STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

COOK COUNTY
GRAND MARAIS, MINNESOTA

YEAR ENDED DECEMBER 31, 2018

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 100 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 600 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

Year Ended December 31, 2018

Audit Practice Division
Office of the State Auditor
State of Minnesota

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COOK COUNTY
GRAND MARAIS, MINNESOTA

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GRAND MARAIS, MINNESOTA

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Introductory Section

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COOK COUNTY
GRAND MARAIS, MINNESOTA

ORGANIZATION
AS OF DECEMBER 31, 2018

		Term Expires
Elected		
Commissioners		
District 1	Robert Deschampe	January 2019
District 2	Myron Bursheim	January 2021
District 3	Jan Sivertson	January 2019
District 4	Heidi Doo-Kirk	January 2021
District 5	Virginia Storlie*	January 2019
Officers		
Elected		
Attorney	Molly Hicken	January 2019
Auditor/Treasurer	Braidy Powers	January 2019
Recorder/Registrar of Titles	Dusty Nelms	January 2019
Sheriff	Pat Eliasen	January 2019
Court Judge	Mike Cuzzo	January 2021
Appointed		
Assessor	Todd Smith	January 2020
Court Administrator	Amy Turnquist	Indefinite
Highway Engineer	Krysten Foster	December 2019
Veteran Services Officer	Pat Strand	Indefinite
Land Commissioner	Lisa Kerr	Indefinite
Human Services Board		
Chair	Carla LaPointe	January 2019
Vice Chair	Jerry Lilja	January 2019
Member	Virginia Storlie	January 2019
Member	Myron Bursheim	January 2021
Member	Robert Deschampe	January 2019
Member	Heidi Doo-Kirk	January 2021
Member	Jan Sivertson	January 2019
Director	Alison McIntyre	Indefinite

*Chair

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Cook County
Grand Marais, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Cook County, Minnesota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Cook County as of December 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Supplementary Information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2019, on our consideration of Cook County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Cook County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cook County's internal control over financial reporting and compliance.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Julie Blaha	*/s/Greg Hierlinger*
JULIE BLAHA STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

August 13, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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COOK COUNTY
GRAND MARAIS, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(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, 2018. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the accompanying financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is $80,792,795, of which $61,826,929 is the net investment in capital assets, and $16,999,384 is restricted to specific purposes; $1,966,482 remains as unrestricted net position available to help ensure fiscal strength in the face of uncertainty in the continuing level of support by state and federal governments.

- The Cook County and Grand Marais Joint Economic Development Authority (EDA) is shown as a "Discretely Presented Component Unit." The EDA has a total net position of $4,857,672, of which $4,856,666 is the net investment in capital assets. The majority of these amounts are for Superior National Golf Course in Lutsen and the Cedar Grove Business Park in Grand Marais.

- Cook County's net position increased by $3,473,422 for the year ended December 31, 2018. This was due to an increase in general revenues, primarily property taxes and local option sales taxes. Total net position of the County's discretely presented component unit (EDA) decreased $408,676, due primarily to net depreciation of assets..

- The net cost of governmental activities was $10,204,743 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 $13,678,165 exceeded expenses, resulting in the $3,473,422 increase in net position referenced above.

- Governmental funds' fund balances increased from the prior year: $19,500,460 to $29,511,926. Most of the change was due to a bond sale for improvements to highways and county buildings. Growth in sales tax revenues and positive results in major county funds contributed to almost half of the increase.

- Net pension liability decreased from $6,054,126 to $5,479,477 in 2018, primarily due to changes in actuarial assumptions, investment earnings and additional state contributions.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

The County as a Whole

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

Table 1
Net Position

	Governmental Activities		Component Unit Activities	
	2018	2017	2018	2017
Assets				
Current and other assets	$ 36,049,430	$ 24,804,960	$ 1,307,545	$ 1,406,804
Capital assets	83,529,532	80,480,597	7,119,313	7,411,447
Total Assets	$ 119,578,962	$ 105,285,557	$ 8,426,858	$ 8,818,251
Deferred Outflows of Resources				
Deferred pension outflows	$ 2,471,462	$ 3,047,255	$ 62,610	$ 81,819
Liabilities				
Long-term debt outstanding	$ 34,692,886	$ 24,951,137	$ 2,436,275	$ 2,448,528
Other liabilities	3,589,072	2,701,185	1,142,603	1,138,196
Total Liabilities	$ 38,281,958	$ 27,652,322	$ 3,578,878	$ 3,586,724
Deferred Inflows of Resources				
Deferred inflows for prepaid property taxes	$ -	$ 382,739	$ -	$ -
Deferred pension inflows	2,975,671	2,978,378	52,918	46,998
Total Deferred Inflows of Resources	$ 2,975,671	$ 3,361,117	$ 52,918	$ 46,998
Net Position				
Net investment in capital assets	$ 61,826,929	$ 63,825,597	$ 4,856,666	$ 5,160,798
Restricted	16,999,384	8,428,747	-	-
Unrestricted	1,966,482	5,065,029	1,006	105,550
Total Net Position	$ 80,792,795	$ 77,319,373	$ 4,857,672	$ 5,266,348

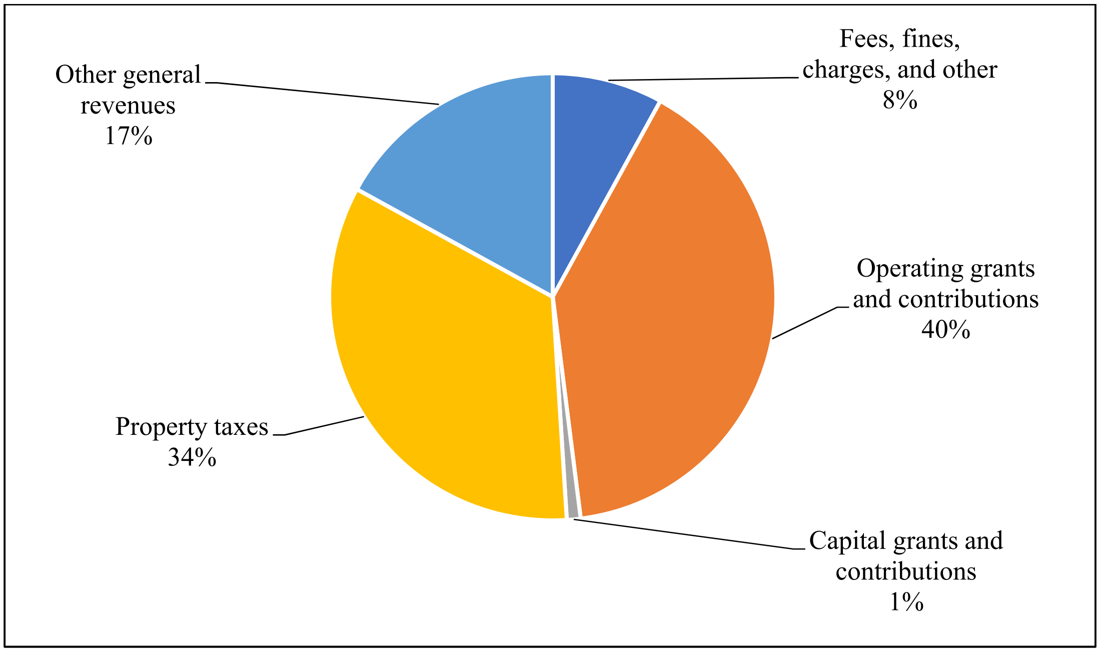
For details, please see the Statement of Net Position, Exhibit 1.

Table 2
Changes in Net Position

	Governmental Activities		Component Unit Activities	
	2018	2017	2018	2017
Revenues				
Program revenues				
Fees, fines, charges, and other	$ 2,098,344	$ 2,111,869	$ 821,758	$ 660,343
Operating grants and contributions	10,573,014	8,888,095	1,015,445	693,566
Capital grants and contributions	252,296	882,989	-	300,000
General revenues				
Property taxes	9,129,720	7,508,698	330,454	390,421
Other taxes	3,273,574	2,745,380	-	-
Unrestricted grants and contributions	646,792	557,952	-	-
Investment earnings	399,367	224,871	507	308
Sale of business lots	-	-	37,908	-
Miscellaneous	228,712	229,477	156,852	56,721
Total Revenues	$ 26,601,819	$ 23,149,331	$ 2,362,924	$ 2,101,359
Expenses				
General government	$ 4,443,446	$ 4,261,072	$ -	$ -
Public safety	3,806,978	3,716,698	-	-
Highways and streets	5,934,754	4,179,422	-	-
Sanitation	589,599	481,484	-	-
Human services	3,112,901	2,861,250	-	-
Health	320,480	296,829	-	-
Culture and recreation	1,783,578	1,702,022	-	-
Golf course	-	-	1,186,833	949,166
Conservation of natural resources	1,062,414	931,251	-	-
Economic development	988,712	1,190,015	1,584,767	927,610
Bond issuance and interest	1,085,535	574,854	-	-
Total Expenses	$ 23,128,397	$ 20,194,897	$ 2,771,600	$ 1,876,776
Increase (Decrease) in Net Position	$ 3,473,422	$ 2,954,434	$ (408,676)	$ 224,583
Net Position – January 1	77,319,373	74,364,939	5,266,348	5,041,765
Net Position – December 31	$ 80,792,795	$ 77,319,373	$ 4,857,672	$ 5,266,348

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

Total County Revenues by Sources



Governmental Activities

The cost of all governmental activities this year was $23,128,397, a 14.5 percent increase from 2017. As shown in the Statement of Activities (Exhibit 2), the amount taxpayers ultimately financed for these activities through County property taxes was $9,129,720, 21.6 percent more than 2017. Some of the cost was paid by those who directly benefited from the programs ($2,098,344) or by other governments and organizations that subsidized certain programs with grants and contributions ($10,825,310).

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
General government	$ 4,443,446	$ 4,261,072	$ 477,374	$ 855,261
Public safety	3,806,978	3,716,698	2,820,716	3,036,397
Highways and streets	5,934,754	4,179,422	2,246,878	481,203
Sanitation	589,599	481,484	399,945	4,753
Human services	3,112,901	2,861,250	1,272,704	1,266,860
Culture and recreation	1,783,578	1,702,022	1,094,193	1,676,080
Conservation of natural resources	1,062,414	931,251	426,554	530,649
Economic development	988,712	1,190,015	240,026	145,782
All others	1,406,015	871,683	1,226,353	314,959
Total	$ 23,128,397	$ 20,194,897	$ 10,204,743	$ 8,311,944

The County's Funds

As the County completed the year, its governmental funds reported a combined fund balance of $29,511,926 compared to last year's total of $19,500,460. Please see Exhibits 3 and 5 for details.

General Fund Budgetary Highlights

There were two amendments to the original approved budget for the year ended December 31, 2018. Amendment #1 increased expenses $175,616 and revenues $178,806; it added $3,190 to the fund balance with no change to the levy. The changes were for inclusion of E911, Law Library and other miscellaneous budget inclusions. Amendment #2 had two major changes. The first one was $378,225 in additional payroll costs for union settlements that were approved in January 2018. The other major change was $121,907 of additional State Payment In-Lieu of Taxes which was received in July 2018. The second amendment was delayed to August to include the additional State In-Lieu payment which was not known until it was received in July 2018. Amendment #2 was approved August 14, 2018.

Expenditures, excluding capital, were $2,153,295 above the final budget amounts. The most significant events that led to the higher costs were moving the YMCA expenses to the General Fund and expenses related to unbudgeted grants for fire prevention, recreation trail maintenance, septic system and economic development loans, water conservation projects, and border control. Grant revenues and related expenditures and capital were generally not budgeted. Please see Exhibit A-1 for details.

CAPITAL ASSETS

At the end of 2018, the County had a net investment of $83,529,532 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 $3,048,935, or 3.8 percent over last year.

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

	Governmental Activities	
	2018	2017
Land and easements	$ 1,857,678	$ 1,857,678
Construction in progress	6,368,852	6,450,345
Buildings and improvements	15,468,880	15,680,345
Machinery, vehicles, furniture, and equipment	3,114,253	3,344,624
Infrastructure	56,719,869	53,147,605
Total	$ 83,529,532	$ 80,480,597

DEBT

At year-end, the County had $29,377,091 in bonds and notes outstanding; 2017 year-end was $19,065,000.

