

**LYON COUNTY, MINNESOTA**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2017**

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MARSHALL, MINNESOTA  
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## **INTRODUCTORY SECTION**



**LYON COUNTY  
MARSHALL, MINNESOTA  
ORGANIZATIONAL SCHEDULE  
2017**

Office	Name	Term Expires
<b>Commissioners</b>		
1st District	Charles Sanow	January 2021
2nd District	Stephen Ritter	January 2019
3rd District	Paul Graupmann <sup>1</sup>	January 2019
4th District	Gary Crowley	January 2021
5th District	Rick Anderson	January 2021
<b>Officers</b>		
<b>Elected</b>		
Attorney	Rick Maes	January 2019
Sheriff	Mark Mather	January 2019
<b>Appointed</b>		
Administrator	Loren Stomberg	Indefinite
Assessor	Sherri Kitchenmaster	December 2020
Auditor/Treasurer	E.J. Moberg	Indefinite
Environmental Administrator	Roger Schroeder	Indefinite
Highway Engineer	Aaron VanMoer	May 2022
Recorder	Michelle DeSmet	Indefinite
Veterans Service Officer	A. Heidi Fier	October 2018

<sup>1</sup>Chair 2017 and 2018

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**FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Board of County Commissioners  
Lyon County  
Marshall, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lyon County (the County), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lyon County as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of a Matter***

For the year ended December 31, 2017, the County restated fund balance in the landfill fund and net position of the business-type activities to correct errors in the previously issued financial statements (see Note 1.E). Our auditors' opinion was not modified with respect to the restatement.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, schedule of funding progress, schedules of proportionate share of net pension liability and schedules of pension contributions as listed on the table of contents be presented to supplement the basic financial statements. Such information, 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.

***Other Information***


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lyon County's basic financial statements. The combining statement of changes in assets and liabilities – agency funds and schedule of intergovernmental revenue are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statement of changes in assets and liabilities – agency funds and schedule of intergovernmental revenue are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statement of changes in assets and liabilities – agency funds and schedule of intergovernmental revenue are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of County Commissioners  
Lyon County, Minnesota

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2018, on our consideration of Lyon County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Lyon County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lyon County's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Alexandria, Minnesota  
September 24, 2018

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





**LYON COUNTY  
MARSHALL, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017  
(UNAUDITED)**

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of the County's financial activities for the fiscal year ended December 31, 2017. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's basic financial statements that follow this section.

**FINANCIAL HIGHLIGHTS**

- The assets of Lyon County exceeded its liabilities on December 31, 2017, by \$118,118,949 (net position). Of this amount, \$10,002,163 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The County's total net position increased by \$4,759,809 in 2017. A large part of the increase is attributable to the County's net investment in capital assets.
- The net cost of governmental and business-type activities for the current fiscal year was \$13,621,615. The net cost was funded by general revenues totaling \$18,605,099.
- As of the close of 2017, the County's governmental funds reported combined ending fund balances of \$21,839,190, a decrease of \$1,602,434 in comparison with 2016 combined ending fund balances. Of the 2017 balance, \$14,094,294 was unrestricted (committed, assigned, and unassigned) and, thus, available for spending at the government's discretion.
- At the end of 2017, the unrestricted fund balance for the General Fund was \$11,058,417, or 89.3 percent, of the total General Fund expenditures for the year. This represents an increase from 2016, in which the unrestricted fund balance for the General Fund represented 87.1 percent of the total General Fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to the basic financial statements. The basic financial statements consist of three parts: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other required supplementary information.

**LYON COUNTY  
MARSHALL, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the County using the full accrual basis of accounting, with the difference (assets plus deferred outflows of resources less liabilities and deferred inflows of resources) being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the County is improving or deteriorating. It is important to consider other nonfinancial factors, such as changes in the County's property tax base and the condition of County roads and other capital assets, to assess the overall health of the County.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from those that are intended to recover all or a significant portion of their costs through fees and charges (business-type activities). The governmental activities of the County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Lyon County has only the landfill reported as a business-type activity.

The government-wide statements are Exhibits 1 and 2 of this report.

**Fund Financial Statements**

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting. Such information may be useful in evaluating a government's near-term financial requirements.

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Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County adopts an annual appropriated budget for its General Fund, Road and Bridge Special Revenue Fund, and Human Services Special Revenue Fund. Budgetary comparison schedules have been provided as required supplementary information for each of these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements are Exhibits 3 through 6 of this report.

The proprietary funds account for the Landfill Enterprise Fund and the Internal Service Fund. The financial statements for these funds provide the same type of information as the government-wide financial statements--only in more detail.

The basic proprietary fund financial statements are Exhibits 7 through 9 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the County. Fiduciary funds are not included in the government-wide statements because the resources of those funds are not available to support the County's own programs or activities. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on Exhibits 10 and 11.

### **Notes to the Financial Statements**

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 through 88 of this report.

### **Other Information**

Other information is provided as supplementary information regarding Lyon County's intergovernmental revenue.

**LYON COUNTY  
MARSHALL, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017  
(UNAUDITED)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Over time, net position serves as a useful indicator of the County's financial position. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$118,118,949 at the close of 2017. The largest portion of Lyon County's net position (79.4 percent) reflects the County's net investment in capital assets (land, buildings, equipment, and infrastructure such as roads and bridges), less any related outstanding debt used to acquire those assets. However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt. Comparative data with 2016 is presented:

	Net Position			2016
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Current and other assets	\$ 29,619,840	\$ 9,422,223	\$ 39,042,063	\$ 39,411,057
Capital assets	106,879,967	4,175,261	111,055,228	104,612,014
Total Assets	\$ 136,499,807	\$ 13,597,484	\$ 150,097,291	\$ 144,023,071
<b>Deferred Outflows of Resources</b>				
Deferred pension outflows	\$ 4,307,733	\$ 83,760	\$ 4,391,493	\$ 6,742,107
<b>Liabilities</b>				
Long-term liabilities	\$ 26,892,216	\$ 3,203,032	\$ 30,095,248	\$ 34,316,464
Other liabilities	1,886,342	145,089	2,031,431	1,832,960
Total Liabilities	\$ 28,778,558	\$ 3,348,121	\$ 32,126,679	\$ 36,149,424
<b>Deferred Inflows of Resources</b>				
Deferred pension inflows	\$ 3,676,286	\$ 57,011	\$ 3,733,297	\$ 1,256,614
Gain on Refunding	234,145	-	234,145	-
Taxes Levied for Subsequent Period	275,714	-	275,714	-
Total Deferred Inflows or Resources	\$ 4,186,145	\$ 57,011	\$ 4,243,156	\$ 1,256,614
<b>Net Position</b>				
Net investment in capital assets	\$ 89,544,090	\$ 4,175,261	\$ 93,719,351	\$ 91,425,054
Restricted	10,087,785	4,309,650	14,397,435	12,437,042
Unrestricted	8,210,962	1,791,201	10,002,163	9,497,044
Total Net Position	\$ 107,842,837	\$ 10,276,112	\$ 118,118,949	\$ 113,359,140

Unrestricted net position (in the amount of \$10,002,163)--the part of net position that may be used to meet the County's ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation, or other legal requirements--was 8.5 percent of the net position.

