This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.

# PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 29, 2024

*In the opinion of Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, and assuming compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and certain covenants of the County, interest to be paid on the Bonds is not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, estates and trusts for Minnesota income tax purposes, and is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts and estates; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. Such interest is includable in taxable income for purposes of the Minnesota franchise tax on corporations and financial institutions. See "Tax Matters" herein.*

*The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations. No opinion will be expressed regarding other state of federal tax consequences caused by the receipt of accrual of interest on or arising with respect to ownership of the Bonds.*

**New Issue** **Rating Application Made: S&P Global Ratings**

## COOK COUNTY, MINNESOTA

## $2,775,000* GENERAL OBLIGATION BONDS, SERIES 2024A

**PROPOSAL OPENING**: March 11, 2024, 12:00 P.M. (Noon), C.T.
**CONSIDERATION**: March 12, 2024, 8:30 A.M., C.T.

**PURPOSE/AUTHORITY/SECURITY:** The $2,775,000* General Obligation Bonds, Series 2024A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, including Sections 373.40 and 469.1814, as amended, by Cook County, Minnesota (the "County"), to finance the construction of improvements to the County Courthouse, Community Center, Law Enforcement Center and Public Works Facility owned by the County. The Bonds will be general obligations of the County for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota.

**DATE OF BONDS:** March 28, 2024

**MATURITY:** February 1 as follows:

| Year | Amount* | Year | Amount* | Year | Amount* |
|---|---|---|---|---|---|
| 2026 | $150,000 | 2031 | $175,000 | 2036 | $200,000 |
| 2027 | 155,000 | 2032 | 180,000 | 2037 | 205,000 |
| 2028 | 160,000 | 2033 | 185,000 | 2038 | 210,000 |
| 2029 | 165,000 | 2034 | 185,000 | 2039 | 220,000 |
| 2030 | 165,000 | 2035 | 190,000 | 2040 | 230,000 |

***MATURITY ADJUSTMENTS:** The County reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of $5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per $1,000.

**TERM BONDS:** See "Term Bond Option" herein.

**INTEREST:** February 1, 2025 and semiannually thereafter.

**OPTIONAL REDEMPTION:** Bonds maturing on February 1, 2035 and thereafter are subject to call for prior optional redemption on February 1, 2034 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

**MINIMUM PROPOSAL:** $2,741,700.

**GOOD FAITH DEPOSIT:** A good faith deposit in the amount of $55,500 shall be made by the winning bidder by wire transfer of funds.

**PAYING AGENT:** Bond Trust Services Corporation.

**BOND COUNSEL:** Fryberger, Buchanan, Smith & Frederick, P.A..

**MUNICIPAL ADVISOR:** Ehlers and Associates, Inc.

**BOOK-ENTRY-ONLY:** See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

## REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the County to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the County. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Underwriter (Syndicate Manager). Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the County and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the County, is contingent upon the delivery of the Bonds.

## COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over $1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

**Preliminary Official Statement:** This Preliminary Official Statement was prepared for the County for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

**Review Period:** This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

**Final Official Statement:** Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

**Continuing Disclosure:** Subject to certain exemptions, issues in an aggregate amount over $1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the County is required to comply with the Rule.

## CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the County nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the County which indicates that the County does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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# COOK COUNTY
# BOARD OF COMMISSIONERS

| | | Term Expires |
|---|---|---|
| Ann Sullivan | Board Chair | January 2025 |
| David Mills | Vice Chair | January 2027 |
| Stacey Hawkins | Commissioner | January 2025 |
| Ginny Storlie | Commissioner | January 2027 |
| Debra White | Commissioner | January 2027 |

## ADMINISTRATION

James Joerke, County Administrator

Braidy Powers, County Auditor-Treasurer

Keli Berg, Finance Director

Molly Hicken, County Attorney

## PROFESSIONAL SERVICES

Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel, Duluth, Minnesota

Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota
(*Other office located in Waukesha, Wisconsin*)

# INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Cook County, Minnesota (the "County") and the issuance of its $2,775,000* General Obligation Bonds, Series 2024A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") .

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the County's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

# THE BONDS

## GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of $5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of March 28, 2024. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2025, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2026 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The County has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The County will pay the charges for Paying Agent services. The County reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

## OPTIONAL REDEMPTION

At the option of the County, the Bonds maturing on or after February 1, 2035 shall be subject to optional redemption prior to maturity on February 1, 2034 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the County. If only part of the Bonds having a common maturity date are called for redemption, then the County or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

## AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, including Sections 373.40 and 469.1814, as amended, by the County, to finance improvements to the County Courthouse, Law Enforcement Center and Public Works Facility (the "CIP Portion") and improvements to the Community Center (the "Tax Abatement Portion") owned by the County.

For the CIP Portion of the Bonds, per Minnesota Statutes, Section 373.40, allows counties to plan for and finance the acquisition and betterment of public lands, buildings, and other improvements within the county, including financing county highway improvements. Annual principal and interest payments on general obligation capital improvement bonds are limited to 0.12% of the County's estimated market value. The estimated market value of the County for taxes collectible in 2023 is $2,292,216,100. This results in a maximum annual debt service allowable of $2,750,659 for general obligation capital improvement bonds outstanding at any time.

For the Tax Abatement Portion of the Bonds, per Minnesota Statutes, Chapter 469, in any year, the total amount of property taxes abated by a political subdivision under this section may not exceed (i) ten percent of the net tax capacity of the political subdivision for the taxes payable year to which the abatement applies, or (ii) $200,000, whichever is greater. For taxes collectible in 2023, the net tax capacity is $24,805,518, which results in a maximum allowable abatements of $2,480,552 outstanding at any time.

## ESTIMATED SOURCES AND USES*

| Sources | CIP Portion | Tax Abatement Portion | Total Bond Issue |
|---|---|---|---|
| Par Amount of Bonds | $2,165,000 | $610,000 | $2,775,000 |
| **Total Sources** | **$2,165,000** | **$610,000** | **$2,775,000** |
| **Uses** | | | |
| Total Underwriter's Discount (1.200%) | $25,980 | $7,320 | $33,300 |
| Costs of Issuance | 55,393 | 15,607 | 71,000 |
| Deposit to Construction Fund | 2,080,000 | 590,000 | 2,670,000 |
| Rounding Amount | 3,627 | (2,927) | 700 |
| **Total Uses** | **$2,165,000** | **$610,000** | **$2,775,000** |

**Breakdown of Principal Payments*:**

| Payment Date | CIP Portion | Tax Abatement Portion | Total Bond Issue |
|---|---|---|---|
| 2/01/2026 | $115,000 | $35,000 | $150,000 |
| 2/01/2027 | 120,000 | 35,000 | 155,000 |
| 2/01/2028 | 125,000 | 35,000 | 160,000 |
| 2/01/2029 | 130,000 | 35,000 | 165,000 |
| 2/01/2030 | 130,000 | 35,000 | 165,000 |
| 2/01/2031 | 135,000 | 40,000 | 175,000 |
| 2/01/2032 | 140,000 | 40,000 | 180,000 |
| 2/01/2033 | 145,000 | 40,000 | 185,000 |
| 2/01/2034 | 145,000 | 40,000 | 185,000 |
| 2/01/2035 | 150,000 | 40,000 | 190,000 |
| 2/01/2036 | 155,000 | 45,000 | 200,000 |
| 2/01/2037 | 160,000 | 45,000 | 205,000 |
| 2/01/2038 | 165,000 | 45,000 | 210,000 |
| 2/01/2039 | 170,000 | 50,000 | 220,000 |
| 2/01/2040 | 180,000 | 50,000 | 230,000 |
| **Total** | **$2,165,000** | **$610,000** | **$2,775,000** |

*Preliminary, subject to change.

## SECURITY

The Bonds will be general obligations of the County for which its full faith and credit and taxing powers are pledged without limitation as to rate or amount.

The County anticipates that the debt service of the CIP Portion of the Bonds will be paid from ad valorem property taxes. In the event funds on hand for payment of principal and interest are at any time insufficient, the County is required to levy an ad valorem tax upon all taxable properties within its boundaries without limit as to rate or amount to make up any deficiency.

The County anticipates that the debt service of the Tax Abatement Portion of the Bonds will be paid from a combination of abating the County's portion of taxes from specific parcels up to an amount of the aggregate sum of abatements equal to the principal amount of the Tax Abatement Portion of the Bonds and from ad valorem property taxes. In accordance with Minnesota Statutes, receipt of tax abatement revenues and ad valorem property taxes will be sufficient to provide not less than 105% of principal and interest on the Tax Abatement Portion of the Bonds.

Should the tax abatement revenues and/or ad valorem taxes pledged for payment of the Bonds be insufficient to pay the principal as the same shall become due, the County is required to pay maturing principal and interest from moneys on hand in any other fund of the County not pledged for another purpose and/or to levy additional taxes for this purpose upon all the taxable property in the County, without limitation as to rate or amount.

## RATING

General obligation debt of the County, with the exception of any outstanding credit enhanced issues, is currently rated "AA" by S&P Global Ratings ("S&P").

The County has requested an underlying rating on the Bonds from S&P, and bidders will be notified as to the assigned rating prior to the sale. Such rating, if any, reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the County nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

## CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Bonds, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the County shall agree to provide certain information to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

On the date of issue and delivery, the County shall execute and deliver a Continuing Disclosure Certificate, under which the County will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the County are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the County to comply with any Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

In the previous five years, the County believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The County has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the County.

## LEGAL MATTERS

Legal matters incident to the issuance and sale of the Bonds and with regard to the tax-exempt status of interest on the Bonds under existing laws are subject to the approving legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A., as Bond Counsel to the County. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements or data contained in the Official Statement and will express no opinions with respect to such information. Additionally, except for statements on the cover page of the Official Statement and under the caption "TAX MATTERS" relating to Bond Counsel's opinion that the interest on the Bonds is not includable in gross income for federal income tax purposes, Bond Counsel has not independently verified any of the factual information contained in the Official Statement nor have they conducted an investigation of the affairs of the County for the purpose of passing upon the accuracy or completeness of the Official Statement. No person is entitled to rely upon their limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained in the Official Statement. See "FORM OF LEGAL OPINION" found in Appendix B.

## TAX MATTERS

The following discussion is not intended to be an exhaustive discussion of collateral tax consequences arising from ownership or disposition of the Bonds or receipt of interest on the Bonds. Prospective purchasers should consult their tax advisors with respect to collateral tax consequences, including, without limitation, the determination of gain or loss on the sale of a bond, the calculation of alternative minimum tax liability, the inclusion of Social Security or other retirement payments in taxable income, the disallowance of deductions for certain expenses attributable to the Bonds, and applicable state and local tax rules in states other than Minnesota.

In the opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota, as Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, and on certifications to be furnished at closing, and assuming compliance by the County with certain tax covenants, that interest to be paid on the Bonds is not includable in gross income of the recipient for purposes of federal income taxation or in taxable net income of individuals, estates or trusts for purposes of Minnesota income taxation. Such interest is, however, included in taxable income for purposes of the Minnesota franchise tax on corporations and financial institutions.

Interest on the Bonds is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts and estates; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

Certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), however, impose continuing requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be and remain not includable in federal gross income or in Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of bond proceeds and the facilities financed or refinanced with such proceeds; restrictions on the investment of bond proceeds and other amounts; and provisions requiring that certain investment earnings be rebated periodically to the federal government. Noncompliance with such requirements of the Code may cause interest on the Bonds to be includable in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Compliance with the County's tax covenants will satisfy the current requirements of the Code with respect to exclusion of interest on the Bonds from federal gross income and from Minnesota taxable net income of individuals, estates and trusts. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the same becomes includable in federal gross income or in Minnesota taxable net income.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax-exempt status of interest on the Bonds or the tax consequences of ownership of the Bonds. No assurance can be given that future legislation, if enacted into law, will not contain provisions which could directly or indirectly affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

Interest paid on tax-exempt obligations such as the Bonds is now generally required to be reported by payors to the Internal Revenue Service ("IRS") and to recipients in the same manner as interest on taxable obligations. In addition, such interest may be subject to "backup withholding" if the bond owner fails to provide the information required on IRS Form W-9, Request for Taxpayer Identification Number and Certification, or the IRS has identified the bond owner as being subject to backup withholding.

## QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds shall be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

## MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the County in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

## MUNICIPAL ADVISOR AFFILIATED COMPANIES

BTSC and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the County, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the County under an agreement separate from Ehlers.

## INDEPENDENT AUDITORS

The basic financial statements of the County for the fiscal year ended December 31, 2022 have been audited by Redpath and Company, LLC, St. Paul, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

## RISK FACTORS

The following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

**Taxes:** The Bonds will be general obligations of the County, the ultimate payment of which rests in the County's ability to levy and collect sufficient taxes to pay debt service should other revenue (tax abatement revenues) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the County in time to pay debt service when due.

**State Actions:** Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the County, the taxable value of property within the County, and the ability of the County to levy and collect property taxes.

**Future Changes in Law:** Various State and federal laws, regulations and constitutional provisions apply to the County and to the Bonds. The County can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the County or the taxing authority of the County.

**Taconite Tax Loss:** The County, in common with other Iron Range Communities, receives grants and aids which are derived from special taconite taxes and which may be reduced in the event of production curtailment. Also, homeowners now receive substantial homestead credits from taxes derived from taconite sources which may be reduced with a cut in production. Reduction of grants, state aids and credits could increase the County's need for other local taxes.

**Iron Mining Economy:** The County is located on Minnesota's Iron Range, with an economy directly related to the mining industry, including processing and shipping of iron ore (pellets) for the nation's steel industry and for foreign shipments. Beginning in 1981, economic downturns reduced demand for steel and for taconite pellets, and some taconite plants curtailed operations and employment.

**Ratings; Interest Rates:** In the future, the County's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

**Tax Exemption:** If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

**Continuing Disclosure:** A failure by the County to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

**Levy Limits:** The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. While these limitations have expired, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers and Associates.

**State Economy; State Aids:** State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

**Book-Entry-Only System:** The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the County to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

**Economy:** A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the County, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the County may have an adverse effect on the value of the Bonds in the secondary market.

**Secondary Market for the Bonds:** No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

**Bankruptcy:** The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

**Cybersecurity:** The County is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the County will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Preliminary Official Statement and the Appendices hereto.

# VALUATIONS

## OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

| Type of Property | 2020/21 | 2021/22 | 2022/23 |
|---|---|---|---|
| Residential homestead[1] | First $500,000 - 1.00%<br>Over $500,000 - 1.25% | First $500,000 - 1.00%<br>Over $500,000 - 1.25% | First $500,000 - 1.00%<br>Over $500,000 - 1.25% |
| Agricultural homestead[1] | First $500,000 HGA - 1.00%<br>Over $500,000 HGA - 1.25%<br>First $1,880,000 - 0.50% [2]<br>Over $1,880,000 - 1.00% [2] | First $500,000 HGA - 1.00%<br>Over $500,000 HGA - 1.25%<br>First $1,900,000 - 0.50% [2]<br>Over $1,900,000 - 1.00% [2] | First $500,000 HGA - 1.00%<br>Over $500,000 HGA - 1.25%<br>First $1,890,000 - 0.50% [2]<br>Over $1,890,000 - 1.00% [2] |
| Agricultural non-homestead | Land - 1.00% [2] | Land - 1.00% [2] | Land - 1.00% [2] |
| Seasonal recreational residential | First $500,000 - 1.00% [3]<br>Over $500,000 - 1.25% [3] | First $500,000 - 1.00% [3]<br>Over $500,000 - 1.25% [3] | First $500,000 - 1.00% [3]<br>Over $500,000 - 1.25% [3] |
| Residential non-homestead: | 1 unit - 1st $500,000 - 1.00%<br>Over $500,000 - 1.25%<br>2-3 units - 1.25%<br>4 or more - 1.25%<br>Small City [4] - 1.25%<br>Affordable Rental:<br>First $174,000 - .75%<br>Over $174,000 - .25% | 1 unit - 1st $500,000 - 1.00%<br>Over $500,000 - 1.25%<br>2-3 units - 1.25%<br>4 or more - 1.25%<br>Small City [4] - 1.25%<br>Affordable Rental:<br>First $100,000 - .75%<br>Over $100,000 - .25% | 1 unit - 1st $500,000 - 1.00%<br>Over $500,000 - 1.25%<br>2-3 units - 1.25%<br>4 or more - 1.25%<br>Small City [4] - 1.25%<br>Affordable Rental:<br>First $100,000 - .75%<br>Over $100,000 - .25% |
| Industrial/Commercial/Utility[5] | First $150,000 - 1.50%<br>Over $150,000 - 2.00% | First $150,000 - 1.50%<br>Over $150,000 - 2.00% | First $150,000 - 1.50%<br>Over $150,000 - 2.00% |

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1 A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

2 Applies to land and buildings. Exempt from referendum market value tax.

3 Exempt from referendum market value tax.

4 Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

5 The estimated market value of utility property is determined by the Minnesota Department of Revenue.

## CURRENT PROPERTY VALUATIONS

| | |
|---|---|
| **2022/23 Economic Market Value** | $2,654,176,317[1] |
| **2022/23 Assessor's Estimated Market Value** | |
| Real Estate | $2,248,923,000 |
| Personal Property | 43,293,100 |
| Total Valuation | $2,292,216,100 |
| **2022/23 Net Tax Capacity** | |
| Real Estate | $24,110,213 |
| Personal Property | 695,305 |
| Net Tax Capacity | $24,805,518 |
| Less: Fiscal Disparities Contribution[2] | (517,358) |
| Taxable Net Tax Capacity | $24,288,160 |
| Plus: Fiscal Disparities Distribution[2] | 102,756 |
| Adjusted Taxable Net Tax Capacity | $24,390,916 |

## 2022/23 NET TAX CAPACITY BY CLASSIFICATION

| | 2022/23 Net Tax Capacity | Percent of Total Net Tax Capacity |
|---|---|---|
| Residential homestead | $6,396,026 | 25.78% |
| Agricultural | 1,629,497 | 6.57% |
| Commercial/industrial | 1,669,606 | 6.73% |
| Non-homestead residential | 5,090,725 | 20.52% |
| Commercial & residential seasonal/rec. | 9,324,359 | 37.59% |
| Personal property | 695,305 | 2.80% |
| Total | $24,805,518 | 100.00% |

[1] According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the County is about 86.38% of the actual selling prices of property sold in the County. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the County of $2,654,176,317.

[2] Each community in the taconite credit area contributes 40% of its new industrial and commercial valuation to an area pool which is then distributed among the municipalities on the basis of population, special needs, etc. Each governmental unit makes a contribution and receives a distribution--sometimes gaining and sometimes losing net tax capacity for tax purposes. Taxes are spread on the basis of taxable net tax capacity.

## TREND OF VALUATIONS

| Levy Year | Assessor's Estimated Market Value | Assessor's Taxable Market Value | Net Tax Capacity[1] | Adjusted Taxable Net Tax Capacity[2] | Percent Increase/Decrease in Estimated Market Value |
|---|---|---|---|---|---|
| 2018/19 | $1,617,186,688 | $1,582,023,029 | $16,738,568 | $16,286,007 | 0.48% |
| 2019/20 | 1,682,563,300 | 1,648,279,413 | 17,885,668 | 17,436,653 | 4.04% |
| 2020/21 | 1,735,108,100 | 1,699,814,973 | 18,403,511 | 17,958,567 | 3.12% |
| 2021/22 | 1,771,225,800 | 1,736,017,373 | 18,787,622 | 18,127,994 | 2.08% |
| 2022/23 | 2,292,216,100 | 2,258,588,597 | 24,805,518 | 24,390,916 | 29.41% |

## LARGEST TAXPAYERS

| Taxpayer | Type of Property | 2022/23 Net Tax Capacity | Percent of County's Total Net Tax Capacity |
|---|---|---|---|
| Allete, Inc. | Utilities | $335,930 | 1.35% |
| Arrowhead Electric Coop | Utilities | 225,790 | 0.91% |
| Lutsen Mountains Corporation | Commercial | 169,802 | 0.68% |
| Great River Energy | Utilities | 165,143 | 0.67% |
| North Shore Land Company | Commercial | 94,590 | 0.38% |
| BFB Management, LLC | Commercial | 89,570 | 0.36% |
| Holland Motel, Inc. | Commercial | 71,799 | 0.29% |
| MJ Gunflint Properties | Commercial | 66,244 | 0.27% |
| Individual | Residential Non-Homestead | 48,463 | 0.20% |
| Jameson Grace Hospitality, LLC | Commercial | 47,648 | 0.19% |
| Total | | $1,314,979 | 5.30% |

County's Total 2022/23 Net Tax Capacity $24,805,518

**Source:** Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Largest Taxpayers have been furnished by the County.

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1 Net Tax Capacity is before fiscal disparities adjustments.

2 Adjusted Taxable Net Tax Capacity is after fiscal disparities adjustments.

# DEBT

## DIRECT DEBT[1]

**General Obligation Debt (see schedules following)**

| | |
|---|---|
| Total G.O. debt secured by sales tax revenues | $8,495,000 |
| Total G.O. debt secured by tax abatement revenues (includes the Tax Abatement Portion of the Bonds)* | 3,815,000 |
| Total G.O. debt secured by taxes (includes the CIP Portion of the Bonds)* | 9,630,000 |
| Total G.O. debt secured by transportation sales tax revenues | 5,430,000 |
| Total General Obligation Debt* | $27,370,000 |

*Preliminary, subject to change.

## DEBT PAYMENT HISTORY

The County has no record of default in the payment of principal and interest on its debt.

## FUTURE FINANCING

The County has tentative plans to issue up to $10,000,000 in General Obligation Bonds for additional improvements to the County Courthouse, Law Enforcement Center and Public Works Facility in 2025.

[1] Outstanding debt is as of the dated date of the Bonds.

## DEBT LIMIT

The statutory limit on net debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" (is defined under Minnesota Statutes, Section 475.51, subd. 4) to mean the amount remaining after deducting from gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate principal of the following: (1) obligations issued for improvements payable wholly or partly from special assessments levied against benefitted property; (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any public revenue producing convenience; (6) funds held as sinking funds for payment of principal and interest on debt other than those deductible under Minnesota Statutes, Section 475.51, subd. 4; (7) obligations to repay energy conservation investment loans under Minnesota Statutes, Section 216C.37; (8) obligations issued to pay judgments against the County; and (9) all other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance (includes the Tax Abatement Portion of the Bonds).

| | |
|---|---|
| 2022/23 Assessor's Estimated Market Value | $2,292,216,100 |
| Multiply by 3% | 0.03 |
| Statutory Debt Limit | $68,766,483 |
| Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the CIP Portion of the Bonds)* | (9,630,000) |
| Unused Debt Limit* | $59,136,483 |

*Preliminary, subject to change.