Table 5
Outstanding Debt at Year-End

	Governmental Activities	
	2018	2017
Sales tax revenue bonds	$ 15,110,000	$ 15,710,000
Capital equipment notes 2012	635,000	945,000
Tax Abatement Bonds 2014	2,315,000	2,410,000
Capital Improvement Bonds 2018	9,135,000	-
Tax Abatement Bonds 2018	1,620,000	-
Capital equipment notes 2018	410,000	-
Unamortized Premium	152,091	-
Total	$ 29,377,091	$ 19,065,000

See 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 2019 budget, tax levy, and fees that will be charged for various activities:

- continuing unfunded state and federal mandates

- the desire to maintain a fund balance of at least 75 percent of General Fund operating expenditures

- the increasing costs of human services

- the costs of aging buildings and other infrastructure

- State Aid that doesn't keep pace with rising costs. Proposed reduction in Federal Payments in-Lieu of Taxes that have been a bedrock for county services

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.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Primary Government Governmental Activities	Component Unit Cook County and Grand Marais Joint Economic Development Authority
Assets		
Cash and pooled investments	$ 23,806,871	$ 331,011
Petty cash and change funds	1,217	-
Taxes receivable		
Delinquent	253,501	21,832
Accounts receivable	477,478	9,303
Land held for resale	-	742,500
Loans receivable	4,630,156	-
Due from other governments	6,328,269	165,215
Inventories	549,772	37,684
Prepaid items	2,166	-
Capital assets		
Non-depreciable	8,226,530	213,685
Depreciable – net of accumulated depreciation	75,303,002	6,905,628
Total Assets	**$ 119,578,962**	**$ 8,426,858**
Deferred Outflows of Resources		
Deferred pension outflows	**$ 2,471,462**	**$ 62,610**
Liabilities		
Accounts payable	$ 470,611	$ 7,388
Salaries payable	579,547	5,116
Contracts payable	794,650	-
Gift certificates	-	19,251
Due to other governments	147,724	1,082,715
Accrued interest payable	434,548	-
Unearned revenue	82,178	2,046
Capital lease payable – current	49,814	26,087
Long-term liabilities		
Due within one year	1,030,000	-
Due in more than one year	29,172,829	-
Capital lease payable	40,580	66,588
Loans payable	-	2,169,972
Net pension liability	5,479,477	199,715
Total Liabilities	**$ 38,281,958**	**$ 3,578,878**

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

COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Primary Government Governmental Activities	Component Unit Cook County and Grand Marais Joint Economic Development Authority
Deferred Inflows of Resources		
Deferred pension inflows	**$ 2,975,671**	**$ 52,918**
Net Position		
Net investment in capital assets	$ 61,826,929	$ 4,856,666
Restricted for		
General government	422,280	-
Public safety	163,945	-
Highways and streets	3,325,095	-
Human services	28,892	-
Culture and recreation	3,991,963	-
Conservation of natural resources	540,452	-
Economic development	286,251	-
Environmental improvements	882,078	-
Capital projects	4,554,869	-
Debt service	2,803,559	-
Unrestricted	1,966,482	1,006
Total Net Position	**$ 80,792,795**	**$ 4,857,672**

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

COOK COUNTY
GRAND MARAIS, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Expenses	Fees, Charges, Fines, and Other
Functions/Programs		
Primary government		
Governmental activities		
General government	$ 4,443,446	$ 790,272
Public safety	3,806,978	432,352
Highways and streets	5,934,754	250,130
Sanitation	589,599	121,925
Human services	3,112,901	262,338
Health	320,480	45,280
Culture and recreation	1,783,578	22,715
Conservation of natural resources	1,062,414	8,863
Economic development	988,712	164,469
Interest expense and bond issuance costs	1,085,535	-
Total Governmental Activities	**$ 23,128,397**	**$ 2,098,344**
Component unit		
Cook County and Grand Marais Joint Economic Development Authority	**$ 2,771,600**	**$ 821,758**

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

Total general revenues

Change in net position

Net Position – Beginning

Net Position – Ending

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

EXHIBIT 2

Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Discretely Presented Component Unit
$ 3,175,800	$ -	$ (477,374)	
553,910	-	(2,820,716)	
3,368,804	68,942	(2,246,878)	
67,729	-	(399,945)	
1,577,859	-	(1,272,704)	
134,382	-	(140,818)	
666,670	-	(1,094,193)	
626,997	-	(426,554)	
400,863	183,354	(240,026)	
-	-	(1,085,535)	
$ 10,573,014	**$ 252,296**	**$ (10,204,743)**	
$ 1,015,445	**$ -**		**$ (934,397)**
		$ 9,129,720	$ 330,454
		12,467	-
		1,689,962	-
		818,363	-
		325,641	-
		427,141	-
		646,792	-
		399,367	507
		-	37,908
		228,712	156,852
		$ 13,678,165	**$ 525,721**
		$ 3,473,422	**$ (408,676)**
		77,319,373	**5,266,348**
		$ 80,792,795	**$ 4,857,672**

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

COOK COUNTY
GRAND MARAIS, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General	Road and Bridge	Public Health and Human Services
Assets			
Cash and pooled investments	$ 6,514,593	$ 2,061,819	$ 1,499,793
Petty cash and change funds	1,217	-	-
Taxes receivable – delinquent	109,608	60,587	64,965
Accounts receivable	219,882	599	27,401
Loans receivable	3,767,278	-	-
Due from other funds	991,200	1,170	-
Due from other governments	2,636,554	2,321,776	227,389
Inventories	-	549,772	-
Prepaid items	-	-	2,166
Total Assets	**$ 14,240,332**	**$ 4,995,723**	**$ 1,821,714**
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	$ 216,301	$ 172,774	$ 71,423
Salaries payable	350,761	123,940	104,846
Contracts payable	-	382,365	-
Due to other funds	1,170	-	-
Due to other governments	84,648	-	2,198
Unearned revenue	13,217	-	68,961
Total Liabilities	**$ 666,097**	**$ 679,079**	**$ 247,428**
Deferred Inflows of Resources			
Unavailable revenue			
Taxes	$ 59,599	$ 33,056	$ 35,445
Grants	-	2,082,471	-
Long-term receivables	1,547,894	-	-
Total Deferred Inflows of Resources	**$ 1,607,493**	**$ 2,115,527**	**$ 35,445**

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

EXHIBIT 3

Airport		Local Option Sales Tax		Debt Service		Capital Projects		Nonmajor Funds		Total	
$	-	$	5,066,984	$	1,934,141	$	4,845,939	$	1,883,602	$	23,806,871
	-		-		-		-		-		1,217
	2,570		-		14,393		-		1,378		253,501
	1,468		-		-		228,128		-		477,478
	-		-		862,878		-		-		4,630,156
	-		-		-		-		60,004		1,052,374
	663,401		313,934		-		165,215		-		6,328,269
	-		-		-		-		-		549,772
	-		-		-		-		-		2,166
$	**667,439**	**$**	**5,380,918**	**$**	**2,811,412**	**$**	**5,239,282**	**$**	**1,944,984**	**$**	**37,101,804**
$	2,586	$	-	$	-	$	-	$	7,527	$	470,611
	-		-		-		-		-		579,547
	-		-		-		412,285		-		794,650
	812,062		-		-		-		239,142		1,052,374
	-		-		-		-		60,878		147,724
	-		-		-		-		-		82,178
$	**814,648**	**$**	**-**	**$**	**-**	**$**	**412,285**	**$**	**307,547**	**$**	**3,127,084**
$	1,402	$	-	$	7,853	$	-	$	752	$	138,107
	529,107		-		-		165,215		-		2,776,793
	-		-		-		-		-		1,547,894
$	**530,509**	**$**	**-**	**$**	**7,853**	**$**	**165,215**	**$**	**752**	**$**	**4,462,794**

COOK COUNTY
GRAND MARAIS, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General	Road and Bridge	Public Health and Human Services
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)			
Fund Balances			
Nonspendable			
Environmental improvements – principal	$ -	$ -	$ -
Inventories	-	549,772	-
Prepaid items	-	-	2,116
Restricted			
Economic development	-	-	-
Environmental improvements	-	-	-
Special projects	-	-	-
Revolving loans	277,550	-	-
Law library	55,684	-	-
National Forest Title III	114,345	-	-
Recorder's technology equipment	136,426	-	-
Recorder's compliance	107,807	-	-
Enhanced 911	91,834	-	-
Attorney's forfeiture	7,305	-	-
Drug forfeitures	5,156	-	-
DWI forfeitures	6,391	-	-
Extension services	20,875	-	-
Sheriff's contingency fund	5,000	-	-
20% unorganized townships	703	-	-
DNR snowmobile	12,374	-	-
Conceal and carry	43,190	-	-
Election equipment	10	-	-
Aquatic invasive species	519,385	-	-
Timber development	192	-	-
Debt service	-	-	-
Child protection	-	-	28,892
Transportation projects	-	-	-
Capital projects	-	-	-
Assigned			
Arrowhead Economic Opportunity Agency	19,751	-	-
Emergency Medical Service training	8,296	-	-
Hovland dock	1,471	-	-
Planning and zoning permit software	6,113	-	-
Telephone	42,851	-	-
Skateboard park	141	-	-
Sheriff's cars	217,900	-	-
Data processing equipment	215,397	-	-

EXHIBIT 3
(Continued)

Airport	Local Option Sales Tax	Debt Service	Capital Projects	Nonmajor Funds	Total
$ -	$ -	$ -	$ -	$ 584,434	$ 584,434
-	-	-	-	-	549,772
-	-	-	-	-	2,116
-	-	-	-	8,701	8,701
-	-	-	-	297,644	297,644
-	3,991,963	-	-	-	3,991,963
-	-	-	-	-	277,550
-	-	-	-	-	55,684
-	-	-	-	-	114,345
-	-	-	-	-	136,426
-	-	-	-	-	107,807
-	-	-	-	-	91,834
-	-	-	-	-	7,305
-	-	-	-	-	5,156
-	-	-	-	-	6,391
-	-	-	-	-	20,875
-	-	-	-	-	5,000
-	-	-	-	-	703
-	-	-	-	-	12,374
-	-	-	-	-	43,190
-	-	-	-	-	10
-	-	-	-	-	519,385
-	-	-	-	-	192
-	-	2,803,559	-	-	2,803,559
-	-	-	-	-	28,892
-	1,388,955	-	-	-	1,388,955
-	-	-	4,554,869	-	4,554,869
-	-	-	-	-	19,751
-	-	-	-	-	8,296
-	-	-	-	-	1,471
-	-	-	-	-	6,113
-	-	-	-	-	42,851
-	-	-	-	-	141
-	-	-	-	-	217,900
-	-	-	-	-	215,397

COOK COUNTY
GRAND MARAIS, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General	Road and Bridge	Public Health and Human Services
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)			
Fund Balances			
Assigned (Continued)			
Landfill future development	19,257	-	-
County cars	43,198	-	-
Photocopiers	42,944	-	-
Safety committee	3,056	-	-
County landings maintenance	66,071	-	-
Plat book fund	15,897	-	-
Hazardous materials team	1,383	-	-
Sheriff's response unit	833	-	-
Backpack program	11,939	-	-
Enhanced 911	296	-	-
Software	32,281	-	-
Murmur Creek service district	35,514	-	-
Highways and streets	-	1,651,345	-
Human services	-	-	1,507,833
Building improvements	-	-	-
Capital projects	-	-	-
Unassigned	9,777,926	-	-
Total Fund Balances	**$ 11,966,742**	**$ 2,201,117**	**$ 1,538,841**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 14,240,332**	**$ 4,995,723**	**$ 1,821,714**

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

EXHIBIT 3
(Continued)

Airport	Local Option Sales Tax	Debt Service	Capital Projects	Nonmajor Funds	Total
-	-	-	-	-	19,257
-	-	-	-	-	43,198
-	-	-	-	-	42,944
-	-	-	-	-	3,056
-	-	-	-	-	66,071
-	-	-	-	-	15,897
-	-	-	-	-	1,383
-	-	-	-	-	833
-	-	-	-	-	11,939
-	-	-	-	-	296
-	-	-	-	-	32,281
-	-	-	-	-	35,514
-	-	-	-	-	1,651,345
-	-	-	-	-	1,507,833
-	-	-	-	745,906	745,906
-	-	-	106,913	-	106,913
(677,718)	-	-	-	-	9,100,208
$ (677,718)	**$ 5,380,918**	**$ 2,803,559**	**$ 4,661,782**	**$ 1,636,685**	**$ 29,511,926**
$ 667,439	**$ 5,380,918**	**$ 2,811,412**	**$ 5,239,282**	**$ 1,944,984**	**$ 37,101,804**

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EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES DECEMBER 31, 2018

Fund balances – total governmental funds (Exhibit 3)		**$ 29,511,926**
Amounts reported for governmental activities in the statement of net position 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.		83,529,532
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		4,462,794
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.		
Deferred outflows related to pensions		2,471,462
Deferred inflows related to pensions		(2,975,671)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Capital improvement bonds	$ (9,135,000)	
Sales tax revenue bonds	(15,110,000)	
Capital equipment notes	(1,045,000)	
Tax abatement bonds	(3,935,000)	
Bond premium	(152,091)	
Capital leases payable	(90,394)	
Accrued interest payable	(434,548)	
Compensated absences	(825,738)	
Net pension liability	(5,479,477)	(36,207,248)
Net Position of Governmental Activities (Exhibit 1)		**$ 80,792,795**

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

COOK COUNTY
GRAND MARAIS, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General	Road and Bridge	Public Health and Human Services
Revenues			
Taxes	$ 4,367,138	$ 2,249,264	$ 2,192,531
Special assessments	136,557	-	-
Licenses and permits	70,381	-	15,590
Intergovernmental	5,799,117	2,253,348	1,548,803
Charges for services	413,591	244,710	264,112
Fines and forfeits	22,045	-	-
Gifts and contributions	42,950	-	5,510
Investment earnings	260,727	-	-
Miscellaneous	943,156	5,420	42,140
Total Revenues	**$ 12,055,662**	**$ 4,752,742**	**$ 4,068,686**
Expenditures			
Current			
General government	$ 4,182,725	$ -	$ -
Public safety	3,509,115	-	-
Highways and streets	-	8,642,375	-
Sanitation	526,590	-	-
Human services	-	-	3,087,124
Health	-	-	318,282
Culture and recreation	1,531,799	-	-
Conservation of natural resources	989,220	-	-
Economic development	189,406	-	-
Capital outlay	395,053	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
Administrative (fiscal) charges	-	-	-
Total Expenditures	**$ 11,323,908**	**$ 8,642,375**	**$ 3,405,406**
Excess of Revenues Over (Under) Expenditures	**$ 731,754**	**$ (3,889,633)**	**$ 663,280**
Other Financing Sources (Uses)			
Transfers in	$ 179,138	$ 4,818,693	$ -
Transfers out	-	-	-
Proceeds of bonds and notes issued	-	-	-
Premium on bonds issued	-	-	-
Total Other Financing Sources (Uses)	**$ 179,138**	**$ 4,818,693**	**$ -**
Net Change in Fund Balance	**$ 910,892**	**$ 929,060**	**$ 663,280**
Fund Balance – January 1	**11,055,850**	**1,269,683**	**875,561**
Increase (decrease) in inventories	**-**	**2,374**	**-**
Fund Balance – December 31	**$ 11,966,742**	**$ 2,201,117**	**$ 1,538,841**