**LYON COUNTY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Lyon County's activities increased net position during 2017 by \$4,983,484, representing a 4.1 percent increase. Key elements in this increase in net position are as follows for 2017, with comparative data for 2016:

**Changes in Net Position**

	2017			2016
	Governmental Activities	Business-Type Activities	Total	
<b>Revenues</b>				
Program revenues				
Fees, charges, fines and other	\$ 3,023,668	\$ 2,671,689	\$ 5,695,357	\$ 5,193,200
Operating grants and contributions	3,009,254	-	3,009,254	5,759,338
Capital grants and contributions	5,617,012	-	5,617,012	207,881
General revenues				
Property taxes	14,091,827	-	14,091,827	13,924,232
Other	4,438,530	74,742	4,513,272	4,147,155
<b>Total Revenues</b>	<b>\$ 30,180,291</b>	<b>\$ 2,746,431</b>	<b>\$ 32,926,722</b>	<b>\$ 29,231,806</b>
<b>Expenses</b>				
General government	\$ 5,317,914	\$ -	\$ 5,317,914	\$ 4,506,075
Public safety	6,264,010	-	6,264,010	6,355,660
Highways and streets	7,080,766	-	7,080,766	5,627,902
Sanitation	643,309	2,705,882	3,349,191	3,817,778
Human services	2,926,247	-	2,926,247	2,822,580
Health	342,821	-	342,821	289,097
Culture and recreation	794,435	-	794,435	795,383
Conservation of natural resources	1,043,732	-	1,043,732	1,541,126
Economic development	46,240	-	46,240	46,155
Interest	777,882	-	777,882	606,778
<b>Total Expenses</b>	<b>\$ 25,237,356</b>	<b>\$ 2,705,882</b>	<b>\$ 27,943,238</b>	<b>\$ 26,408,534</b>
<b>Change in Net Position</b>	<b>\$ 4,942,935</b>	<b>\$ 40,549</b>	<b>\$ 4,983,484</b>	<b>\$ 2,823,272</b>
Net Position - January 1	102,899,902	10,459,238	113,359,140	110,535,868
Prior Period Adjustment	-	(223,675)	(223,675)	-
Net Position - January 1, (as Restated)	102,899,902	10,235,563	113,135,465	110,535,868
<b>Net Position - December 31</b>	<b>\$ 107,842,837</b>	<b>\$ 10,276,112</b>	<b>\$ 118,118,949</b>	<b>\$ 113,359,140</b>

**LYON COUNTY  
MARSHALL, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017  
(UNAUDITED)**

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

**Governmental Funds**

The focus of the County's governmental funds is to provide information on short-term inflows, outflows, and balances left at year-end available for spending. Such information is useful in assessing the County's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$21,839,190, a decrease of \$1,602,434 in comparison with the prior year. Of the combined ending fund balances, \$14,094,294 represents unrestricted fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is classified as either nonspendable or restricted to indicate that it is not available for new spending because it has already been restricted for various reasons, either by state law, grant agreements, or bond covenants, or is nonspendable

The General Fund is the chief operating fund for the County. At the end of the current fiscal year, it had an unrestricted fund balance of \$11,058,417. Fund balance in the General Fund increased \$589,940 from the prior year. As a measure of the General Fund's liquidity, it may be useful to compare unrestricted fund balance to total expenditures. The General Fund's unrestricted fund balance represents 89.3 percent of total General Fund expenditures.

The Road and Bridge Special Revenue Fund had an unrestricted fund balance of \$3,035,877 at year-end. In total, fund balance for the Road and Bridge Special Revenue Fund decreased \$37,093 from the previous year.

The Human Services function for Lyon County is performed through a joint powers agreement between multiple counties and is known as Southwest Health and Human Services. Lyon County participates in this joint powers authority and annually levies a Human Service levy on Lyon County property as required by the Joint Health and Human Services Board. Detailed financial information of the activities of Southwest Health and Human Services can be addressed to Southwest Health and Human Services, 607 West Main Street, Marshall, Minnesota 56258.

The Ditch Special Revenue Fund had a restricted ending balance of \$1,483,206. This ending balance represents a \$97,478 decrease in fund balance from the prior year. The restricted fund balance amount at fiscal year-end was 189.6 percent of the annual expenditures for the fund.

The Debt Service Fund had a restricted ending balance of \$1,499,181. This ending balance represents a \$74,429 increase in fund balance from the prior year. The restricted fund balance amount at fiscal year-end was 39.8 percent of the annual expenditures for the fund.

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The Capital Projects Fund had a restricted ending balance of \$0. This ending balance represents a \$2,132,232 decrease in fund balance from the prior year. The restricted fund balance amount at fiscal year-end was 0.0 percent of the annual expenditures for the fund.

**Governmental Activities**

The County's total revenues for 2017 were \$32,926,722. Table 1 provides a breakdown of the source of revenues for governmental activities for the year ended December 31, 2017.

**Table 1  
Total Revenues - Governmental Activities**

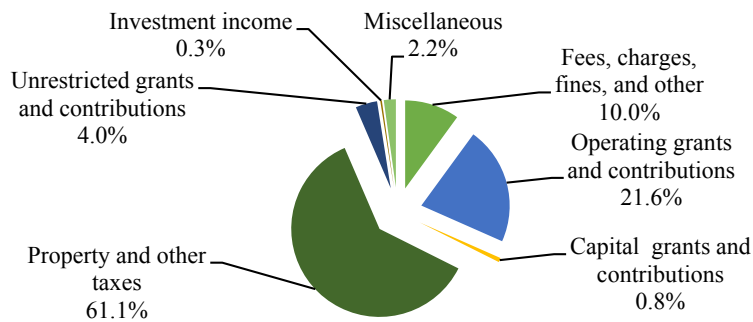


Table 2 (below) presents the revenues and expenses of each of the County's governmental activities, as well as the County's revenues from other sources such as property taxes, interest, and unrestricted grants.

Total revenues for the County's governmental activities were \$30,180,291, while total expenses were \$25,237,356. This corresponds to a \$4,942,935 increase in net position for the year ended December 31, 2017.