**Cook County, Minnesota**
**Schedule of Bonded Indebtedness**
**General Obligation Debt Secured by Sales Tax Revenues**
**(As of 03/28/2024)**

| | Taxable Sales Tax Rev Refunding Bonds Series 2020A | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Dated** | 11/24/2020 | | | | | | | |
| **Amount** | $10,205,000 | | | | | | | |
| **Maturity** | 02/01 | | | | | | | |
| **Fiscal Year Ending** | **Principal** | **Interest** | **Total Principal** | **Total Interest** | **Total P & I** | **Principal Outstanding** | **% Paid** | **Fiscal Year Ending** |
| **2024** | 0 | 70,489 | 0 | 70,489 | 70,489 | 8,495,000 | .00% | **2024** |
| **2025** | 825,000 | 132,728 | 825,000 | 132,728 | 957,728 | 7,670,000 | 9.71% | **2025** |
| **2026** | 850,000 | 115,978 | 850,000 | 115,978 | 965,978 | 6,820,000 | 19.72% | **2026** |
| **2027** | 880,000 | 98,678 | 880,000 | 98,678 | 978,678 | 5,940,000 | 30.08% | **2027** |
| **2028** | 905,000 | 84,674 | 905,000 | 84,674 | 989,674 | 5,035,000 | 40.73% | **2028** |
| **2029** | 920,000 | 73,490 | 920,000 | 73,490 | 993,490 | 4,115,000 | 51.56% | **2029** |
| **2030** | 945,000 | 60,895 | 945,000 | 60,895 | 1,005,895 | 3,170,000 | 62.68% | **2030** |
| **2031** | 960,000 | 46,840 | 960,000 | 46,840 | 1,006,840 | 2,210,000 | 73.98% | **2031** |
| **2032** | 990,000 | 30,985 | 990,000 | 30,985 | 1,020,985 | 1,220,000 | 85.64% | **2032** |
| **2033** | 1,220,000 | 11,285 | 1,220,000 | 11,285 | 1,231,285 | 0 | 100.00% | **2033** |
| | 8,495,000 | 726,040 | 8,495,000 | 726,040 | 9,221,040 | | | |

**Cook County, Minnesota**
**Schedule of Bonded Indebtedness**
**General Obligation Debt Secured by Tax Abatement Revenues**
**(As of 03/28/2024)**

| | Tax Abatement Bonds Series 2014A | | Taxable Tax Abatement Bonds Series 2018B | | Tax Abatement Bonds 1) Series 2024A | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Dated** | 11/20/2014 | | 06/07/2018 | | 03/28/2024 | | | | | | | |
| **Amount** | $2,410,000 | | $1,620,000 | | $610,000* | | | | | | | |
| **Maturity** | 02/01 | | 02/01 | | 02/01 | | | | | | | |
| **Fiscal Year Ending** | **Principal** | **Interest** | **Principal** | **Interest** | **Principal** | **Estimated Interest** | **Total Principal** | **Total Interest** | **Total P & I** | **Principal Outstanding** | **% Paid** | **Fiscal Year Ending** |
| **2024** | 0 | 27,273 | 0 | 29,799 | 0 | 0 | 0 | 57,071 | 57,071 | 3,815,000 | .00% | **2024** |
| **2025** | 110,000 | 53,170 | 50,000 | 58,710 | 0 | 26,159 | 160,000 | 138,039 | 298,039 | 3,655,000 | 4.19% | **2025** |
| **2026** | 110,000 | 50,145 | 55,000 | 56,846 | 35,000 | 18,646 | 200,000 | 125,638 | 325,638 | 3,455,000 | 9.44% | **2026** |
| **2027** | 115,000 | 46,770 | 65,000 | 54,716 | 35,000 | 17,596 | 215,000 | 119,083 | 334,083 | 3,240,000 | 15.07% | **2027** |
| **2028** | 115,000 | 43,320 | 70,000 | 52,250 | 35,000 | 16,581 | 220,000 | 112,151 | 332,151 | 3,020,000 | 20.84% | **2028** |
| **2029** | 120,000 | 39,795 | 75,000 | 49,531 | 35,000 | 15,593 | 230,000 | 104,919 | 334,919 | 2,790,000 | 26.87% | **2029** |
| **2030** | 125,000 | 36,120 | 80,000 | 46,625 | 35,000 | 14,613 | 240,000 | 97,358 | 337,358 | 2,550,000 | 33.16% | **2030** |
| **2031** | 130,000 | 32,295 | 90,000 | 43,325 | 40,000 | 13,553 | 260,000 | 89,173 | 349,173 | 2,290,000 | 39.97% | **2031** |
| **2032** | 135,000 | 28,084 | 95,000 | 39,625 | 40,000 | 12,413 | 270,000 | 80,121 | 350,121 | 2,020,000 | 47.05% | **2032** |
| **2033** | 140,000 | 23,478 | 105,000 | 35,625 | 40,000 | 11,273 | 285,000 | 70,375 | 355,375 | 1,735,000 | 54.52% | **2033** |
| **2034** | 145,000 | 18,704 | 110,000 | 31,325 | 40,000 | 10,133 | 295,000 | 60,161 | 355,161 | 1,440,000 | 62.25% | **2034** |
| **2035** | 150,000 | 13,650 | 120,000 | 26,725 | 40,000 | 8,963 | 310,000 | 49,338 | 359,338 | 1,130,000 | 70.38% | **2035** |
| **2036** | 155,000 | 8,313 | 130,000 | 21,725 | 45,000 | 7,631 | 330,000 | 37,669 | 367,669 | 800,000 | 79.03% | **2036** |
| **2037** | 160,000 | 2,800 | 140,000 | 16,150 | 45,000 | 6,135 | 345,000 | 25,085 | 370,085 | 455,000 | 88.07% | **2037** |
| **2038** | | | 150,000 | 9,988 | 45,000 | 4,560 | 195,000 | 14,548 | 209,548 | 260,000 | 93.18% | **2038** |
| **2039** | | | 160,000 | 3,400 | 50,000 | 2,825 | 210,000 | 6,225 | 216,225 | 50,000 | 98.69% | **2039** |
| **2040** | | | | | 50,000 | 950 | 50,000 | 950 | 50,950 | 0 | 100.00% | **2040** |
| | 1,710,000 | 423,915 | 1,495,000 | 576,365 | 610,000 | 187,622 | 3,815,000 | 1,187,902 | 5,002,902 | | | |

* Preliminary, subject to change.

1) This represents the $610,000 Tax Abatement Portion of the $2,775,000 General Obligation Bonds, Series 2024A.

**Cook County, Minnesota**
**Schedule of Bonded Indebtedness**
**General Obligation Debt Secured by Taxes**
**(As of 03/28/2024)**

| | G.O. Bonds Series 2018A | | CIP Bonds 1) Series 2024A | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Dated** | 06/07/2018 | | 03/28/2024 | | | | | | | |
| **Amount** | $9,545,000 | | $2,165,000* | | | | | | | |
| **Maturity** | 02/01 | | 02/01 | | | | | | | |
| **Fiscal Year Ending** | **Principal** | **Interest** | **Principal** | **Estimated Interest** | **Total Principal** | **Total Interest** | **Total P & I** | **Principal Outstanding** | **% Paid** | **Fiscal Year Ending** |
| **2024** | 0 | 122,194 | 0 | 0 | 0 | 122,194 | 122,194 | 9,630,000 | .00% | **2024** |
| **2025** | 455,000 | 237,563 | 0 | 92,799 | 455,000 | 330,362 | 785,362 | 9,175,000 | 4.72% | **2025** |
| **2026** | 470,000 | 223,688 | 115,000 | 66,286 | 585,000 | 289,974 | 874,974 | 8,590,000 | 10.80% | **2026** |
| **2027** | 415,000 | 210,413 | 120,000 | 62,763 | 535,000 | 273,175 | 808,175 | 8,055,000 | 16.36% | **2027** |
| **2028** | 425,000 | 197,813 | 125,000 | 59,211 | 550,000 | 257,024 | 807,024 | 7,505,000 | 22.07% | **2028** |
| **2029** | 440,000 | 184,838 | 130,000 | 55,610 | 570,000 | 240,448 | 810,448 | 6,935,000 | 27.99% | **2029** |
| **2030** | 450,000 | 171,488 | 130,000 | 51,970 | 580,000 | 223,458 | 803,458 | 6,355,000 | 34.01% | **2030** |
| **2031** | 465,000 | 157,181 | 135,000 | 48,226 | 600,000 | 205,408 | 805,408 | 5,755,000 | 40.24% | **2031** |
| **2032** | 485,000 | 141,744 | 140,000 | 44,308 | 625,000 | 186,051 | 811,051 | 5,130,000 | 46.73% | **2032** |
| **2033** | 495,000 | 125,819 | 145,000 | 40,246 | 640,000 | 166,065 | 806,065 | 4,490,000 | 53.37% | **2033** |
| **2034** | 515,000 | 108,763 | 145,000 | 36,114 | 660,000 | 144,876 | 804,876 | 3,830,000 | 60.23% | **2034** |
| **2035** | 535,000 | 90,388 | 150,000 | 31,798 | 685,000 | 122,185 | 807,185 | 3,145,000 | 67.34% | **2035** |
| **2036** | 550,000 | 71,400 | 155,000 | 27,029 | 705,000 | 98,429 | 803,429 | 2,440,000 | 74.66% | **2036** |
| **2037** | 570,000 | 51,800 | 160,000 | 21,790 | 730,000 | 73,590 | 803,590 | 1,710,000 | 82.24% | **2037** |
| **2038** | 585,000 | 31,588 | 165,000 | 16,100 | 750,000 | 47,688 | 797,688 | 960,000 | 90.03% | **2038** |
| **2039** | 610,000 | 10,675 | 170,000 | 9,985 | 780,000 | 20,660 | 800,660 | 180,000 | 98.13% | **2039** |
| **2040** | | | 180,000 | 3,420 | 180,000 | 3,420 | 183,420 | 0 | 100.00% | **2040** |
| | 7,465,000 | 2,137,350 | 2,165,000 | 667,654 | 9,630,000 | 2,805,004 | 12,435,004 | | | |

* Preliminary, subject to change.

1) This represents the $2,165,000 CIP Portion of the $2,775,000 General Obligation Bonds, Series 2024A.

**Cook County, Minnesota**
**Schedule of Bonded Indebtedness**
**General Obligation Debt Secured by Transportation Sales Tax Revenue**
**(As of 03/28/2024)**

| | Transportation Sales Tax Revenue Bonds Series 2021A | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Dated** | 12/15/2021 | | | | | | | | |
| **Amount** | $5,910,000 | | | | | | | | |
| **Maturity** | 02/01 | | | | | | | | |
| **Fiscal Year Ending** | **Principal** | **Interest** | **Total Principal** | **Total Interest** | **Total P & I** | **Principal Outstanding** | **% Paid** | **Fiscal Year Ending** |
| **2024** | 0 | 54,300 | 0 | 54,300 | 54,300 | 5,430,000 | .00% | **2024** |
| **2025** | 255,000 | 106,050 | 255,000 | 106,050 | 361,050 | 5,175,000 | 4.70% | **2025** |
| **2026** | 260,000 | 100,900 | 260,000 | 100,900 | 360,900 | 4,915,000 | 9.48% | **2026** |
| **2027** | 265,000 | 95,650 | 265,000 | 95,650 | 360,650 | 4,650,000 | 14.36% | **2027** |
| **2028** | 270,000 | 90,300 | 270,000 | 90,300 | 360,300 | 4,380,000 | 19.34% | **2028** |
| **2029** | 275,000 | 84,850 | 275,000 | 84,850 | 359,850 | 4,105,000 | 24.40% | **2029** |
| **2030** | 280,000 | 79,300 | 280,000 | 79,300 | 359,300 | 3,825,000 | 29.56% | **2030** |
| **2031** | 285,000 | 73,650 | 285,000 | 73,650 | 358,650 | 3,540,000 | 34.81% | **2031** |
| **2032** | 290,000 | 67,900 | 290,000 | 67,900 | 357,900 | 3,250,000 | 40.15% | **2032** |
| **2033** | 295,000 | 62,050 | 295,000 | 62,050 | 357,050 | 2,955,000 | 45.58% | **2033** |
| **2034** | 305,000 | 56,050 | 305,000 | 56,050 | 361,050 | 2,650,000 | 51.20% | **2034** |
| **2035** | 310,000 | 49,900 | 310,000 | 49,900 | 359,900 | 2,340,000 | 56.91% | **2035** |
| **2036** | 315,000 | 43,650 | 315,000 | 43,650 | 358,650 | 2,025,000 | 62.71% | **2036** |
| **2037** | 320,000 | 37,300 | 320,000 | 37,300 | 357,300 | 1,705,000 | 68.60% | **2037** |
| **2038** | 325,000 | 30,850 | 325,000 | 30,850 | 355,850 | 1,380,000 | 74.59% | **2038** |
| **2039** | 335,000 | 24,250 | 335,000 | 24,250 | 359,250 | 1,045,000 | 80.76% | **2039** |
| **2040** | 340,000 | 17,500 | 340,000 | 17,500 | 357,500 | 705,000 | 87.02% | **2040** |
| **2041** | 350,000 | 10,600 | 350,000 | 10,600 | 360,600 | 355,000 | 93.46% | **2041** |
| **2042** | 355,000 | 3,550 | 355,000 | 3,550 | 358,550 | 0 | 100.00% | **2042** |
| | 5,430,000 | 1,088,600 | 5,430,000 | 1,088,600 | 6,518,600 | | | |

**UNDERLYING DEBT**[1]

| Taxing District | 2022/23 Adjusted Taxable Net Tax Capacity | % In County | Total G.O. Debt[2] | County's Proportionate Share |
|---|---|---|---|---|
| City of Grand Marais | $2,821,205 | 100.0000% | $8,565,000 | $8,565,000 |
| I.S.D. No. 166 (Cook County Public Schools)[3] | 24,390,916 | 100.0000% | 6,070,000 | 6,070,000 |
| County's Share of Total Underlying Debt | | | | $14,635,000 |

1 Underlying debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. Does ***not*** include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

2 Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

3 Minnesota School Districts may qualify for aid from the State of Minnesota through the Debt Service Equalization Formula, School Building Bond Agricultural Credit and Long Term Facilities Maintenance Revenue programs. While some of the districts listed may receive these aids, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by state aids for the purposes of the Bonds.

## DEBT RATIOS

| | G.O. Debt | Debt/Economic Market Value $2,654,176,317 | Debt/ Per Capita 5,629[1] |
|---|---|---|---|
| Direct G.O. Debt Secured By: | | | |
| Sales Tax Revenues | $8,495,000 | | |
| Tax Abatement Revenues* | 3,815,000 | | |
| Taxes* | 9,630,000 | | |
| Transportation Sales Tax Revenues | 5,430,000 | | |
| Total General Obligation Debt* | $27,370,000 | | |
| Less: G.O. Debt Paid Entirely from Revenues[2] | (13,925,000) | | |
| Tax Supported General Obligation Debt* | $13,445,000 | 0.51% | $2,388.52 |
| County's Share of Total Underlying Debt | $14,635,000 | 0.55% | $2,599.93 |
| Total* | $28,080,000 | 1.06% | $4,988.45 |

*Preliminary, subject to change.

1 Estimated 2022 population.

2 Debt service on the County's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

# TAX LEVIES, COLLECTIONS AND RATES

## TAX LEVIES AND COLLECTIONS

| Tax Year | Net Tax Levy[1] | Total Collected Following Year | Collected to Date | % Collected |
|---|---|---|---|---|
| 2018/19 | $9,719,994 | $9,555,828 | $9,715,716 | 99.96% |
| 2019/20 | 10,316,358 | 10,174,869 | 10,291,298 | 99.76% |
| 2020/21 | 10,614,541 | 10,509,709 | 10,586,186 | 99.73% |
| 2021/22 | 10,946,662 | 10,793,359 | 10,793,359 | 98.60% |
| 2022/23 | 11,558,174 | In process of collection | | |

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.[2] Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

## TAX CAPACITY RATES[3]

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---|---|---|---|---|
| Cook County | 57.735% | 56.840% | 56.555% | 57.708% | 45.277% |
| City of Grand Marais | 50.101% | 44.832% | 45.974% | 48.375% | 36.928% |
| I.S.D. No. 166 (Cook County Public Schools) | 6.116% | 5.574% | 5.001% | 4.947% | 3.504% |
| Town of Lutsen[4] | 5.432% | 5.062% | 4.479% | 3.886% | 2.896% |
| Arrowhead RDC | 0.183% | 0.171% | 0.179% | 0.178% | 0.133% |
| Cook County EDA | 2.159% | 2.077% | 2.016% | 2.208% | 1.205% |
| Hospital District | 6.802% | 7.499% | 7.281% | 7.171% | 6.146% |
| *Referendum Market Value Rates:* | | | | | |
| I.S.D. No. 166 (Cook County Public Schools) | 0.13026% | 0.09920% | 0.09857% | 0.08766% | 0.05321% |

**Source:** Tax Levies and Collections and Tax Capacity Rates have been furnished by the County.

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1 This reflects the Final Levy Certification of the County after all adjustments have been made.

2 Second half tax payments on agricultural property are due on November 15th of each year.

3 After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

4 Representative town rate.

# THE ISSUER

## COUNTY GOVERNMENT

The County was organized as a municipality in 1882, and is governed by an elected five-member Board of County Commissioners. Decisions are made by a majority vote of a quorum. The County Administrator is appointed by the Board, and the County Auditor-Treasurer is elected.

## EMPLOYEES; PENSIONS; UNIONS

The County has 119 full-time, six (6) part-time, and nine (9) seasonal employees. All full-time and certain part-time employees of the County are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

**Recognized and Certified Bargaining Units**

| Bargaining Unit | Expiration Date of Current Contract |
|---|---|
| Local 49 IUOE | December 31, 2024 |
| Cook County Employees Association | December 31, 2024 |
| Local 38 LELS | December 31, 2024 |

## POST EMPLOYMENT BENEFITS

The County has obligations for some post-employment benefits (some mandated by State Statute and others that cover a portion of the cost of health insurance during retirement) for the majority of its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The County has completed an internal review of its obligations.

## LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the County or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

## MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Minnesota Statutes, Section 471.831, authorizes municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. A municipality is defined in United States Code, title 11, section 101, as amended through December 31, 1996, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under Chapter 469, a home rule charter or special law.

## FUNDS ON HAND (as of December 31, 2023, 20)

| Fund | Total Cash and Investments |
|---|---|
| Revenue | $18,796,827 |
| Road and Bridge | 2,801,600 |
| Social Services | 3,722,458 |
| Building | 1,300,125 |
| Airport | (648,541) |
| National Opioid Settlement | 47,394 |
| HRA | 25,868 |
| Local Sales Tax Revenue | 10,161,263 |
| Housing Abatement Sinking Fund | 182,864 |
| Golf Course Abatement Bond | 336,286 |
| CIP Transportation Project | 946,195 |
| GO Equipment Debt Service | 72,380 |
| GO Cap Equipment Note | 125,934 |
| Total Funds on Hand | $37,870,653 |

## SUMMARY GENERAL FUND INFORMATION

The following are summaries of the revenues and expenditures and fund balances for the County's General Fund. These summaries are not purported to be the complete audited financial statements of the County, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the County. Copies of the complete statements are available upon request. Appendix A includes the County's 2021 audited financial statements.

| COMBINED STATEMENT | FISCAL YEAR ENDING DECEMBER 31 | | | | |
|---|---|---|---|---|---|
| | 2019 Audited | 2020 Audited | 2021 Audited | 2022 Audited | 2023 Adopted Budget[1] |
| Revenues | | | | | |
| Taxes | $4,573,983 | $5,120,060 | $5,406,232 | $5,757,887 | $5,912,940 |
| Special assessments | 230,138 | 229,005 | 437,822 | 268,281 | 0 |
| Licenses and permits | 58,556 | 111,214 | 124,120 | 119,082 | 105,070 |
| Intergovernmental | 5,472,262 | 5,925,752 | 5,064,330 | 4,927,123 | 3,829,423 |
| Charges for services | 477,296 | 478,063 | 884,834 | 839,367 | 497,600 |
| Fines and forfeits | 5,690 | 20,759 | 0 | 0 | 12,500 |
| Gifts and contributions | 42,100 | 38,692 | 22,241 | 9,190 | 0 |
| Investment earnings | 714,918 | 438,664 | (102,366) | (760,170) | 320,000 |
| All other taxes | 0 | 0 | 0 | 0 | 145,570 |
| RLF loan payents | 0 | 0 | 144,934 | 296,353 | 0 |
| Miscellaneous | 700,328 | 603,238 | 355,033 | 358,115 | 330,429 |
| **Total Revenues** | $12,275,271 | $12,965,447 | $12,337,180 | $11,815,228 | $11,153,532 |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | $4,376,936 | $4,465,303 | $4,637,076 | $5,130,573 | $5,568,489 |
| Public safety | 3,485,052 | 3,641,809 | 3,686,983 | 3,650,161 | 4,150,542 |
| Sanitation | 546,912 | 572,780 | 633,521 | 664,333 | 862,613 |
| Health | 0 | 0 | 0 | 105,354 | 10,875 |
| Culture and recreation | 1,643,127 | 1,388,500 | 1,036,912 | 902,810 | 788,387 |
| Conservation of natural resources | 754,890 | 801,502 | 1,094,006 | 1,025,756 | 163,625 |
| Economic development | 149,969 | 16,543 | 475,990 | 365,000 | 0 |
| Miscellaneous | 0 | 0 | 0 | 0 | 14,000 |
| Capital outlay | 209,500 | 305,043 | 481,781 | 206,430 | 253,140 |
| Debt service | 0 | 0 | 0 | 0 | 0 |
| **Total Expenditures** | $11,166,386 | $11,191,480 | $12,046,269 | $12,050,417 | $11,811,671 |
| **Excess of revenues over (under) expenditures** | $1,108,885 | $1,773,967 | $290,911 | ($235,189) | ($658,139) |
| **Other Financing Sources (Uses)** | | | | | |
| Transfers in | $0 | $0 | $931,037 | $0 | $0 |
| Transfers out | 0 | (268,900) | 0 | 0 | 0 |
| Proceeds from sale of capital assets | 0 | 0 | 0 | 0 | 0 |
| **Total Other Financing Sources (Uses)** | $0 | ($268,900) | $931,037 | $0 | $0 |
| **Net changes in Fund Balances** | $1,108,885 | $1,505,067 | $1,221,948 | ($235,189) | ($658,139) |
| General Fund Balance January 1 | $11,966,742 | $13,075,627 | $14,580,694 | $15,802,642 | |
| Prior Period Adjustment | 0 | 0 | 0 | 0 | |
| Residual Equity Transfer in (out) | 0 | 0 | 0 | 0 | |
| General Fund Balance December 31 | $13,075,627 | $14,580,694 | $15,802,642 | $15,567,453 | |
| **DETAILS OF DECEMBER 31 FUND BALANCE** | | | | | |
| Nonspendable | $0 | $0 | $2,020,000 | $1,920,000 | |
| Restricted | 1,766,069 | 2,011,646 | 2,420,108 | 2,671,353 | |
| Assigned | 1,081,645 | 1,085,421 | 1,767,854 | 1,736,385 | |
| Unassigned | 10,227,913 | 11,483,627 | 9,594,680 | 9,239,715 | |
| **Total** | $13,075,627 | $14,580,694 | $15,802,642 | $15,567,453 | |

[1] The 2023 budget was adopted on December 20, 2022.

# GENERAL INFORMATION

## LOCATION

The County, with a 2020 U.S. Census population of 5,600, and a 2022 population estimate of 5,629 and comprising an area of 3,340 Square Miles, is located in northern Minnesota on the north shore of Lake Superior, approximately 80 miles northeast of the City of Duluth, Minnesota.

## LARGER EMPLOYERS[1]

Larger employers in the County include the following:

| Firm | Type of Business/Product | Estimated No. of Employees |
|---|---|---|
| Grand Portage Tribal Council/Lodge | Tribal government, businesses and services | 300 |
| Bluefin Bay Resort | Lodging, resort and restaurant | 175 |
| North Shore Health | Hospital and nursing home | 140 |
| The County | County government and services | 134 |
| Lutsen Mountains Ski Area | Ski resort | 125 |
| I.S.D. No. 166 (Cook County Public Schools) | Elementary and secondary education | 100 |
| USDA Forest Services | Forestry services | 95 |
| Lutsen Resort on Lake Superior | Resort | 60 |
| Caribou Highlands Lodge | Resort | 50 |
| Sven & Ole's | Restaurant | 30 |

**Source:** Data Axle Reference Solutions, written and telephone survey, and the Minnesota Department of Employment and Economic Development.

[1] This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above.