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

Airport	Local Options Sales Tax	Debt Service	Capital Projects	Nonmajor Funds	Total
$ 93,118	$ 2,508,325	$ 523,959	$ -	$ 50,450	$ 11,984,785
-	-	-	-	-	136,557
-	-	-	-	-	85,971
524,629	-	-	429,753	-	10,555,650
-	-	-	-	-	922,413
-	-	-	-	-	22,045
-	-	-	-	-	48,460
-	-	13,663	106,913	18,064	399,367
33,674	-	160,581	-	265,321	1,450,292
$ 651,421	**$ 2,508,325**	**$ 698,203**	**$ 536,666**	**$ 333,835**	**$ 25,605,540**
$ -	$ -	$ -	$ -	$ 34,439	$ 4,217,164
-	-	-	-	-	3,509,115
-	-	-	-	-	8,642,375
-	-	-	-	-	526,590
-	-	-	-	-	3,087,124
-	-	-	-	-	318,282
-	-	-	-	-	1,531,799
-	-	-	-	60,878	1,050,098
125,773	-	-	-	-	315,179
233,122	-	-	1,165,786	32,037	1,825,998
			-		
-	600,000	405,000	-	-	1,005,000
-	482,734	73,793	-	-	556,527
-	-	-	329,391	-	329,391
-	950	6,342	-	-	7,292
$ 358,895	**$ 1,083,684**	**$ 485,135**	**$ 1,495,177**	**$ 127,354**	**$ 26,921,934**
$ 292,526	**$ 1,424,641**	**$ 213,068**	**$ (958,511)**	**$ 206,481**	**$ (1,316,394)**
$ -	$ -	$ 968,175	$ -	$ 60,004	$ 6,026,010
-	(81,675)	-	(5,705,193)	(239,142)	(6,026,010)
-	-	-	11,165,000	-	11,165,000
-	-	-	160,486	-	160,486
$ -	**$ (81,675)**	**$ 968,175**	**$ 5,620,293**	**$ (179,138)**	**$ 11,325,486**
$ 292,526	**$ 1,342,966**	**$ 1,181,243**	**$ 4,661,782**	**$ 27,343**	**$ 10,009,092**
(970,244)	**4,037,952**	**1,622,316**	**-**	**1,609,342**	**19,500,460**
-	**-**	-	-	**-**	**2,374**
$ (677,718)	**$ 5,380,918**	**$ 2,803,559**	**$ 4,661,782**	**$ 1,636,685**	**$ 29,511,926**

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018

Net change in fund balances – total governmental funds (Exhibit 5)		**$ 10,009,092**
Amounts reported for governmental activities in the statement of activities are different because:		
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.		
Deferred inflows of resources – December 31	$ 4,462,794	
Deferred inflows of resources – January 1	(3,509,218)	953,576
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for general capital assets and infrastructure	$ 6,473,880	
Current year depreciation	(3,424,945)	3,048,935
Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of activities.		
General obligation bonds issued	$ (10,755,000)	
Capital equipment notes issued	(410,000)	
Bond premium	(160,486)	
Principal repayments – capital lease	49,814	
Principal repayments – general obligation bonds	695,000	
Principal repayments – capital equipment note	310,000	(10,270,672)
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	$ (200,720)	
Change in compensated absences	(79,121)	
Amortization of bond premium	8,395	
Change in inventories	2,374	
Change in net pension liability	574,649	
Change in deferred pension outflows	(575,793)	
Change in deferred pension inflows	2,707	(267,509)
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 3,473,422**

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

FIDUCIARY FUNDS

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COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2018

		Agency Funds
Assets		
Cash and pooled investments	$	791,119
Accounts receivable		209,964
Due from other governments		414,116
Total Assets	**$**	**1,415,199**
Liabilities		
Accounts payable	$	167,960
Due to other governments		1,247,239
Total Liabilities	**$**	**1,415,199**

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

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1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2018. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Blended Component Unit

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

Component Unit	Included in the Reporting Entity Because	Separate Financial Statements
Cook County Building Authority	The County Board is the governing body, and a benefit/burden relationship exists.	Separate financial statements are not prepared.

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:

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

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

Joint Ventures and Jointly-Governed Organizations

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

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

2. Fund Financial Statements

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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

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

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

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

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

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 Capital Projects Fund is used to account for the accumulation of resources for building improvements, road and bridge improvements, and the purchase of capital equipment.

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fund types:

The Leased Lakeshore Permanent Fund is used to account for funds collected from the sale of County-owned lakeshore leased lots. In accordance with 1998 Minn. Laws ch. 389, art. 16, § 31, as amended by 1999 Minn. Laws, ch. 180, the principal on these sales must remain in an environmental trust fund, and only the interest may be spent on improvement of natural resources.

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

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the full 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 general revenue as available if collected within 60 days after the end of the current period, Public Health and Human Services revenue as available if collected within 90 days, and the federal payment in-lieu of tax revenue as available if collected within 180 days. 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.

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Investments are reported at fair value at December 31, 2018. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value or fair value per share. 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 2018 were $260,727.

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

2. Receivables and Payables

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

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

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables (Continued)

Loans receivable consist of the outstanding balances of economic development loans to private enterprises. Funds used for these loans are from the State of Minnesota Small Cities Grant Program. Loans receivable are also outstanding from the Cook County and Grand Marais Joint Economic Development Authority, which were used to finance golf course improvements.

No allowance for uncollectible receivables has been provided because such amounts are not expected to be material.

3. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County has one item, deferred pension outflows, that qualifies for reporting in this category. The deferred pension outflows consist of pension plan contributions paid subsequent to the measurement date, differences between expected and actual pension plan economic experience, changes in actuarial assumptions, and pension plan changes in proportion and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items, unavailable revenue and deferred pension inflows, that qualify for reporting in this category. Unavailable revenue arises only under a modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. Deferred pension inflows arise only under an accrual basis of accounting and, accordingly, are reported only in the

1. Summary of Significant Accounting Policies

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

3. Deferred Outflows/Inflows of Resources (Continued)

statement of net position. This amount consists of differences between expected and actual pension plan economic experience, changes in actuarial assumptions, pension plan changes in proportionate share, and differences between projected and actual earnings on pension plan investments.

4. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. The net pension liability is liquidated through the General Fund and other governmental funds that have personal services.

5. 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.

6. 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

1. Summary of Significant Accounting Policies

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

6. Capital Assets (Continued)

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 acquisition value.

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:

Assets	Years
Buildings	25 – 50
Improvements other than buildings	20
Public domain infrastructure	20 – 75
Furniture, equipment, and vehicles	4 – 15

7. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual, personal time off, and sick leave balances. 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. Compensated absences balances are expected to be liquidated by the General Fund and other County funds that incur personal services expenditures.

8. Unearned Revenue

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

1. Summary of Significant Accounting Policies

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

9. Long-Term Obligations

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

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

10. Classification of Net Position

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

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

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

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

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources of the governmental funds. These classifications are as follows:

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

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

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

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

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balance (Continued)

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

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

12. 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, deferred outflows of resources, liabilities, and deferred inflows of resources; 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 and Deficit Fund Equity

The Airport Special Revenue Fund incurred expenditures that exceeded appropriations in the amount of $212,018 due to some capital expenditures not being included in the budget. Additionally, the Airport Fund has a deficit fund equity of $677,718. The deficit fund equity is expected to be eliminated with additional grant reimbursement and future tax levies.

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	$	23,806,871
Petty cash and change funds		1,217
Cook County and Grand Marais Joint Economic Development Authority component unit		
Cash and pooled investments		331,011
Fiduciary funds		
Cash and pooled investments		791,119
Total Cash and Investments	$	24,930,218

a. Deposits

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

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

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. It is the County's policy to minimize custodial credit risk by obtaining collateral or bond for all uninsured amounts on deposit, and obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2018, the primary government's deposits were not exposed to custodial credit risk.

The Cook County and Grand Marais Joint Economic Development Authority component unit does not have a policy for custodial credit risk. At December 31, 2018, $354,963 of the Authority's deposits were exposed to custodial credit risk.

b. Investments

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

(1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;

(2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

(4) bankers' acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

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

Credit Risk

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

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. It is the County's policy to minimize custodial credit risk by permitting brokers to hold investments for Cook County only to the extent there is Securities Investor Protection Corporation (SIPC) and excess SIPC coverage available, and securities purchased that exceed available SIPC coverage will be transferred to the County's custodian. At December 31, 2018, the County's investments were not subject to custodial credit risk.

Concentration of Credit Risk

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

The following table presents the County's cash and pooled investment balances at December 31, 2018, and information relating to potential investment risks:

	Credit Risk		Concentration Risk	Interest Rate Risk	
Investment Type	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	Carrying (Fair) Value
U.S. government agency securities					
Federal Home Loan Mortgage Corporation Discount Note	AAA	Moody's		05/27/2020	$ 246,290
Federal Home Loan Mortgage Corporation Discount Note	AAA	Moody's		04/27/2022	496,155
Federal Home Loan Mortgage Corporation Discount Note	AAA	Moody's		11/28/2022	625,647
Federal Home Loan Mortgage Corporation Discount Note	AAA	Moody's		10/27/2023	1,499,153
Total Federal Home Loan Mortgage Corporation Discount Notes			12.42%		$ 2,867,245

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Investment Type	Credit Risk: Credit Rating	Credit Risk: Rating Agency	Concentration Risk: Over 5 Percent of Portfolio	Interest Rate Risk: Maturity Date	Carrying (Fair) Value
U.S. government agency securities (Continued)					
Federal National Mortgage Association	AAA	Moody's	1.50%	07/27/2021	$ 345,492
Government National Mortgage Association Notes	N/A	N/A	12.89%	09/20/2046	$ 2,976,985
Investment pools/mutual funds					
Money market mutual fund	N/A	N/A		N/A	$ 762,768
MAGIC Fund	N/A	N/A		N/A	11,792,897
Total investment pools/mutual funds			54.38%		$ 12,555,665
Certificates of deposit – negotiable					
Sallie Mae Bank	N/A	N/A		07/30/2019	$ 149,502
Customers Bank	N/A	N/A		08/21/2019	244,233
BMW Bank of America	N/A	N/A		09/26/2019	243,890
Goldman Sachs Bank	N/A	N/A		10/18/2019	244,248
Morgan Stanley Bank NA	N/A	N/A		12/16/2019	243,359
Washington Trust Co.	N/A	N/A		12/16/2019	243,564
Wells Fargo Bank	N/A	N/A		02/28/2020	243,937
Capital One Bank USA	N/A	N/A		06/17/2020	222,019
Comenity Bank	N/A	N/A		06/24/2020	197,656
Capital One NA	N/A	N/A		07/22/2020	242,354
Everbank	N/A	N/A		09/30/2020	211,448
HSBC Bank USA	N/A	N/A		11/09/2021	240,316
Iroquois FD Saving Loan	N/A	N/A		09/21/2022	233,595
Thomaston Savings Bank	N/A	N/A		12/13/2022	235,234
JP Morgan Chase Bank	N/A	N/A		03/29/2023	243,251
Worlds Foremost Bank	N/A	N/A		05/08/2023	191,098
Toyota Final Saving's Bank	N/A	N/A		06/15/2023	229,861
HSBC	N/A	N/A		12/30/2020	235,714
Whitney 8k Gulfport MS	N/A	N/A		04/22/2019	248,355
Total certificates of deposit – negotiable			18.81%		$ 4,343,634
Total pooled investments					$ 23,089,021
Deposits					1,508,969
Petty cash					1,217
Deposits – component unit					331,011
Total Cash and Investments					$ 24,930,218

3. Detailed Notes on All Funds

   A. Assets

      1. Deposits and Investments

         b. Investments (Continued)

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs.

At December 31, 2018, the County had the following recurring fair value measurements.

		Fair Value Measurements Using		
	December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
Federal Home Loan Mortgage Corporation Discount Note	$ 2,867,245	$ -	$ 2,867,245	$ -
Federal National Mortgage Association	345,492	-	345,492	-
Governmental National Mortgage Association Notes	2,976,985	-	2,976,985	-
Negotiable certificates of deposit	4,343,634	-	4,343,634	-
Total securities measured at fair value	$ 10,533,356	$ -	$ 10,533,356	$ -

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

	December 31, 2018	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	$ 11,792,897			
Money market mutual fund	762,768			
Total investments measured at NAV	$ 12,555,665			
Total Investments	$ 23,089,021			

All Level 2 debt securities are valued using a matrix pricing technique based on the securities' relationship to benchmark quoted prices.