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**LYON COUNTY  
MARSHALL, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Table 2  
Program Revenues, General Revenues, and Expenses  
Governmental Activities**

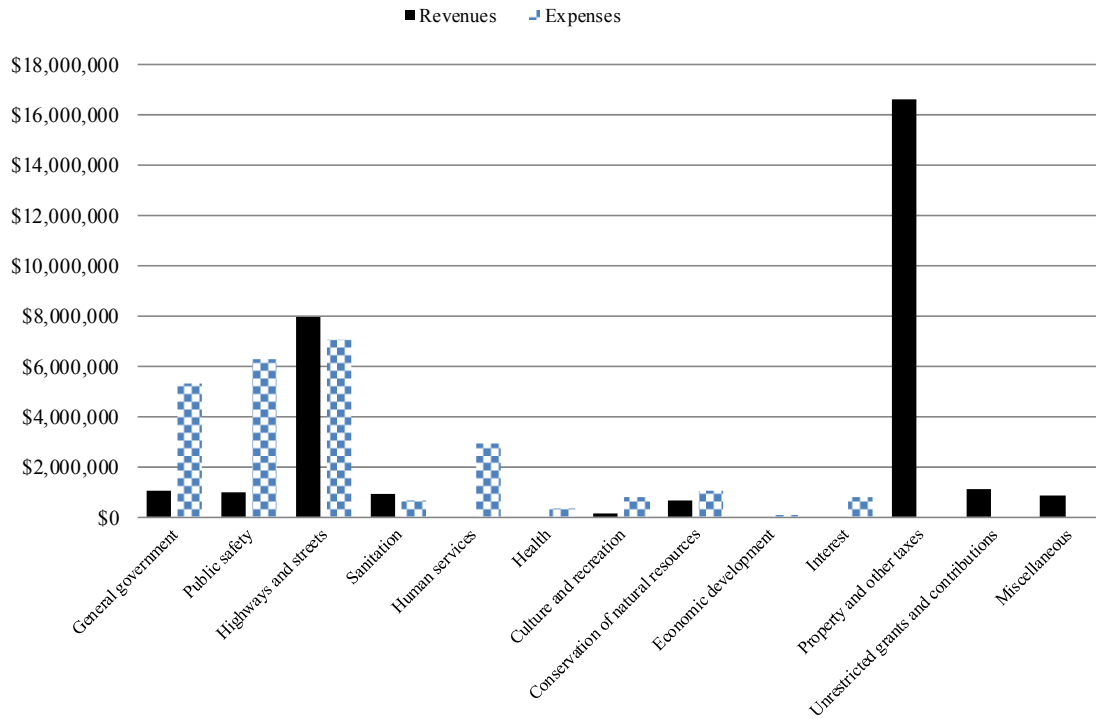


Table 3 displays the cost of each of the County's four largest program functions as well as each function's net cost (total cost, less revenues generated by the activity). The net cost shows the financial burden placed on the County's taxpayers by each of these functions.

**Table 3  
Governmental Activities**

	Total Cost of Services 2017	Net Cost (Revenue) of Services 2017
Public safety	\$ 6,264,010	\$ (5,283,485)
Highways and streets	\$ 7,080,766	\$ 876,467
General government	\$ 5,317,914	\$ (4,278,428)
Human services	\$ 2,926,247	\$ (2,926,247)
All others	\$ 3,648,419	\$ (1,975,729)
<b>Totals</b>	<b>\$ 25,237,356</b>	<b>\$ (13,587,422)</b>

**LYON COUNTY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**General Fund Budgetary Highlights**

General Fund revenues exceeded budgeted revenues by \$1,052,775, primarily due to more intergovernmental revenue received than budgeted for and not budgeting for special assessment collections on septic loans.

General Fund expenditures were more than budgeted expenditures by \$430,233, primarily due to unbudgeted costs to remodel a building at the fairgrounds and to convert heating controls at the museum and due to not budgeting for principal and interest expenditures to the State of Minnesota for septic loan programs.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

Lyon County's depreciable capital assets for its governmental activities at December 31, 2017, totaled \$103,763,798 (net of accumulated depreciation). This investment in capital assets includes land improvements, buildings, equipment, and infrastructure. The County's investment in depreciable capital assets increased \$15,881,871 from the previous year.

**Depreciable Governmental Capital Assets**

	2017	2016
Capital assets depreciated		
Land improvements	\$ 3,185,022	\$ 3,185,022
Buildings	33,126,560	22,983,484
Machinery and equipment	8,153,960	7,624,940
Infrastructure	106,492,275	98,042,719
Total capital assets depreciated	\$ 150,957,817	\$ 131,836,165
Less: accumulated depreciation for		
Land improvements	\$ 708,750	\$ 590,170
Buildings	6,975,026	6,418,014
Machinery and equipment	5,654,663	5,267,178
Infrastructure	33,855,580	31,678,876
Total accumulated depreciation	\$ 47,194,019	\$ 43,954,238
Total Capital Assets Depreciated, Net	\$ 103,763,798	\$ 87,881,927

Additional information on the County's capital assets can be found in Note 2.A.3. to the financial statements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Long-Term Debt**

At the end of the current fiscal year, the County had total outstanding debt of \$17,248,837 for governmental activities, which was backed by the full faith and credit of the government. Other liabilities and contingencies are described in the notes to the financial statements.

**Outstanding Debt**

	2017	2016
Special assessment debt	\$ 2,984,500	\$ 3,150,708
General obligation debt	13,966,241	14,798,953
Loans payable	188,762	276,507
Capital leases	109,333	60,521
Total	\$ 17,248,836	\$ 18,286,689

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The County's elected and appointed officials considered many factors when setting the 2018 budget, tax rates, and fees that will be charged for the year.

The average unemployment rate for Lyon County for 2017 was 3.6 percent. This compares favorably with the state unemployment rate of 3.9 percent and shows a decrease from the County's 3.7 percent rate of one year ago. This could impact the level of services requested by County residents.

The gross property tax levy for the County increased 1.7 percent (\$261,562) from 2017, while the net tax levy (the amount spread to taxpayers) increased 1.0 percent (\$143,188) from 2016.

**County Tax Rate and Net Tax Levy History**

2018	35.984%	\$ 14,462,011
2017	35.984	14,318,823
2016	35.221	14,102,515
2015	32.132	13,247,000
2014	32.792	12,676,566
2013	37.711	12,164,341
2012	42.396	12,164,341

On December 19, 2017, the Lyon County Board of Commissioners approved the 2018 budget and adopted a net property tax levy of \$14,462,011, which represents a 1.0 percent increase over the 2017 property tax levy of \$14,318,823.

**LYON COUNTY  
MARSHALL, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017  
(UNAUDITED)**

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Lyon County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the County Auditor/Treasurer, E.J. Moberg, 607 West Main Street, Marshall, Minnesota 56258.