## U.S. CENSUS DATA

**Population Trend:** The County

| | |
|---|---|
| 2010 U.S. Census population | 5,176 |
| 2020 U.S. Census population | 5,600 |
| Percent of Change 2010 - 2020 | 8.19% |
| | |
| 2022 State Demographer Population Estimate | 5,629 |

**Income and Age Statistics**

| | The County | State of Minnesota | United States |
|---|---|---|---|
| 2022 per capita income | $44,316 | $44,947 | $41,261 |
| 2022 median household income | $71,937 | $84,313 | $75,149 |
| 2022 median family income | $91,315 | $107,072 | $92,646 |
| 2022 median gross rent | $874 | $1,178 | $1,268 |
| 2022 median value owner occupied units | $289,500 | $286,800 | $281,900 |
| 2022 median age | 52.2 yrs. | 38.5 yrs. | 38.5 yrs. |

| | State of Minnesota | United States |
|---|---|---|
| County % of 2022 per capita income | 98.60% | 107.40% |
| County % of 2022 median family income | 85.28% | 98.56% |

**Housing Statistics**

| | The County | | |
|---|---|---|---|
| | 2020 | 2022 | Percent of Change |
| All Housing Units | 2,711 | 2,753 | 1.55% |

**Source:** 2010 and 2020 Census of Population and Housing, and 2022 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (https://data.census.gov), and Minnesota State Demographer (https://mn.gov/admin/demography/data-by-topic/population-data/our-estimates/).

## EMPLOYMENT/UNEMPLOYMENT DATA

| | Average Employment | Average Unemployment | |
|---|---|---|---|
| Year | Cook County | Cook County | State of Minnesota |
| 2019 | 2,997 | 4.3% | 3.3% |
| 2020 | 2,765 | 8.4% | 6.3% |
| 2021 | 2,812 | 4.8% | 3.8% |
| 2022 | 2,749 | 3.5% | 2.7% |
| 2023 | 2,679 | 3.9% | 3.0% |

**Source:** Minnesota Department of Employment and Economic Development.

# APPENDIX A

## FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the County's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The County has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the County requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the County since the date of the financial statements, in connection with the issuance of the Bonds, the County represents that there have been no material adverse change in the financial position or results of operations of the County, nor has the County incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

**COOK COUNTY, MINNESOTA**

ANNUAL FINANCIAL REPORT

December 31, 2022

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**COOK COUNTY, MINNESOTA**
TABLE OF CONTENTS

# INTRODUCTORY SECTION

**COOK COUNTY, MINNESOTA**
ORGANIZATION
December 31, 2022

| | | Term Expires |
|---|---|---|
| Elected Commissioners: | | |
| District 1 | Debra White | January 2027 |
| District 2 | Stacey Hawkins | January 2025 |
| District 3 | David Mills (chair) | January 2027 |
| District 4 | Ann Sullivan | January 2025 |
| District 5 | Virginia Storlie | January 2027 |
| Elected Officers: | | |
| Attorney | Molly Hicken | January 2027 |
| Auditor/Treasurer | Braidy Powers | January 2027 |
| Recorder/Registrar of Titles | Dusty Nelms | January 2027 |
| Sheriff | Pat Eliasen | January 2027 |
| Court Judge | Mike Cuzzo | January 2027 |
| Appointed Administration: | | |
| County Administrator | James Joerke | Indefinite |
| Assessor | Robert Thompson | January 2025 |
| Court Administrator | Amy Turnquist | Indefinite |
| Highway Engineer | Robbie Hass | January 2025 |
| Veteran Services Officer | Michael Keyport | Indefinite |
| Human Services Board: | | |
| Chair | David Mills | January 2027 |
| Vice-chair | Ann Sullivan | January 2025 |
| Member | Debra White | January 2027 |
| Member | Stacey Hawkins | January 2025 |
| Member | Virginia Storlie | January 2027 |
| Member | Pat Campanaro | January 2024 |
| Member | Ranna Hansen LeVoir | January 2024 |
| Member | James Joerke | Indefinite |
| Director | Alison McIntyre | Indefinite |

# FINANCIAL SECTION

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REDPATH
AND COMPANY

INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners
Cook County, Minnesota

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Cook County, Minnesota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Cook County, Minnesota's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cook County, Minnesota, as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cook County, Minnesota and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

55 5th Street East, Suite 1400, St. Paul, MN, 55101 651.426.7000 www.redpathcpas.com

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cook County, Minnesota's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.
In performing an audit in accordance with generally accepted auditing standards and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Cook County, Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cook County, Minnesota's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Change in Accounting Principle***

As described in Note 5 to the financial statements, Cook County, Minnesota adopted new accounting guidance for the year ended December 31, 2022, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules, and the schedules of pension information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a 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 Information***

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

### *Other Information*

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2024 on our consideration of Cook County, Minnesota'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, Minnesota'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, Minnesota's internal control over financial reporting and compliance.

Redpath and Company, LLC

REDPATH AND COMPANY, LLC
St. Paul, Minnesota

January 19, 2024

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) provides an overview of Cook County's financial activities for the fiscal year ended December 31, 2022. Since this information is designed to focus on the current years activities, resulting changes, and currently known facts, it should be read in conjunction with the accompanying financial statements.

### FINANCIAL HIGHLIGHTS

- The total net position of governmental activities is $102,299,701, of which $69,872,988 is the net investment in capital assets and $18,328,100 is restricted to specific purposes. $14,098,613 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 presented as a "Discretely Presented Component Unit." The EDA has a total net position of $4,892,738, of which $4,111,413 is the net investment in capital assets. Unrestricted net position of $781,325 remains as available to help ensure fiscal strength.

- The Cook County Housing and Redevelopment Authority (HRA) is presented as a "Discretely Presented Component Unit." The HRA was created in 2021 and first had financial activity in 2022. The HRA's net position as of December 31, 2022 was $39,567, all of which was unrestricted.

- Cook County's net position increased by $2,951,123 for the year ended December 31, 2022. $2,062,148 of the increase was due to an increase in unspent sales and use tax dollars which are held in the Local Option Sales Tax fund. Net position also increased as a result of recognizing state aid as revenue for road and bridge projects for which the corresponding expense will be incurred as depreciation expense and reported in future years.

- The net cost of governmental activities was $14,767,809 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 $17,718,932 exceeded net expenses, resulting in the $2,951,123 increase in net position referenced above.

- The fund balances of governmental funds decreased by $15,935,749 during 2022, from $54,104,713 to $38,168,964. During 2022, proceeds from refunding bonds issued in 2020 were used to advance refund $12,465,000 of bonds issued in 2011 and 2012. Also, $5,910,000 of bonds proceeds were received near the end of 2021, the majority of which were spent during 2022.

Management's Discussion and Analysis

## 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 to it. 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. Other, nonfinancial factors such as changes in the County's property tax base and the condition of County roads, should also be used to assess the overall health of the County.

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

- **Government 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 – Cook County / Grand Marais Joint Economic Development Authority (EDA)**: the EDA's 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. The EDA is a legally separate entity.

- **Component unit – Cook County Housing and Redevelopment Authority (HRA):** the HRA's mission is to catalyze and advocate for the creation of safe, stable and attainable housing opportunities for current and future residents. The HRA is a legally separate entity.

The government-wide financial statements can be found in Statements 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 other 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.

- **Government 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 determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciling statement following each governmental fund financial statement.

The basic financial statements for governmental funds can be found in Statements 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, and a Statement of Changes in Fiduciary Net Position. These activities are excluded 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 statements for fiduciary funds can be found in Statements 7 and 8.

**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**

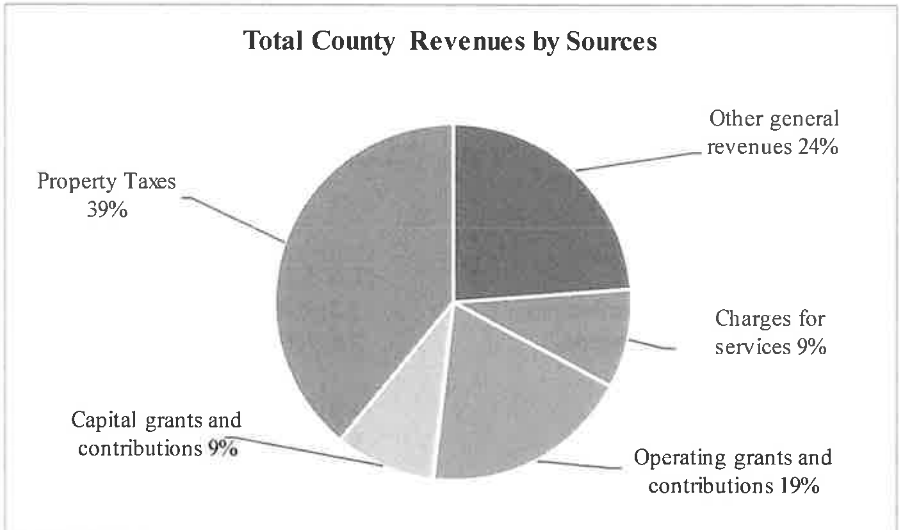
| | Governmental Activities | |
|---|---|---|
| | 2022 | 2021 |
| Assets: | | |
| Current and other assets | $55,422,575 | $63,703,203 |
| Capital assets | 93,872,269 | 88,209,902 |
| Total assets | 149,294,844 | 151,913,105 |
| Deferred outflows of resources | 5,161,104 | 4,624,128 |
| Liabilities: | | |
| Long-term debt outstanding | 40,806,006 | 47,989,806 |
| Other liabilities | 6,253,330 | 3,574,790 |
| Total liabilities | 47,059,336 | 51,564,596 |
| Deferred inflows of resources | 5,096,911 | 5,624,059 |
| Net position: | | |
| Net investment in capital assets | 69,872,988 | 65,871,160 |
| Restricted | 18,328,100 | 18,447,078 |
| Unrestricted | 14,098,613 | 15,030,340 |
| Total net position | $102,299,701 | $99,348,578 |

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

**Table 2**
**Change in Net Position**

| | Governmental Activities | |
|---|---|---|
| | 2022 | 2021 |
| Revenues: | | |
| Program Revenues: | | |
| Charges for services | $2,534,229 | $2,502,599 |
| Operating grants and contributions | 5,351,260 | 5,967,154 |
| Capital grants and contributions | 2,555,117 | 4,208,268 |
| General revenues: | | |
| Property taxes | 11,016,517 | 10,646,077 |
| Other taxes | 6,442,362 | 5,684,493 |
| Unrestricted grants and contributions | 628,547 | 645,425 |
| Investment earnings | (693,573) | (6,883) |
| Miscellaneous | 325,079 | 307,887 |
| Total revenues | 28,159,538 | 29,955,020 |
| Expenses: | | |
| General government | 5,924,951 | 5,123,111 |
| Public safety | 4,186,800 | 3,729,233 |
| Highways and streets | 5,989,320 | 5,314,558 |
| Sanitation | 737,065 | 675,176 |
| Human services | 3,375,597 | 3,239,552 |
| Health | 820,318 | 636,107 |
| Culture and recreation | 1,196,186 | 1,324,055 |
| Conservation of natural resources | 1,058,538 | 1,089,708 |
| Economic development | 1,227,596 | 1,287,943 |
| Interest and fiscal charges | 692,044 | 1,118,148 |
| Total expenses | 25,208,415 | 23,537,591 |
| Change in net position | 2,951,123 | 6,417,429 |
| Net position - January 1 | 99,348,578 | 92,931,149 |
| Net position - December 31 | $102,299,701 | $99,348,578 |

For details, please see the Statement of Activities (Statement 2).




**Governmental Activities**

The cost of all governmental activities this year was $25,208,415, a 7.1% increase from 2021. As shown in the Statement of Activities (Statement 2), the amount taxpayers ultimately financed for these activities through County property taxes was $11,016,517, or 3.5%% more than 2021. Some of the cost was paid by those who directly benefited from the programs ($2,534,229) or by other governments and organizations that subsidized certain programs with grants and contributions ($7,906,377).

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 | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2020 |
| General government | $5,924,951 | $5,123,111 | $5,154,762 | $4,333,718 |
| Public safety | 4,186,800 | 3,729,233 | 2,967,702 | 2,591,104 |
| Highways and streets | 5,989,320 | 5,314,558 | 1,351,763 | (758,653) |
| Sanitation | 737,065 | 675,176 | 532,603 | 480,493 |
| Human Services | 3,375,597 | 3,239,552 | 1,553,256 | 1,429,016 |
| Health | 820,318 | 636,107 | 506,021 | 218,645 |
| Culture and recreation | 1,196,186 | 1,324,055 | 815,563 | 337,856 |
| Conservation of natural resources | 1,058,538 | 1,089,708 | 340,447 | 75,049 |
| Economic development | 1,227,596 | 1,287,943 | 853,648 | 1,034,194 |
| Interest and fiscal charges | 692,044 | 1,118,148 | 692,044 | 1,118,148 |
| Total | $25,208,415 | $23,537,591 | $14,767,809 | $10,859,570 |

### The County's Funds

As the County completed the year, its governmental funds reported a combined fund balance of $38,168,964 compared to last year's total of $54,104,713. Please see Statements 3 and 5 for details.

### General Fund Budgetary Highlights

There was one amendment to the original budget for the year ended December 31, 2022. The amendment increased budgeted expenditures by $3,524. Actual revenues and expenditures exceeded budgeted amounts by $1,039,185 and $1,270,850, respectively. The largest contributors to both excess revenues and expenditures were unbudgeted economic development loan program, state septic loan program, state recreation grants and pandemic related costs. Please see Exhibit A-1 for details.

### CAPITAL ASSETS

At the end of 2022, the County had a net investment of $93,872,269 in a broad range of capital assets, including land, buildings, highways and streets, and equipment (see Table 4). This amount represents a net increase of $5,662,367 or 6.4% over last year.

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

| | Governmental Activities | |
|---|---|---|
| | 2022 | 2021 |
| Land and easements | $2,330,392 | $2,191,442 |
| Construction in progress | 9,304,327 | 1,991,081 |
| Buildings and improvements | 15,392,968 | 16,045,280 |
| Machinery, vehicles, furniture, and equipment | 2,162,454 | 2,125,792 |
| Infrastructure | 64,682,128 | 65,856,307 |
| Total | $93,872,269 | $88,209,902 |

## DEBT

As of December 31, 2022, the County had $28,450,394 in bonds, notes and loans outstanding, compared to $42,330,012 at the end of the previous year.

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

| | Governmental Activities | |
|---|---|---|
| | 2022 | 2021 |
| Sales tax revenue bonds | $15,965,000 | $19,075,000 |
| Sales tax revenue bonds - refunding | - | 10,145,000 |
| Tax abatement bonds | 3,500,000 | 3,640,000 |
| Capital improvement bonds | 8,090,000 | 8,450,000 |
| Capital equipment notes | 245,000 | 300,000 |
| Lease purchase agreement | 153,197 | 187,603 |
| Unamortized bond premiums | 497,197 | 532,409 |
| Total | $28,450,394 | $42,330,012 |

See Note 8 for a more detailed explanation of the County's debt.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2023 budget, tax levy, and fees that will be charged for various activities:

- the need to maintain a combined fund balance of at least 75% of operating expenses;
- the increasing costs of maintaining substandard and aging buildings and other infrastructure;
- the reappraisal of BWCA lands within Superior National Forest that are used to calculate the payment in lieu of taxes to Cook County. The most recent every-ten-year appraisal completed in 2020 would have resulted in 33% cut to the annual payment of $2,025,000. The results of our requested reappraisal are expected to be known in 2024;
- the continuing effect of inflation on the operational and capital costs; and
- the difficulty in hiring and retaining employees and the cost of implementing a compensation study to mitigate the high turnover rates.

## 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

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**COOK COUNTY, MINNESOTA**
STATEMENT OF NET POSITION
December 31, 2022

**Statement 1**

| | Primary Government | Component Units | |
|---|---|---|---|
| | Governmental Activities | Cook County / Grand Marais Joint Economic Development Authority | Cook County Housing and Redevelopmnt Authority |
| Assets: | | | |
| Cash and investments | $35,661,803 | $1,129,299 | $41,129 |
| Accrued interest receivable | 90,524 | - | - |
| Taxes receivable | 216,616 | 28,322 | 1,522 |
| Accounts receivable | 379,297 | 30,525 | 976 |
| Due from other governments | 8,994,861 | - | - |
| Due from component unit - net | 2,050,206 | - | - |
| Inventories | 590,185 | 34,462 | - |
| Land held for resale | - | 303,000 | - |
| Loans receivable | 2,611,163 | 194,619 | - |
| Leases receivable | 4,827,920 | - | - |
| Capital assets - nondepreciable | 11,634,719 | 213,685 | - |
| Capital assets - net of accumulated depreciation | 82,237,550 | 6,332,356 | - |
| Total assets | 149,294,844 | 8,266,268 | 43,627 |
| Deferred outflows of resources related to pensions | 5,161,104 | 63,452 | - |
| Liabilities: | | | |
| Accounts payable | 793,159 | 45,108 | 4,060 |
| Salaries payable | 449,884 | - | - |
| Contracts payable | 736,960 | - | - |
| Due to other governments | 1,840,785 | 578,762 | - |
| Due to primary government | - | 2,299,792 | - |
| Accrued interest payable | 284,417 | - | - |
| Unearned revenue | 2,148,125 | - | - |
| Long-term liabilities: | | | |
| Due within one year | 2,267,960 | 84,564 | - |
| Due in more than one year | 27,129,774 | 180,092 | - |
| Net pension liability | 11,408,272 | 198,001 | - |
| Total liabilities | 47,059,336 | 3,386,319 | 4,060 |
| Deferred inflows of resources: | | | |
| Related to pensions | 268,991 | 50,663 | - |
| Related to leases | 4,827,920 | - | - |
| Total deferred inflows of resources | 5,096,911 | 50,663 | - |
| Net position: | | | |
| Net investment in capital assets | 69,872,988 | 4,111,413 | - |
| Restricted for: | | | |
| General government | 373,274 | - | - |
| Public safety | 344,670 | - | - |
| Highways and streets | 8,184,231 | - | - |
| Culture and recreation | 5,376,823 | - | - |
| Conservation of natural resources | 998,759 | - | - |
| Economic development | 1,906,354 | - | - |
| Environmental improvements | 901,092 | - | - |
| Debt service | 242,897 | - | - |
| Unrestricted | 14,098,613 | 781,325 | 39,567 |
| Total net position | $102,299,701 | $4,892,738 | $39,567 |

The accompanying notes are an integral part of these financial statements.

**COOK COUNTY, MINNESOTA**
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2022

| | | Program Revenues | |
|---|---|---|---|
| Functions/Programs | Expenses | Charges For Services | Operating Grants and Contributions |
| Primary government: | | | |
| Governmental activities: | | | |
| General government | $5,924,951 | $445,915 | $324,274 |
| Public safety | 4,186,800 | 391,599 | 827,499 |
| Highways and streets | 5,989,320 | 473,594 | 1,718,846 |
| Sanitation | 737,065 | 132,022 | 72,440 |
| Human services | 3,375,597 | 474,581 | 1,347,760 |
| Health | 820,318 | - | 314,297 |
| Culture and recreation | 1,196,186 | 25,240 | 245,383 |
| Conservation of natural resources | 1,058,538 | 298,644 | 419,447 |
| Economic development | 1,227,596 | 292,634 | 81,314 |
| Interest and fiscal charges | 692,044 | - | - |
| Total primary government | $25,208,415 | $2,534,229 | $5,351,260 |
| Component units: | | | |
| Economic Development Authority | $1,819,713 | $1,102,966 | $137,350 |
| Housing and Redevelopment Authority | 89,071 | 2,500 | 1,076 |
| Total component units | $1,908,784 | $1,105,466 | $138,426 |

General revenues:
Property taxes
Local sales tax
Transportation sales tax
Other taxes
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Miscellaneous
Total general revenues

Change in net position

Net position - January 1

Net position - December 31

The accompanying notes are an integral part of these financial statements.

| Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities | Component Units: Cook County / Grand Marais Joint Economic Development Authority | Component Units: Cook County Housing and Redevelopmnt Authority |
|---|---|---|---|
| $ - | ($5,154,762) | $ - | $ - |
| - | (2,967,702) | - | - |
| 2,445,117 | (1,351,763) | - | - |
| - | (532,603) | - | - |
| - | (1,553,256) | - | - |
| - | (506,021) | - | - |
| 110,000 | (815,563) | - | - |
| - | (340,447) | - | - |
| - | (853,648) | - | - |
| - | (692,044) | - | - |
| $2,555,117 | (14,767,809) | - | - |
| | | | |
| $ - | | (579,397) | - |
| - | | - | (85,495) |
| $ - | | (579,397) | (85,495) |
| | | | |
| | 11,016,517 | 403,376 | 125,062 |
| | 2,387,747 | - | - |
| | 1,211,756 | - | - |
| | 453,091 | - | - |
| | 2,389,768 | - | - |
| | | | |
| | 628,547 | - | - |
| | (693,573) | 2,492 | - |
| | 325,079 | 5,796 | - |
| | 17,718,932 | 411,664 | 125,062 |
| | | | |
| | 2,951,123 | (167,733) | 39,567 |
| | | | |
| | 99,348,578 | 5,060,471 | - |
| | | | |
| | $102,299,701 | $4,892,738 | $39,567 |

The accompanying notes are an integral part of these financial statements.

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# FUND FINANCIAL STATEMENTS

**COOK COUNTY, MINNESOTA**
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2022

| | General | Road and Bridge | Public Heath and Human Services |
|---|---|---|---|
| Assets: | | | |
| Cash and investments | $14,210,154 | $4,035,710 | $4,617,601 |
| Accrued interest receivable | 90,524 | - | - |
| Taxes receivable - delinquent | 99,781 | 52,164 | 48,076 |
| Accounts receivable | 32,359 | - | 49,766 |
| Due from other governments | 2,939,477 | 5,245,565 | 329,732 |
| Due from component unit - net | 2,050,206 | - | - |
| Due from other funds | 522,704 | - | - |
| Inventories | - | 590,185 | - |
| Loans receivable | 1,121,389 | - | - |
| Leases receivable | 4,827,920 | - | - |
| Total assets | $25,894,514 | $9,923,624 | $5,045,175 |
| Liabilities: | | | |
| Accounts payable | $408,217 | $286,574 | $61,184 |
| Salaries payable | 232,867 | 129,624 | 87,393 |
| Contracts payable | - | 736,960 | - |
| Due to other governments | 1,714,651 | - | 112,408 |
| Due to other funds | - | - | - |
| Unearned revenue | 1,975,722 | 124,385 | 48,018 |
| Total liabilities | 4,331,457 | 1,277,543 | 309,003 |
| Deferred inflows of resources: | | | |
| Related to leases | 4,827,920 | - | - |
| Unavailable revenue: | | | |
| Grants and state-aid | - | 4,915,573 | - |
| Taxes | 61,779 | 34,822 | 32,284 |
| Long-term receivables | 1,105,905 | - | - |
| Total deferred inflows of resources | 5,995,604 | 4,950,395 | 32,284 |
| Fund balance: | | | |
| Nonspendable | 1,920,000 | 590,185 | - |
| Restricted | 2,671,353 | - | - |
| Assigned | 1,736,385 | 3,105,501 | 4,703,888 |
| Unassigned | 9,239,715 | - | - |
| Total fund balance | 15,567,453 | 3,695,686 | 4,703,888 |
| Total liabilities, deferred inflows of resources, and fund balance | $25,894,514 | $9,923,624 | $5,045,175 |

The accompanying notes are an integral part of these financial statements.

| Airport | Local Option Sales Tax | Nonmajor Funds | Total |
|---|---|---|---|
| $ - | $8,230,759 | $4,567,579 | $35,661,803 |
| - | - | - | 90,524 |
| 2,083 | - | 14,512 | 216,616 |
| 297,172 | - | - | 379,297 |
| 16,703 | 463,384 | - | 8,994,861 |
| - | - | - | 2,050,206 |
| - | - | 9,151 | 531,855 |
| - | - | - | 590,185 |
| - | - | 1,489,774 | 2,611,163 |
| - | - | - | 4,827,920 |
| $315,958 | $8,694,143 | $6,081,016 | $55,954,430 |
| | | | |
| $18,841 | $ - | $18,343 | $793,159 |
| - | - | - | 449,884 |
| - | - | - | 736,960 |
| - | - | 13,726 | 1,840,785 |
| 495,173 | - | 36,682 | 531,855 |
| - | - | - | 2,148,125 |
| 514,014 | - | 68,751 | 6,500,768 |
| | | | |
| - | - | - | 4,827,920 |
| | | | |
| - | - | - | 4,915,573 |
| 1,413 | - | 9,685 | 139,983 |
| 295,317 | - | - | 1,401,222 |
| 296,730 | - | 9,685 | 11,284,698 |
| | | | |
| - | - | 584,434 | 3,094,619 |
| - | 8,694,143 | 4,185,245 | 15,550,741 |
| - | - | 1,232,901 | 10,778,675 |
| (494,786) | - | - | 8,744,929 |
| (494,786) | 8,694,143 | 6,002,580 | 38,168,964 |
| | | | |
| $315,958 | $8,694,143 | $6,081,016 | $55,954,430 |

The accompanying notes are an integral part of these financial statements.