MAGIC is a local government investment pool which is quoted at a net asset value (NAV). The County invests in this pool for the purpose of the joint investment of the County's money with those of other counties to enhance the investment earnings accruing to each member.

MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its net asset value not reasonably practical.

3. Detailed Notes on All Funds

   A. Assets

      1. Deposits and Investments

         b. Investments (Continued)

The County invests in money market funds for the benefit of liquid investments that can be readily re-invested or made available for use. Money market funds held by the County seek a constant NAV of $1.00 per share. The money market fund reserves the right to require one or more days prior notice before permitting withdrawals.

      2. Receivables

Receivables as of December 31, 2018, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	$ 253,501	$ -
Accounts	477,478	-
Loans	4,630,156	4,489,916
Due from other governments	6,328,269	523,776
Total Governmental Activities	$ 11,689,404	$ 5,013,692

Loans receivable represent amounts owed from private businesses within the County for economic development. The revolving loan fund activity is included in the General Fund. At year-end, the County had 33 revolving loans with balances outstanding. Scheduled collections on these loans range from one to 20 years. Due from other governments, amounts not scheduled for collection during the subsequent year, are loans to fire districts for the purchase of equipment. Loans are repaid through the fire district tax levies. Collections for the loans to fire districts range from seven to 19 years.

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land and easements	$ 1,857,678	$ -	$ -	$ 1,857,678
Construction in progress	6,450,345	5,444,926	5,526,419	6,368,852
Total capital assets not depreciated	$ 8,308,023	$ 5,444,926	$ 5,526,419	$ 8,226,530
Capital assets depreciated				
Buildings	$ 21,546,647	$ 229,102	$ -	$ 21,775,749
Improvements other than buildings	998,062	139,191	-	1,137,253
Machinery, vehicles, furniture, and equipment	11,340,380	660,661	20,264	11,980,777
Infrastructure	76,164,753	5,526,419	-	81,691,172
Total capital assets depreciated	$ 110,049,842	$ 6,555,373	$ 20,264	$ 116,584,951
Less: accumulated depreciation for				
Buildings	$ 6,188,314	$ 533,358	$ -	$ 6,721,672
Improvements other than buildings	676,050	46,400	-	722,450
Machinery, vehicles, furniture, and equipment	7,995,756	891,032	20,264	8,866,524
Infrastructure	23,017,148	1,954,155	-	24,971,303
Total accumulated depreciation	$ 37,877,268	$ 3,424,945	$ 20,264	$ 41,281,949
Total capital assets depreciated, net	$ 72,172,574	$ 3,130,428	$ -	$ 75,303,002
Capital Assets, Net	$ 80,480,597	$ 8,575,354	$ 5,526,419	$ 83,529,532

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	$	214,059
Public safety		323,836
Highways and streets, including depreciation of infrastructure assets		1,911,296
Sanitation		47,129
Culture and recreation		249,581
Conservation of natural resources		5,511
Economic development		673,533
Total Depreciation Expense – Governmental Activities	$	3,424,945

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2018, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Forfeited Tax Fund	$ 179,138	Forfeited tax apportionment
	Airport Fund	812,062	To fund deficit cash
Total Due to General Fund		$ 991,200	
Road and Bridge Fund	General Fund	1,170	Charges for services
Building Fund	Forfeited Tax Fund	64,000	Forfeited tax apportionment
Total Due To/From Other Funds		$ 1,052,374	

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

3. Detailed Notes on All Funds

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2018, consisted of the following:

Transfer from	Transfer to	Amount	Purpose
Forfeited Tax Fund	General Fund	$ 179,138	Forfeited tax apportionment
Local Options Sales Tax Fund	Road and Bridge Fund	$ 81,675	Transportation sales tax proceeds
Capital Projects Fund	Road and Bridge Fund	4,737,018	Transportation sales tax proceeds
Total transfers to Road and Bridge Fund		$ 4,818,693	
Forfeited Tax Fund	Building Fund	$ 60,004	Forfeited tax apportionment
Capital Projects Fund	Debt Service Fund	$ 968,175	Lutsen housing bond proceeds
Total Transfers		$ 6,026,010	

C. Liabilities

1. Payables

Payables at December 31, 2018, were as follows:

	Governmental Activities
Accounts	$ 470,611
Salaries	579,547
Contracts	794,650
Due to other governments	147,724
Total Payables	$ 1,992,532

3. Detailed Notes on All Funds

C. Liabilities

1. Payables (Continued)

Capital Lease Payable

Cook County has one lease agreement outstanding that qualifies as a capital lease for accounting purposes. The County has entered into a lease-purchase arrangement with Caterpillar Financial Services Corporation for the purchase of a motor grader. The total cost of the original lease was $249,070 to be paid over a 60-month term commencing in March 2016, at an interest rate of 3.20 percent. The remaining minimum lease obligations as of December 31, 2018, were as follows:

Year Ended December 31	Amount
2019	$ 49,814
2020	40,580
Total	$ 90,394

2. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2018
General obligation bonds					
Sales Tax Revenue Bonds of 2011	2032	$280,000 – $565,000	2.00 – 3.65	$ 8,500,000	$ 6,475,000
Taxable Sales Tax Revenue Bonds of 2012	2035	$160,000 – $1,240,000	2.00 – 3.30	9,660,000	8,635,000
Tax Abatement Bonds of 2014	2037	$95,000 – $160,000	1.10 – 3.50	2,410,000	2,315,000
Capital Improvement Bonds of 2018	2039	$75,000 – $475,000	3.00 – 3.50	9,135,000	9,135,000

3. Detailed Notes on All Funds

C. Liabilities

2. Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2018
General obligation bonds (Continued)					
Tax Abatement Bonds of 2018	2039	$40,000 – $160,000	3.38 – 4.25	$ 1,620,000	1,620,000
Total					$ 28,180,000
Plus: unamortized premium					152,091
Total General Obligation Bonds, Net					$ 28,332,091
General obligation notes					
Capital Equipment Notes of 2012	2020	$305,000 – $320,000	0.35 – 1.10	$ 2,175,000	$ 635,000
Capital Equipment Notes of 2018	2026	$55,000 – $65,000	3.00	410,000	410,000
Total General Obligation Notes, Net					$ 1,045,000

All long-term debt, except for the sales tax revenue bonds, is paid by the Debt Service Fund. The sales tax revenue bonds debt service is paid by the Local Options Sales Tax Special Revenue Fund.

3. Debt Service Requirements

Debt service requirements at December 31, 2018, were as follows:

Year Ending December 31	Capital Improvement, Sales Tax Revenue, and Tax Abatement Bonds		General Obligation Capital Equipment Notes	
	Principal	Interest	Principal	Interest
2019	$ 715,000	$ 942,651	$ 315,000	$ 19,161
2020	1,085,000	863,508	375,000	13,235
2021	1,125,000	831,758	55,000	9,825
2022	1,200,000	798,008	55,000	8,175
2023	1,245,000	763,276	60,000	6,450
2024 – 2028	7,010,000	3,231,273	185,000	8,475
2029 – 2033	8,580,000	1,999,802	-	-
2034 – 2038	6,450,000	584,116	-	-
2039	770,000	14,075	-	-
Total	$ 28,180,000	$ 10,028,467	$ 1,045,000	$ 65,321

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, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Sales tax revenue bonds	$ 6,840,000	$ -	$ 365,000	$ 6,475,000	$ 375,000
Taxable sales tax revenue bonds	8,870,000	-	235,000	8,635,000	245,000
Tax abatement bonds	2,410,000	1,620,000	95,000	3,935,000	95,000
Capital improvement bonds	-	9,135,000	-	9,135,000	-
Bond premium	-	160,486	8,395	152,091	-
Total bonds payable	$ 18,120,000	$ 10,915,486	$ 703,395	$ 28,332,091	$ 715,000
Notes payable					
Capital equipment notes	945,000	410,000	310,000	1,045,000	315,000
Compensated absences	746,617	732,364	653,243	825,738	-
Long-Term Liabilities	$ 19,811,617	$ 12,057,850	$ 1,666,638	$ 30,202,829	$ 1,030,000

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 Sales Tax Revenue Bonds, Series 2011B, November 22, 2011;
- General Obligation Equipment Notes, Series 2012A, December 13, 2012;
- Taxable General Obligation Sales Tax Revenue Bonds, Series 2012B, December 13, 2012;
- General Obligation Tax Abatement Bonds, Series 2014A, October 21, 2014;
- General Obligation Capital Improvement Bonds, Series 2018A, June 7, 2018;

3. Detailed Notes on All Funds

C. Liabilities

5. Ongoing Disclosure of Long-Term Liabilities (Continued)

- General Obligation Equipment Notes, Series 2018A, June 7, 2018; and

- General Obligation Tax Abatement Bonds, Series 2018B, June 7, 2018.

D. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description

All full-time and certain part-time employees of Cook County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (the General Employees Plan) and the Public Employees Police and Fire Plan (the Police and Fire Plan), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No Cook County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

3. Detailed Notes on All Funds

   D. Pension Plans

      1. Defined Benefit Pension Plans

         a. Plan Description (Continued)

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years and increasing 5.00 percent for each year of service until fully vested after 20 years.

         b. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. General Employees Plan and Police and Fire Plan benefit recipients receive a future annual 1.00 percent for the post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will be 2.50 percent. If, after reverting to a 2.50 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.00 percent.

The benefit provisions stated in the following paragraph 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 their public service.

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive 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 Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service.

For General Employees Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Police and Fire Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

c. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2018. Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2018.

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

c. Contributions (Continued)

In 2018, the County was required to contribute the following percentages of annual covered salary:

General Employees Plan – Coordinated Plan members	7.50%
Police and Fire Plan	16.20

The employee and employer contribution rates did not change from the previous year.

The County's contributions for the year ended December 31, 2018, to the pension plans were:

General Employees Plan	$	443,176
Police and Fire Plan		178,824

The contributions are equal to the contractually required contributions as set by state statute.

d. Pension Costs

General Employees Retirement Plan

At December 31, 2018, the County reported a liability of $4,465,810 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.0805 percent. It was 0.0758 percent measured as of June 30, 2017. The County recognized pension expense of $553,082 for its proportionate share of the General Employees Plan's pension expense.

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Retirement Plan (Continued)

The County also recognized $34,144 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan for the fiscal years ended June 30, 2018 and 2019, and $6 million thereafter, through calendar year 2031.

The County's proportionate share of the net pension liability	$ 4,465,810
State of Minnesota's proportionate share of the net pension liability associated with the County	146,415
Total	$ 4,612,225

The County reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 111,609	$ 118,436
Changes in actuarial assumptions	387,912	481,728
Difference between projected and actual investment earnings	-	471,620
Changes in proportion	348,725	-
Contributions paid to PERA subsequent to the measurement date	224,137	-
Total	$ 1,072,383	$ 1,071,784

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Retirement Plan (Continued)

The $224,137 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2019	$ 259,986
2020	(115,693)
2021	(274,615)
2022	(93,216)

Police and Fire Plan

At December 31, 2018, the County reported a liability of $1,013,667 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.0951 percent. It was 0.0900 percent measured as of June 30, 2017. The County recognized pension expense of $110,057 for its proportionate share of the Police and Fire Plan's pension expense.

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

The County also recognized $8,559 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan. Legislation requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

The County reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 39,588	$ 236,412
Changes in actuarial assumptions	1,179,406	1,414,045
Difference between projected and actual investment earnings	-	210,624
Changes in proportion	84,134	42,806
Contributions paid to PERA subsequent to the measurement date	95,951	-
Total	$ 1,399,079	$ 1,903,887

The $95,951 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

Year Ended December 31	Pension Expense Amount
2019	$ (28,745)
2020	(75,268)
2021	(136,658)
2022	(368,221)
2023	8,133

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2018, was $663,139.

e. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.00 percent as set by state statute.

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. The experience study for the Police and Fire Plan was dated August 30, 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The long-term expected rate of return on pension plan investments is 7.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	36%	5.10%
International stocks	17	5.30
Bonds (fixed income)	20	0.75
Alternative assets (private markets)	25	5.90
Cash	2	0.00

f. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2018, which remained consistent with 2017. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

f. Discount Rate (Continued)

assumption, the fiduciary net position of the General Employees Plan and the Police and Fire Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

g. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2018:

General Employees Plan

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

Police and Fire Plan

- The mortality projection scale was changed from MP-2016 to MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048, was added to the existing $9.0 million state contribution. Additionally, annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions

Police and Fire Plan (Continued)

- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions

h. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	Proportionate Share of the			
	General Employees Plan		Police and Fire Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 7,257,513	6.50%	$ 2,173,368
Current	7.50	4,465,810	7.50	1,013,667
1% Increase	8.50	2,161,339	8.50	54,644

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans (Continued)

i. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

2. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. 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.

3. Detailed Notes on All Funds

D. Pension Plans

2. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by Cook County during the year ended December 31, 2018, were:

	Employee	Employer
Contribution amount	$ 7,358	$ 7,358
Percentage of covered payroll	5.00%	5.00%

4. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For group health insurance, the County belongs to the Northeast 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 $500,000 per claim in 2018 and 2019. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

4. 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.