## **BASIC FINANCIAL STATEMENTS**



**GOVERNMENT-WIDE FINANCIAL STATEMENTS**





**LYON COUNTY  
MARSHALL, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2017**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 20,609,287	\$ 4,096,425	\$ 24,705,712
Investments	2,938,026	717,370	3,655,396
Receivables	5,672,270	430,434	6,102,704
Internal Balances	131,656	(131,656)	-
Inventories	212,055	-	212,055
Prepaid Items	56,546	-	56,546
Restricted Assets	-	4,309,650	4,309,650
Capital assets:			
Nondepreciable	3,116,169	390,432	3,506,601
Depreciable Assets - Net of Accumulated Depreciation	103,763,798	3,784,829	107,548,627
Total Assets	<u>\$ 136,499,807</u>	<u>\$ 13,597,484</u>	<u>\$ 150,097,291</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	<u>\$ 4,307,733</u>	<u>\$ 83,760</u>	<u>\$ 4,391,493</u>
<b>LIABILITIES</b>			
Accounts Payable and Other Current Liabilities	\$ 1,537,700	\$ 145,089	\$ 1,682,789
Unearned Revenue	75,924	-	75,924
Interest Payable	272,718	-	272,718
Long-Term Liabilities:			
Due Within One Year	1,109,020	-	1,109,020
Due in More than One Year	16,751,523	2,839,181	19,590,704
Net Pension Liability	7,307,881	293,257	7,601,138
Net Other Postemployment Benefits Obligations	1,723,792	70,594	1,794,386
Total Liabilities	<u>\$ 28,778,558</u>	<u>\$ 3,348,121</u>	<u>\$ 32,126,679</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related	\$ 3,676,286	\$ 57,011	\$ 3,733,297
Gain on Refunding	234,145	-	234,145
Taxes Levied for Subsequent Period	275,714	-	275,714
Total Deferred Inflows of Resources	<u>\$ 4,186,145</u>	<u>\$ 57,011</u>	<u>\$ 4,243,156</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	89,544,090	\$ 4,175,261	\$ 93,719,351
Restricted for:			
Public Safety	529,563	-	529,563
Highways and Streets	3,781,964	-	3,781,964
Conservation of Natural Resources	1,313,934	-	1,313,934
Landfill Closure/Postclosure	-	4,309,650	4,309,650
Debt Service	3,703,116	-	3,703,116
Other Purposes	759,208	-	759,208
Unrestricted	<u>8,210,962</u>	<u>1,791,201</u>	<u>10,002,163</u>
Total Net Position	<u><u>\$ 107,842,837</u></u>	<u><u>\$ 10,276,112</u></u>	<u><u>\$ 118,118,949</u></u>

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

**LYON COUNTY  
MARSHALL, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>FUNCTIONS/PROGRAMS</b>							
<b>GOVERNMENTAL ACTIVITIES</b>							
General Government	\$ 5,317,914	\$ 946,102	\$ 93,384	\$ -	\$ (4,278,428)	\$ -	\$ (4,278,428)
Public Safety	6,264,010	583,055	397,470	-	(5,283,485)	-	(5,283,485)
Highways and Streets	7,080,766	364,685	1,975,536	5,617,012	876,467	-	876,467
Sanitation	643,309	580,655	314,678	-	252,024	-	252,024
Human Services	2,926,247	-	-	-	(2,926,247)	-	(2,926,247)
Health	342,821	-	-	-	(342,821)	-	(342,821)
Culture and Recreation	794,435	68,946	63,841	-	(661,648)	-	(661,648)
Conservation of Natural Resources	1,043,732	480,225	164,345	-	(399,162)	-	(399,162)
Economic Development	46,240	-	-	-	(46,240)	-	(46,240)
Interest	777,882	-	-	-	(777,882)	-	(777,882)
Total Governmental Activities	\$ 25,237,356	\$ 3,023,668	\$ 3,009,254	\$ 5,617,012	\$ (13,587,422)	\$ -	\$ (13,587,422)
<b>BUSINESS-TYPE ACTIVITIES</b>							
Landfill	2,705,882	2,671,689	-	-	-	(34,193)	(34,193)
Total	\$ 27,943,238	\$ 5,695,357	\$ 3,009,254	\$ 5,617,012	\$ (13,587,422)	\$ (34,193)	\$ (13,621,615)
<b>GENERAL REVENUES</b>							
Property Taxes					\$ 14,091,827	\$ -	\$ 14,091,827
Mortgage Registry and Deed Tax					24,838	-	24,838
County Local Option Sales Tax					1,847,040	-	1,847,040
Wheelage Tax					247,619	-	247,619
Payment in Lieu of Tax					357,368	-	357,368
Grants and Contributions not Restricted for a Particular Purpose					1,085,991	-	1,085,991
Interest Income					203,086	56,325	259,411
Miscellaneous					672,588	18,417	691,005
Total General Revenues					\$ 18,530,357	\$ 74,742	\$ 18,605,099
<b>CHANGE IN NET POSITION</b>					\$ 4,942,935	\$ 40,549	\$ 4,983,484
Net Position - Beginning of Year					102,899,902	10,459,238	113,359,140
Prior Period Adjustment, See Note 1.E					-	(223,675)	(223,675)
Net Position - Beginning of Year, as Restated					102,899,902	10,235,563	113,135,465
<b>NET POSITION - END OF YEAR</b>					\$ 107,842,837	\$ 10,276,112	\$ 118,118,949

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

**FUND FINANCIAL STATEMENTS**

**LYON COUNTY  
MARSHALL, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2017**

	General	Road and Bridge	Human Services	Ditch
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 10,439,889	\$ 6,212,316	\$ 93,058	\$ 1,348,343
Investments	2,678,609	-	-	259,417
Taxes Receivable - Delinquent	81,229	20,914	29,936	-
Special Assessments Receivable:				
Delinquent	12,551	-	-	644
Noncurrent	394,361	-	-	2,903,075
Accounts Receivable	17,269	9,436	-	-
Accrued Interest Receivable	41,376	1,078	-	1,560
Due from Other Governments	151,126	1,787,114	-	-
Due from Other Funds	131,639	4,922	-	-
Notes Receivable	-	-	-	180,000
Inventory	-	212,055	-	-
Prepaid Items	53,478	3,068	-	-
Advance to Other Funds	113,183	-	-	-
Total Assets	<u>\$ 14,114,710</u>	<u>\$ 8,250,903</u>	<u>\$ 122,994</u>	<u>\$ 4,693,039</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 142,914	\$ 48,028	\$ -	\$ 4,748
Salaries Payable	257,822	53,438	-	-
Contracts Payable	75,492	452,972	-	-
Due to Other Governments	240,603	10,117	35,952	8,183
Due to Other Funds	4,790	115	-	-
Unearned Revenue	75,924	-	-	-
Advance from Other Governments.	-	-	-	113,183
Total Liabilities	<u>797,545</u>	<u>564,670</u>	<u>35,952</u>	<u>126,114</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	\$ 511,935	\$ 1,441,051	\$ 29,936	\$ 3,083,719
Taxes Collected for Subsequent Period	155,061	38,548	57,106	-
Total Deferred Inflows of Resources	<u>\$ 666,996</u>	<u>\$ 1,479,599</u>	<u>\$ 87,042</u>	<u>\$ 3,083,719</u>
<b>FUND BALANCES</b>				
Nonspendable	\$ 166,661	\$ 215,123	\$ -	\$ -
Restricted	1,425,091	2,955,634	-	1,483,206
Committed	831,537	-	-	-
Assigned	1,562,594	3,035,877	-	-
Unassigned	8,664,286	-	-	-
Total Fund Balances	<u>12,650,169</u>	<u>6,206,634</u>	<u>-</u>	<u>1,483,206</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 14,114,710</u>	<u>\$ 8,250,903</u>	<u>\$ 122,994</u>	<u>\$ 4,693,039</u>

