system and were not being measured on a consistent basis.

Resolution

The inventory system now has purchases and usage recorded on a current basis. The gravel and sand and salt stockpiles are now being measured at the beginning and end of the season and compared to the inventory system balances for reasonableness.

Journal Entries (06-2)

Access to the journal entry function on the County's accounting system was not limited to only those who need that access. Journal entries made were not being reviewed or approved by anyone other than the person making the entry.

Resolution

In 2007, the County reviewed the need to perform journal entries and limited the access to those few individuals. All journal entries made are now reviewed and signed off on by the County Auditor/Treasurer.

Budgeting (06-3)

Cook County did not have a formal budget policy that defined the key elements of the budget process such as legal level of control, the budgetary basis, and budget modification procedures.

Resolution

In December 2007, the County Board approved a budget policy that addressed the key elements of the budgeting process.

SSIS Segregation of Duties (06-7)

In 2006, the County implemented the Minnesota Department of Human Services Social Service Information System (SSIS) Fiscal Payment software module, which is used to pay vendors providing services to various social services programs. County management had not performed a risk assessment to determine if incompatible access existed for those with availability to pay vendors on this system.

Resolution

A risk assessment was performed by management and access was limited to those requiring it to perform their duties. Additional controls were added including review and approval of each payment made by the Supervisor/Director and the Fiscal Supervisor on a monthly basis.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

ITEMS ARISING THIS YEAR

07-1 Solicitation of Bids

Review of the County's compliance with Minnesota bid laws disclosed that for one of the five bids tested, the County could not provide supporting documentation that the bid had been solicited by public notice.

Minn. Stat. § 471.345, subd. 3, stated in part that if the amount of the contract is estimated to exceed \$50,000, sealed bids should be solicited by public notice. County personnel believe that public notice was given, but they were unable to provide documentation for this.

We recommend that the County obtain and document public notice for solicitation of all bids where required by Minnesota statutes. This documentation should be stored and available for inspection in accordance with the County's record retention guidelines.

Client's Response:

A public notice inviting bids for the Recycling Center/budget Shop project was prepared by the architect for the project and three bidders responded with bids but proof that the notice had been published could not be found either by the legal newspaper or the County. The County will document all public notices soliciting bids in the future.

07-2

Safekeeping of Investments

Minn. Stat. § 118A.06 requires that all investments be held in safekeeping with:

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

Cook County has securities on hand at December 31, 2007, with Wachovia Securities totaling \$5,426,064 and FTN Financial Group totaling \$2,966,831. Neither of these firms are primary reporting dealers nor have their principal executive offices in Minnesota. The investments for these brokers are being held through the Depository Trust Company or by the brokerage firms trust departments. Therefore, we do not believe that these investments are being safekept in accordance with Minn. Stat. § 118A.06.

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

Client's Response:

The County will investigate the safekeeping status of all of our investments and take the necessary steps to comply with Minn. Stat. § 118A.06.

B. OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. This standard, similar to what GASB Statement 27 did for government employee pension benefits and plans, provides the accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage.

If retirees are included in an insurance plan and pay a rate similar to that paid for younger active employees, this implicit subsidy is considered OPEB. In fact, local governments may be required to continue medical coverage pursuant to Minn. Stat. § 471.61, subd. 2b. This benefit is common when accumulated sick leave is used to pay for retiree medical insurance. Under the new statement, accounting for OPEB is now similar to the accounting used by governments for pension plans.

This year, the legislature enacted a new law, Minn. Stat. § 471.6175, intended to help local governments address their OPEB liability in at least three important ways:

- it allows governments to create both revocable and irrevocable OPEB trusts;
- it authorizes the use of a different list of permissible investments for both revocable and irrevocable OPEB trusts; and
- it also permits governments to invest OPEB trust assets with the State Board of Investment, bank trust departments, and certain insurance companies.

Schedule 7
(Continued)

Some of the issues that the Cook County Board will need to address in order to comply with GASB Statement 45 are:

- determine if employees are provided OPEB;
- if OPEB are being provided, the County Board will have to determine whether it will advance fund the benefits or pay for them on a pay-as-you-go basis;
- if OPEB are being provided, and the County Board determines that the establishment of a trust is desirable in order to fund the OPEB, the County Board will have to comply with the new legislation enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard;
- if an OPEB trust will be established, Cook County will have to decide whether to establish a revocable or an irrevocable trust, and report that trust appropriately in the financial statements; and
- in order to determine annual costs and liabilities that need to be recognized, the County Board will have to decide whether to hire an actuary.

GASB Statement 45 would be applicable to Cook County for the year ended December 31, 2008.



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

Board of County Commissioners
Cook County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Cook County as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 17, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record,

process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-3 and 06-4 through 06-6 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 06-5 to be a material weakness.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, Cook County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as items 07-1 and 07-2.

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

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

December 17, 2008

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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

Board of County Commissioners
Cook County

Compliance

We have audited the compliance of Cook County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. Cook County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Cook County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

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

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Cook County as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 17, 2008. Our audit was performed for the purpose of forming opinions on the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

December 17, 2008

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 8

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Direct		
U.S. Forest Service Cooperative Agreement	R9-9-95-36C	\$ 23,000
Cooperative Forestry Assistance	10.664	36,040
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	17,786
Passed Through Minnesota Department of Finance		
Federal Forests - 25% Payments to States	10.665	91,845
Federal Forests - 3/4 of 1%	10.668	704,250
Total U.S. Department of Agriculture		\$ 872,921
U.S. Department of Commerce		
Passed through Minnesota Department of Natural Resources Coastal Zone Management Administration Grant	11.419	\$ 34,676
U.S. Department of the Interior		
Direct		
Payments in Lieu of Taxes	15.226	\$ 118,141
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation		
Airport Improvement Program	20.106	\$ 43,663
Highway Planning and Construction	20.205	460,000
Federal Trails Grant	20.219	7,200
Total U.S. Department of Transportation		\$ 510,863
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	\$ 4,630
Temporary Assistance for Needy Families (TANF)	93.558	13,048
Block Grant - Child Care and Development	93.575	9,430
Social Services Block Grant Title XX	93.667	40,632
Chafee Foster Care Independence Program	93.674	1,900
Passed Through Minnesota Department of Education		
Child Care Mandatory and Matching Funds	93.596	11,151

**COOK COUNTY
GRAND MARAIS, MINNESOTA**

Schedule 8
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board		
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	22,483
Maternal and Child Health Services Block Grant	93.994	4,659
Total U.S. Department of Health and Human Services		\$ 107,933
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Emergency Management Performance Grant	97.042	\$ 9,255
Homeland Security Grant Program	97.067	50,350
Total U.S. Department of Homeland Security		\$ 59,605
Total Federal Awards		\$ 1,704,139

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by the County. Cook County's reporting entity is defined in Note 1 to the basic financial statements.
2. The expenditures on this schedule are on the modified accrual basis of accounting.
3. Pass-through grant numbers were not assigned by the pass-through agencies.
4. Cook County did not pass any federal awards to subrecipients in 2007.
5. CFDA Nos. 93.575 and 93.596 form the Child Care Cluster.