Commitments and Contingencies

In May 2015, Cook County entered into a joint powers agreement with the City of Grand Marais and the Cook County and Grand Marais Joint Economic Development Authority for the reassessment of business park lots for the Authority's Cedar Grove Business Park project and for clarity in determining contributions for servicing the debt service on this project. Under the original agreement, the City would receive the first $60,000 on the sale of each lot to cover the debt payments; however, based on current

4. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities

Commitments and Contingencies (Continued)

valuations, the lot sales are not expected to cover the debt payments. The revised agreement states all proceeds from the future sales of the business park lots will go into a reserve account with the City to be used for redemption of the debt service on the project, Bond Series 2009A, which had an original face value of $1,685,000. Cook County shall annually pay the City, on or before July 1 each year, an amount which constitutes 50 percent of the net annual bond payment in accordance with the debt service payment schedule of the bond, less any proceeds from lot sales. The amount of the future liability to the County cannot be determined as it is contingent on the sales of the business lots.

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, which was established pursuant to the Community Corrections Act, Minn. Stat. §§ 401.01-.16.

The Arrowhead Regional Corrections 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 county's Board 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.

The Arrowhead Regional Corrections is financed through state grants and contributions from the participating counties. Cook County provided $360,229 in funding during 2018.

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Arrowhead Regional Corrections (Continued)

Separate financial information can be obtained from:

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

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

Carlton, Cook, Lake, and St. Louis Counties entered into a joint powers agreement creating 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 2018.

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

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Northeast Minnesota Office of Job Training (Continued)

defined as a "service delivery area," and the Northeast Minnesota Office of Job Training is designated as the grant recipient and administrator for the service delivery area. Cook County is not a funding mechanism for this organization.

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

Separate financial information can be obtained from:

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

Minnesota Counties Information System

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

The Minnesota Counties Information System (MCIS) is governed by a 13-member Board, composed of a member appointed by each of the participating county's Board of Commissioners. Financing is obtained through user charges to the member. Cass County is the fiscal agent for the MCIS.

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

Separate financial information can be obtained from:

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

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Northern Counties Land Use Coordinating Board

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

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

Cook County provided $2,000 in funding during 2018.

Separate financial information can be obtained from:

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

North Shore Collaborative

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

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

North Shore Collaborative (Continued)

Control of the North Shore Collaborative is vested in a Board of Directors. Financing is provided by state and federal grants, appropriations from Collaborative members, and miscellaneous revenues. Lake County is the fiscal agent for the Collaborative and handles all of the financial transactions for the organization. Financial information for the Collaborative for the fiscal year ended December 31, 2018, is as follows:

Total Assets	$	219,583
Total Liabilities		219,583

Separate financial information can be obtained from:

Lake County
601 – 3rd Avenue
Two Harbors, Minnesota 55616

Arrowhead Health Alliance

Carlton, Cook, Koochiching, and Lake Counties entered into a joint powers agreement, pursuant to Minn. Stat. §§ 471.59 and 256B.692, for the purpose of organizing, governing, planning, and administering a county-based purchasing entity to participate in prepaid health care programs through the Minnesota Department of Human Services and the federal Centers for Medicare and Medicaid Services. In 2012, St. Louis County joined the Arrowhead Health Alliance.

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

Cook County contributed $30,373 in start-up funds to the Arrowhead Health Alliance in 2007. The County provided no further funding in 2018.

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Northeast Minnesota Regional Radio Board

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

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

Itasca County is the fiscal agent for the Northeast Minnesota Regional Radio Board. Funding is provided by grants and contributions from participating members. During the current year, Cook County provided no funding to the Board.

Separate financial information can be obtained from:

Itasca County
123 Northeast 4th Street
Grand Rapids, Minnesota 55744-2847

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

D. Jointly-Governed Organizations

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

North Shore Management Board

The North Shore Management Board provides Lake Superior Shoreline planning for Cook, Lake, and St. Louis Counties; the Cities of Beaver Bay, Grand Marais, Silver Bay, and Two Harbors; and the Towns of Duluth and Lakewood. During the current year, Cook County provided no funding to the Board.

Community Health Information Collaborative

The Community Health Information Collaborative (CHIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. Cook County did not contribute to the CHIC during 2018.

Region Two – Northeast Minnesota Homeland Security Emergency Management Organization

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

Minnesota Criminal Justice Data Communications Network

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

4. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Minnesota Rural Counties Caucus

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

Sentence to Serve

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

E. Tax-Forfeited Land

Cook County manages approximately 4,241 acres of state-owned tax-forfeited land. This land generates revenues primarily from recreational land leases and land and timber sales. Land management costs, including forestry costs such as site preparation, seedlings, tree planting, and logging roads, are accounted for as current operating expenditures. Revenues in excess of expenditures are distributed to the County and cities, towns, and school districts within the County according to state statute.

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

A. Summary of Significant Accounting Policies

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

Reporting Entity

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

Basis of Accounting

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

Cash and Cash Equivalents

The Authority's cash consists of petty cash, checking accounts, and savings accounts.

Inventories

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

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

A. Summary of Significant Accounting Policies (Continued)

Land Held for Resale

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

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 acquisition value.

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

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

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

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

B. Detailed Notes

1. Assets

Capital Assets

Capital asset activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 213,685	$ -	$ -	$ 213,685
Capital assets depreciated				
Land improvements	$ 10,398,771	$ -	$ -	$ 10,398,771
Buildings and structures	372,371	49,774	-	422,145
Furniture and equipment	1,109,988	41,490	-	1,151,478
Total capital assets depreciated	$ 11,881,130	$ 91,264	$ -	$ 11,972,394
Less: accumulated depreciation for				
Land improvements	$ 3,389,090	$ 350,597	$ -	$ 3,739,687
Buildings and structures	372,371	1,914	-	374,285
Furniture and equipment	921,907	30,887	-	952,794
Total accumulated depreciation	$ 4,683,368	$ 383,398	$ -	$ 5,066,766
Total capital assets depreciated, net	$ 7,197,762	$ (292,134)	$ -	$ 6,905,628
Capital Assets, Net	$ 7,411,447	$ (292,134)	$ -	$ 7,119,313

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

Golf course	$ 383,398

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

B. Detailed Notes (Continued)

2. Liabilities

Operating Leases

The Authority leases golf carts under non-cancelable operating leases. Total costs for such leases were $27,877 for the year ended December 31, 2018. These operating leases are expected to continue indefinitely or be replaced by similar leases.

Capital Leases

The Authority has three lease agreements that qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The Authority entered into a lease-purchase arrangement with Merchants Bank Equipment Finance to purchase a skid steer loader in 2016. The original lease balance totaled $39,826 at an interest rate of 3.05 percent. The Authority entered into a lease-purchase arrangement with Merchants Bank Equipment Finance to purchase a Toro Reelmaster mower in 2017. The original lease balance totaled $61,230 at an interest rate of 3.40 percent. The Authority entered into a lease-purchase arrangement with Merchant's Bank Equipment Finance to purchase a Ventrac Compact Tractor with mower attachments in 2018. The original lease balance totaled $34,337 at an interest rate of 4.40 percent. Payments on the capital leases are made from the Golf Course Fund. The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2018, were as follows:

Year Ended December 31	Amount
2019	$ 26,087
2020	27,024
2021	21,596
2022	13,644
2023	4,324
Total	$ 92,675

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

B. Detailed Notes

2. Liabilities (Continued)

Debt Obligations

The Authority owes the City of Grand Marais proceeds for land held for resale after lots are sold. The value of the lots as of December 31, 2018, was estimated at $742,500.

Debt activity for the year ended December 31, 2018, is:

	Beginning Balance	Additions/ Advances	Payments	Ending Balance
Operating loan	$ 175,000	$ -	$ -	$ 175,000
Land held for resale	797,500	-	55,000	742,500
Due to Other Governments	$ 972,500	$ -	$ 55,000	$ 917,500

In October 2014, Cook County issued General Obligation Tax Abatement Bonds, Series 2014A, on behalf of the Cook County and Grand Marais Joint Economic Development Authority. The bonds have a face value of $2,410,000 and will be repaid over a period of 15 years. Proceeds of the bonds were used to help finance improvements to the Superior National at Lutsen Golf Course. The Authority entered into a loan agreement with Cook County and makes loan payments to the County in sufficient amounts for the County to make the required payments on the bonds.

A summary of changes in long-term debt follows:

	Beginning Balance	Additions	Payments	Ending Balance
Loans payable	$ 2,169,972	$ -	$ -	$ 2,169,972

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

B. Detailed Notes (Continued)

3. Defined Benefit Pension Plan

a. Plan Description

All full-time and certain part-time employees of the Authority are covered by a defined benefit pension plan administered by PERA. PERA administers the General Employees Retirement Plan, which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

b. Contributions

The Authority's contributions for the General Employees Plan for the year ended December 31, 2018, were $18,051. The contributions are equal to the contractually required contributions as set by state statute.

c. Pension Costs

At December 31, 2018, the Authority reported a liability of $199,715 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the Authority's proportion was 0.0036 percent. It was 0.0034 percent measured as of June 30, 2017. The Authority recognized pension expense of $27,361 for its proportionate share of the General Employees Plan's pension expense.

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

B. Detailed Notes

3. Defined Benefit Pension Plan

c. Pension Costs (Continued)

The Authority also recognized $1,520 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan for the fiscal year ended June 30, 2018 and 2019, and $6 million thereafter, through calendar year 2031.

The Authority's proportionate share of the net pension liability	$	199,715
State of Minnesota's proportionate share of the net pension liability associated with the Authority		6,519
Total	$	206,234

The Authority reported its proportionate share of the General Employees Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual economic experience	$	5,005	$	4,529
Changes in actuarial assumptions		14,839		21,587
Difference between projected and actual investment earnings		-		24,210
Changes in proportion		33,935		2,592
Contributions paid to PERA subsequent to the measurement date		8,831		-
Total	$	62,610	$	52,918

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

B. Detailed Notes

3. Defined Benefit Pension Plan

c. Pension Costs (Continued)

The $8,831 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2019	$ 14,448
2020	3,052
2021	(12,471)
2022	(4,168)

d. Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	Proportionate Share of the General Employees Plan	
	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 324,560
Current	7.50	199,715
1% Increase	8.50	96,656

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

B. Detailed Notes (Continued)

3. Defined Benefit Pension Plan

d. Pension Liability Sensitivity (Continued)

Additional pension information regarding benefits provided, contributions, actuarial assumptions, discount rates, and pension plan fiduciary net position can be found in Note 3.D.

C. Risk Management

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

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REQUIRED SUPPLEMENTARY INFORMATION

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COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 4,135,881	$ 4,135,881	$ 4,367,138	$ 231,257
Special assessments	-	-	136,557	136,557
Licenses and permits	46,550	46,550	70,381	23,831
Intergovernmental	3,572,499	3,818,960	5,799,117	1,980,157
Charges for services	482,340	472,592	413,591	(59,001)
Fines and forfeits	12,500	12,500	22,045	9,545
Gifts and contributions	-	-	42,950	42,950
Investment earnings	272,000	272,000	260,727	(11,273)
Miscellaneous	372,070	412,070	943,156	531,086
Total Revenues	**$ 8,893,840**	**$ 9,170,553**	**$ 12,055,662**	**$ 2,885,109**
Expenditures				
Current				
General government				
Commissioners	$ 302,278	$ 311,978	$ 283,795	$ 28,183
Courts	25,000	25,000	17,361	7,639
Law library	-	14,252	6,962	7,290
County auditor	539,224	693,602	682,405	11,197
County assessor	288,770	288,770	287,010	1,760
Elections	22,953	22,953	57,531	(34,578)
Data processing	793,042	793,042	749,081	43,961
Personnel	356,052	356,052	358,243	(2,191)
Attorney	434,148	434,148	423,439	10,709
Recorder	233,068	233,068	238,694	(5,626)
Planning and zoning	413,463	413,463	411,943	1,520
Buildings and plant	666,928	666,928	603,750	63,178
Veterans service officer	63,333	63,333	62,511	822
Total general government	**$ 4,138,259**	**$ 4,316,589**	**$ 4,182,725**	**$ 133,864**
Public safety				
Sheriff	$ 2,119,596	$ 2,232,175	$ 2,324,867	$ (92,692)
Boat and water safety	-	-	15,825	(15,825)
Emergency services	302,601	302,601	305,951	(3,350)
Coroner	20,500	20,500	23,362	(2,862)
E-911 system	1,000	75,799	55,121	20,678
County jail	306,109	306,109	217,904	88,205
Community corrections	363,664	360,229	360,229	-
Other public safety	-	-	205,856	(205,856)
Total public safety	**$ 3,113,470**	**$ 3,297,413**	**$ 3,509,115**	**$ (211,702)**