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

Debt Service	Capital Projects	Total Governmental Funds
\$ 1,524,180	\$ 99,914	\$ 19,717,700
-	-	2,938,026
14,368	-	146,447
-	-	13,195
-	-	3,297,436
-	-	26,705
-	22	44,036
-	-	1,938,240
-	-	136,561
-	-	180,000
-	-	212,055
-	-	56,546
-	-	113,183
<u>\$ 1,538,548</u>	<u>\$ 99,936</u>	<u>\$ 28,820,130</u>
\$ -	\$ 27,241	\$ 222,931
-	-	311,260
-	72,695	601,159
-	-	294,855
-	-	4,905
-	-	75,924
-	-	113,183
-	<u>99,936</u>	<u>1,624,217</u>
\$ 14,368	\$ -	\$ 5,081,009
24,999	-	275,714
<u>\$ 39,367</u>	<u>\$ -</u>	<u>\$ 5,356,723</u>
\$ -	\$ -	\$ 381,784
1,499,181	-	7,363,112
-	-	831,537
-	-	4,598,471
-	-	8,664,286
<u>1,499,181</u>	<u>-</u>	<u>21,839,190</u>
<u>\$ 1,538,548</u>	<u>\$ 99,936</u>	<u>\$ 28,820,130</u>

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

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**LYON COUNTY  
MARSHALL, MINNESOTA  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
GOVERNMENT-WIDE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS</b>		\$ 21,839,190
Total 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 the governmental funds.		106,879,967
An internal service fund is used by Lyon County to charge the cost of the self-funded insurance programs to functions. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.		810,303
Other long-term assets (deferred inflows of resources) are not available to pay for current-period expenditures and, therefore, are unavailable in the governmental funds.		5,081,009
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pensions		4,307,733
Deferred Inflows of Resources Related to Pensions		(3,676,286)
The gain on refunding is reported as a deferred inflow on the statement of net position and amortized over the life of the bonds.		(234,145)
Long-term liabilities, including bonds payable and net pension liabilities, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General Obligation Bonds	\$ (13,175,000)	
Special Assessment Bonds	(2,580,000)	
Unamortized Bond Premium	(791,241)	
Unamortized Special Assessment Premium	(74,500)	
Capital Lease	(109,333)	
Loans Payable	(188,763)	
Notes Payable	(330,000)	
Accrued Interest	(272,718)	
Compensated Absences	(611,706)	
Net Pension Liability	(7,307,881)	
Net Other Postemployment Benefits	(1,723,792)	(27,164,934)
<b>TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b>\$ 107,842,837</b>

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

**LYON COUNTY  
MARSHALL, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Road and Bridge	Human Services	Ditch
<b>REVENUES</b>				
Taxes	\$ 7,944,698	\$ 4,063,142	\$ 2,843,829	\$ -
Special Assessments	419,392	-	-	613,155
Licenses and Permits	49,770	-	-	-
Intergovernmental	2,181,830	7,850,178	82,418	20,675
Charges for Services	977,494	27,447	-	-
Gifts and Contributions	8,300	-	-	-
Investment Earnings	185,472	10,565	-	9,577
Miscellaneous	1,108,897	337,238	-	41,461
Total Revenues	<u>\$ 12,875,853</u>	<u>\$ 12,288,570</u>	<u>\$ 2,926,247</u>	<u>\$ 684,868</u>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
General Government	\$ 4,305,154	\$ -	\$ -	\$ -
Public Safety	5,618,142	-	-	-
Highways and Streets	-	11,881,282	-	-
Sanitation	595,162	-	-	-
Culture and Recreation	478,568	-	-	-
Conservation of Natural Resources	550,016	-	-	517,901
Economic Development	46,240	-	-	-
Intergovernmental	636,657	396,040	2,926,247	7,649
Capital Outlay	-	-	-	-
Debt Service:				
Principal	143,100	-	-	160,000
Interest	5,037	-	-	95,696
Administrative (Fiscal) Fees	-	-	-	1,100
Issuance Costs	-	-	-	-
Total Expenditures	<u>\$ 12,378,076</u>	<u>\$ 12,277,322</u>	<u>\$ 2,926,247</u>	<u>\$ 782,346</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ 497,777</u>	<u>\$ 11,248</u>	<u>\$ -</u>	<u>\$ (97,478)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Transfers Out	(12,005)	-	-	-
Proceeds from Sale of Bonds	-	-	-	-
Premium on Bonds Issued	-	-	-	-
Proceeds from Capital Lease	104,168	-	-	-
Total Other Financing Sources (Uses)	<u>92,163</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 589,940</u>	<u>\$ 11,248</u>	<u>\$ -</u>	<u>\$ (97,478)</u>
Fund Balances - Beginning of Year	12,060,229	6,243,727	-	1,580,684
<b>DECREASE IN INVENTORY</b>	<u>-</u>	<u>(48,341)</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ 12,650,169</u></u>	<u><u>\$ 6,206,634</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,483,206</u></u>

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



Debt Service	Capital Projects	Total Governmental Funds
\$ 1,338,501	\$ -	\$ 16,190,170
-	-	1,032,547
-	-	49,770
32,029	-	10,167,130
-	-	1,004,941
-	-	8,300
-	1,192	206,806
-	23,972	1,511,568
<u>\$ 1,370,530</u>	<u>\$ 25,164</u>	<u>\$ 30,171,232</u>
\$ -	\$ -	\$ 4,305,154
-	-	5,618,142
-	-	11,881,282
-	-	595,162
-	-	478,568
-	-	1,067,917
-	-	46,240
-	-	3,966,593
-	2,169,401	2,169,401
3,150,000	-	3,453,100
570,131	-	670,864
2,601	-	3,701
44,450	-	44,450
<u>\$ 3,767,182</u>	<u>\$ 2,169,401</u>	<u>\$ 34,300,574</u>
\$ (2,396,652)	\$ (2,144,237)	\$ (4,129,342)
-	12,005	12,005
-	-	(12,005)
2,425,000	-	2,425,000
46,081	-	46,081
-	-	104,168
<u>2,471,081</u>	<u>12,005</u>	<u>2,575,249</u>
\$ 74,429	\$ (2,132,232)	\$ (1,554,093)
1,424,752	2,132,232	23,441,624
-	-	(48,341)
<u>\$ 1,499,181</u>	<u>\$ -</u>	<u>\$ 21,839,190</u>

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

**LYON COUNTY  
MARSHALL, MINNESOTA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ (1,554,093)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for General Capital Assets, Infrastructure, and Other Related Capital Asset Adjustments	\$ 10,177,943	
Net Book Value of Capital Asset Disposals	(15,615)	
Current Year Depreciation	<u>(3,530,073)</u>	6,632,255