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**COOK COUNTY, MINNESOTA**
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
December 31, 2022

**Statement 4**

| | |
|---|---|
| Fund balance - total governmental funds (Statement 3) | $38,168,964 |
| Net position reported for governmental activities in the statement of net position is different because: | |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. | 93,872,269 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in governmental funds: | |
| Unavailable grants and state-aid | 4,915,573 |
| Delinquent property taxes | 139,983 |
| Long-term receivables | 1,401,222 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in governmental funds. | |
| General obligation bonds payable | (27,555,000) |
| General obligation capital equipment notes | (245,000) |
| Lease purchase agreement | (153,197) |
| Unamortized bond premiums | (497,197) |
| Accrued interest payable | (284,417) |
| Compensated absences payable | (947,340) |
| Net pension liability | (11,408,272) |
| Deferred outflows and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in governmental funds. | |
| Deferred outflows of resources related to pensions | 5,161,104 |
| Deferred inflows of resources related to pensions | (268,991) |
| Net position of governmental activities (Statement 1) | $102,299,701 |

The accompanying notes are an integral part of these financial statements.

**COOK COUNTY, MINNESOTA**
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2022

| | General Fund | Road and Bridge | Public Heath and Human Services |
|---|---|---|---|
| Revenues: | | | |
| Taxes | $5,757,887 | $2,419,896 | $2,205,831 |
| Special assessments | 268,281 | - | - |
| Licenses and permits | 119,082 | - | 15,661 |
| Intergovernmental | 4,927,123 | 4,197,148 | 1,591,973 |
| Charges for services | 839,367 | 455,574 | 319,042 |
| Donations and other grants | 9,190 | - | 23,424 |
| Investment earnings | (760,170) | - | - |
| RLF loan payments | 296,353 | - | - |
| Miscellaneous | 358,115 | 18,020 | 187,982 |
| Total revenues | 11,815,228 | 7,090,638 | 4,343,913 |
| Expenditures: | | | |
| Current: | | | |
| General government | 5,130,573 | - | - |
| Public Safety | 3,650,161 | - | - |
| Highways and streets | - | 3,819,172 | - |
| Sanitation | 664,333 | - | - |
| Human services | - | - | 3,214,685 |
| Health | 105,354 | - | 697,498 |
| Culture and recreation | 902,810 | - | - |
| Conservation of natural resources | 1,025,756 | - | - |
| Economic development | 365,000 | - | - |
| Capital outlay | 206,430 | 8,865,280 | - |
| Debt service: | | | |
| Principal | - | 34,406 | - |
| Interest and fiscal charges | - | 5,594 | - |
| Total expenditures | 12,050,417 | 12,724,452 | 3,912,183 |
| Revenues over (under) expenditures | (235,189) | (5,633,814) | 431,730 |
| Other financing sources (uses): | | | |
| Transfers in | - | 4,334,571 | - |
| Transfers out | - | - | - |
| Payment to refunding escrow agent | - | - | - |
| Total other financing sources (uses) | - | 4,334,571 | - |
| Net change in fund balance | (235,189) | (1,299,243) | 431,730 |
| Fund balance - January 1 | 15,802,642 | 4,994,929 | 4,272,158 |
| Fund balance - December 31 | $15,567,453 | $3,695,686 | $4,703,888 |

The accompanying notes are an integral part of these financial statements.

| Airport | Local Option Sales Tax | Nonmajor Funds | Total |
|---|---|---|---|
| $93,562 | $3,599,503 | $917,942 | $14,994,621 |
| - | - | - | 268,281 |
| - | - | - | 134,743 |
| 62,064 | - | - | 10,778,308 |
| 21,187 | - | - | 1,635,170 |
| - | - | - | 32,614 |
| - | 2,540 | 64,057 | (693,573) |
| - | - | - | 296,353 |
| 4,335 | - | 57,617 | 626,069 |
| 181,148 | 3,602,043 | 1,039,616 | 28,072,586 |
| | | | |
| - | - | 269,226 | 5,399,799 |
| - | - | - | 3,650,161 |
| - | - | - | 3,819,172 |
| - | - | - | 664,333 |
| - | - | - | 3,214,685 |
| - | - | - | 802,852 |
| - | - | - | 902,810 |
| - | - | 2,834 | 1,028,590 |
| 162,842 | - | - | 527,842 |
| 124,284 | - | 93,838 | 9,289,832 |
| | | | |
| - | 700,000 | 645,000 | 1,379,406 |
| - | 208,279 | 649,980 | 863,853 |
| 287,126 | 908,279 | 1,660,878 | 31,543,335 |
| (105,978) | 2,693,764 | (621,262) | (3,470,749) |
| | | | |
| - | - | 826,856 | 5,161,427 |
| - | (826,856) | (4,334,571) | (5,161,427) |
| - | (12,465,000) | - | (12,465,000) |
| - | (13,291,856) | (3,507,715) | (12,465,000) |
| (105,978) | (10,598,092) | (4,128,977) | (15,935,749) |
| (388,808) | 19,292,235 | 10,131,557 | 54,104,713 |
| ($494,786) | $8,694,143 | $6,002,580 | $38,168,964 |

The accompanying notes are an integral part of these financial statements.

**COOK COUNTY, MINNESOTA**
RECONCILIATIOIN OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2022

**Statement 6**

| | |
|---|---|
| Net change in fund balance - total governmental funds (Statement 5) | ($15,935,749) |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| 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. | |
| Capital outlay | 9,289,832 |
| Capital outlay not capitalized | (3,383) |
| Depreciation | (3,624,082) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds: | |
| Change in unavailable grants and state-aid | (33,185) |
| Change in delinquent property taxes | 74,490 |
| Change in long-term receivables | (29,241) |
| 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 bond premiums when the debt is first issued, whereas those amounts are deferred and amortized over the life of the debt in the statement of activities. | |
| Repayment of principal | 13,844,406 |
| Amortization of bond premiums | 35,212 |
| 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 | 136,597 |
| Change in compensated absences payable | (25,142) |
| Pension expense in governmental funds is measured by current year employer contributions. Pension expense in the statement of activities is measured by the change in the net pension liability and releted deferred inflows and outflows of resources. This is the amount by which pension expense differed from pension contributions. | (778,632) |
| Change in net position of governmental activities (Statement 2) | $2,951,123 |

The accompanying notes are an integral part of these financial statements.

**COOK COUNTY, MINNESOTA**
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2022

**Statement 7**

| | Social Welfare Private Purpose Trust Fund | Custodial Funds |
|---|---|---|
| Assets: | | |
| Cash and investments | $50,165 | $1,477,258 |
| Accounts receivable | - | 274,536 |
| Taxes receivable for other governments | - | 128,371 |
| Due from other governments | - | 313,122 |
| Total assets | 50,165 | 2,193,287 |
| Liabilities: | | |
| Accounts payable | - | 28,109 |
| Due to other governments | - | 1,130,416 |
| Unearned revenue | - | 696,774 |
| Compensated absences payable | - | 12,327 |
| Total liabilities | - | 1,867,626 |
| Net position: | | |
| Restricted for individuals, organizations, and other governments | $50,165 | $325,661 |

The accompanying notes are an integral part of these financial statements.

**COOK COUNTY, MINNESOTA**
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For The Year Ended December 31, 2022

**Statement 8**

| | Social Welfare Private Purpose Trust Fund | Custodial Funds |
|---|---|---|
| Additions: | | |
| Contributions | $226,621 | $ - |
| Appropriations from counties | - | 60,000 |
| Property tax collections for other governments | - | 6,042,801 |
| Lodging taxes | - | 2,706,058 |
| Fees collected for the state | - | 667,745 |
| Payments from other governments | - | 579,044 |
| Payments from other individuals/entities | 5 | 24,145 |
| Total additions | 226,626 | 10,079,793 |
| Deductions: | | |
| Payment of property taxes to other governments | - | 6,037,962 |
| Beneficiary payments to individuals | 222,567 | - |
| Payments to the state | - | 672,584 |
| Payments to other individuals/entities | - | 3,290,964 |
| Total deductions | 222,567 | 10,001,510 |
| Change in net position | 4,059 | 78,283 |
| Net position - January 1 | 46,106 | 247,378 |
| Net position - December 31 | $50,165 | $325,661 |

The accompanying notes are an integral part of these financial statements.

## Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Cook County, Minnesota (the County) are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). 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 to counties by Minnesota Statutes, chapter 373. As required by GAAP, these financial statements present Cook County (the 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 but are so intertwined with a primary government that they are, in substance, the same as the primary government. Therefore, blended component units are reported as part of a primary government's operations. Cook County has one blended component unit, the Cook County Building Authority.

The Cook County Building Authority (the Building Authority) is a nonprofit corporation organized under the provisions of Minnesota Statutes, chapter 317A. The Building Authority is operated, supervised, and controlled by the County. The County Board is the governing body of the Building Authority and a benefit/burden relationship exists between the County and the Building Authority. Although the Building Authority is legally separate from the County, it is reported as part of the primary government since its sole purpose was to finance the construction of a new jail and courthouse addition. The Building Authority is currently inactive. Separate financial statements are not prepared for the Building Authority.

#### DISCRETELY PRESENTED COMPONENT UNITS

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. Cook County has two discretely presented component units, the Cook County and Grand Marais Joint Economic Development Authority (the EDA) and the Cook County Housing and Redevelopment Authority (the HRA).

The EDA is governed by a Board of seven members, four of whom are appointed by the Cook County Board and three of whom are appointed by the Grand Marais City Council. The EDA has all of the powers, rights, duties, and obligations conferred on economic development authorities by Minnesota Statutes §§ 469.090 - 469.1081 to promote and provide incentives for economic development. Separate financial statements are available from the Cook County and Grand Marais Joint Economic Development Authority, 425 W Highway 61, P.O. Box 597, Grand Marais Minnesota 55604.

The HRA is governed by a Board of seven Commissioners who are appointed by the Cook County Board. Five Commissioners each represent one of the five districts of the County and two of the Commissioners also serve on the County Board. The HRA has rights, duties, and obligations conferred on housing and redevelopment authorities by Minnesota Statutes §§ 469.001 – 469.047 to promote and provide incentives for housing development and redevelopment. Separate financial statements are not prepared for the HRA.

## B. GOVERNMENT-WIDE AND FUND FINANCIAL 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 the fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are primarily supported by taxes and intergovernmental revenues.

In the government-wide statement of net position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resources basis of accounting, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

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) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and (2) grants and contributions that are 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.

The fund financial statements provide information about the County's funds, including fiduciary funds and its 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.

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 Cook 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 and the collection of a half percent sales and use tax to fund transportation projects within the County.

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.

The Social Welfare Private Purpose Trust Fund is used to account for resources legally held in a trust for the benefit of individuals.

Custodial Funds are custodial in nature. These funds account for activity that 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 levied. Shared revenues are generally 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. The County considers general revenue as available if collected within 60 days after the end of the current period, Public Health and Human Services revenues 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 leases are reported as other financing sources.

## D. 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. 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 Minnesota Statutes § 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 2022 were ($760,170).

The County invests in the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is an external investment pool created under a joint power's agreement pursuant to Minnesota Statutes § 471.59. The investment pool is measured at the net asset value per share provided by the pool.

### E. PROPERTY TAXES

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 payments due May 15 and the second half payment due October 15. Unpaid taxes as of December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable. Due to the County's ability to enforce payment of property taxes by property owners, no allowance for uncollectible accounts is reported.

### F. RECEIVABLES

Receivables represent amounts owed from other governments, agencies, individuals and corporations for goods and services furnished by the County (exchange and exchange-like transactions) or as a result of nonexchange transactions, such as derived tax revenues and grants. Receivables are reported net of any estimated uncollectible accounts. See Note 5 for further details.

Leases receivable are measured at the present value of lease payments expected to be received during the lease term. A deferred inflow of resources is recorded in relation to the leases. The deferred inflow of resources is recorded at the commencement of the lease in an amount equal to the initial value of the lease receivable and is recognized as revenue over the lease term.

### G. INVENTORIES

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 are recorded as expenditures / expenses when consumed.

### H. CAPITAL ASSETS

Capital assets, which include land, easements, buildings, vehicles, equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets 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 |
| Infrastructure | 20-75 |
| Furniture, equipment, and vehicles | 4-15 |

## I. 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.

## J. 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.

## K. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the government 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 insurance costs, during the current period. The face amount of the debt issued and any bond premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuances costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## L. 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 represents a consumption of net assets that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The County has one item that qualifies for reporting in this category. It is the pension related deferred outflows of resources reported in the government-wide 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 represents an acquisition of net assets that applies to a future period and therefore will *not* be recognized as an inflow of resources (revenue) until that time. The County has pension related deferred inflows of resources reported in the government-wide statement of net position and lease related deferred inflows of resources reported in the government-wide statement of net position and the governmental funds balance sheet. The County also has a type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from the following sources: grants and state-aid, taxes, and long-term receivables.

## M. DEFINED BENEFIT PENSION PLANS

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 benefits payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

## N. NET POSITION

Net position in the government-wide and 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.

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.

## O. 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, such as noncurrent loans, inventories, and prepaid items.

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

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

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.

When committed, assigned or unassigned resources are available for use, it is the County's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

### P. INTERFUND BALANCES

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

### Q. 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 amounts reported in the financial statements during the reporting period. Actual results could differ from the estimates.

## Note 2 JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

### A. JOINT VENTURES

A joint venture is defined as a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain 1) an ongoing financial interest or 2) an ongoing financial responsibility. Generally, the purpose of a joint venture is to pool resources and share the costs, risks, and rewards of providing goods or services to the joint venture participants directly, or for the benefit of the public or specific service recipients.

The following joint ventures are not included as part of the Cook County, Minnesota financial reporting entity. Most were created via a joint powers agreement pursuant to Minnesota Statutes § 471.59.

Arrowhead Regional Corrections

The County participants with Carlton, Koochiching, Lake, and St. Louis Counties in Arrowhead Regional Corrections, which was established pursuant to the Minnesota Community Corrections Act.

Arrowhead Regional Corrections comprises three major divisions: juvenile institution 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.

Arrowhead Regional Corrections is financed through state grants and contributions from the participating counties. Cook County provided $330,909 in funding during 2022.

Separate financial information can be obtained from Arrowhead Regional Corrections, 320 West Second Street, Suite 303, 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 to operate the Carlton, Cook, Lake, and St. Louis Community Health Board. The Community Health Board is composed of nine members. The Carlton, Cook, and Lake County Boards of Commissioners each appoint two members and the St. Louis County Board of Commissioners appoints three members. Financing is obtained through federal and state grants. Cook County provided $2,875 of funding to this organization in 2022.

Separate financial information can be obtained from the Carlton, Cook, Lake, and St. Louis Community Health Board, 404 West Superior Street, Suite 250, Duluth, Minnesota 55802.

Northeast Minnesota Office of Job Training

Aitkin, Carlton, Itasca, Koochiching, Lake, and St. Louis Counties (excluding the City of Duluth) entered into a joint powers agreement to develop and implement a private and public job training program. The United States Congress, through the Job Training Partnership Act of 1982, authorized states to establish "service delivery areas" to provide programs to achieve full employment through the use of grants. The counties identified above are defined as a "service delivery area" and the Northeast Minnesota Office of Job Training is designed 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 the Northeast Minnesota Office of Job Training, 820 North 9th Street, Suite 240, 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 to operate and maintain 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. Lake 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 the Minnesota Counties Information System, 413 Southeast 7th Avenue, Grand Rapids, Minnesota 55744.

Northern Counties Land Use Coordinating Board

The Northern Counties Land Use Coordinating Board was established to help formulate land use plans for the protection, sustainable use, and development of lands and natural resources. Its members 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 the financial transactions for this organization through the Northern Counties Land Use Board Agency Fund.

Cook County provided $2,000 of funding in 2022.

Separate financial information can be obtained from the Northern Counties Land Use Coordinating Board, St. Louis County Courthouse, 100 North Avenue West, #201, Duluth, Minnesota 55802.

North Shore Collaborative

The North Shore Collaborative was established in 1995 pursuant to Minnesota Statutes § 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 systemically address the mental health and other needs of the whole person for all children and youth; ensure their graduation from high school; and assist them in becoming healthy, happy, productive citizens.

Control of the North Shore Collaborative is vested in a Board of Directors. Financing is provided by state and federal grants, appropriation from the Collaborative members, and miscellaneous revenues. Lake County is the fiscal agent for the Collaborative and handles all financial transactions for the organization. During 2022, Cook County contributed $1,000 to the North Shore Collaborative.

Separate financial information can be obtained from Lake County, 601 3rd Avenue, Two Harbors, Minnesota 55616.

Arrowhead Health Alliance

Carlton, Cook, Koochiching, Lake, and St. Louis Counties participate in the Arrowhead Health Alliance to organize, govern, plan, and administer a county-based purchasing entity to participate in prepaid health care programs through the Minnesota Department of Human Services and the federal Centers for Medicare and Medicaid Services. Control of the Arrowhead Health Alliance is vested in 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 2022.

Northeast Minnesota Emergency Communications Board

The Northeast Minnesota Emergency Communications Board was established 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 members are the counties of Aitken, 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 Emergency Communications 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 Radio System User Committee, and one member from the Northeast Minnesota Owners and Operations Committee who are also voting members of the Board. St. Louis County is the fiscal agent for the Northeast Minnesota Emergency Communications 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 St. Louis County, 100 North 5th Avenue West, Room 201, Duluth, Minnesota 55802.

## B. JOINTLY GOVERNED ORGANIZATIONS

A jointly governed organization is defined as a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

The following jointly governed organizations are not included as part of the Cook County, Minnesota financial reporting entity.

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 $2,500 of 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 the complete and accurate records. Cook County did not contribute to the CHIC during 2022.

Region Two – Northeast Minnesota Homeland Security Emergency Management Organization

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 a 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 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 paid $900 to the Network.

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 Trail, 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 alternative, who are appointed annually by each respective County Board. Cook County's responsibility does not extend beyond making this appointment.

## Note 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. DEFICIT FUND BALANCE

The Airport fund has deficit fund equity of $494,786 as of December 31, 2022. The deficit is expected to be eliminated through the collection of a long-term receivable, which is currently offset by unavailable revenue, and future tax levies.

### B. 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, Airport, and Local Option Sales Tax Special Revenue Funds. All annual appropriations lapse at fiscal year-end. The 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. 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 at the fund level.

For the year ended December 31, 2022, expenditures exceeded appropriations in the following funds:

| | Actual | Final Budget | Overage |
|---|---|---|---|
| General Fund | $12,050,417 | $10,779,567 | $1,270,850 |
| Airport Fund | 287,126 | 168,241 | 118,885 |
| Debt Service Fund | 1,294,980 | 211,538 | 1,083,442 |

For the General Fund, intergovernmental revenue was over budget by $1,366,537 and was the primary source used to fund the expenditure overage. Future grant revenue and the collection of a long-term receivable are expected to fund the overage in the Airport Fund, while taxes and transfers funded the majority of the overage in the Debt Service Fund.

## Note 4 DEPOSITS AND INVESTMENTS

### A. DEPOSITS

In accordance with Minnesota Statutes, the County maintains its deposits at depository banks authorized by the County Board. All such banks are members of the Federal Reserve System.

Minnesota Statutes require that all County deposits be protected by insurance, surety bonds or collateral. The market value of collateral pledged must equal 110% of deposits not covered by insurance or bonds. Securities pledged as collateral are required to be held in safekeeping by the County or in a financial institution other than that furnishing the collateral. Minnesota Statute 118A.03 identifies allowable forms of collateral.

Custodial Credit Risk – Deposits – the risk that in the event of a bank 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, 2022, the bank balance of the County's deposits with financial institutions was $2,259,439 and the carrying amount was $1,873,494. All deposits were covered by federal depository insurance or by collateral pledged and held in the County's name.

## B. INVESTMENTS

Subject to rating, yield, maturity and issuer requirements as prescribed by statute, Minnesota Statutes 118A.04 and 118A.05 authorize the County to invest in United States securities, state and local securities, commercial paper, time deposits, temporary general obligation bonds, repurchase agreements, Minnesota joint powers investment trusts and guaranteed investment contracts.

As of December 31, 2022, the County had the following investments and maturities:

| | | | Investment Maturities (in Years) | | |
|---|---|---|---|---|---|
| Investment Type | Rating | Fair Value | Less Than 1 | 1 - 5 | Greater Than 5 |
| Brokered certificates of deposit | Not rated | $4,289,996 | $442,958 | $3,847,038 | $ - |
| Federal Farm Credit Bank bonds | Aaa | 719,175 | 719,175 | - | - |
| Federal Home Loan Bank bonds | Aaa | 8,321,329 | - | 8,321,329 | - |
| Federal Home Loan Mtg Corp notes | Aaa | 2,492,683 | - | 2,492,683 | - |
| Gov't National Mortgage Assn notes* | Not rated | 3,924,736 | 558 | 21,110 | 3,903,068 |
| MAGIC Fund | Not rated | 15,377,122 | 15,377,122 | - | - |
| Money market mutual funds | Not rated | 97,242 | 97,242 | - | - |
| U.S. Treasury notes | Aaa | 92,132 | 92,132 | - | - |
| Total | | $35,314,415 | $16,729,187 | $14,682,160 | $3,903,068 |

*The GNMA notes have maturity dates from 05/20/2023 to 10/20/2051. Significant portions of these notes are often called prior to their final maturity date.

| | |
|---|---|
| Total investments | $35,314,415 |
| Deposits | 1,873,494 |
| Petty cash | 1,317 |
| Total cash and investments | $37,189,226 |

The following is a reconciliation of total cash and investment balances as of December 31, 2022:

| | |
|---|---|
| Cash and investments - primary government: | |
| Cash and investments (Statement 1) | $35,661,803 |
| Fiduciary funds (Statement 7) | 1,527,423 |
| Total cash and investments | $37,189,226 |

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy has three levels. Level 1 investments are valued using inputs that are based on quoted prices in active markets for identical assets. Level 2 investments are valued using inputs that are based on quoted prices for similar assets or inputs that are observable, either directly or indirectly. Level 3 investments are valued using inputs that are unobservable.

The County has the following recurring fair value measurements as of December 31, 2022:

| | | Fair Value Measurement Using | | |
|---|---|---|---|---|
| Investment Type | 12/31/2022 | Level 1 | Level 2 | Level 3 |
| Investments at fair value: | | | | |
| Brokered certificates of deposit | $4,289,996 | $ - | $4,289,996 | $ - |
| Federal Farm Credit Bank bonds | 719,175 | - | 719,175 | - |
| Federal Home Loan Bank bonds | 8,321,329 | - | 8,321,329 | - |
| Federal Home Loan Mtg Corp notes | 2,492,683 | - | 2,492,683 | - |
| Gov't National Mortgage Assn notes | 3,924,736 | - | 3,924,736 | - |
| U.S. Treasury notes | 92,132 | 92,132 | - | - |
| | | $92,132 | $19,747,919 | $ - |
| Investments not categorized: | | | | |
| External investment pool - MAGIC Fund | 15,377,122 | | | |
| Money market mutual funds | 97,242 | | | |
| Total investments | $35,314,415 | | | |

The MAGIC Fund 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.

The MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restriction 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 NAV not reasonably practical.

The County invests money market funds for the benefit of liquid investment 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.

## C. INVESTMENT RISKS

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

Custodial credit risk - investments – for an investment, this 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.

Concentration of credit risk – 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 diversity investments to avoid risk. As of December 31, 2022, Federal Home Loan Bank bonds comprised 23.6%, Federal Home Loan Mortgage Corporation notes comprised 7.1% and Government National Mortgage Association notes comprised 11.1% of the County's total investments, respectively.

## Note 5 RECEIVABLES

### A. DUE FROM OTHER GOVERNMENTS

Amounts reported as due from other governments include loans to fire districts for the purchase of equipment and construction of fire halls. Fire loans are repaid through fire district tax levies. Scheduled collections of fire loans range from ten to twenty years. The outstanding balance of fire loans as of December 31, 2022 is $894,510. All amounts are estimated to be collectible.

### B. DUE FROM COMPONENT UNIT

As of December 31, 2022, the amount reported as due from the Cook County and Grand Marais Joint Economic Development Authority is $2,050,206 consisting of the following:

| Due From Component Unit | Amount |
|---|---|
| EDA General Fund loan | $100,000 |
| Reimbursement for personnel costs | 30,206 |
| Superior National at Lutsen | |
| Golf Course loan | 2,169,972 |
| Subtotal | 2,300,178 |
| Allowance for uncollectible accounts | (249,972) |
| Total | $2,050,206 |

An allowance for uncollectible accounts in the amount of $249,972 is reported relating to the Superior National at Lutsen Golf Course loan. An uncertainty exists about the ability of the golf course to generate sufficient cash flow in order to repay its obligation to the County.

## C. LOANS RECEIVABLE

Loans receivable represent amounts owed from private businesses within the County for economic development. Revolving loan fund activity is reported in the General Fund. At year-end, the County had 26 revolving loans with outstanding balances. Scheduled collections on these loans range from one to twenty years. A loan receivable in the Debt Service Fund represents future revenue pledged to the County from the Lutsen Workforce Housing Project for repayment of the G.O. Tax Abatement Bonds of 2018B (principal and interest). An outstanding note also exists from an individual who purchased a tax forfeit property from the County. All amounts are estimated to be collectible.

Loans receivable as of December 31, 2022 consist of the following:

| Loans receivable | Amount |
|---|---|
| Revolving loan fund loans | $1,121,389 |
| Workforce housing loan | 1,486,667 |
| Tax forfeit note | 3,107 |
| Total | $2,611,163 |

## D. LEASES RECEIVABLE

The County implemented GASB Statement No. 87, *Leases* for the year ended December 31, 2022. As a result, leases receivable and deferred inflows of resources are now reported on the Statement of Net Position and the Balance Sheet – Governmental Funds.

The County leases tower space, primarily to private cellular companies. Most leases are non-cancellable for a period of five years, with one to five renewal periods of five years each at the lessee's option. The County considers the likelihood of these options being exercised to be greater than 50%. The agreements call for monthly lease payments of $414 to $4,031, with increases of 0% to 3% per year. The lease receivables are measured at the present value of future minimum lease payments expected to be received during the lease term at a discount rate of 3%, which is based on the rate available to finance equipment over the same time periods.

At December 31, 2022, the County recorded $4,827,920 of leases receivable and deferred inflows of resources for these arrangements. Lease-related inflows of resources (e.g. revenue) recognized during the year ended December 31, 2022 were $192,113. No interest revenue was recognized during 2022 and no other variable lease payments were received.

### E. BALANCES NOT EXPECTED TO BE COLLECTED WITHIN ONE YEAR

Significant receivable balances not expected to be collected within one year of December 31, 2022 are as follows:

| | Major Funds | | | |
|---|---|---|---|---|
| | General Fund | Airport Fund | Nonmajor Funds | Total |
| Accounts receivable | $13,267 | $295,317 | $ - | $308,584 |
| Due from other governments | 826,820 | - | - | 826,820 |
| Due from component unit - net | 1,920,000 | - | - | 1,920,000 |
| Loans receivable | 1,006,078 | - | 1,435,834 | 2,441,912 |
| Leases receivable | 4,603,113 | - | - | 4,603,113 |
| Total | $8,369,278 | $295,317 | $1,435,834 | $10,100,429 |

## Note 6 CAPITAL ASSETS

Capital asset activity of the primary government for the year ended December 31, 2022 is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land and easements | $2,191,442 | $138,950 | $ - | $2,330,392 |
| Construction in progress | 1,991,081 | 8,343,920 | 1,030,674 | 9,304,327 |
| Total capital assets, not being depreciated | 4,182,523 | 8,482,870 | 1,030,674 | 11,634,719 |
| Capital assets, being depreciated: | | | | |
| Buildings | 24,091,211 | 39,538 | - | 24,130,749 |
| Improvements other than buildings | 1,367,983 | - | - | 1,367,983 |
| Furniture, equipment and vehicles | 13,256,803 | 721,395 | - | 13,978,198 |
| Infrastructure | 96,858,436 | 1,073,320 | - | 97,931,756 |
| Total capital assets, being depreciated | 135,574,433 | 1,834,253 | - | 137,408,686 |
| Less accumulated depreciation for: | | | | |
| Buildings | 8,524,014 | 636,643 | - | 9,160,657 |
| Improvements other than buildings | 889,900 | 55,207 | - | 945,107 |
| Furniture, equipment and vehicles | 11,131,011 | 684,733 | - | 11,815,744 |
| Infrastructure | 31,002,129 | 2,247,499 | - | 33,249,628 |
| Total accumulated depreciation | 51,547,054 | 3,624,082 | - | 55,171,136 |
| Total capital assets being depreciated - net | 84,027,379 | (1,789,829) | - | 82,237,550 |
| Total capital assets - net | $88,209,902 | $6,693,041 | $1,030,674 | $93,872,269 |

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

| | |
|---|---|
| General government | $288,757 |
| Public safety | 271,542 |
| Highways and streets, including infrastructure | 2,021,838 |
| Sanitation | 48,409 |
| Culture and recreation | 291,540 |
| Conservation of natural resources | 2,242 |
| Economic development | 699,754 |
| Total depreciation expense | $3,624,082 |

## Note 7 INTERFUND ACTIVITY

### A. DUE FROM/TO OTHER FUNDS

Amounts reported as due from and due to other funds as of December 31, 2022 are as follows:

| | Due From Other Fund | Due To Other Fund |
|---|---|---|
| Major Funds: | | |
| General Fund | $522,704 | $ - |
| Airport fund | - | 495,173 |
| Nonmajor Funds: | | |
| Building fund | 9,151 | - |
| Forfeited Tax fund | - | 36,682 |
| Total | $531,855 | $531,855 |

The amount owed by the Airport fund to the General Fund is to fund a deficit cash balance. The amount owed by the Forfeited Tax fund represents collections held in that fund at year-end which are required to be disbursed to other funds.

### B. TRANSFERS

Interfund transfers made during the year ended December 31, 2022 are summarized as follows:

| | Transfers In | Transfers Out |
|---|---|---|
| Major Funds: | | |
| Road and Bridge fund | $4,334,571 | $ - |
| Local Option Sales Tax fund | - | 826,856 |
| Nonmajor Funds: | | |
| Debt Service fund | 826,856 | - |
| Capital Projects fund | - | 4,334,571 |
| Total | $5,161,427 | $5,161,427 |

Transfers were made from the Local Option Sales Tax Fund to provide resources for debt service payments. Transfers were made from the Capital Projects fund to provide resources for road and bridge projects. All transfers are considered routine and consistent with previous practices.

## Note 8 LONG-TERM LIABILITIES

The County issues long-term debt to provide financing for the acquisition and construction of major capital equipment, facilities and improvement projects. As of December 31, 2022, the long-term debt of the primary government consisted of the following:

| Type of Indebtedness | Final Maturity | Interest Rates | Original Issue | Payable 12/31/2022 |
|---|---|---|---|---|
| General Obligation Bonds: | | | | |
| Sales Tax Revenue Bonds: | | | | |
| Taxable Sales Tax Revenue Refunding Bonds of 2020A | 2033 | 1.15-2.00% | 10,205,000 | 10,055,000 |
| Sales Tax Revenue Bonds of 2021A | 2042 | 2.00% | 5,910,000 | 5,910,000 |
| Total sales tax revenue bonds | | | 16,115,000 | 15,965,000 |
| Tax Abatement Bonds: | | | | |
| Tax Abatement Bonds of 2014A | 2037 | 1.10-3.50% | 2,410,000 | 1,920,000 |
| Tax Abatement Bonds of 2018B | 2039 | 3.38-4.25% | 1,620,000 | 1,580,000 |
| Total tax abatement bonds | | | 4,030,000 | 3,500,000 |
| Capital Improvement Bonds: | | | | |
| Capital Improvement Bonds of 2018A | 2039 | 3.00-3.50% | 9,135,000 | 8,090,000 |
| General Obligation Notes: | | | | |
| Capital Equipment Notes of 2018A | 2026 | 3.00% | 410,000 | 245,000 |
| Total general obligation debt | | | 29,690,000 | 27,800,000 |
| Lease purchase agreement | 2025 | 2.98% | 225,920 | 153,197 |
| Unamortized bond premiums | | | 598,283 | 497,197 |
| Compensated absences payable | | | n/a | 947,340 |
| Total indebtedness - primary government | | | $30,514,203 | $29,397,734 |

The debt service of the Sales Tax Revenue Bonds of 2011B and 2012B is paid by the Local Options Sales Tax Special Revenue Fund. The debt service of all other bond issues is paid by the Debt Service Fund.

Annual debt service requirements to maturity for long-term debt, excluding unamortized bond premiums and compensated absences payable, are as follows:

| Year Ending | G.O. Bonds and Notes | | Lease Purchase Agreement | |
|---|---|---|---|---|
| December 31 | Principal | Interest | Principal | Interest |
| 2023 | $1,570,000 | $664,476 | $35,431 | $4,569 |
| 2024 | 1,635,000 | 627,229 | 36,487 | 3,513 |
| 2025 | 1,695,000 | 588,220 | 81,279 | 2,432 |
| 2026 | 1,745,000 | 547,556 | - | - |
| 2027 | 1,740,000 | 506,226 | - | - |
| 2028-2032 | 9,420,000 | 1,956,916 | - | - |
| 2033-2037 | 6,785,000 | 906,898 | - | - |
| 2038-2042 | 3,210,000 | 142,400 | - | - |
| Total | $27,800,000 | $5,939,921 | $153,197 | $10,514 |

ADVANCED CROSSOVER DEBT REFUNDING

In 2020, the County issued $10,205,000 of General Obligation Taxable Sales Tax Revenue Refunding Bonds, Series 2020A to advance refund $4,900,000 of outstanding General Obligation Sales Tax Revenue Bonds, Series 2011B and $7,565,000 of outstanding General Obligation Sales Tax Revenue Bonds, Series 2012B. The net proceeds, along with $2,800,000 of cash on hand, were used to purchase U.S. government securities in the amount of $12,965,711. The securities were deposited into an irrevocable trust with an escrow agent to provide for the interest on the refunding bonds before the crossover date and called principal on the refunded bonds on February 1, 2022. The purpose of the refunding transaction was to reduce interest expense. The net present value benefit of the refunding transaction was $1,296,319. The 2011B and 2012B bonds were paid off on February 1, 2022 and $0 remains in the escrow account.

CHANGE IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2022 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| General Obligation Bonds: | | | | | |
| Sales tax revenue bonds | $29,220,000 | $ - | $13,255,000 | $15,965,000 | $995,000 |
| Tax abatement bonds | 3,640,000 | - | 140,000 | 3,500,000 | 145,000 |
| Capital improvement bonds | 8,450,000 | - | 360,000 | 8,090,000 | 370,000 |
| Capital equipment notes | 300,000 | - | 55,000 | 245,000 | 60,000 |
| Total general obligation debt | 41,610,000 | - | 13,810,000 | 27,800,000 | 1,570,000 |
| Lease purchase agreement | 187,603 | - | 34,406 | 153,197 | 35,431 |
| Unamortized bond premiums | 532,409 | - | 35,212 | 497,197 | - |
| Compensated absences payable * | 922,198 | 25,142 | - | 947,340 | 662,529 |
| Total long-term liabilities | $43,252,210 | $25,142 | $13,879,618 | $29,397,734 | $2,267,960 |

* The change in compensated absences is presented as a net change.

For its general obligation debt, 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.

## Note 9 DEFINED BENEFIT PENSION PLANS

### A. PLAN DESCRIPTION

The County participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Fund (GERF)

   All full-time (with the exception of employees covered by PEPFF) and certain part-time employees of the County are covered by the General Employees Retirement Fund (GERF). GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees Police and Fire Fund (PEPFF)

   The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

### B. BENEFITS PROVIDED

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

1. GERF Benefits

   Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first ten years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7% of average salary for all years of service. For 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.

   Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024 or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. PEPFF Benefits

Benefits for PEPFF members first hired after June 30, 2010 but before July 1, 2014 vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014 vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For PEPFF members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase will be fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

## C. CONTRIBUTIONS

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. GERF Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2022 and the County was required to contribute 7.50%. The County's contributions to the GERF for the year ended December 31, 2022 were $546,935. The County's contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2022 and the County was required to contribute 17.70%. The County's contributions to the PEPFF for the year ended December 31, 2022 were $207,397. The County's contributions were equal to the required contributions as set by state statute.

## D. PENSION COSTS

1. GERF Pension Costs

At December 31, 2022, the County reported a liability of $7,365,631 for its proportionate share of GERF's net pension liability. The County's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the County totaled $215,879.

The net pension liability was measured as of June 30, 2022, 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 proportionate share 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, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.0930% at the end of the measurement period and 0.0929% for the beginning of the period.

| | |
|---|---|
| County's proportionate share of the net pension liability | $7,365,631 |
| State of Minnesota's proportionate share of the net pension liability associated with the County | 215,879 |
| Total | $7,581,510 |

For the year ended December 31, 2022, the County recognized pension expense of $1,163,897 for its proportionate share of the GERF's pension expense. In addition, the County recognized an additional $32,257 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the GERF.

At December 31, 2022, the County reported its proportionate share of the GERF'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 | $61,523 | $78,687 |
| Changes in actuarial assumptions | 1,666,976 | 29,974 |
| Difference between projected and actual investment earnings | 128,015 | - |
| Changes in proportion | 166,792 | - |
| Contributions paid to PERA subsequent to the measurement date | 299,491 | - |
| Total | $2,322,797 | $108,661 |

The $299,491 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending December 31, | Pension Expense |
|---|---|
| 2023 | $738,798 |
| 2024 | 743,010 |
| 2025 | (233,273) |
| 2026 | 666,110 |
| 2027 | - |
| Thereafter | - |

2. PEPFF Pension Costs

At December 31, 2022, the County reported a liability of $4,042,641 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2022 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 proportionate share 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, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.0929% at the end of the measurement period and 0.0998% for the beginning of the period.

The State of Minnesota also contributed $18 million to PEPFF during the plan fiscal year ended June 30, 2022. The contribution consisted of $9 million in direct state aid that meets the definition of a special funding situation and $9 million in supplemental state aid that does not meet the definition of a special funding situation. The direct state aid was paid on October 1, 2021. Thereafter, by October 1 of each year, the state will pay $9 million to the PEPFF until full funding is reached or July 1, 2048, whichever is earlier. The $9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later.

The State of Minnesota is included as a non-employer contributing entity in the PEPFF Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the $9 million in direct state aid. PEPFF employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2022, the County recognized pension expense of $379,621 for its proportionate share of the Police and Fire Plan's pension expense. The County recognized an additional $34,271 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $9 million to the PEPFF.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the $9 million in supplemental state aid. The County recognized $8,361 for the year ended December 31, 2022 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2022, the County reported its proportionate share of the PEPFF'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 | $245,897 | $ - |
| Changes in actuarial assumptions | 2,379,717 | 22,745 |
| Difference between projected and actual investment earnings | 51,286 | - |
| Changes in proportion | 43,566 | 137,585 |
| Contributions paid to PERA subsequent to the measurement date | 117,841 | - |
| Total | $2,838,307 | $160,330 |

The $117,841 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as outflows:

| Year Ending December 31, | Pension Expense |
|---|---|
| 2023 | $478,021 |
| 2024 | 506,511 |
| 2025 | 433,805 |
| 2026 | 818,523 |
| 2027 | 323,276 |
| Thereafter | - |

The net pension liability will be liquidated by the general fund and other governmental funds that have personal services.

## E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2022 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

| | |
|---|---|
| Inflation | 2.25% per year |
| Investment Rate of Return | 6.50% |

The long-term investment rate of return is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates deemed to be reasonable by the actuary. An investment return of 6.50% was deemed to be within that range of reasonableness for financial reporting purposes.

Benefit increases after retirement are assumed to be 1.25% for the GERF. The PEPFF benefit increase is fixed at 1.00% per year and that increase was used in the valuation.

Salary growth assumptions in the GERF range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the PEPFF, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

Mortality rates for GERF were based on the Pub-2010 General Employee Mortality Table. Mortality rates for PEPFF were based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for GERF are reviewed every four years. The most recent four-year experience study for GERF was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for PEPFF was completed in 2020 and adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund
Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Police and Fire Fund
Changes in Actuarial Assumptions:

- The single discount rate was changed from 6.50% to 5.40%.
- The mortality improvement scale was changed from MP-2020 to MP-2021.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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 geometric 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 equity | 33.5% | 5.10% |
| International equity | 16.5% | 5.30% |
| Fixed income | 25% | 0.75% |
| Private markets | 25% | 5.90% |
| Total | 100% | |

## F. DISCOUNT RATE

The discount rate for the GERF used to measure the total pension liability in 2022 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. 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.

In the PEPFF, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in fiscal year ended June 30, 2061, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40% for the PEPFF was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5% applied to all years of projected benefits through the point of asset depletion and 3.69% thereafter.

### G. PENSION LIABILITY SENSITIVITY

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

| | 1% Decrease in Discount Rate | Discount Rate | 1% Increase in Discount Rate |
|---|---|---|---|
| Proportionate share of the GERF net pension liability | $11,634,400 | $7,635,631 | $3,864,582 |
| Proportionate share of the PEPFF net pension liability | $6,118,019 | $4,042,641 | $2,364,822 |

### H. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about each 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 at www.mnpera.org.

### I. PENSION EXPENSE

Total pension expense recognized by the County for the year ended December 31, 2022 is as follows:

| | |
|---|---|
| GERF | $1,196,154 |
| PEPFF | 413,892 |
| Total | $1,610,046 |

## Note 10 FUND BALANCE CLASSIFICATIONS

At December 31, 2022, a summary of fund balance classifications is as follows:

| | General Fund | Road and Bridge | Public Health and Human Services | Airport | Local Option Sales Tax | Nonmajor Funds | Total |
|---|---|---|---|---|---|---|---|
| Nonspendable: | | | | | | | |
| Golf Course loan | $1,920,000 | $ - | $ - | $ - | $ - | $ - | $1,920,000 |
| Inventories | - | 590,185 | - | - | - | - | 590,185 |
| Environmental improvements | - | - | - | - | - | 584,434 | 584,434 |
| Total nonspendable | 1,920,000 | 590,185 | - | - | - | 584,434 | 3,094,619 |
| Restricted for: | | | | | | | |
| Conceal and carry | 40,147 | - | - | - | - | - | 40,147 |
| Aquatic invasive species | 822,177 | - | - | - | - | - | 822,177 |
| Forest access roads | 24,350 | - | - | - | - | - | 24,350 |
| Revolving loans | 800,449 | - | - | - | - | - | 800,449 |
| 20% unorganized townships | 29,832 | - | - | - | - | - | 29,832 |
| Recorder's equipment | 215,661 | - | - | - | - | - | 215,661 |
| Sheriff's contingency fund | 5,000 | - | - | - | - | - | 5,000 |
| Law library | 65,447 | - | - | - | - | - | 65,447 |
| Enhanced 911 | 270,321 | - | - | - | - | - | 270,321 |
| Timber development | 89,678 | - | - | - | - | - | 89,678 |
| Parks and recreation | 132,958 | - | - | - | - | - | 132,958 |
| Recorder's compliance | 54,944 | - | - | - | - | - | 54,944 |
| DNR snowmobile | 11,558 | - | - | - | - | - | 11,558 |
| Extension services | 4,283 | - | - | - | - | - | 4,283 |
| Forfeitures | 17,644 | - | - | - | - | 3,107 | 20,751 |
| National Forest Title III | 86,904 | - | - | - | - | - | 86,904 |
| Special projects | - | - | - | - | 5,315,606 | - | 5,315,606 |
| Debt service | - | - | - | - | - | 2,195,522 | 2,195,522 |
| Transportation projects | - | - | - | - | 3,378,537 | - | 3,378,537 |
| Capital projects | - | - | - | - | - | 1,669,958 | 1,669,958 |
| Enviromental improvements | - | - | - | - | - | 316,658 | 316,658 |
| Total restricted | 2,671,353 | - | - | - | 8,694,143 | 4,185,245 | 15,550,741 |
| Assigned for: | | | | | | | |
| Telephone and copiers | 239,889 | - | - | - | - | - | 239,889 |
| EMS training | 21,176 | - | - | - | - | - | 21,176 |
| Data processing equipment | 247,859 | - | - | - | - | - | 247,859 |
| Enhanced 911 | 16,291 | - | - | - | - | - | 16,291 |
| Sheriff's cars | 214,455 | - | - | - | - | - | 214,455 |
| Landfill future development | 19,257 | - | - | - | - | - | 19,257 |
| County cars | 156,930 | - | - | - | - | - | 156,930 |
| County landings maintenance | 70,749 | - | - | - | - | - | 70,749 |
| Software | 57,238 | - | - | - | - | - | 57,238 |
| Plat book fund | 19,708 | - | - | - | - | - | 19,708 |
| Food backpack program | 38,068 | - | - | - | - | - | 38,068 |
| Tower capital | 108,946 | - | - | - | - | - | 108,946 |
| Septic loans | 500,000 | - | - | - | - | - | 500,000 |
| Other | 25,819 | - | - | - | - | - | 25,819 |
| Highways and streets | - | 3,105,501 | - | - | - | 51,618 | 3,157,119 |
| Health and human services | - | - | 4,703,888 | - | - | - | 4,703,888 |
| Building improvements | - | - | - | - | - | 1,181,283 | 1,181,283 |
| Total assigned | 1,736,385 | 3,105,501 | 4,703,888 | - | - | 1,232,901 | 10,778,675 |
| Unassigned | 9,239,715 | - | - | (494,786) | - | - | 8,744,929 |
| Total | $15,567,453 | $3,695,686 | $4,703,888 | ($494,786) | $8,694,143 | $6,002,580 | $38,168,964 |

## Note 11 RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of; damage to, or destruction of assets; errors in 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 previous year or settlements in excess of 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 2021 and 2022. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

The NESC is a joint power entity which sponsors a plan to provide group and 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.

## Note 12 COMMITMENTS AND CONTINGENCIES

### A. 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.

As of December 31, 2022, the County has accrued a liability in its General Fund in the amount of $1,629,688 related to federal PILT funding. The County estimates this amount may be repaid to the federal government pending the outcome of an appeal to the to the U.S. Secretary of Agriculture relating to the appraised value of the Boundary Waters Canoe Area Wilderness.

The amount of any other funding or 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.

### B. LITIGATION

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 material adverse effect on the financial condition of the County.

### C. COMMITMENTS

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

## Note 13 TAX-FORFEITED LAND

Cook County manages approximately 4,313 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.