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

COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Expenditures				
Current (Continued)				
Sanitation				
Solid waste	$ 63,414	$ 63,414	$ 65,851	$ (2,437)
Recycling	396,719	396,719	457,808	(61,089)
Other sanitation	-	-	2,931	(2,931)
Total sanitation	**$ 460,133**	**$ 460,133**	**$ 526,590**	**$ (66,457)**
Culture and recreation				
Historical society	$ 62,500	$ 62,500	$ 62,500	$ -
Parks	27,000	27,000	38,027	(11,027)
Senior citizens	64,900	64,900	64,900	-
Regional library	174,895	174,895	174,895	-
Contributions to the YMCA	-	-	401,256	(401,256)
Other	131,041	131,041	790,221	(659,180)
Total culture and recreation	**$ 460,336**	**$ 460,336**	**$ 1,531,799**	**$ (1,071,463)**
Conservation of natural resources				
Cooperative extension	$ 97,357	$ 97,357	$ 92,393	$ 4,964
Soil and water conservation	58,989	58,989	92,571	(33,582)
Agricultural inspections	8,175	8,175	8,456	(281)
Environmental services	223,496	223,496	795,800	(572,304)
Total conservation of natural resources	**$ 388,017**	**$ 388,017**	**$ 989,220**	**$ (601,203)**
Economic development				
Community development	**$ 13,500**	**$ 13,500**	**$ 189,406**	**$ (175,906)**
Other miscellaneous	**$ 3,500**	**$ 3,500**	**$ -**	**$ 3,500**
Capital outlay				
General government	$ 107,675	$ 96,175	$ 171,749	$ (75,574)
Public safety	107,450	133,450	185,470	(52,020)
Sanitation	-	-	20,707	(20,707)
Culture and recreation	1,500	1,500	17,127	(15,627)
Total capital outlay	**$ 216,625**	**$ 231,125**	**$ 395,053**	**$ (163,928)**
Total Expenditures	**$ 8,793,840**	**$ 9,170,613**	**$ 11,323,908**	**$ (2,153,295)**

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

COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Excess of Revenues Over (Under) Expenditures	**$ 100,000**	**$ (60)**	**$ 731,754**	**$ 731,814**
Other Financing Sources (Uses)				
Transfers in	-	-	179,138	179,138
Net Change in Fund Balance	**$ 100,000**	**$ (60)**	**$ 910,892**	**$ 910,952**
Fund Balance – January 1	**11,055,850**	**11,055,850**	**11,055,850**	**-**
Fund Balance – December 31	**$ 11,155,850**	**$ 11,055,790**	**$ 11,966,742**	**$ 910,952**

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

COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT A-2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 2,214,925	$ 2,214,925	$ 2,249,264	$ 34,339
Intergovernmental	1,660,786	1,660,786	2,253,348	592,562
Charges for services	247,400	247,400	244,710	(2,690)
Miscellaneous	89,350	89,350	5,420	(83,930)
Total Revenues	**$ 4,212,461**	**$ 4,212,461**	**$ 4,752,742**	**$ 540,281**
Expenditures				
Current				
Highways and streets				
Administration	$ 344,948	$ 344,948	$ 310,971	$ 33,977
Maintenance	2,554,131	2,554,131	2,214,859	339,272
Construction	7,233,659	7,233,659	5,378,245	1,855,414
Equipment maintenance and shop	767,894	767,894	738,300	29,594
Total Expenditures	**$ 10,900,632**	**$ 10,900,632**	**$ 8,642,375**	**$ 2,258,257**
Excess of Revenues Over (Under) Expenditures	**$ (6,688,171)**	**$ (6,688,171)**	**$ (3,889,633)**	**$ 2,798,538**
Other Financing Sources (Uses)				
Transfers in	6,745,462	6,745,462	4,818,693	(1,926,769)
Net Change in Fund Balance	**$ 57,291**	**$ 57,291**	**$ 929,060**	**$ 871,769**
Fund Balance – January 1	**1,269,683**	**1,269,683**	**1,269,683**	**-**
Increase (decrease) in inventories	**-**	**-**	**2,374**	**2,374**
Fund Balance – December 31	**$ 1,326,974**	**$ 1,326,974**	**$ 2,201,117**	**$ 874,143**

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

COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT A-3

BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 2,194,323	$ 2,194,323	$ 2,192,531	$ (1,792)
Licenses and permits	15,060	15,060	15,590	530
Intergovernmental	1,365,697	1,365,697	1,548,803	183,106
Charges for services	206,677	206,677	264,112	57,435
Gifts and contributions	-	-	5,510	5,510
Miscellaneous	99,334	99,334	42,140	(57,194)
Total Revenues	**$ 3,881,091**	**$ 3,881,091**	**$ 4,068,686**	**$ 187,595**
Expenditures				
Current				
Human services				
Income maintenance	$ 879,188	$ 927,181	$ 849,828	$ 77,353
Social services	2,612,911	2,705,738	2,225,722	480,016
Other	-	-	11,574	(11,574)
Total human services	**$ 3,492,099**	**$ 3,632,919**	**$ 3,087,124**	**$ 545,795**
Health				
Nursing service	388,992	403,316	318,282	85,034
Total Expenditures	**$ 3,881,091**	**$ 4,036,235**	**$ 3,405,406**	**$ 630,829**
Net Change in Fund Balance	**$ -**	**$ (155,144)**	**$ 663,280**	**$ 818,424**
Fund Balance – January 1	**875,561**	**875,561**	**875,561**	**-**
Fund Balance – December 31	**$ 875,561**	**$ 720,417**	**$ 1,538,841**	**$ 818,424**

COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT A-4

BUDGETARY COMPARISON SCHEDULE
AIRPORT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 93,500	$ 93,500	$ 93,118	$ (382)
Intergovernmental	25,957	25,957	524,629	498,672
Miscellaneous	27,420	27,420	33,674	6,254
Total Revenues	**$ 146,877**	**$ 146,877**	**$ 651,421**	**$ 504,544**
Expenditures				
Current				
Economic development	$ 126,877	$ 126,877	$ 125,773	$ 1,104
Capital outlay	20,000	20,000	233,122	(213,122)
Total Expenditures	**$ 146,877**	**$ 146,877**	**$ 358,895**	**$ (212,018)**
Net Change in Fund Balance	**$ -**	**$ -**	**$ 292,526**	**$ 292,526**
Fund Balance – January 1	**(970,244)**	**(970,244)**	**(970,244)**	**-**
Fund Balance – December 31	**$ (970,244)**	**$ (970,244)**	**$ (677,718)**	**$ 292,526**

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

COOK COUNTY
GRAND MARIAS, MINNESOTA

EXHIBIT A-5

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2018

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Cook County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.0805 %	$ 4,465,810	$ 146,415	$ 4,612,225	$ 5,409,173	82.56 %	79.53 %
2017	0.0758	4,839,020	60,823	4,899,843	4,881,307	99.13	75.90
2016	0.0732	5,943,476	77,565	6,021,041	4,540,707	130.89	68.91
2015	0.0718	3,721,049	N/A	3,721,049	4,218,018	88.22	78.19

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A – Not Applicable

COOK COUNTY
GRAND MARIAS, MINNESOTA

EXHIBIT A-6

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2018

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b – a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2018	$ 443,176	$ 443,176	$ -	$ 5,909,013	7.50 %
2017	375,788	375,788	-	5,010,507	7.50
2016	353,955	353,955	-	4,719,400	7.50
2015	321,093	321,093	-	4,281,240	7.50

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

COOK COUNTY
GRAND MARIAS, MINNESOTA

EXHIBIT A-7

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2018

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.0951 %	$ 1,013,667	$ 1,002,759	101.09 %	88.84 %
2017	0.0900	1,215,106	922,179	131.76	85.43
2016	0.0890	3,571,725	856,488	417.02	63.88
2015	0.0940	1,068,060	864,739	123.51	86.61

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.

COOK COUNTY
GRAND MARIAS, MINNESOTA

EXHIBIT A-8

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2018

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b – a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2018	$ 178,824	$ 178,824	$ -	$ 1,103,852	16.20 %
2017	151,799	151,799	-	937,031	16.20
2016	146,349	146,349	-	903,389	16.20
2015	139,049	139,049	-	858,327	16.20

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the following major funds: the General Fund and the Road and Bridge, Public Health and Human Services, and Airport Special Revenue Funds. Cook County does not adopt a budget for the Local Option Sales Tax Special Revenue Fund. All annual appropriations lapse at fiscal year-end. Cook County carries reserves over from year to year. The County Board may assign a specific use for some of the fund balances.

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

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

2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2018, expenditures exceeded appropriations in the following funds:

	Excess Expenditures	
General Fund	$ 2,153,295	Primarily funded by greater than anticipated revenues, much of which correspond to the excess expenditures.
Airport Special Revenue Fund	212,018	Primarily funded by unbudgeted grant reimbursements, much of which correspond to the excess expenditures.

3. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

General Employees Retirement Plan

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.

- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21 million in calendar years 2017 and 2018 and returns to $31 million through calendar year 2031. The state's required contribution is $16 million in PERA's fiscal years 2018 and 2019 and returns to $6 million annually through calendar year 2031.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

3. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2016 (Continued)

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.

- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.

- An end date of July 1, 2048, was added to the existing $9.0 million state contribution. Additionally, annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.

- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

3. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan (Continued)

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.

- The assumed rates of retirement were changed, resulting in fewer retirements.

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.00 percent for non-vested members.

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.

- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

- The assumed percentage of married female members was decreased from 65 percent to 60 percent.

- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

- The assumed percentage of female members electing joint and survivor annuities was increased.

3. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2017 (Continued)

- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

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SUPPLEMENTARY INFORMATION

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COOK COUNTY
GRAND MARAIS, MINNESOTA

NONMAJOR GOVERNMENTAL FUNDS

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

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

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

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

COOK COUNTY
GRAND MARAIS, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	Special	
	Building	Golf Course Lodging Tax
Assets		
Cash and pooled investments	$ 692,803	$ 8,701
Taxes receivable – delinquent	1,378	-
Due from other funds	60,004	-
Total Assets	**$ 754,185**	**$ 8,701**
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	$ 7,527	$ -
Due to other funds	-	-
Due to other governments	-	-
Total Liabilities	**$ 7,527**	**$ -**
Deferred Inflows of Resources		
Unavailable revenue		
Taxes	**$ 752**	**$ -**
Fund Balances		
Nonspendable		
Environmental improvements – principal	$ -	$ -
Restricted		
Economic development	-	8,701
Environmental improvements	-	-
Assigned		
Building improvements	745,906	-
Total Fund Balances	**$ 745,906**	**$ 8,701**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 754,185**	**$ 8,701**

EXHIBIT B-1

Revenue Funds Forfeited Tax	Total	Leased Lakeshore Permanent	Total (Exhibit 3)
$ 300,020	$ 1,001,524	$ 882,078	$ 1,883,602
-	1,378	-	1,378
-	60,004	-	60,004
$ 300,020	**$ 1,062,906**	**$ 882,078**	**$ 1,944,984**
$ -	$ 7,527	$ -	$ 7,527
239,142	239,142	-	239,142
60,878	60,878	-	60,878
$ 300,020	**$ 307,547**	**$ -**	**$ 307,547**
$ -	**$ 752**	**$ -**	**$ 752**
$ -	$ -	$ 584,434	$ 584,434
-	8,701	-	8,701
-	-	297,644	297,644
-	745,906	-	745,906
$ -	**$ 754,607**	**$ 882,078**	**$ 1,636,685**
$ 300,020	**$ 1,062,906**	**$ 882,078**	**$ 1,944,984**

COOK COUNTY
GRAND MARAIS, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Special	
	Building	**Golf Course Lodging Tax**
Revenues		
Taxes	$ 50,450	$ -
Investment earnings	-	114
Miscellaneous	-	-
Total Revenues	**$ 50,450**	**$ 114**
Expenditures		
Current		
General government	$ 34,439	$ -
Conservation of natural resources	-	-
Capital outlay	32,037	-
Total Expenditures	**$ 66,476**	**$ -**
Excess of Revenues Over (Under) Expenditures	**$ (16,026)**	**$ 114**
Other Financing Sources (Uses)		
Transfers in	$ 60,004	$ -
Transfers out	-	-
Total Other Financing Sources (Uses)	**$ 60,004**	**$ -**
Net Change in Fund Balance	**$ 43,978**	**$ 114**
Fund Balance – January 1	**701,928**	**8,587**
Fund Balance – December 31	**$ 745,906**	**$ 8,701**

EXHIBIT B-2

Revenue Funds Forfeited Tax	Total	Leased Lakeshore Permanent	Total (Exhibit 5)
$ -	$ 50,450	$ -	$ 50,450
-	114	17,950	18,064
265,321	265,321	-	265,321
$ 265,321	**$ 315,885**	**$ 17,950**	**$ 333,835**
$ -	$ 34,439	$ -	$ 34,439
60,878	60,878	-	60,878
-	32,037	-	32,037
$ 60,878	**$ 127,354**	**$ -**	**$ 127,354**
$ 204,443	**$ 188,531**	**$ 17,950**	**$ 206,481**
$ -	$ 60,004	$ -	$ 60,004
(239,142)	(239,142)	-	(239,142)
$ (239,142)	**$ (179,138)**	**$ -**	**$ (179,138)**
$ (34,699)	**$ 9,393**	**$ 17,950**	**$ 27,343**
34,699	**745,214**	**864,128**	**1,609,342**
$ -	**$ 754,607**	**$ 882,078**	**$ 1,636,685**

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FIDUCIARY FUNDS

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AGENCY FUNDS

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

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COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT C-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Balance January 1	Additions	Deductions	Balance December 31
MEDICAL AND DEPENDENT CARE FLEX PLAN				
Assets				
Cash and pooled investments	$ 1,261	$ 84,009	$ 81,896	$ 3,374
Liabilities				
Accounts payable	$ 1,261	$ 84,009	$ 81,896	$ 3,374
SOIL AND WATER CONSERVATION DISTRICT				
Assets				
Cash and pooled investments	$ 411,453	$ 1,090,136	$ 1,017,787	$ 483,802
Liabilities				
Due to other governments	$ 411,453	$ 1,090,136	$ 1,017,787	$ 483,802
MORTGAGE REGISTRY				
Assets				
Cash and pooled investments	$ 9,089	$ 139,232	$ 146,039	$ 2,282
Liabilities				
Due to other governments	$ 9,089	$ 139,232	$ 146,039	$ 2,282