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

Unavailable Revenue - December 31	5,081,009	
Unavailable Revenue - January 1	<u>(5,603,644)</u>	(522,635)

The issuance of long-term debt (e.g., bonds payable, loans payable) provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. The net proceeds for debt issuances are:

Bonds Issued	(2,471,081)	
Capital Lease	<u>(104,168)</u>	(2,575,249)

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

Principal Repayments:		
General Obligation Bonds	3,150,000	
Special Assessment Bonds	135,000	
Notes	25,000	
Capital Leases	55,356	
Loans	<u>87,744</u>	3,453,100

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in Accrued Interest Payable	10,240	
Change in Unamortized Refunding Gain on Bonds	(234,145)	
Change in Net Pension Liability	3,805,102	
Change in Deferred Pension Outflows	(2,325,687)	
Change in Deferred Pension Inflows	(2,457,264)	
Amortization of Premiums	160,001	
Change in Compensated Absences	(27,498)	
Change in Other Postemployment Benefits	(59,777)	
Change in Inventory	<u>(48,341)</u>	(1,177,369)

An internal service fund is used by Lyon County to charge the cost of the self-funded insurance programs to functions. The increase or decrease in net position of the internal service fund is reported in the government-wide statement of activities.

<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 4,942,935</u></u>
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The notes to the financial statements are an integral part of this statement.

**PROPRIETARY FUNDS**



**LYON COUNTY  
MARSHALL, MINNESOTA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2017**

	Business-Type Activities Landfill Enterprise Fund	Governmental Activities Internal Service Fund
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Pooled Investments	\$ 4,096,425	\$ 891,587
Investments	717,370	-
Accounts Receivable	403,247	26,211
Due From Other Governments	27,187	-
Total Current Assets	\$ 5,244,229	\$ 917,798
<b>RESTRICTED ASSETS</b>		
Investments	\$ 4,287,181	\$ -
Accrued Interest Receivable	22,469	-
Total Restricted Assets	\$ 4,309,650	\$ -
<b>NONCURRENT ASSETS</b>		
Capital Assets:		
Nondepreciable	\$ 390,432	\$ -
Depreciable - Net of Accumulated Depreciation	3,784,829	-
Total Noncurrent Assets	\$ 4,175,261	\$ -
Total Assets	\$ 13,729,140	\$ 917,798
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related	\$ 83,760	\$ -
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 119,068	\$ -
Salaries Payable	14,404	-
Claims Payable	-	107,495
Due to Other Funds	131,656	-
Due to Other Governments	11,617	-
Total Current Liabilities	\$ 276,745	\$ 107,495
<b>NONCURRENT LIABILITIES</b>		
Compensated Absences	\$ 43,272	\$ -
Net Pension Liability	293,257	-
Net Other Postemployment Benefits Obligation	70,594	-
Estimated Liability for Landfill Closure/Postclosure Care	2,795,909	-
Total Noncurrent Liabilities	\$ 3,203,032	\$ -
Total Liabilities	\$ 3,479,777	\$ 107,495
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension Related	\$ 57,011	\$ -
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 4,175,261	\$ -
Restricted for:		
Postclosure Care	4,309,650	-
Unrestricted	1,791,201	810,303
Total Net Position	\$ 10,276,112	\$ 810,303

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

**LYON COUNTY  
MARSHALL, MINNESOTA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Business-Type Activities <u>Landfill</u> Enterprise Fund	Governmental Activities <u>Internal</u> Service Fund
<b>OPERATING REVENUE</b>		
Changes for Services	\$ 2,671,689	\$ 2,176,347
Miscellaneous	18,417	-
Total Operating Revenue	<u>\$ 2,690,106</u>	<u>\$ 2,176,347</u>
<b>OPERATING EXPENSES</b>		
Personal Services	\$ 7,746	\$ -
Professional Services	424,712	-
Administration and Fiscal Services	904,291	-
Other Services and Charges	202,133	-
Utilities	32,464	-
Depreciation	564,995	-
Landfill Closure and Postclosure Care Costs	569,541	-
Cost of Service	-	1,489,421
Total Operating Expenses	<u>\$ 2,705,882</u>	<u>\$ 1,489,421</u>
<b>OPERATING INCOME (LOSS)</b>	(15,776)	\$ 686,926
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment Earnings	<u>56,325</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	\$ 40,549	\$ 686,926
Net Position - Beginning of Year	10,459,238	123,377
Prior Period Adjustment, See Note 1.E	(223,675)	-
Net Position - Beginning of Year, as Restated	<u>10,235,563</u>	<u>123,377</u>
<b>NET POSITION - ENDING</b>	<u>\$ 10,276,112</u>	<u>\$ 810,303</u>

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

**LYON COUNTY  
MARSHALL, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Business-Type Activities Landfill Enterprise Fund	Governmental Activities Internal Service Fund
<b>Cash Flows from Operating Activities</b>		
Receipts from Customers and Users	\$ 2,550,453	\$ 2,150,136
Payments to Suppliers	(1,155,914)	(1,424,180)
Payments to Employees	(421,899)	-
Net Cash Provided by Operating Activities	<u>972,640</u>	<u>725,956</u>
<b>Cash Flows from Investing Activities</b>		
Investment income	52,633	-
Purchase of investments	(234,200)	-
Net Cash Used by Investing Activities	<u>(181,567)</u>	<u>-</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Intergovernmental borrowing	(9,471)	-
Net Cash Used by Noncapital Financing Activities	<u>(9,471)</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Payments for construction and purchases of capital assets	(375,954)	-
Net Cash Used by Capital and Related Financing Activities	<u>(375,954)</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	405,648	725,956
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>3,690,777</u>	<u>165,631</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 4,096,425</u>	<u>\$ 891,587</u>
<b>RECONCILIATION OF OEPRATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (15,776)	\$ 686,926
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation Expense	564,995	-
(Increase) Decrease in Accounts Receivable	(139,653)	(26,211)
(Increase) Decrease in Deferred Pension Outflows	24,927	-
Increase (Decrease) in Other Postemployment Benefits	1,708	-
Increase (Decrease) in Accounts Payable	(17,026)	-
Increase (Decrease) in Salaries Payable	1,291	-
Increase (Decrease) in Compensated Absences	2,763	-
Increase (Decrease) in Landfill Closure/Postclosure Care	569,541	-
Increase (Decrease) in Claims Payable	-	65,241
Increase (Decrease) in Net Pension Liability	(39,549)	-
Increase (Decrease) in Deferred Pension Inflows	19,419	-
Net Cash Provided by Operating Activities	<u>\$ 972,640</u>	<u>\$ 725,956</u>