## Note 14 RECENTLY ISSUED ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) recently approved the following statements which were not implemented for these financial statements:

**Statement No. 94** *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2022.

**Statement No. 96** *Subscription – Based Information Technology Arrangements.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2022.

**Statement No. 99** *Omnibus 2022*. The provisions of this Statement contain multiple effective dates, the first being for reporting periods beginning after June 15, 2022.

**Statement No. 100** *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2023.

The effect these standards may have on future financial statements is not determinable at this time, but it is expected that Statement No. 96 may have a material impact.

## Note 15 COMPONENT UNIT DISCLOSURES – COOK COUNTY / 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 / Grand Marais Joint Economic Development Authority (the EDA) 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 EDA is considered a component unit of Cook County. The EDA has one blended component unit, the CRMGC, LLC. CRMGC, LLC did not report any financial activity in 2022 and separate financial statements are not prepared.

Basis of Accounting
The EDA'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 full accrual basis of accounting.

Risk Management
The EDA 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 EDA purchases commercial insurance for all risks of loss. There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for the past three fiscal years.

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

Land Held for Resale
Land held for resale comprises the business lots for sale in the Cedar Grove Business Park. The EDA 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 EDA 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, clubhouse and course equipment are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|---|---|
| Land improvements | 30 |
| Buildings and structures | 20 |
| Clubhouse and course equipment | 3-20 |
| Right to use leased assets | 3-5 |

### B. DEPOSITS AND INVESTMENTS

In accordance with Minnesota Statutes, the EDA maintains its deposits at depository banks authorized by the EDA Board. All such banks are members of the Federal Reserve System.

Minnesota Statutes require that all EDA deposits be protected by insurance, surety bonds or collateral. The market value of collateral pledged must equal 110% of deposits not covered by insurance or bonds. Securities pledged as collateral are required to be held in safekeeping by the EDA or in a financial institution other than that furnishing the collateral. Minnesota Statute 118A.03 identifies allowable forms of collateral.

Custodial Credit Risk – Deposits – the risk that in the event of a bank failure, the EDA's deposits may not be returned to it. The EDA does not have a policy pertaining to custodial credit risk that is more restrictive than Minnesota Statutes.

As of December 31, 2022, the bank balance of the EDA's deposits with financial institutions was $1,240,360 and the carrying amount was $1,129,299. Depository insurance offered by the Federal Deposit Insurance Corporation insured $677,207 of the EDA's deposits as of December 31, 2022. No collateral was pledged to protect the remaining $563,153 of deposits.

Minnesota Statutes 118A.04 and 118A.05 outline authorized investments for governmental entities. During 2022, the EDA did not have any such investments.

### C. RECEIVABLES

As of December 31, 2022, receivables of the EDA consisted of the following:

| | Total Receivables | Amounts Not Expected to be Collected Within One Year |
|---|---|---|
| Governmental activities: | | |
| General Fund: | | |
| Taxes | $28,322 | $5,000 |
| Accounts | 25,000 | - |
| Loans receivable | 194,619 | 170,250 |
| Business-type activities: | | |
| Golf course fund: | | |
| Accounts | 4,610 | 3,200 |
| Total receivables | $252,551 | $178,450 |

## D. CAPITAL ASSETS

Capital asset activity of the EDA for the year ended December 31, 2022 Is as follows:

| | Beginning Balance, as Restated* | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $213,685 | $ - | $ - | $213,685 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 10,561,732 | 84,781 | - | 10,646,513 |
| Buildings and structures | 422,146 | 73,300 | - | 495,446 |
| Clubhouse and course equipment | 1,366,215 | 109,169 | - | 1,475,384 |
| Right to use leased assets | 347,232 | - | - | 347,232 |
| Total capital assets, being depreciated | 12,697,325 | 267,250 | - | 12,964,575 |
| Less accumulated depreciation for: | | | | |
| Land improvements | 4,752,693 | 278,322 | - | 5,031,015 |
| Buildings and structures | 387,781 | 6,636 | - | 394,417 |
| Clubhouse and course equipment | 1,054,489 | 65,824 | - | 1,120,313 |
| Right to use leased assets | - | 86,474 | - | 86,474 |
| Total accumulated depreciation | 6,194,963 | 437,256 | - | 6,632,219 |
| Total capital assets being depreciated - net | 6,502,362 | (170,006) | - | 6,332,356 |
| Total EDA capital assets - net | $6,716,047 | ($170,006) | $ - | $6,546,041 |

*As discussed in Note 15E, the EDA implemented GASB Statement No. 87, *Leases* for the year ended December 31, 2022. Implementation of the standard resulted in a restatement of beginning balances, however, there was no net impact to overall beginning net position.

All depreciation expense was charged to the Golf Course function of the EDA.

## E. ADOPTION OF NEW ACCOUNTING STANDARD - LEASES

The EDA implemented GASB Statement No. 87, *Leases* for the year ended December 31, 2022. As a result, right to use leased assets and a lease liability are reported on the Statement of Net Position. Right to use leased assets are reported as part of capital assets.

LEASE LIABILITIES

As of December 31, 2022, the EDA had two outstanding leases associated with Superior National at Lutsen Golf Course (SNL).

Golf cart lease
SNL leases 72 golf carts. Five seasonal lease payments of $8,283 are required each year through 2024, plus a final payment of $144,000 is due November 1, 2024. After all lease payments are made, SNL has the option to purchase the golf carts for $1. The lease liability is measured at a discount rate of 3.39%. The lease liability as of December 31, 2022, excluding interest, was $214,589.

GPS display units lease
SNL leases 72 GPS display units for its golf carts. Six seasonal lease payments of $8,427 are required each year through 2023. The lease liability is measured at a discount rate of 3.39%. The lease liability as of December 31, 2022, excluding interest, was $50,067.

Lease liability activity for the year ended December 31, 2022 was as follows:

| | Beginning Balance, as Restated* | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Business-type activities: | | | | |
| Golf cart lease | $247,938 | $ - | $33,349 | $214,589 |
| GPS display units lease | 99,294 | - | 49,227 | 50,067 |
| Total lease liability | $347,232 | $ - | $82,576 | $264,656 |

* The EDA implemented GASB Statement No. 87 for the year ended December 31, 2022. Implementation of the standard resulted in a restatement of beginning balances, however, there was no net impact to overall beginning net position.

For 2022, interest expense incurred relating to the leases was $9,403. Future lease payments are as follows:

| | Business-Type Activities | |
|---|---|---|
| | Lease Liability | |
| Year Ending December 31 | Principal | Interest |
| 2023 | $84,564 | $7,415 |
| 2024 | 180,092 | 5,324 |
| | $264,656 | $12,739 |

## F. DEBT OBLIGATIONS

The EDA's General Fund received an operating loan from Cook County for cash flow purposes. As of December 31, 2022, $100,000 was owed to Cook County. This amount was repaid during 2023.

The EDA's General Fund 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, 2022 was estimated to be $303,000.

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 are being 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 EDA entered into a loan agreement with Cook County which requires loan payments to the County in sufficient amounts for the County to make the required payments on the bonds. However, during recent years the EDA has not had sufficient funds available to make payments to the County. Instead, the County has financed the bond payments with proceeds from a 2% county lodging tax imposed in the towns of Lutsen, Tofte and Schroeder pursuant to Laws of Minnesota Chapter 168.

Debt activity for the year ended December 31, 2022 is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Operating loan | $100,000 | $ - | $ - | $100,000 |
| Land held for resale | 420,000 | - | 117,000 | 303,000 |
| Loan payable | 2,169,972 | - | - | 2,169,972 |
| Total debt obligations | $2,689,972 | $ - | $117,000 | $2,572,972 |

## G. DEFINED BENEFIT PENSION PLAN

Plan Description
All full time and certain part time employees of the EDA 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 Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under section 401(a) of the Internal Revenue Code.

Contributions
The EDA's contributions for the General Employees Plan for the year ended December 31, 2022 were $9,369. The contributions were equal to the contractually required contributions as set by state statute.

Pension Costs.
As of December 31, 2022, the EDA reported a liability of $198,001 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation of that date. The EDA's proportion of the net pension liability was based on the EDA's contributions received by PERA during the measurement period for employer payroll dates paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The EDA's proportionate share was 0.0025% at the end of the measurement period and 0.0036% at the beginning of the period.

| | |
|---|---|
| EDA's proportionate share of the net pension liability | $198,001 |
| State of Minnesota's proportionate share of the net pension liability associated with the EDA | 5,865 |
| Total | $203,866 |

For the year ended December 31, 2022, the EDA recognized pension expense of $10,502 for its proportionate share of the General Employees Plan's pension expense. In addition, the EDA recognized an additional $876 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution to the General Employees Plan.

As of December 31, 2022, the EDA 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 | $1,654 | $2,073 |
| Changes in actuarial assumptions | 44,811 | 628 |
| Difference between projected and actual investment earnings | 2,280 | - |
| Changes in proportion | 10,403 | 47,962 |
| Contributions paid to PERA subsequent to the measurement date | 4,304 | - |
| Total | $63,452 | $50,663 |

The $4,304 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 ending December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending December 31, | Pension Expense |
|---|---|
| 2023 | $6,862 |
| 2024 | 6,013 |
| 2025 | (22,297) |
| 2026 | 17,907 |
| 2027 | - |
| Thereafter | - |

Pension Liability Sensitivity

The following presents the EDA's proportionate share of the net pension liability, calculated using a discount rate of 6.5%, as well as what the EDA's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

| | 1% Decrease in Discount Rate (5.5%) | Discount Rate (6.5%) | 1% Increase in Discount Rate (7.5%) |
|---|---|---|---|
| Proportionate share of the GERF net pension liability | $312,753 | $198,001 | $103,887 |

Additional pension information regarding benefits provided, actuarial assumptions and pension plan fiduciary net position can be found in Note 9.

## Note 16 COMPONENT UNIT DISCLOSURES – COOK COUNTY HOUSING AND REDEVELOPMENT 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 Housing and Redevelopment Authority (the HRA) is governed by a Board of seven Commissioners who are appointed by the Cook County Board. Five Commissioners each represent one of the five districts of the County and two of the Commissioners also serve on the County Board. The HRA was formed in 2021 and first had financial activity in 2022. Separate financial statements are not prepared for the HRA.

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

Risk Management
The HRA 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 HRA purchases commercial insurance for all risks of loss. There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for the past three fiscal years.

Property Taxes
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 payments due May 15 and the second half payment due October 15. Unpaid taxes as of December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable. Due to the County's ability to enforce payment of property taxes by property owners, no allowance for uncollectible accounts is reported.

### B. DEPOSITS AND INVESTMENTS

The HRA's deposits are pooled with the deposits of Cook County. All HRA funds are considered to be held at depository banks of the County, which are authorized by the County Board. All such banks are members of the Federal Reserve System.

Minnesota Statutes require that all HRA deposits be protected by insurance, surety bonds or collateral. The market value of collateral pledged must equal 110% of deposits not covered by insurance or bonds. Securities pledged as collateral are required to be held in safekeeping by the County or in a financial institution other than that furnishing the collateral. Minnesota Statute 118A.03 identifies allowable forms of collateral.

Custodial Credit Risk – Deposits – the risk that in the event of a bank failure, the HRA's deposits may not be returned to it. The HRA does not have a policy pertaining to custodial credit risk that is more restrictive than Minnesota Statutes.

As of December 31, 2022, the balance of the HRA's deposits pooled with the County was $41,129. All deposits were covered by federal depository insurance or by collateral pledged and held in the County's name.

Minnesota Statutes 118A.04 and 118A.05 outline authorized investments for governmental entities. During 2022, the HRA did not have any such investments.

# REQUIRED SUPPLEMENTARY INFORMATION

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| Revenues: | | | | |
| Taxes | $5,817,121 | $5,817,121 | $5,757,887 | ($59,234) |
| Special assessments | - | - | 268,281 | 268,281 |
| Licenses and permits | 100,030 | 100,030 | 119,082 | 19,052 |
| Intergovernmental | 3,560,586 | 3,560,586 | 4,927,123 | 1,366,537 |
| Charges for services | 591,290 | 591,290 | 839,367 | 248,077 |
| Donations and other grants | 4,500 | 4,500 | 9,190 | 4,690 |
| Investment earnings | 275,000 | 275,000 | (760,170) | (1,035,170) |
| RLF loan repayments | - | - | 296,353 | 296,353 |
| Miscellaneous | 427,516 | 427,516 | 358,115 | (69,401) |
| Total revenues | 10,776,043 | 10,776,043 | 11,815,228 | 1,039,185 |
| Expenditures: | | | | |
| General government: | | | | |
| Current: | | | | |
| Commissioners | 304,553 | 308,077 | 263,487 | 44,590 |
| Courts | 20,000 | 20,000 | 13,682 | 6,318 |
| Law library | - | - | 6,147 | (6,147) |
| Auditor - Treasurer | 879,326 | 879,326 | 926,578 | (47,252) |
| Assessor | 373,163 | 373,163 | 361,259 | 11,904 |
| Data processing | 832,150 | 832,150 | 761,337 | 70,813 |
| Elections | 27,320 | 27,320 | 63,762 | (36,442) |
| Administration | 343,168 | 343,168 | 284,561 | 58,607 |
| Human resources | 178,760 | 178,760 | 161,946 | 16,814 |
| Attorney | 481,294 | 481,294 | 434,092 | 47,202 |
| Recorder | 251,029 | 251,029 | 290,310 | (39,281) |
| Buildings | 707,877 | 707,877 | 823,573 | (115,696) |
| Veterans service officer | 117,126 | 117,126 | 91,096 | 26,030 |
| Planning and zoning | 518,474 | 518,474 | 487,322 | 31,152 |
| Capital outlay | 104,140 | 104,140 | 118,011 | (13,871) |
| Total general government | 5,138,380 | 5,141,904 | 5,087,163 | 54,741 |
| Public safety: | | | | |
| Current: | | | | |
| Sheriff | 2,771,572 | 2,771,572 | 2,662,787 | 108,785 |
| County jail | 284,722 | 284,722 | 307,717 | (22,995) |
| Community corrections | 330,909 | 330,909 | 330,909 | - |
| Emergency services | 236,426 | 236,426 | 122,247 | 114,179 |
| E-911 system | 70,054 | 70,054 | 79,651 | (9,597) |
| Firewise grants | - | - | 30,858 | (30,858) |
| Other public safety | - | - | 115,992 | (115,992) |
| Capital outlay | 125,000 | 125,000 | 83,594 | 41,406 |
| Total public safety | 3,818,683 | 3,818,683 | 3,733,755 | 84,928 |

See accompanying notes to the required supplementary information.

**COOK COUNTY, MINNESOTA**
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2022



| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| Expenditures (continued): | | | | |
| Sanitation: | | | | |
| Current: | | | | |
| Solid waste | 73,313 | 73,313 | 78,503 | (5,190) |
| Recycling | 512,722 | 512,722 | 585,830 | (73,108) |
| Capital outlay | 20,000 | 20,000 | - | 20,000 |
| Total sanitation | 606,035 | 606,035 | 664,333 | (58,298) |
| Culture and recreation: | | | | |
| Current: | | | | |
| Historical society | 86,400 | 86,400 | 86,400 | - |
| Parks and trails | - | - | 200,860 | (200,860) |
| Regional library | 214,503 | 214,503 | 214,503 | - |
| Community center | 81,270 | 81,270 | 62,847 | 18,423 |
| Contributions to the YMCA | 379,773 | 379,773 | 309,841 | 69,932 |
| Other | 10,000 | 10,000 | 28,359 | (18,359) |
| Capital outlay | 57,000 | 57,000 | 4,825 | 52,175 |
| Total culture and recreation | 828,946 | 828,946 | 907,635 | (78,689) |
| Conservation of natural resources: | | | | |
| Current: | | | | |
| Cooperative extension | 107,236 | 107,236 | 89,320 | 17,916 |
| Soil and water conservation | 60,000 | 60,000 | 60,000 | - |
| Agricultural inspections | 8,185 | 8,185 | 1,360 | 6,825 |
| Environmental services | 196,078 | 196,078 | 875,076 | (678,998) |
| Total conservation of natural resources | 371,499 | 371,499 | 1,025,756 | (654,257) |
| Economic development: | | | | |
| Current: | | | | |
| Community development | - | - | 365,000 | (365,000) |
| American Rescue Plan Act (ARPA) expenditures | - | - | 105,354 | (105,354) |
| Miscellaneous | 12,500 | 12,500 | 161,421 | (148,921) |
| Total expenditures | 10,776,043 | 10,779,567 | 12,050,417 | (1,270,850) |
| Net change in fund balance | $ - | ($3,524) | (235,189) | ($231,665) |
| Fund balance - January 1 | | | 15,802,642 | |
| Fund balance - December 31 | | | $15,567,453 | |

See accompanying notes to the required supplementary information.

**COOK COUNTY, MINNESOTA**
REQUIRED SUPPLEMENTARY INFORMATION **Exhibit A-2**
BUDGETARY COMPARISON SCHEDULE - ROAD AND BRIDGE SPECIAL REVENUE FUND
For The Year Ended December 31, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| Revenues: | | | | |
| Taxes | $2,420,212 | $2,420,212 | $2,419,896 | ($316) |
| Intergovernmental | 5,380,750 | 5,380,750 | 4,197,148 | (1,183,602) |
| Charges for services | 319,400 | 319,400 | 455,574 | 136,174 |
| Miscellaneous | 4,235 | 4,235 | 18,020 | 13,785 |
| Total revenues | 8,124,597 | 8,124,597 | 7,090,638 | (1,033,959) |
| Expenditures: | | | | |
| Administration | 694,644 | 694,644 | 606,078 | 88,566 |
| Highway maintenance | 2,554,299 | 2,554,299 | 2,436,629 | 117,670 |
| Engineering and construction | 12,401,082 | 12,401,082 | 8,491,221 | 3,909,861 |
| Equipment and shop | 789,429 | 789,429 | 1,150,524 | (361,095) |
| Debt service: | | | | |
| Principal | 34,406 | 34,406 | 34,406 | - |
| Interest and fiscal charges | 5,594 | 5,594 | 5,594 | - |
| Total expenditures | 16,479,454 | 16,479,454 | 12,724,452 | 3,755,002 |
| Revenues over (under) expenditures | (8,354,857) | (8,354,857) | (5,633,814) | 2,721,043 |
| Other financing sources: | | | | |
| Transfers in | 7,900,000 | 7,900,000 | 4,334,571 | (3,565,429) |
| Net change in fund balance | ($454,857) | ($454,857) | (1,299,243) | ($844,386) |
| Fund balance - January 1 | | | 4,994,929 | |
| Fund balance - December 31 | | | $3,695,686 | |

See accompanying notes to the required supplementary information.

**COOK COUNTY, MINNESOTA**
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE -
PUBLIC HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND
For The Year Ended December 31, 2022

**Exhibit A-3**

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| Revenues: | | | | |
| Taxes | $2,203,849 | $2,203,849 | $2,205,831 | $1,982 |
| Licenses and permits | 15,000 | 15,000 | 15,661 | 661 |
| Intergovernmental | 1,757,347 | 1,757,347 | 1,591,973 | (165,374) |
| Charges for services | 281,586 | 281,586 | 319,042 | 37,456 |
| Donations and other grants | - | - | 23,424 | 23,424 |
| Miscellaneous | 255,700 | 255,700 | 187,982 | (67,718) |
| Total revenues | 4,513,482 | 4,513,482 | 4,343,913 | (169,569) |
| Expenditures: | | | | |
| Current: | | | | |
| Human services: | | | | |
| Income maintenance | 959,674 | 959,674 | 953,940 | 5,734 |
| Social services | 2,899,646 | 2,899,646 | 2,254,436 | 645,210 |
| Other | - | - | 6,309 | (6,309) |
| Total human services | 3,859,320 | 3,859,320 | 3,214,685 | 644,635 |
| Health: | | | | |
| Public health | 754,162 | 754,162 | 697,498 | 56,664 |
| Total expenditures | 4,613,482 | 4,613,482 | 3,912,183 | 701,299 |
| Net change in fund balance | ($100,000) | ($100,000) | 431,730 | $531,730 |
| Fund balance - January 1 | | | 4,272,158 | |
| Fund balance - December 31 | | | $4,703,888 | |

See accompanying notes to the required supplementary information.

**COOK COUNTY, MINNESOTA**
REQUIRED SUPPLEMENTARY INFORMATION **Exhibit A-4**
BUDGETARY COMPARISON SCHEDULE - AIRPORT SPECIAL REVENUE FUND
For The Year Ended December 31, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| Revenues: | | | | |
| Taxes | $93,500 | $93,500 | $93,562 | $62 |
| Intergovernmental | 46,000 | 46,000 | 62,064 | 16,064 |
| Charges for services | 19,900 | 19,900 | 21,187 | 1,287 |
| Miscellaneous | 8,841 | 8,841 | 4,335 | (4,506) |
| Total revenues | 168,241 | 168,241 | 181,148 | 12,907 |
| Expenditures: | | | | |
| Current: | | | | |
| Economic development | 148,241 | 148,241 | 162,842 | (14,601) |
| Capital outlay | 20,000 | 20,000 | 124,284 | (104,284) |
| Total expenditures | 168,241 | 168,241 | 287,126 | (118,885) |
| Net change in fund balance | $ - | $ - | (105,978) | $131,792 |
| Fund balance - January 1 | | | (388,808) | |
| Fund balance - December 31 | | | ($494,786) | |

See accompanying notes to the required supplementary information.

**COOK COUNTY, MINNESOTA**
REQUIRED SUPPLEMENTARY INFORMATION **Exhibit A-5**
BUDGETARY COMPARISON SCHEDULE - LOCAL OPTION SALES TAX FUND
For The Year Ended December 31, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| Revenues: | | | | |
| Taxes | $1,608,909 | $1,608,909 | $3,599,503 | $1,990,594 |
| Investment earnings | - | - | 2,540 | 2,540 |
| Total revenues | 1,608,909 | 1,608,909 | 3,602,043 | 1,993,134 |
| Expenditures: | | | | |
| Debt service: | | | | |
| Principal | 700,000 | 700,000 | 700,000 | - |
| Interest and fiscal charges | 208,279 | 208,279 | 208,279 | - |
| Total expenditures | 908,279 | 908,279 | 908,279 | - |
| Revenue over expenditures | 700,630 | 700,630 | 2,693,764 | 1,993,134 |
| Other financing uses: | | | | |
| Transfers out | (700,630) | (700,630) | (826,856) | (126,226) |
| Payment to refunding escrow agent | - | - | (12,465,000) | (12,465,000) |
| Total other financing uses | (700,630) | (700,630) | (13,291,856) | (12,591,226) |
| Net change in fund balance | $ - | $ - | (10,598,092) | ($10,598,092) |
| Fund balance - January 1 | | | 19,292,235 | |
| Fund balance - December 31 | | | $8,694,143 | |

See accompanying notes to the required supplementary information.

**COOK COUNTY, MINNESOTA**
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -
GENERAL EMPLOYEES RETIREMENT FUND
For The Last Ten Years

**Exhibit A-6**

| 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 |
|---|---|---|---|---|---|---|---|
| 2022 | 0.0930% | $7,365,631 | $215,879 | $7,581,510 | $6,951,267 | 106.0% | 76.7% |
| 2021 | 0.0929% | 3,967,246 | 121,105 | 4,088,351 | 6,685,013 | 59.3% | 87.0% |
| 2020 | 0.0879% | 5,270,007 | 162,489 | 5,432,496 | 6,266,360 | 84.1% | 79.1% |
| 2019 | 0.0861% | 4,760,276 | 147,827 | 4,908,103 | 6,090,920 | 78.2% | 80.2% |
| 2018 | 0.0805% | 4,465,810 | 146,415 | 4,612,225 | 5,409,173 | 82.6% | 79.5% |
| 2017 | 0.0758% | 4,839,022 | 60,823 | 4,899,845 | 4,881,307 | 99.1% | 75.9% |
| 2016 | 0.0732% | 5,943,476 | 77,565 | 6,021,041 | 4,540,707 | 130.9% | 68.9% |
| 2015 | 0.0718% | 3,721,049 | - | 3,721,049 | 4,218,018 | 88.2% | 78.2% |

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.