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Balance January 1	Additions	Deductions	Balance December 31
FIRE DISTRICTS				
Assets				
Cash and pooled investments	**$ 25,520**	**$ 364,615**	**$ 375,517**	**$ 14,618**
Liabilities				
Due to other governments	**$ 25,520**	**$ 364,615**	**$ 375,517**	**$ 14,618**
CITIES AND TOWNS				
Assets				
Cash and pooled investments	**$ 144,128**	**$ 1,517,751**	**$ 1,529,099**	**$ 132,780**
Liabilities				
Due to other governments	**$ 144,128**	**$ 1,517,751**	**$ 1,529,099**	**$ 132,780**
STATE REVENUE				
Assets				
Cash and pooled investments	$ 82,823	$ 2,280,292	$ 2,338,062	$ 25,053
Accounts receivable	562	319	562	319
Total Assets	**$ 83,385**	**$ 2,280,611**	**$ 2,338,624**	**$ 25,372**
Liabilities				
Due to other governments	**$ 83,385**	**$ 2,280,611**	**$ 2,338,624**	**$ 25,372**

COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Balance January 1	Additions	Deductions	Balance December 31
LODGING TAX				
Assets				
Cash and pooled investments	$ (46,338)	$ 2,029,513	$ 2,028,234	$ (45,059)
Accounts receivable	180,908	209,645	180,908	209,645
Total Assets	**$ 134,570**	**$ 2,239,158**	**$ 2,209,142**	**$ 164,586**
Liabilities				
Accounts payable	**$ 134,570**	**$ 2,239,158**	**$ 2,209,142**	**$ 164,586**
TAXES AND PENALTIES				
Assets				
Cash and pooled investments	**$ 331,828**	**$ 16,732,764**	**$ 16,957,725**	**$ 106,867**
Liabilities				
Due to other governments	**$ 331,828**	**$ 16,732,764**	**$ 16,957,725**	**$ 106,867**
SCHOOL				
Assets				
Cash and pooled investments	$ 84,297	$ 2,234,455	$ 2,251,350	$ 67,402
Due from other governments	76,382	414,116	76,382	414,116
Total Assets	**$ 160,679**	**$ 2,648,571**	**$ 2,327,732**	**$ 481,518**
Liabilities				
Due to other governments	**$ 160,679**	**$ 2,648,571**	**$ 2,327,732**	**$ 481,518**

COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Balance January 1	Additions	Deductions	Balance December 31
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 1,044,061	$ 26,472,767	$ 26,725,709	$ 791,119
Accounts receivable	181,470	209,964	181,470	209,964
Due from other governments	76,382	414,116	76,382	414,116
Total Assets	**$ 1,301,913**	**$ 27,096,847**	**$ 26,983,561**	**$ 1,415,199**
Liabilities				
Accounts payable	$ 135,831	$ 2,323,167	$ 2,291,038	$ 167,960
Due to other governments	1,166,082	24,773,680	24,692,523	1,247,239
Total Liabilities	**$ 1,301,913**	**$ 27,096,847**	**$ 26,983,561**	**$ 1,415,199**

OTHER SCHEDULES

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COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT D-1

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018

	Governmental Funds	Component Unit
Appropriations and Shared Revenue		
State		
Highway users tax	$ 2,008,476	$ -
PERA rate reimbursement	17,931	-
Disparity reduction credit	3,157	-
Police aid	113,826	-
County program aid	462,962	-
Taconite credit	162,742	-
Casino revenue aid	40,738	-
Enhanced 911	74,987	-
Aquatic invasive species aid	201,098	-
SCORE	67,729	-
Riparian protection aid	50,000	-
Out of home placement aid	31,566	-
Total appropriations and shared revenue	**$ 3,235,212**	**$ -**
Reimbursement for Services		
State		
Minnesota Department of Health	$ 1,573	$ -
Minnesota Department of Human Services	269,641	-
Total reimbursement for services	**$ 271,214**	**$ -**
Payments		
State		
Payments in lieu of taxes	$ 427,141	$ -
Local		
Local contributions	123,980	-
Total payments	**$ 551,121**	**$ -**
Grants		
State		
Minnesota Department/Board of		
Public Safety	$ 27,761	$ -
Agriculture	324,160	-
Transportation	248,669	-
Health	79,417	-
Natural Resources	446,830	-
Human Services	439,985	-
Veterans Affairs	7,500	-
Water and Soil Resources	30,781	-
Minnesota Secretary of State	19,528	-
Iron Range Resources and Rehabilitation Board	228,128	1,015,111
Total state	**$ 1,852,759**	**$ 1,015,111**

COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT D-1
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018

	Governmental Funds	Component Unit
Grants (Continued)		
Federal		
Department of		
Agriculture	$ 2,674,451	$ -
Commerce	7,500	-
Housing and Urban Development	1,226	-
Interior	701,127	-
Justice	36,876	-
Transportation	442,795	-
Education	2,263	-
Health and Human Services	732,545	-
Homeland Security	46,561	-
Total federal	**$ 4,645,344**	**$ -**
Total state and federal grants	**$ 6,498,103**	**$ 1,015,111**
Total Intergovernmental Revenue	**$ 10,555,650**	**$ 1,015,111**

COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT D-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor Pass-Through Agency Program Cluster or Title	Federal CFDA Number	Contract Number/ Pass-Through Identifying Number	Expenditures
U.S. Department of Agriculture			
Direct			
Law Enforcement Cooperative Agreement	10.U01	16-LE-11090900-001	$ 3,083
Cooperative Forestry Assistance	10.664		192,454
Partnership Agreements	10.699		124,865
Passed Through Minnesota Department of Agriculture			
Specialty Crop Block Grant Program – Farm Bill	10.170	133447	6,294
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	182MN004W1006	25,870
Passed Through Minnesota Department of Human Services			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	182MN101S2514	124,651
Passed Through Minnesota Office of Management & Budget			
Forest Service Schools and Roads Cluster			
Schools and Roads – Grants to States	10.665	P.L. 114-10	2,197,234
Total U.S. Department of Agriculture			**$ 2,674,451**
U.S. Department of Commerce			
Passed Through Minnesota Department of Natural Resources			
Coastal Zone Management Administration Awards	11.419	15-306-060-1	**$ 7,500**
U.S. Department of Housing and Urban Development			
Passed Through Minnesota Department of Employment and Economic Development			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	CDAP-15-0058-O-FY16	**$ 1,226**
U.S. Department of the Interior			
Direct			
Payments in Lieu of Taxes	15.226		**$ 701,127**
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety			
Crime Victim Assistance	16.575	F-CVS-2018-COOKAO	**$ 36,876**

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

EXHIBIT D-2
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor Pass-Through Agency Program Cluster or Title	Federal CFDA Number	Contract Number/ Pass-Through Identifying Number	Expenditures
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Airport Improvement Program	20.106	A1609-47	$ 50,859
Airport Improvement Program	20.106	A1609-48	132,495
(Total Airport Improvement Program 20.106 $183,354)			
Passed Through Minnesota Department of Natural Resources			
Highway Planning and Construction Cluster			
Recreational Trails Program	20.219	0006-17-2C	8,814
Recreational Trails Program	20.219	0022-16-2C	142,001
Recreational Trails Program	20.219	0013-17-2C	11,249
Recreational Trails Program	20.219	0041-14-2C	4,771
(Total Recreational Trails Program 20.219 $166,835)			
Total U.S. Department of Transportation			**$ 350,189**
U.S. Department of Education			
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board			
Special Education – Grants for Infants and Families	84.181	H181A170029	**$ 2,263**
U.S. Department of Health and Human Services			
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board			
Public Health Emergency Preparedness	93.069	NU90TP921843	$ 20,419
Medicaid Cluster			
Medical Assistance Program	93.778	1805MN5ADM	4,840
(Total Medical Assistance Program 93.778 $447,897)			
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1701MNFPSS	1,923
TANF Cluster			
Temporary Assistance for Needy Families	93.558	1801MNTANF	52,548
Child Support Enforcement	93.563	1804MNCSES	10,293
Child Support Enforcement	93.563	1804MNCEST	87,091
(Child Support Enforcement 93.563 $97,384)			
Community-Based Child Abuse Prevention Grants	93.590	G-1702MNFRPG	5,113
CCDF Cluster			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1801MNCCDF	997
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1701MNCWSS	1,867
Foster Care – Title IV-E	93.658	1801MNFOST	58,886

COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT D-2
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor Pass-Through Agency Program Cluster or Title	Federal CFDA Number	Contract Number/ Pass-Through Identifying Number		Expenditures
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Human Services (Continued)				
Social Services Block Grant	93.667	G-1801MNSOSR		44,597
Children's Health Insurance Program	93.767	1805MN5R21		134
Medicaid Cluster				
Medical Assistance Program	93.778	05-1805MN5ADM		441,745
Medical Assistance Program	93.778	05-1805MN5MAP		1,312
(Total Medical Assistance Program 93.778 $447,897)				
Total U.S. Department of Health and Human Services			**$**	**731,765**
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Natural Resources				
Boating Safety Financial Assistance	97.012	COOK FBP-101718	$	2,198
Passed Through Minnesota Department of Public Safety				
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	DR-4069		28
Hazard Mitigation Grant	97.039	F-HMGP-DR4290-COOKCO		1,060
Homeland Security Grant Program	97.067	F-OPSG-2015-COOKCO		43,275
Total U.S. Department of Homeland Security			**$**	**46,561**
Total Federal Awards			**$**	**4,551,958**

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2018.

Totals by Cluster

Total expenditures for SNAP Cluster	$	124,651
Total expenditures for Forest Service Schools and Roads Cluster		2,197,234
Total expenditures for Highway Planning and Construction Cluster		166,835
Total expenditures for Medicaid Cluster		447,897
Total expenditures for TANF Cluster		52,548
Total expenditures for CCDF Cluster		997

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

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COOK COUNTY
GRAND MARAIS, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. Reporting Entity

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

2. Basis of Presentation

   The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Cook County under programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Cook County, it is not intended to and does not present the financial position or changes in net position of Cook County.

3. Summary of Significant Accounting Policies

   Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Cook County has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$ 4,645,344
Grants unavailable in 2017, recognized as revenue in future years	
Airport Improvement Program	(606,566)
Chafee Foster Care Independence Program	(780)
Grants received more than 60 days after year-end, unavailable in 2018	
Airport Improvement Program	513,960
Expenditures per Schedule of Expenditures of Federal Awards	$ 4,551,958

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Other Information
Section

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COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT E-1

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

	2017		2018		2019	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	$ 16,298,706		$ 16,432,870		$ 16,451,623	
Personal property	267,245		257,815		286,945	
Fiscal disparity contribution	(520,879)		(563,279)		(567,960)	
Net Tax Capacity	**$ 16,045,072**		**$ 16,127,406**		**$ 16,170,608**	
Taxes Levied for County Purposes						
General	$ 3,729,206	23.25	$ 4,574,003	28.35	$ 4,607,199	26.64
Road and Bridge	2,134,200	13.24	2,204,925	13.60	2,313,281	14.75
Social Services	1,795,241	11.14	2,194,323	13.53	2,532,908	15.56
Airport	95,300	0.59	93,500	0.58	93,500	0.57
YMCA Operations	110,000	0.68	170,000	1.19	243,323	2.96
Economic Development	386,290	2.40	335,290	2.06	349,054	2.14
Total Levy for County Purposes	**$ 8,250,237**	**51.30**	**$ 9,572,041**	**59.31**	**$ 10,139,265**	**62.62**
Less Credits Payable by State						
Taconite homestead credit	$ 366,880		$ 374,227		$ 373,874	
Disparity reduction aid	3,157		3,157		3,157	
Total Credits Payable by State	**$ 370,037**		**$ 377,384**		**$ 377,031**	
Net Levy for County Purposes	**$ 7,880,200**		**$ 9,194,657**		**$ 9,762,234**	
Tax Capacity – Light and Power	**$ 52,498**		**$ 46,962**		**$ 46,626**	
Light and Power Tax Levy (distributed pursuant to Minn. Stat. § 273.42, as amended)	**$ 24,045**		**$ 20,600**		**$ 19,777**	
Percentage of Tax Collections for All Purposes	**99.70%**		**98.96%**			

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Management and Compliance Section

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

Independent Auditor's Report

Board of County Commissioners
Cook County
Grand Marais, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Cook County, Minnesota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 13, 2019.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify a deficiency in internal control over financial reporting that we consider to be a material weakness and deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 to be a material weakness and items 1996-003 and 2006-006 to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because the County administers no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that Cook County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Questioned Costs as item 2018-004. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Cook County's Response to Findings

Cook County's responses to the internal control and legal compliance findings identified in our audit are described in the Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

/s/Julie Blaha	*/s/Greg Hierlinger*
JULIE BLAHA STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

August 13, 2019

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

Independent Auditor's Report

Board of County Commissioners
Cook County
Grand Marais, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Cook County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2018. 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.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of Cook County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cook County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, Cook County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 and 2018-003. Our opinion on each major federal program is not modified with respect to these matters.

Cook County's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of Cook County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001, 2018-002, and 2018-003, that we consider to be significant deficiencies.