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

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**FIDUCIARY FUNDS**



**LYON COUNTY  
MARSHALL, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2017**

	Investment Trust Fund	Agency
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 5,684,567	\$ 1,472,412
Accrued Interest Receivable	2,749	-
Total Assets	\$ 5,687,316	\$ 1,472,412
<b>LIABILITIES</b>		
Due to Other Governments	-	\$ 1,472,412
<b>NET POSITION</b>		
Held in Trust for Pool Participants	\$ 5,687,316	

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

**LYON COUNTY  
MARSHALL, MINNESOTA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>ADDITIONS</b>	Investment Trust Fund
Contributions from Participants		\$ 34,896,082
Investment Earnings		19,570
Total Additions		<u>\$ 34,915,652</u>
<b>DEDUCTIONS</b>		
Distributions to Participants		<u>\$ 34,768,800</u>
<b>CHANGE IN NET POSITION</b>		\$ 146,852
<b>NET POSITION - BEGINNING</b>		<u>5,540,464</u>
<b>NET POSITION - ENDING</b>		<u><u>\$ 5,687,316</u></u>

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

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U. S. GAAP) as of and for the year ended December 31, 2017. The Governmental Accounting Standards Board (GASB) is responsible for establishing U.S. GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in U.S. GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Lyon County was established March 6, 1868, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. § 373.01. As required by accounting principles generally accepted in the United States of America, these financial statements present Lyon County. 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 Administrator serves as clerk of the Board of Commissioners but has no vote.

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

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about Lyon County. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

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

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category--governmental, proprietary, and fiduciary—are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. The County reports all of its governmental and enterprise funds as major 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.

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

- The Road and Bridge Special Revenue Fund accounts for restricted revenues from the federal and state government, as well as assigned property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.
- The Human Services Special Revenue Fund accounts for assigned property tax revenues used for economic assistance and community social services programs.
- The Ditch Special Revenue Fund accounts for special assessment revenues levied against benefitted property to finance the cost of constructing and maintaining an agricultural drainage ditch system.
- The Debt Service Fund accounts for the accumulation of restricted resources used for, and the payment of, principal, interest, and related costs.
- The Capital Projects Fund accounts for financial resources to be used for capital acquisition, construction, or improvement of capital facilities.

The County reports the following major enterprise fund:

- The Landfill Fund is used to account for the operation, maintenance, and development of the County solid waste landfill.

Additionally, the County reports the following fund types:

- The Internal Service Fund accounts for health insurance premiums and payments.
- The Investment Trust Fund is used to account for the external pooled investments held for Southwest Health and Human Services.
- Agency funds are custodial in nature and do not present results of operations. These funds account for assets the County holds for others in an agent capacity.

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund 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.

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. Lyon County considers all revenue as available if collected within 60 days after the end of the current period. Property taxes are recognized as revenue in the year for which they are levied provided they are also available. Shared revenues are generally recognized in the period the appropriation goes into effect and the revenues are available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and are available. 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 long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

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.



**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies (Continued)

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

1. Cash and Cash Equivalents

Cash and cash equivalents are identified only for the purpose of the statement of cash flows for the proprietary funds. Lyon County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Additionally, each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can be deposited or effectively withdrawn from cash at any time without prior notice or penalty.

2. 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. Pooled and fund investments are reported at their fair value at December 31, 2017. A market approach is used to value all investments other than external investment pools, which are measured at net asset value. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental and fiduciary funds are credited to the General Fund. Investment earnings on business-type activities are credited to the Lyon County Landfill Enterprise Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2017 were \$140,490.

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

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies

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

3. Receivables and Payables

Activities between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (the current portion of interfund loans) or “advances to/from other funds” (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

Special assessments receivable consist of delinquent special assessments payable in the years 2012 through 2017 and noncurrent special assessments payable in 2018 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

No allowance for accounts receivable and uncollectible taxes/special assessments has been provided because such amounts are not expected to be material.

4. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories in proprietary funds and at the government-wide level are recorded as expenses when consumed.

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies

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

4. Inventories and Prepaid Items (Continued)

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

5. Restricted Assets

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

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type 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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value (entry price) on 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the County did not have any capitalized interest.

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies

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

6. Capital Assets (Continued)

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

Assets	Years
Buildings	25 - 100
Improvements to land	20 - 35
Public domain infrastructure	15 - 75
Machinery and equipment	3 - 20

During 2015, the management of Lyon County reviewed estimates related to depreciation of the landfill cell capital assets in the Landfill Enterprise Fund. Previous estimates based depreciation on the percentage of ultimate landfill capacity used. Management determined changing the estimate to the straight-line method would better align depreciation expense with the assets' useful lives. The depreciation charges of the Landfill Enterprise Fund for the current year-end are \$363,775. Depreciation recorded relates to the final depletion of Cell 7 and six months of Cell 10.

7. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation, sick leave, and comp time balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. A liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of an amount based on a trend analysis of current usage of vacation. The noncurrent portion consists of the remaining amount of vacation, vested sick leave, and comp time. For the

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies

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

7. Compensated Absences (Continued)

governmental activities, compensated absences are liquidated by the General Fund and the Road and Bridge Special Revenue Fund. For the business-type activities, compensated absences are liquidated by the Landfill Enterprise Fund.

8. Long-Term Obligations

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

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

9. Pension Plan

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

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies

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

10. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent and noncurrent special assessments receivable, grant monies receivable, and other receivables for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies

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

11. Unearned Revenue

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

12. Classification of Net Position

Net position in the government-wide and proprietary fund 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.

13. Classification of Fund Balances

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

- Nonspendable - amounts that cannot be spent because they are not in spendable form, or are 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.

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies

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

13. Classification of Fund Balances (Continued)

- Restricted - amounts in which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- Committed - amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the 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 amount not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board, the County Administrator, or the County Auditor/Treasurer, who has been delegated that authority by Board resolution.
- Unassigned - the residual classification for the General Fund, and 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.

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



**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies

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

14. Minimum Fund Balance

Lyon County has adopted a minimum fund balance policy for the General Fund. The General Fund is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined it needs to maintain a minimum unrestricted fund balance (committed, assigned, and unassigned) of no less than five months of operating expenditures. The fund balance policy was adopted by the County Board on December 20, 2011. At December 31, 2017, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

15. 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 certain estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Prior Period Adjustment

Beginning fund balances for Business-Type Activities and the Landfill Fund were restated for amounts that should have been recognized in expense in the previous year.