See accompanying notes to the required supplementary information.

**COOK COUNTY, MINNESOTA**
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS -
GENERAL EMPLOYEES RETIREMENT FUND
For The Last Ten Years

**Exhibit A-7**

| 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) |
|---|---|---|---|---|---|
| 2022 | $546,935 | $546,935 | $ - | $7,292,467 | 7.50% |
| 2021 | 508,885 | 508,885 | - | 6,785,133 | 7.50% |
| 2020 | 503,289 | 503,289 | - | 6,710,520 | 7.50% |
| 2019 | 463,570 | 463,570 | - | 6,180,933 | 7.50% |
| 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.

See accompanying notes to the required supplementary information.

**COOK COUNTY, MINNESOTA**
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -
PUBLIC EMPLOYEES POLICE AND FIRE FUND
For The Last Ten Years

**Exhibit A-8**

| 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 |
|---|---|---|---|---|---|---|---|
| 2022 | 0.0929% | $4,042,641 | $176,681 | $4,219,322 | $1,128,768 | 358.1% | 70.5% |
| 2021 | 0.0998% | 770,350 | 34,637 | 804,987 | 1,179,548 | 65.3% | 93.7% |
| 2020 | 0.1025% | 1,351,060 | 31,824 | 1,382,884 | 1,157,044 | 116.8% | 87.2% |
| 2019 | 0.1096% | 1,166,803 | - | 1,166,803 | 1,156,892 | 100.9% | 89.3% |
| 2018 | 0.0951% | 1,013,667 | - | 1,013,667 | 1,002,759 | 101.1% | 88.8% |
| 2017 | 0.0900% | 1,215,106 | - | 1,215,106 | 922,179 | 131.8% | 85.4% |
| 2016 | 0.0890% | 3,571,725 | - | 3,571,725 | 856,488 | 417.0% | 63.9% |
| 2015 | 0.0940% | 1,068,060 | - | 1,068,060 | 864,739 | 123.5% | 86.6% |

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, MINNESOTA**
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS -
PUBLIC EMPLOYEES POLICE AND FIRE FUND
For The Last Ten Years

**Exhibit A-9**

| 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) |
|---|---|---|---|---|---|
| 2022 | $207,397 | $207,397 | $ - | $1,171,734 | 17.70% |
| 2021 | 202,983 | 202,983 | - | 1,146,797 | 17.70% |
| 2020 | 217,067 | 217,067 | - | 1,226,367 | 17.70% |
| 2019 | 195,066 | 195,066 | - | 1,150,832 | 16.95% |
| 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.

See accompanying notes to the required supplementary information.

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## Note A LEGAL COMPLIANCE - BUDGETS

The County's budget is legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The appropriated budget is prepared by fund, function, and department. The legal level of budgetary control is at the fund level.

## Note B PENSION INFORMATION

### PERA – General Employees Retirement Fund

2022 Changes in Actuarial Assumptions:
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 Changes in Actuarial Assumptions:
- The investment return and single discount rates were changed from 7.50% to 6.50% for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 Changes in Actuarial Assumptions:
- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were decreased 0.25% and assumed rates of retirement were changed resulting in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination and disability were also changed.
- Base mortality tables were changed from RP-2014 tables to Pub-2010 tables, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2020 Changes in Plan Provisions:
- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes in Actuarial Assumptions:
- The mortality projection scale was changed from MP-2017 to MP-2018.

2019 Changes in the Plan Provisions:
- The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018 Changes in Actuarial Assumptions:
- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

2017 Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

**PERA – Public Employees Police and Fire Fund**

2022 Changes in Actuarial Assumptions:

- The single discount rate changed from 6.50% to 5.4%.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50% for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality tables for healthy annuitants, disabled annuitants and employees were changed from RP-2014 tables to Pub-2010 Public Safety Mortality tables. The mortality improvement scale was changed from MP-2019 to MN-2020.
- Assumed salary increase and retirement rates were modified as recommended in the July 14, 2020 experience study. The changes result in a decrease in gross salary increase rates, slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%.

2020 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2018 to MP-2019.

2019 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018 Changes in Actuarial Assumptions:

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

2017 Changes in Actuarial Assumptions:

- The single discount rate was changed from 5.6% to 7.5%.
- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and non-vested deferred members. The CSA was changed to 33% for vested members and 2% 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 tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- 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.
- The assumed post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.

2016 Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

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# SUPPLEMENTARY INFORMATION

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## NONMAJOR GOVERNMENTAL FUNDS

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

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 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.

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 improvements of natural resources.

**COOK COUNTY GRAND MARAIS, MINNESOTA**
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2022

| | Special Revenue Funds | | |
|---|---|---|---|
| | Building | Forfeited Tax | Total |
| Assets: | | | |
| Cash and investments | $1,187,164 | $50,408 | $1,237,572 |
| Taxes receivable - delinquent | 10,920 | - | 10,920 |
| Due from other funds | 9,151 | - | 9,151 |
| Loans receivable | - | 3,107 | 3,107 |
| Total assets | $1,207,235 | $53,515 | $1,260,750 |
| Liabilities: | | | |
| Accounts payable | $18,343 | $ - | $18,343 |
| Due to other governments | - | 13,726 | 13,726 |
| Due to other funds | - | 36,682 | 36,682 |
| Total liabilities | 18,343 | 50,408 | 68,751 |
| Deferred inflows of resources: | | | |
| Unavailable revenue: | | | |
| Taxes | 7,609 | - | 7,609 |
| Fund balance: | | | |
| Nonspendable | $ - | $ - | $ - |
| Restricted | - | 3,107 | 3,107 |
| Assigned | 1,181,283 | - | 1,181,283 |
| Total fund balance | 1,181,283 | 3,107 | 1,184,390 |
| Total liabilities, deferred inflows of resources, and fund balance | $1,207,235 | $53,515 | $1,260,750 |

**Exhibit B-1**

| Debt Service | Capital Projects | Leased Lakeshore Permanent | Total |
|---|---|---|---|
| $707,339 | $1,721,576 | $901,092 | $4,567,579 |
| 3,592 | - | - | 14,512 |
| - | - | - | 9,151 |
| 1,486,667 | - | - | 1,489,774 |
| $2,197,598 | $1,721,576 | $901,092 | $6,081,016 |
| | | | |
| $ - | $ - | $ - | $18,343 |
| - | - | - | 13,726 |
| - | - | - | 36,682 |
| - | - | - | 68,751 |
| | | | |
| 2,076 | - | - | 9,685 |
| | | | |
| $ - | $ - | $584,434 | $584,434 |
| 2,195,522 | 1,669,958 | 316,658 | 4,185,245 |
| - | 51,618 | - | 1,232,901 |
| 2,195,522 | 1,721,576 | 901,092 | 6,002,580 |
| | | | |
| $2,197,598 | $1,721,576 | $901,092 | $6,081,016 |

**COOK COUNTY GRAND MARAIS, MINNESOTA**
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2022

| | Special Revenue Funds | | |
|---|---|---|---|
| | Building | Forfeited Tax | Total |
| Revenues: | | | |
| Taxes | $543,934 | $ - | $543,934 |
| Investment earnings | - | - | - |
| Miscellaneous | 560 | (3,806) | (3,246) |
| Total revenues | 544,494 | (3,806) | 540,688 |
| Expenditures: | | | |
| Current: | | | |
| General government | 266,426 | 2,800 | 269,226 |
| Culture and recreation | - | - | - |
| Conservation of natural resources | - | - | - |
| Capital outlay | 93,838 | - | 93,838 |
| Debt service: | | | |
| Principal | - | - | - |
| Interest | - | - | - |
| Bond issuance costs | - | - | - |
| Total expenditures | 360,264 | 2,800 | 363,064 |
| Revenues over (under) expenditures | 184,230 | (6,606) | 177,624 |
| Other financing sources (uses): | | | |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Total other financing sources (uses) | - | - | - |
| Net change in fund balance | 184,230 | (6,606) | 177,624 |
| Fund balance - January 1 | 997,053 | 9,713 | 1,006,766 |
| Fund balance - December 31 | $1,181,283 | $3,107 | $1,184,390 |

**Exhibit B-2**

| Debt Service | Capital Projects | Leased Lakeshore Permanent | Total |
|---|---|---|---|
| $374,008 | $ - | $ - | $917,942 |
| 17 | 51,566 | 12,474 | 64,057 |
| 60,863 | - | - | 57,617 |
| 434,888 | 51,566 | 12,474 | 1,039,616 |
| - | - | - | 269,226 |
| - | - | - | - |
| - | - | 2,834 | 2,834 |
| - | - | - | 93,838 |
| 645,000 | - | - | 645,000 |
| 649,980 | - | - | 649,980 |
| - | - | - | - |
| 1,294,980 | - | 2,834 | 1,660,878 |
| (860,092) | 51,566 | 9,640 | (621,262) |
| 826,856 | - | - | 826,856 |
| - | (4,334,571) | - | (4,334,571) |
| 826,856 | (4,334,571) | - | (3,507,715) |
| (33,236) | (4,283,005) | 9,640 | (4,128,977) |
| 2,228,758 | 6,004,581 | 891,452 | 10,131,557 |
| $2,195,522 | $1,721,576 | $901,092 | $6,002,580 |

**COOK COUNTY, MINNESOTA**
BUDGETARY COMPARISON SCHEDULE - BUILDING SPECIAL REVENUE FUND
For The Year Ended December 31, 2022

**Exhibit B-3**

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| Revenues: | | | | |
| Taxes | $544,055 | $544,055 | $543,934 | ($121) |
| Miscellaneous | - | - | 560 | 560 |
| Total revenues | 544,055 | 544,055 | 544,494 | 439 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 312,255 | 312,255 | 266,426 | 45,829 |
| Capital outlay | 231,800 | 231,800 | 93,838 | 137,962 |
| Total expenditures | 544,055 | 544,055 | 360,264 | 183,791 |
| Net change in fund balance | $ - | $ - | 184,230 | $184,230 |
| Fund balance - January 1 | | | 997,053 | |
| Fund balance - December 31 | | | $1,181,283 | |

**COOK COUNTY, MINNESOTA**
BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
For The Year Ended December 31, 2022

**Exhibit B-4**

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| Revenues: | | | | |
| Taxes | $211,538 | $211,538 | $374,008 | $162,470 |
| Investment earnings | - | - | 17 | 17 |
| Miscellaneous | - | - | 60,863 | 60,863 |
| Total revenues | 211,538 | 211,538 | 434,888 | 223,350 |
| Expenditures: | | | | |
| Debt service: | | | | |
| Principal | 100,000 | 100,000 | 645,000 | (545,000) |
| Interest and fiscal charges | 111,538 | 111,538 | 649,980 | (538,442) |
| Total expenditures | 211,538 | 211,538 | 1,294,980 | (1,083,442) |
| Revenues over (under) expenditures | - | - | (860,092) | (860,092) |
| Other financing sources: | | | | |
| Transfers in | - | - | 826,856 | 826,856 |
| Net change in fund balance | $ - | $ - | (33,236) | ($33,236) |
| Fund balance - January 1 | | | 2,228,758 | |
| Fund balance - December 31 | | | $2,195,522 | |

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# FIDUCIARY FUNDS

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## CUSTODIAL FUNDS

Taxes and Penalties Custodial Fund- to account for the collection of taxes and penalties and their payment to the various funds and governmental units.

Lodging Tax Custodial Fund - to account for the collection of lodging taxes and their payment to various funds and entities.

State Revenue Custodial Fund- to account for the collection and payment of the state's share of fees, fines, and mortgage registry and state deed taxes collected by the County.

Soil and Water Conservation District Custodial Fund- to account for the collection and payment of funds for the Cook County Soil and Water Conservation District in accordance with the joint powers agreement between Cook County and the Cook County Soil and Water Conservation District.

**COOK COUNTY, MINNESOTA**
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - CUSTODIAL FUNDS
December 31, 2022

**Exhibit C-1**

| | Custodial Funds | | | | |
|---|---|---|---|---|---|
| | Taxes and Penalties | Lodging Tax | State Revenue | Soil and Water Conservation District | Total Custodial Funds |
| Assets: | | | | | |
| Cash and investments | $302,100 | $126,333 | $97,110 | $951,715 | $1,477,258 |
| Accounts receivable | - | 272,660 | - | 1,876 | 274,536 |
| Taxes receivable for other governments | 104,878 | - | 23,493 | - | 128,371 |
| Due from other governments | 178,718 | - | 44,901 | 89,503 | 313,122 |
| Total assets | 585,696 | 398,993 | 165,504 | 1,043,094 | 2,193,287 |
| Liabilities: | | | | | |
| Accounts payable | 19,777 | - | - | 8,332 | 28,109 |
| Due to other governments | 565,919 | 398,993 | 165,504 | - | 1,130,416 |
| Unearned revenue | - | - | - | 696,774 | 696,774 |
| Compensated absences payable | - | - | - | 12,327 | 12,327 |
| Total liabilities | 585,696 | 398,993 | 165,504 | 717,433 | 1,867,626 |
| Net position - restricted | $ - | $ - | $ - | $325,661 | $325,661 |

**COOK COUNTY, MINNESOTA**
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - CUSTODIAL FUNDS
For The Year Ended December 31, 2022

**Exhibit C-2**

| | Custodial Funds | | | | |
|---|---|---|---|---|---|
| | Taxes and Penalties | Lodging Tax | State Revenue | Soil and Water Conservation District | Total Custodial Funds |
| Additions: | | | | | |
| Appropriations from counties | $ - | $ - | $ - | $60,000 | $60,000 |
| Property tax collections for other governments | 4,615,266 | - | 1,427,535 | - | 6,042,801 |
| Lodging taxes | - | 2,706,058 | - | - | 2,706,058 |
| Fees collected for the state | - | - | 667,745 | - | 667,745 |
| Payments from other governments | - | - | - | 579,044 | 579,044 |
| Payments from other individuals/entities | - | - | - | 24,145 | 24,145 |
| Total additions | 4,615,266 | 2,706,058 | 2,095,280 | 663,189 | 10,079,793 |
| Deductions: | | | | | |
| Payments of property taxes to other governments | 4,615,266 | - | 1,422,696 | - | 6,037,962 |
| Payments to the state | - | - | 672,584 | - | 672,584 |
| Payments to other individuals/entities | - | 2,706,058 | - | 584,906 | 3,290,964 |
| Total deductions | 4,615,266 | 2,706,058 | 2,095,280 | 584,906 | 10,001,510 |
| Change in net position | - | - | - | 78,283 | 78,283 |
| Net position - January 1 | - | - | - | 247,378 | 247,378 |
| Net position - December 31 | $ - | $ - | $ - | $325,661 | $325,661 |

**COOK COUNTY, MINNESOTA**
SCHEDULE OF INTERGOVERNMENTAL REVENUE
For The Year Ended December 31, 2022

**Exhibit D-1**

| | Governmental Funds | Component Units |
|---|---|---|
| State Appropriations and Shared Revenue: | | |
| State: | | |
| Highway users tax | $3,812,430 | $ - |
| Disparity reduction credit | 3,157 | - |
| Police and fire aid | 134,882 | - |
| County program aid | 516,284 | - |
| Enhanced 911 | 163,807 | - |
| Aquatic invasive species aid | 199,434 | - |
| SCORE | 72,440 | - |
| Riparian protection aid | 40,000 | - |
| Total state appropriations and shared revenue | 4,942,434 | - |
| Reimbursement for Services: | | |
| State: | | |
| Minnesota Department of Human Services | 239,618 | - |
| Minnesota Department of Transportation | 2,688 | - |
| Total reimbursement for services | 242,306 | - |
| Payments: | | |
| Federal payments in lieu of taxes | 645,111 | - |
| State payments in lieu of taxes | 368,334 | - |
| Local contributions | 110,000 | 42,350 |
| Total payments | 1,123,445 | 42,350 |
| Grants: | | |
| State: | | |
| Minnesota Department / Board of: | | |
| Agriculture | 97,119 | - |
| Health | 111,493 | - |
| Human Services | 268,261 | - |
| Natural Resources | 322,021 | 10,000 |
| Public Safety | 1,276 | - |
| Transportation | 247,480 | - |
| Iron Range Resources and Rehabilitation | - | 15,000 |
| Miscellaneous | 44,515 | - |
| Total state | 1,092,165 | 25,000 |
| Federal: | | |
| Department of: | | |
| Agriculture | 1,958,495 | - |
| Election Assistance Commission | 25,638 | - |
| Health and Human Services | 914,834 | - |
| Homeland Security | 296,895 | - |
| Justice | 38,657 | - |
| Transportation | 38,085 | - |
| Treasury | 105,354 | - |
| Total federal | 3,377,958 | - |
| Total state and federal grants | 4,470,123 | 25,000 |
| Total Intergovernmental Revenue | $10,778,308 | $67,350 |

| Federal Grantor/Pass-Through Grantor/Program Cluster or Title | Federal Assistance Listing Number | Contract No / Pass-through Entity Identifying Number | Total Federal Expenditures | Passed through to Subrecipients |
|---|---|---|---|---|
| **U.S. Department of Agriculture:** | | | | |
| Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board | | | | |
| Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | 202MN004W1003/ 202MN004W5003 | $28,580 | $0 |
| Passed Through Minnesota Department of Human Services | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster) | 10.561 | 222MN101S2514 | 158,039 | - |
| Direct Awards | | | | |
| Cooperative Forestry Assistance | 10.664 | Not applicable | 145,453 | - |
| Passed Through Minnesota Department of Natural Resources | | | | |
| Cooperative Forestry Assistance | 10.664 | 19DG1142004256 | 27,075 | - |
| Passed Through Minnesota Management and Budget | | | | |
| Schools and Roads – Grants to States (Forest Service Schools and Roads Cluster) | 10.665 | Unspecified | 1,713,045 | 179,636 |
| Direct Awards | | | | |
| Law Enforcement Agreements | 10.704 | Not applicable | 9,308 | - |
| **Total U.S. Department of Agriculture** | | | 2,081,500 | 179,636 |
| **U.S. Department of Commerce:** | | | | |
| Passed Through Minnesota Department of Natural Resources | | | | |
| Coastal Zone Management Administration Awards | 11.419 | Swift # 181563/300178132 | 46,499 | 46,499 |
| **U.S. Department of Justice:** | | | | |
| Passed Through Minnesota Department of Public Safety | | | | |
| Crime Victim Assistance | 16.575 | A-CVS-2022-COOKAO-066 | 38,657 | - |
| **U.S. Department of Transportation:** | | | | |
| Passed Through Minnesota Department of Transportation | | | | |
| Airport Improvement Program | 20.106 | MNDOT 1044632 | 20,584 | - |
| COVID-19 - Airport Improvement Program | 20.219 | Project# 0026-19-2C | 17,501 | - |
| **Total U.S. Department of Transportation** | | | 38,085 | - |
| **U.S. Department of Treasury:** | | | | |
| Direct Awards | | | | |
| COVID-19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | Not applicable | 105,354 | - |
| **U.S. Environmental Protection Agency (EPA):** | | | | |
| Passed Through Minnesota Department of Human Services | | | | |
| Beach Monitoring and Notification Program Implementation Grants | 66.472 | Swift # 213022 | 5,000 | 5,000 |

| Federal Grantor/Pass-Through Grantor/Program Cluster or Title | Federal Assistance Listing Number | Contract No / Pass-through Entity Identifying Number | Total Federal Expenditures | Passed through to Subrecipients |
|---|---|---|---|---|
| **U.S. Election Assistance Commission:** | | | | |
| Passed Through Minnesota Secretary of State | | | | |
| HAVA Election Security Grants | 90.404 | OSA 0000197286 | 25,638 | |
| **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 | NU90TP922026 | 27,208 | - |
| Environmental Public Health and Emergency Response | 93.070 | Unspecified | 3,139 | |
| Immunization Cooperative Agreements | 93.268 | NH23IP922628 | 33,675 | - |
| Epidemiology and Laboratory Capacity for Infectious Diseases | 93.323 | NU50CK000508 | 21,672 | - |
| Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response | 93.354 | Unspecified | 21,126 | - |
| Passed Through Minnesota Department of Human Services | | | | |
| Promoting Safe and Stable Families | 93.556 | 2201MNFPSS | 745 | - |
| Temporary Assistance for Needy Families | 93.558 | 2201MNTANF | 49,560 | |
| Child Support Enforcement | 93.563 | 2101MNCEST | 86,798 | - |
| Refugee and Entrant Assistance – State Administered Programs | 93.566 | 2201MNRCMA | 300 | - |
| Child Care and Development Block Grant (CCDF Cluster) | 93.575 | 2201MNCCDD | 665 | - |
| Community-Based Child Abuse Prevention Grants | 93.590 | 1901MNBCAP | 6,465 | - |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 2201MNCWSS | 853 | - |
| Foster Care – Title IV-E | 93.658 | 2201MNFOST | 42,357 | - |
| Social Services Block Grant | 93.667 | 2201MNSOSR | 39,525 | - |
| Child Abuse and Neglect State Grants | 93.669 | 2101MNNCAN | 1,094 | - |
| Chafee Foster Care Independence Program | 93.674 | 2201MNCILP | 521 | - |
| Children's Health Insurance Program | 93.767 | 2105MN5021 | 927 | - |
| Medical Assistance Program (Medicaid Cluster) | 93.778 | 2205MN5ADM | 578,204 | - |
| **Total U.S. Department of Health and Human Services** | | | 914,834 | - |
| **U.S. Department of Homeland Security:** | | | | |
| Passed Through Minnesota Department of Natural Resources | | | | |
| Boating Safety Financial Assistance | 97.012 | R29G70CGBLA19 | 4,348 | - |
| Passed Through Minnesota Department of Public Safety | | | | |
| COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | Unspecified | 129,948 | - |
| Emergency Management Performance Grant | 97.042 | A-EMPG-2020-COOKCO-018 | 15,438 | - |
| Homeland Security Grant Program | 97.067 | OPSG 00-MN Cook FY19 / 20-GFNGMM-10-003 VO | 147,161 | |
| **Total U.S. Department of Homeland Security** | | | 296,895 | - |
| **Total Expenditures of Federal Awards** | | | $3,552,462 | $231,135 |

| Federal Grantor/Pass-Through Grantor/Program Cluster or Title | Federal Assistance Listing Number | Contract No / Pass-through Entity Identifying Number | Total Federal Expenditures | Passed through to Subrecipients |
|---|---|---|---|---|
| **Totals Expenditures by Program and Cluster:** | | | | |
| Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | | $28,580 | $0 |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster) | 10.561 | | 158,039 | - |
| Cooperative Forestry Assistance | 10.664 | | 172,528 | - |
| Schools and Roads – Grants to States (Forest Service Schools and Roads Cluster) | 10.665 | | 1,713,045 | 179,636 |
| Law Enforcement Agreements | 10.704 | | 9,308 | - |
| Coastal Zone Management Administration Awards | 11.419 | | 46,499 | 46,499 |
| Crime Victim Assistance | 16.575 | | 38,657 | - |
| Airport Improvement Program | 20.106 | | 20,584 | - |
| Recreational Trails Program (Highway Planning and Construction Cluster) | 20.219 | | 17,501 | - |
| Coronavirus State and Local Fiscal Recovery Funds | 21.027 | | 105,354 | - |
| Beach Monitoring and Notification Program Implementation Grants | 66.472 | | 5,000 | 5,000 |
| HAVA Election Security Grants | 90.404 | | 25,638 | - |
| Public Health Emergency Preparedness | 93.069 | | 27,208 | - |
| Environmental Public Health and Emergency Response | 93.070 | | 3,139 | - |
| Immunization Cooperative Agreements | 93.268 | | 33,675 | - |
| Epidemiology and Laboratory Capacity for Infectious Diseases | 93.323 | | 21,672 | - |
| Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response | 93.354 | | 21,126 | - |
| Promoting Safe and Stable Families | 93.556 | | 745 | - |
| Temporary Assistance for Needy Families | 93.558 | | 49,560 | - |
| Child Support Enforcement | 93.563 | | 86,798 | - |
| Refugee and Entrant Assistance – State Administered Programs | 93.566 | | 300 | - |
| Child Care and Development Block Grant (CCDF Cluster) | 93.575 | | 665 | - |
| Community-Based Child Abuse Prevention Grants | 93.590 | | 6,465 | - |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | | 853 | - |
| Foster Care – Title IV-E | 93.658 | | 42,357 | - |
| Social Services Block Grant | 93.667 | | 39,525 | - |
| Child Abuse and Neglect State Grants | 93.669 | | 1,094 | - |
| Chafee Foster Care Independence Program | 93.674 | | 521 | - |
| Children's Health Insurance Program | 93.767 | | 927 | - |
| Medical Assistance Program (Medicaid Cluster) | 93.778 | | 578,204 | - |
| Boating Safety Financial Assistance | 97.012 | | 4,348 | - |
| COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | | 129,948 | - |
| Emergency Management Performance Grant | 97.042 | | 15,438 | |
| Homeland Security Grant Program | 97.067 | | 147,161 | |
| **Total Expenditures of Federal Awards** | | | $3,552,462 | $231,135 |

| Federal Grantor/Pass-Through Grantor/Program Cluster or Title | Federal Assistance Listing Number | Contract No / Pass-through Entity Identifying Number | Total Federal Expenditures | Passed through to Subrecipients |
|---|---|---|---|---|