Cook County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

/s/Julie Blaha	*/s/Greg Hierlinger*
JULIE BLAHA STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

August 13, 2019

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COOK COUNTY
GRAND MARAIS, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:
- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

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

Federal Awards

Internal control over major programs:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

The major federal programs are:

Forest Service Schools and Roads Cluster	
Schools and Roads – Grants to States	CFDA No. 10.665
Medicaid Cluster	
Medical Assistance	CFDA No. 93.778

The threshold for distinguishing between Types A and B programs was $750,000.

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 1996-003

Segregation of Duties

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

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

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

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

Cause: The County informed us that it would not be cost effective to hire additional qualified accounting staff in order to segregate duties in every department.

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

View of Responsible Official: Acknowledged

Finding Number 2006-006

Accounting Policies and Procedures Manual

Criteria: All governments should document their accounting policies and procedures. Although other methods might suffice, this documentation is traditionally in the form of an accounting policies and procedures manual.

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

Context: This manual should be on hand to document the accounting policies and procedures which make up the County's internal control system. It can also help to prevent deterioration of key elements in the County's internal control system and help to avoid circumvention of County policies.

Effect: An accounting policies and procedures manual will enhance employees' understanding of their role and function in the internal control system, establish responsibilities, provide guidance for employees, improve efficiency and consistency of transaction processing, and improve compliance with established policies.

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

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

View of Responsible Official: Acknowledged

Finding Number 2016-001

Audit Adjustments

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

Condition: Material audit adjustments were identified that resulted in significant changes to the County's financial statements. These adjustments were reviewed and approved by management and properly reflected in the financial statements.

Context: The inability to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

Effect: The following material audit adjustments needed to be recorded in the financial statements:

- In the Airport Special Revenue Fund, due from other governments and unavailable revenue increased by $27,245 to record amounts not received within the period of availability related to airport projects.

- In the Capital Projects Fund, contracts payable and expenditures increased by $407,285 to record unrecorded payables related to the Lutsen workforce housing project and the hockey rink project.

- In the Capital Projects Fund, due from other governments and unavailable revenue increased by $165,215 and accounts receivable and intergovernmental revenue increased by $228,128 to record unrecorded receivables related to the Lutsen workforce housing project.

- In the Debt Service Fund, loans receivable and transfers in increased by $862,878 to set up the loans receivable for future reimbursement of the work performed on the Lutsen workforce housing project.

Cause: The adjustments were required due to incomplete or improper information being used to prepare the financial worksheets used to summarize information for the financial statements.

Recommendation: We recommend County staff implement additional procedures over financial reporting that include a comprehensive review of the trial balances, journal entries, and financial statement presentation to ensure the County's annual financial statements are reported in accordance with generally accepted accounting principles.

View of Responsible Official: Acknowledged

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEMS ARISING THIS YEAR

Finding Number 2018-001

Reporting

Program: U.S. Department of Agriculture's Schools and Roads – Grants to States (CFDA No. 10.665), Award No. P.L. 114-10, 2018

Pass-Through Agency: Minnesota Office of Management and Budget

Criteria: Not later than February 1 of the year after the year in which any Title III county funds were expended by a participating county, the participating county must submit a certification that the county funds expended in the applicable year have been used for the uses authorized under this title, including a description of the amounts expended and their uses. The participating county certification also must include the amount of Title III funds not obligated by September 30 of the previous year.

Condition: The County did not submit the required certification by February 1, 2019, for Title III funds expended by the County in 2018.

Questioned Costs: None

Context: The County submitted the required report in June 2019.

Effect: The County did not meet the reporting requirements for the program.

Cause: Program personnel forgot to submit the yearly certification.

Recommendation: We recommend County staff establish procedures to ensure the required yearly certification for Title III funds is submitted to meet reporting requirements.

View of Responsible Official: Concur

Finding Number 2018-002

Activities Allowed and Unallowed, Allowable Costs/Cost Principles

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 05-1805MN5ADM, 2018

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. Code of Federal Regulations § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition: Of 40 Medical Assistance Program disbursements for which internal controls were tested, three time sheets did not contain attestation by the employee that the hours listed as being worked on the employee's time report were correct.

Questioned Costs: None.

Context: Attestation from the employee that the hours reported as worked on their time sheet are correct is an important function to ensure amounts charged to federal programs are accurate and proper.

Effect: Without obtaining two independent attestations that the hours reported as worked are correct, there is an increased risk that errors or irregularities may occur and not be detected in a timely manner.

Cause: The County does not have a written policy outlining the procedures to be followed if an employee is not available to provide attestation on their time sheets.

Recommendation: We recommend that the County develop a clear, written policy outlining the steps that employees and their supervisors should follow during the time reporting process. This policy should include the actions to be taken if an employee is not available to attest to the hours reported on their time sheet to ensure that there are two independent attestations of the hours worked.

View of Responsible Official: Concur

Finding Number 2018-003

Reporting – Social Service Fund Report (DHS-2556)

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 05-1805MN5ADM, 2018

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. Code of Federal Regulations § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. The Minnesota Department of Human Services (DHS) provides guidance on the completion of the quarterly Social Services Fund Report (DHS-2556) in DHS Bulletin No. 17-32-17.

Condition: Certain public aid expenditures were deducted twice from the administrative cost pool reported on all four of the County's 2018 quarterly DHS-2556 reports. This resulted in administrative expenditures that were eligible for federal reimbursement being underreported to the Minnesota DHS by $79,019 during 2018.

Questioned Costs: None.

Context: The amount of federal administrative reimbursements through the Minnesota DHS for several programs is determined based on the reporting done through the quarterly Social Services DHS-2556 report.

Effect: Underreporting of expenditures eligible for federal reimbursement may result in the County not receiving federal funds that it would otherwise be entitled to.

Cause: The DHS-2556 reports have several lines where ineligible expenditures are deducted from the administrative cost pool. The same public aid expenditures were included on two separate lines due to an oversight during preparation.

Recommendation: We recommend the County establish procedures to ensure that quarterly reports are complete and accurate. In addition, we recommend the County contact the Minnesota DHS to amend its Social Services DHS-2556 quarterly reports for 2018 to include all expenditures eligible for federal reimbursement.

View of Responsible Official: Concur

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

Finding Number 2018-004

Responsible Contractor Verification

Criteria: As required by Minn. Stat. § 16C.285, subd. 4, for each construction project in excess of $50,000, awarded to the lowest responsible bidder, the County should receive from the successful contractor a verification of compliance, signed under oath by an owner or officer, verifying compliance with the minimum criteria set forth in Minn. Stat. § 16C.285, subd. 3.

Condition: For one of five contracts tested, the County did not receive the verification of compliance with minimum responsible contractor criteria from the successful contractor.

Context: The bid process was run by the County's hired architect, who should have obtained this verification for the County. However, the County is ultimately responsible to verify all proper bid documentation has been received.

Effect: Noncompliance with Minn. Stat. § 16C.285, subd. 4, through failure to obtain documentation of compliance with Minn. Stat. § 16C.285, subd. 3.

Cause: The architect running the bid process for the County responded that the requirement was not specified in the contract documents.

Recommendation: We recommend the County establish procedures to ensure the responsible contractor verification is obtained for all required contracts.

View of Responsible Official: Acknowledged

V. PREVIOUSLY REPORTED ITEM RESOLVED

2017-001 Journal Entries

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COOK COUNTY
MINNESOTA

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REPRESENTATION OF COOK COUNTY
GRAND MARAIS, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2018

Finding Number: 1996-003
Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Braidy Powers - County Auditor/Treasurer

Corrective Action Planned:

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

In addition the Auditor's Office plans to visit offices where money is billed, collected, recorded, and deposit receipts created as well as reconciling of bank accounts to better understand the processes used.

Anticipated Completion Date:

March 31, 2019

Finding Number: 2006-006
Finding Title: Accounting Policies and Procedures Manual

Name of Contact Person Responsible for Corrective Action:

Braidy Powers - County Auditor/Treasurer

Braidy Powers
County Auditor - Treasurer
Braidy.Powers@co.cook.mn.us

Corrective Action Planned:

The County Auditor's Office will create a policies and procedures manual to help guide the County employee's actions relative to accounting and internal controls.

Anticipated Completion Date:

March 31, 2020

Finding Number: 2016-001
Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Braidy Powers - County Auditor/Treasurer

Corrective Action Planned:

The County Auditor will review the trial balances, journal entries, and financial statement presentation in detail with the Financial Coordinator to help ensure their accuracy and detect any significant errors or misclassifications for correction.

Anticipated Completion Date:

This will occur annually during the audit preparation work.

Finding Number: 2018-001
Finding Title: Reporting
Program: Schools and Roads – Grants to States – CFDA #10.665

Name of Contact Person Responsible for Corrective Action:

Braidy Powers - County Auditor/Treasurer

Corrective Action Planned:

The County Auditor will assure that in future years that have Title III expenditures, the proper certification will be filed certifying that the funds expended during the year have been for uses authorized under Title III, including a description of amounts expended and their uses, and the amount of Title III funds not obligated by September 30th of the previous year.

Anticipated Completion Date:

February 1, 2020

Finding Number: 2018-002
Finding Title: Activities Allowed and Unallowed, Allowable Costs/Cost Principles
Program: Medical Assistance Program – CFDA #93.778

Name of Contact Person Responsible for Corrective Action:

Lori Ericson – PHHS Fiscal Supervisor

Corrective Action Planned:

In situations where an employee is unavailable to sign their timesheet, a new procedure will be in place where the PHHS Fiscal Supervisor or PHHS Director will be authorized to sign the timesheet for the employee.

Anticipated Completion Date:

July 1, 2019

Finding Number: 2018-003
Finding Title: Reporting – Social Service Fund Report (DHS-2556)
Program: Medical Assistance Program – CFDA #93.778

Name of Contact Person Responsible for Corrective Action:

Lori Ericson – PHHS Fiscal Supervisor

Corrective Action Planned:

Cook County personnel contacted the Minnesota Department of Human Services and will amend its reports and expects to get reimbursed for the under-claimed amounts as part of future administrative aid payments.

Anticipated Completion Date:

July 1, 2019

Finding Number: 2018-004
Finding Title: Responsible Contractor Verification

Name of Contact Person Responsible for Corrective Action:

Braidy Powers - County Auditor/Treasurer

Corrective Action Planned:

The County Auditor or other responsible parties will review the bid files to assure that all required bid documentation, including the responsible contractor verifications, have been obtained.

Anticipated Completion Date:

July 1, 2019

COOK COUNTY
MINNESOTA

AUDITOR'S OFFICE

COOK COUNTY COURTHOUSE
411 W 2ND STREET
GRAND MARAIS, MN 55604
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REPRESENTATION OF COOK COUNTY
GRAND MARAIS, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

Finding Number: 1996-003
Finding Title: Segregation of Duties

Summary of Condition: Due to the limited number of office personnel within various County departments, proper segregation of accounting functions necessary to ensure adequate internal accounting control is not always feasible. Without this proper segregation, there is an increased opportunity for errors or fraudulent activity to occur and remain undetected.

Summary of Corrective Action Previously Reported: County management is aware of the lack of segregation of accounting functions and will continue to monitor the situation and implement oversight procedures where possible.

Status: Not Corrected. Due to the limited number of office personnel within the County, segregation of the accounting functions necessary to ensure adequate internal accounting control is not feasible.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2006-006
Finding Title: Accounting Policies and Procedures Manual

Summary of Condition: Cook County does not have a current and comprehensive accounting policies and procedures manual. A manual should be prepared to document the policies and procedures that make up the County's internal control system, enhance employees understanding of their roles and functions within the system, and establish responsibility for the various accounting duties and policy compliance within the County.

Braidy Powers
County Auditor - Treasurer
Braidy.Powers@co.cook.mn.us

Summary of Corrective Action Previously Reported: Cook County does have various policies and procedures documents that have been adopted by the County Board, and the County Auditor's Office will continue to accumulate and document accounting policies and procedures with the goal of producing a policies and procedures manual for approval by the County Board.

Status: Partially Corrected. The County Auditor's Office has approved a number of policies and procedures documents to help guide the County employee's actions relative to accounting and internal controls, but does not yet have a complete and comprehensive policies and procedures manual. Several of the procedures were refined and updated in the current year to reflect current practices.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2016-001
Finding Title: Audit Adjustments

Summary of Condition: During our audit, we identified material audit adjustments that resulted in significant changes to the County's financial statements. The inability to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

Summary of Corrective Action Previously Reported: The County Auditor will review the trial balances, journal entries, and financial statement presentation in detail with the Financial Coordinator to help ensure their accuracy and detect any significant errors or misclassifications for correction.

Status: Partially Corrected. The County Auditor has implemented procedures over the review of the financial activity of the County and the presentation of the financial statements, however material audit adjustments were identified again in the current year that needed to be made in order for the financial statements to be fairly presented.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2017-001
Finding Title: Journal Entries

Summary of Condition: During the testing of journal entries, we noted that not all journal entries were being properly reviewed and approved. County procedures require that all journal entries made by the Financial Coordinator be reviewed and approved by the County Auditor or another responsible party.

Summary of Corrective Action Previously Reported: The County Auditor or another authorized employee will review all journal entries made, on a monthly basis to verify they are proper. This will be documented by a signature and date verifying the review.

Status: Corrected. The County Auditor has implemented procedures to help assure all journal entries have a proper review. During testing of journal entries in the current year, all journal entries reviewed did contain evidence that they were reviewed by the County Auditor or an authorized employee.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___