Notes to the schedule of expenditures of federal awards

1. Summary of Significant Accounting Policies

*Note A - 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.*

*Note B - 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, 2022. 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.*

*Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.*

2. De Minimis Cost Rate

*Cook County has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.*

3. Reconciliation to Schedule of Intergovernmental Revenue (Exhibit D-1)

| | |
|---|---|
| *Federal grant revenue per Schedule of Intergovernmental Revenue* | $3,377,958 |
| *The County's policy is to expend (and include on its SEFA) PILT, Title I and Title III funding during the year in which it is received. However, funds are normally earned, recognized as revenue, and included on the Schedule of Intergovernmental Revenue one year prior. This is the difference between amounts recognized as revenue and amounts expended during the year.* | (10,007) |
| *For financial reporting purposes, the County has accrued a reserve for BWCA funds which management believes may be repaid to the federal government (see Note 12A). Reserve amounts affecting the 2022 SEFA are as follows:* | |
| *$574,312 of the reserve relates to funds received during 2022 and therefore, has been deducted from the SEFA above* | (574,312) |
| *$527,688 of the reserve relates to funds which won't be received and expended until 2023 and therefore, won't be deducted from the SEFA until 2023.* | 527,688 |
| *Federal funds reported within Fiduciary Funds are included on the SEFA, but are excluded from the Schedule of Intergovernmental Revenue.* | 231,135 |
| *Expenditures per Schedule of Expenditures of Federal Awards* | $3,552,462 |

# OTHER REQUIRED REPORTS

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# INDEPENDENT AUDITOR'S 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*

To the Board of County Commissioners
Cook County, Minnesota

We have audited, in accordance with the 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 units, each major fund, and the aggregate remaining fund information of Cook County, Minnesota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Cook County, Minnesota's basic financial statements, and have issued our report thereon dated January 19, 2024

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Cook County, Minnesota's internal control over financial reporting (internal control) as a basis for designing 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 Cook County, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of Cook County, Minnesota's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control 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 identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control 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 2022-002 to be a significant deficiency.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Cook County, Minnesota'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 financial statements. 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*.

**Cook County, Minnesota's Responses to the Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Cook County, Minnesota's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Cook County, Minnesota's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of this Report**

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

Redpath and Company, LLC

REDPATH AND COMPANY, LLC
St. Paul, Minnesota

January 19, 2024

REDPATH AND COMPANY

# INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of County Commissioners
Cook County, Minnesota

## Report on Compliance for Each Major Federal Program

### *Opinion on Each Major Federal Program*

We have audited Cook County, Minnesota's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Cook County, Minnesota's major federal programs for the year ended December 31, 2022. Cook County, Minnesota's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Cook County, Minnesota 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, 2022.

### *Basis for Opinion on Each Major Federal Program*

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Cook County, Minnesota and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Cook County, Minnesota's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Cook County, Minnesota's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Cook County, Minnesota's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Cook County, Minnesota's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Cook County, Minnesota's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Cook County, Minnesota's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Cook County, Minnesota's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on 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 a 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 a 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 attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Redpath and Company, LLC

REDPATH AND COMPANY, LLC
St. Paul, Minnesota

January 19, 2024

**COOK COUNTY, MINNESOTA**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022

## SECTION I - SUMMARY OF AUDIT RESULTS

*Financial Statements*

| | | | | |
|---|---|---|---|---|
| A. Type of auditors' report issued: | Unmodified | | | |
| B. Internal control over financial reporting: | | | | |
| • Material weakness(es) identified? | X | Yes | | No |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | X | Yes | | No |
| C. Noncompliance material to financial statements noted? | | Yes | X | No |

*Federal Awards*

| | | | | |
|---|---|---|---|---|
| D. Internal control over major programs: | | | | |
| • Material weakness(es) identified? | | Yes | X | No |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | | Yes | X | No |
| E. Type of auditors' report issued on compliance for major programs: | Unmodified | | | |
| F. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | | Yes | X | No |
| G. Identification of major programs: | | | | |

| Name of Federal Cluster/Program | Assistance Listing Number |
|---|---|
| Forest Service Schools and Roads Cluster: | |
| Schools and Roads – Grants to States | 10.665 |

| | | | | |
|---|---|---|---|---|
| H. Dollar threshold used to distinguish between Type A and Type B programs: | $750,000 | | | |
| I. Auditee qualified as a low-risk auditee: | | Yes | X | No |

## SECTION II – FINANCIAL STATEMENT FINDINGS

### 2022-001 Financial Statement Corrections

*Criteria*: An entity's system of internal controls should allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

*Condition*: During our audit, 20 journal entries were posted to various funds and accounts. While some entries were routine closing entries initiated by County staff, other entries were made as a result of misstatements detected by the audit. Material, auditor proposed adjustments were as follows:

- $127,960 adjustment to Accounts Payable – Road and Bridge fund
- $736,960 adjustment to Contracts Payable – Road and Bridge fund

*Cause*: Invoices received and paid after year-end were not initially recorded as expenses during the year in which the good or service was received.

*Effect*: Inadequate controls over the year-end closing process results in an increased risk that financial statement misstatements may occur and not be detected on a timely basis.

*Recommendation*: We recommend County staff continue their efforts to appropriately account for the transactions and account balances of the County.

*Views of Responsible Officials and Corrective Action Plan:* Please refer to the County's corrective action plan on page 121.

**2022-002 Lack of Ideal Segregation of Duties**

*Criteria*: Generally, a system of internal control contemplates segregation of duties such that no individual has responsibility to execute a transaction, has physical access to the related assets, and has responsibility or authority to record the transaction.

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

*Cause*: This condition is common to many organizations due to a limited number of staff.

*Effect*: The lack of ideal segregation of duties subjects the County to a higher risk that errors or fraud could occur and not be detected in a timely manner.

*Recommendation*: We recommend management remain aware of the related risks and whenever possible, implement checks and balances to help mitigate such risks. Any modifications of internal controls in this area must be viewed from a cost/benefit perspective.

*Views of Responsible Officials and Corrective Action Plan:* Please refer to the County's corrective action plan on page 121.

## SECTION III – FEDERAL AWARD FINDINGS

No current year findings.

COOK COUNTY
MINNESOTA

AUDITOR'S OFFICE

COOK COUNTY COURTHOUSE
411 W 2ND STREET
GRAND MARAIS, MN 55604
PH: 218.387.3640
FAX: 218.387.3043
WWW.CO.COOK.MN.US

# REPRESENTATION OF COOK COUNTY, MINNESOTA

## CORRECTIVE ACTION PLAN
## FOR THE YEAR ENDED DECEMBER 31, 2022

Finding 2022-001: Financial Statement Corrections

Views of Responsible Officials and Corrective Action Plan: We agree with this finding. We will strengthen procedures relating to the year-end close process to reduce the number of adjustments necessary during the audit. Braidy Powers, the County Auditor-Treasurer, is responsible for the corrective action plan. The anticipated completion date is May 31, 2024.

Finding 2022-002: Lack of Ideal Segregation of Duties

Views of Responsible Officials and Corrective Action Plan: We agree with this finding. 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 receipted to better understand the processes used. Braidy Powers, the County Auditor-Treasurer, is responsible for the corrective action plan. The anticipated completion date is May 31, 2024.

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

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## FOLLOW-UP ON PRIOR YEAR FINDINGS

### FINANCIAL STATEMENT FINDINGS

**2021-001 Financial Statement Corrections and General Ledger Reconciliation**

*Condition*: During our audit, 95 journal entries were posted to various funds and accounts. While some entries were routine closing entries initiated by County staff, other entries were made as a result of misstatements detected by the audit. Material, auditor proposed adjustments were as follows:

- $574,312 adjustment to Due From Other Governments – General Fund
- $400,517 adjustment to Due From Other Funds – General Fund
- $240,497 adjustment to Accounts Payable – General Fund
- $2,055,440 adjustment to Due From Other Governments – Road and Bridge fund
- $127,390 adjustment to Accounts Payable – Road and Bridge fund
- $246,813 adjustment to Cash with escrow agent – Local Option Sales Tax fund

In addition, at the beginning of the audit County staff encountered difficulties when attempting to reconcile January 1, 2021 balances to the 2020 audited financial statements.

*Recommendation*: We recommend County staff continue their efforts to appropriately account for the transactions and account balances of the County.

Status: Not resolved. However, the number of journal entries posted during the audit decreased from 95 to 20. Please refer to finding number 2022-001 for continuation of finding.

**2021-002 Lack of Ideal Segregation of Duties**

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

*Recommendation*: We recommend management remain aware of the related risks and whenever possible, implement checks and balances to help mitigate such risks. Any modifications of internal controls in this area must be viewed from a cost/benefit perspective.

Status: Not resolved. Please refer to finding number 2022-002 for continuation of finding.

**COOK COUNTY, MINNESOTA**
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended December 31, 2022

## FEDERAL AWARD FINDINGS

None.

# APPENDIX B

## FORM OF LEGAL OPINION

(See following pages)

**$____________**
**GENERAL OBLIGATION, SERIES 2024A**
**COOK COUNTY, MINNESOTA**

We have acted as Bond Counsel in connection with the authorization, issuance and delivery by Cook County, Minnesota (the “Issuer”), of its $__________ General Obligation Bonds, Series 2024A, dated March 28, 2024 (the “Bonds”). The Bonds are issued pursuant to Minnesota Statutes, Sections 373.01 and 373.40 and Chapters 469 and 475.

For purposes of this opinion, we have examined the law and certified copies of certain proceedings taken, and certain affidavits and certificates furnished by the Issuer in the authorization, sale and issuance of the Bonds. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of public officials furnished to us without undertaking to verify such facts by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

Based upon such examination, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified copies or photocopies and the authenticity of the originals, and assuming the genuineness of the signatures thereon and the accuracy of the facts and representations stated therein, and on the basis of laws, regulations, rulings and decisions in effect on the date hereof, but excluding any legislation which may have a retroactive effective date prior to the date hereof, it is our opinion that:

1. The Bonds are valid and binding general obligations of the Issuer enforceable in accordance with their terms.

2. All taxable property in the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the principal of and interest on the Bonds.

3. The Bonds, as of their date of issuance, bear interest which is not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, trusts and estates for Minnesota income tax purposes, but such interest is includable in taxable income of corporations and financial institutions for purposes of Minnesota franchise tax. Interest on the Bonds is not an item of tax preference which is included in alternative

minimum taxable income for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts and estates; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

4. The Bonds have been designated by the Issuer as "qualified tax-exempt obligations" under and within the meaning of Section 265(b)(3)(b) of the Code.

We express no opinion regarding other federal or state tax consequences arising with respect to the Bonds, other than as set forth in paragraphs 3 and 4 above.

For the purpose of rendering the opinion set forth in paragraphs 3 and 4 above, we have assumed compliance by the Issuer with requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes or in taxable net income for state tax purposes to be retroactive to the date of issuance of the Bonds.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Dated: March 28, 2024

Respectfully submitted,

# APPENDIX C

## BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the County or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

APPENDIX D

# FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Cook County, Minnesota (the "Issuer") in connection with the issuance of the $__________ General Obligation Bonds, Series 2024A, dated March 28, 2024 (the "Obligations"). The Obligations are being issued pursuant to a Resolution of the Issuer dated March 12, 2024 (the "Resolution"). The Issuer covenants and agrees as follows:

Section 1. (a) Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Obligations and in order to assist the Participating Underwriter in complying with the Rule (defined below). References in this Disclosure Certificate to holders of the Obligations shall include the beneficial owners of the Obligations. This Disclosure Certificate constitutes the written understanding under the Rule.

(b) Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access ("EMMA") System at www.emma.msrb.org in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means the Issuer's annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

"Code" means the Internal Revenue Code of 1986, as amended.

"Dissemination Agent" means such person from time to time designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Financial Obligation" means, with respect to the Issuer a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of one of the foregoing. The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with this rule.

"IRS" means the Internal Revenue Service of the Department of the Treasury.

"Listed Events" means any of the events listed in Sections 5(a) and 5(b) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board, whose current address is 1300 I Street NW, Suite 1000, Washington, DC 20005.

"Official Statement" means the Preliminary Official Statement, dated _________, 2024 and Final Official Statement dated __________, 2024, delivered in connection with the original issuance and sale of the Obligations, together with any amendments thereto or supplements thereof.

"Participating Underwriter" means any of the original underwriter(s) of the Obligations required to comply with the Rule in connection with offering of the Obligations.

"Rule" means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" means the Securities and Exchange Commission or any successor to its functions governing state and municipal securities.

<u>Section 3</u>. <u>Provision of Annual Reports</u>.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 12 months after the end of the fiscal year (presently December 31), commencing with the fiscal year ended December 31, 2023, provide to the MSRB, filed in accordance with Section 1(b) of this Disclosure Certificate, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date; provided, however, unaudited financial information will be provided and the Audited Financial Statements will be submitted to the MSRB when and if available. The Issuer may provide the Annual Report by specific reference to documents previously provided to the MSRB or filed with the SEC; provided, however, that if the document so referenced is a final official statement within the meaning of the Rule, such final official statement must be available from the MSRB.

(b) Not later than 15 days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Issuer shall provide the Annual Report to the Dissemination Agent (if the Issuer is not the Dissemination Agent).

(c) If the Issuer is unable or fails to provide an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of such fact to the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the Audited Financial Statements and updates of the following sections of the Official Statement to the extent such financial information and operating data are not included in the Audited Financial Statements:

(a) Current Property Valuations

(b) Direct Debt

(c) Tax Levy & Collections

(d) U.S. Census Data/Population Trend

(e) Employment/Unemployment Data

Section 5. Reporting of Significant Events.

(a) The Issuer shall give, or cause to be given notice of the occurrence of any of the following events with respect to the Obligations, in a timely manner not in excess of 10 business days after the occurrence of the event:

(1) principal and interest payment delinquencies;

(2) unscheduled draws on debt service reserves reflecting financial difficulties;

(3) unscheduled draws on credit enhancements reflecting financial difficulties;

(4) substitution of credit or liquidity providers, if any, or their failure to perform;

(5) adverse tax opinions or the issuance by the IRS of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);

(6) tender offers;

(7) defeasances;

(8) rating changes;

(9) bankruptcy, insolvency, receivership or similar event of the Issuer; or;

(10) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

(b) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Obligations, *if material*, in a timely manner not in excess of 10 business days after the occurrence of the event:

(1) non-payment related defaults;

(2) unless described in (a)(5) above, other notices or determinations by the IRS with respect to the tax-exempt status of the Obligations, or other events affecting the tax-exempt status of the Obligations;

(3) modifications to rights of holders of the Obligations;

(4) bond calls;

(5) release, substitution or sale of property securing repayment of the Obligations;

(6) the consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(7) appointment of a successor or additional trustee or the change of name of a trustee; or

(8) incurrence of a Financial Obligation or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect security holders.

(c) For the purposes of the event identified in subsection (a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan or reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(d) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event under subsection (b), the Issuer shall as soon as possible determine if such event would constitute material information for holders of Obligations.

(e) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Obligations.

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertaking herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Obligations may take such action as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Obligations.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Obligations, and shall create no rights in any other person or entity.

Section 13. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Certificate if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated as of March 28, 2024.

COOK COUNTY, MINNESOTA

By ________________________________
Chair

By ________________________________
Auditor/Treasurer

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# TERMS OF PROPOSAL

## $2,775,000* GENERAL OBLIGATION BONDS, SERIES 2024A
## COOK COUNTY, MINNESOTA

Proposals for the purchase of $2,775,000* General Obligation Bonds, Series 2024A (the "Bonds") of Cook County, Minnesota (the "County") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the County, until 12:00 P.M. (Noon), Central Time, and **ELECTRONIC PROPOSALS** will be received via bondsale@ehlers-inc.com or **PARITY**, in the manner described below, until 12:00 P.M. (Noon) Central Time, on March 11, 2024, at which time they will be opened, read and tabulated. The proposals will be presented to the Board of Commissioners for consideration for award by resolution at a meeting to be held at 8:30 A.M., Central Time, March 12, 2024. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the County will be accepted unless all proposals are rejected.

### AUTHORITY; PURPOSE; SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, including Sections 373.40 and 469.1814, as amended, by the County, Minnesota, to finance the construction of improvements to the County Courthouse, Community Center, Law enforcement Center and public Works Facility owned by the County. The Bonds will be general obligations of the County for which its full faith and credit and taxing powers are pledged.

### DATES AND MATURITIES

The Bonds will be dated March 28, 2024, will be issued as fully registered Bonds in the denomination of $5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

| Year | Amount* | Year | Amount* | Year | Amount* |
|---|---|---|---|---|---|
| 2026 | $150,000 | 2031 | $175,000 | 2036 | $200,000 |
| 2027 | 155,000 | 2032 | 180,000 | 2037 | 205,000 |
| 2028 | 160,000 | 2033 | 185,000 | 2038 | 210,000 |
| 2029 | 165,000 | 2034 | 185,000 | 2039 | 220,000 |
| 2030 | 165,000 | 2035 | 190,000 | 2040 | 230,000 |

### ADJUSTMENT OPTION

The County reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of $5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per $1,000.

### TERM BOND OPTION

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

## INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2025, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2026 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

## BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

## PAYING AGENT

The County has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The County will pay the charges for Paying Agent services. The County reserves the right to remove the Paying Agent and to appoint a successor.

## OPTIONAL REDEMPTION

At the option of the County, the Bonds maturing on or after February 1, 2035 shall be subject to optional redemption prior to maturity on February 1, 2034 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the County. If only part of the Bonds having a common maturity date are called for redemption, then the County or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

## DELIVERY

On or about March 28, 2024, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the County will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the County, threatened. Payment for the Bonds must be received by the County at its designated depository on the date of closing in immediately available funds.

## LEGAL MATTERS

Legal matters incident to the issuance and sale of the Bonds and with regard to the tax-exempt status of interest on the Bonds under existing laws are subject to the approving legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A., as Bond Counsel to the County. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements or data contained in the Official Statement and will express no opinions with respect to such information. Additionally, except for statements on the cover page of the Official Statement and under the caption "TAX MATTERS" relating to Bond Counsel's opinion that the interest on the Bonds is not includable in gross income for federal income tax purposes, Bond Counsel has not independently verified any of the factual information contained in the Official Statement nor have they conducted an investigation of the affairs of the County for the purpose of passing upon the accuracy or completeness of the Official Statement. No person is entitled to rely upon their limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained in the Official Statement. See "FORM OF LEGAL OPINION" found in Appendix B.

## SUBMISSION OF PROPOSALS

Proposals must not be for less than $2,741,700 plus accrued interest on the principal sum of $2,775,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

1) Electronically to bondsale@ehlers-inc.com; or

2) Electronically via **PARITY** in accordance with this Terms of Proposal until 12:00 P.M. (Noon), Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact IHS Markit (now part of S&P Global) at https://ihsmarkit.com/products/municipal-issuance.html or via telephone (844) 301-7334.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the County nor Ehlers shall be responsible for any failure to receive a facsimile submission.

**A good faith deposit ("Deposit") in the amount of $55,500 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals.** The County reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the County may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the County as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The County and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to $250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the County scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

## AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The County's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The County reserves the right to reject any and all proposals and to waive any informality in any proposal.

## BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the County requested and received a rating on the Bonds from a rating agency, the County will pay that rating fee. Any rating agency fees not requested by the County are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

## CUSIP NUMBERS

The County will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

## QUALIFIED TAX-EXEMPT OBLIGATIONS

The County will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

## CONTINUING DISCLOSURE

In order to assist the Underwriter (Syndicate Manager) in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the County will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

## NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the County in establishing the issue price of the Bonds and shall execute and deliver to the County at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the County under this Terms of Proposal to establish the issue price of the Bonds may be taken on behalf of the County by the County's municipal advisor identified herein and any notice or report to be provided to the County may be provided to the County's municipal advisor.

(b) The County intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

(1) The County shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;

(2) all bidders shall have an equal opportunity to bid;

(3) the County may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the County anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

Any proposal submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in this proposal.

(c) If all of the requirements of a "competitive sale" are not satisfied, the County shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the winning bidder. In such event, any proposal submitted will not be subject to cancellation or withdrawal and the County agrees to use the rule selected by the winning bidder on its proposal form to determine the issue price for the Bonds. On its proposal form, each bidder must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(1) the close of the fifth ($5^{th}$) business day after the sale date; or

(2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the County promptly after the close of the fifth ($5^{th}$) business day after the sale whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The County acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The County further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(e) <u>If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test</u>, the winning bidder agrees to promptly report to the County, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the County or bond counsel.

(f) By submitting a proposal, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the County or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the County (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date that the Bonds are awarded by the County to the winning bidder.

## PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Underwriter (Syndicate Manager) will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of $10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the Board of Commissioners

Cook County, Minnesota

# PROPOSAL FORM

**The Board of Commissioners** **March 11, 2024**
**Cook County, Minnesota (the "County")**

**RE: $2,775,000* General Obligation Bonds, Series 2024A (the "Bonds")**
**DATED: March 28, 2024**

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you $__________________ (not less than $2,741,700) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| ________ | % due | 2026 | ________ | % due | 2031 | ________ | % due | 2036 |
| ________ | % due | 2027 | ________ | % due | 2032 | ________ | % due | 2037 |
| ________ | % due | 2028 | ________ | % due | 2033 | ________ | % due | 2038 |
| ________ | % due | 2029 | ________ | % due | 2034 | ________ | % due | 2039 |
| ________ | % due | 2030 | ________ | % due | 2035 | ________ | % due | 2040 |

The County reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of $5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per $1,000.

**The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2026 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

**A good faith deposit ("Deposit") in the amount of $55,500 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals.** The County reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the County may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the County as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about March 28, 2024.

This proposal is subject to the County's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Underwriter (Syndicate Manager), we agree to provide the County with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: ____ NO: ____.

If the competitive sale requirements are not met, we elect to use either the: _____10% test, or the _____hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: ______________________________ By: ______________________________

Account Members:

**Award will be on a true interest cost basis.** According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from March 28, 2024 of the above proposal is $________________and the true interest cost (TIC) is __________%.

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The foregoing offer is hereby accepted by and on behalf of the Board of Commissioners of Cook County, Minnesota, on March 11, 2024.

By: ______________________________ By: ______________________________

Title: ______________________________ Title: ______________________________