	<u>Business-Type Activities</u>
Net Position as Previously Stated	\$ 10,459,238
Period Period Adjustment	<u>(223,675)</u>
Net Position as Restated	<u>\$ 10,235,563</u>
	<u>Landfill Fund</u>
Fund Balances - January 1, as Previously Reported	\$ 10,459,238
Restatement	<u>(223,675)</u>
Fund Balances - January 1, as Restated	<u>\$ 10,235,563</u>

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

Reconciliation of the County's total cash and investments to the basic financial statements follows:

Government-Wide Statement of Net Position:	
Governmental Activities:	
Cash and Pooled Investments	\$ 20,609,287
Investments	2,938,026
Business-Type Activities:	
Cash and Pooled Investments	4,096,425
Investments	717,370
Investments - Restricted Assets	4,309,650
Statement of Fiduciary Net Position:	
Cash And Pooled Investments	
Investment Trust Fund	5,684,567
Agency Funds	<u>1,472,412</u>
Total Cash and Investments	<u>\$ 39,827,737</u>

a. Deposits

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

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

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County has adopted a policy for custodial credit risk of obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and perfected security interest under federal law. As of December 31, 2017, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

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

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

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

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County's policy is to minimize interest rate risk by: (1) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; (2) investing operating funds primarily in shorter-term securities, money markets, or similar investment pools; and (3) limiting the average maturity in accordance with the County's cash requirements.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the 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.

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2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments

Credit Risk (Continued)

The County's exposure to credit risk as of December 31, 2017, is as follows:

Investment Type	Rating Agency	Rating	Fair Value
Federal Farm Credit Bank	S & P	AA+	82,617
Federal Home Loan Bank	S & P	AA+	670,062
Federal Home Loan Mortgage Corporation	S & P	AA+	728,724
Federal Home National Mortgage Corporation	S & P	AA+	569,779
Federal National Mortgage Association	S & P	AA+	1,673,213
U.S. Treasury Notes	Moody	Aaa	426,999
Municipal Bonds	Moody	AA	1,483,465
Negotiable Certificates of Deposit	N/R	N/R	494,570
Total			<u>6,129,429</u>

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County has adopted a policy to eliminate investment custodial credit risk by permitting brokers that obtain investments for the County to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage available. Securities purchased that exceed available SIPC coverage shall be transferred to the County's custodian. At December 31, 2017, none of the County's investments were subject to custodial credit risk.

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2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy to minimize this risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Investments in any one issuer that represent five percent or more of the County's investments are as follows:

Issuer	Reported Amount
BNP Pariabas	
Federal Home Loan Bank	\$ 670,062
Federal Home Loan Mortgage Corporation	728,724
Municipal bonds	1,483,465
Wells Fargo Advisors	
Federal National Mortgage Association	1,673,213
Federal Home National Mortgage Corporation	569,779
MAGIC Fund	7,577,508

The following table presents the County's deposit and investment balances at December 31, 2017, along with information relating to maturities:

Investment Type	Less Than 2 Years	2 - 5 Years	5 - 10 Years	More Than 10 Years	Fair Value
Investments:					
Federal Farm Credit Bank	\$ -	\$ -	\$ 82,617	\$ -	\$ 82,617
Federal Home Loan Bank	114,949	125,092	430,021	-	670,062
Federal Home Loan Mortgage Corporation	-	10,528	668,368	49,828	728,724
Federal Home National Mortgage Corporation	-	-	569,779	-	569,779
Federal National Mortgage Association	3,423	26,730	1,562,866	80,194	1,673,213
U.S. Treasury Notes	-	229,061	197,938	-	426,999
Municipal Bonds	100,555	842,949	539,961	-	1,483,465
Negotiable Certificates of	99,994	394,576	-	-	494,570
Deposit					
MAGIC Fund	7,577,508				7,577,508
Total Investments					<u>\$ 13,706,937</u>

**LYON COUNTY  
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2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

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

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

At December 31, 2017, the County had the following recurring fair value measurements:

	December 31, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Debt Securities:				
U.S. Treasury Securities	\$ 426,999	\$ -	\$ 426,999	\$ -
U.S. Agencies	3,724,395	-	3,724,395	-
Municipal Bonds	1,483,465	-	1,483,465	-
Negotiable Certificates of Deposit	494,570	-	494,570	-
 Total Investments Included in the Fair Value Hierarchy	 \$ 6,129,429	 \$ -	 \$ 6,129,429	 \$ -

**LYON COUNTY  
MARSHALL, MINNESOTA  
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2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

		Fair Value Measurements Using		
December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments Measured at the Net Asset Value (NAV):				
MAGIC Portfolio	\$	7,577,508		
Total	\$	7,577,508		

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

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

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



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2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

2. Receivables

Receivables as of December 31, 2017, for the County's governmental activities and business-type activities are as follows:

	Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities:		
Taxes	\$ 146,447	\$ -
Special assessments	3,310,631	2,915,875
Accounts	52,916	-
Interest	44,036	-
Due from other governments	1,938,240	-
Notes	180,000	165,000
Total Governmental Activities	\$ 5,672,270	\$ 3,080,875
Business-Type Activities:		
Accounts	\$ 402,575	\$ -
Interest	672	-
Due from other governments	27,187	-
Total Business-Type Activities	\$ 430,434	\$ -

During 2015, Lyon County issued General Obligation Drainage Bonds, Series 2015B, on Joint Ditch Nos. 13 and 31 with Lincoln County. Lincoln County residents are responsible for \$195,000 that will be collected by Lincoln County through special assessments and paid to Lyon County for repayment on the bond.

**LYON COUNTY  
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2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	\$ 1,323,327	\$ -	\$ -	\$ -	\$ 1,323,327
Right-of-Way	1,113,350	-	-	-	1,113,350
Construction in Progress	9,929,108	643,120	(9,892,736)	-	679,492
Total Capital Assets, Not Being Depreciated	<u>\$ 12,365,785</u>	<u>\$ 643,120</u>	<u>\$ (9,892,736)</u>	<u>\$ -</u>	<u>\$ 3,116,169</u>
Capital Assets, Being Depreciated:					
Land Improvements	3,185,022	-	-	-	3,185,022
Buildings	22,983,484	10,143,076	-	-	33,126,560
Machinery and Equipment	7,624,940	834,927	(286,505)	(19,402)	8,153,960
Infrastructure	98,042,719	8,449,556	-	-	106,492,275
Total Capital Assets, Being Depreciated	<u>\$ 131,836,165</u>	<u>\$ 19,427,559</u>	<u>\$ (286,505)</u>	<u>\$ (19,402)</u>	<u>\$ 150,957,817</u>
Accumulated Depreciation for:					
Land Improvements	590,170	118,580	-	-	708,750
Buildings	6,418,014	557,012	-	-	6,975,026
Machinery and Equipment	5,267,178	677,777	(270,890)	(19,402)	5,654,663
Infrastructure	31,678,876	2,176,704	-	-	33,855,580
Total Accumulated Depreciation	<u>43,954,238</u>	<u>3,530,073</u>	<u>(270,890)</u>	<u>(19,402)</u>	<u>47,194,019</u>
Total Capital Assets, Being Depreciated, Net	<u>87,881,927</u>	<u>15,897,486</u>	<u>(15,615)</u>	<u>-</u>	<u>103,763,798</u>
Governmental Activities Capital Assets, Net	<u>\$ 100,247,712</u>	<u>\$ 16,540,606</u>	<u>\$ (9,908,351)</u>	<u>\$ -</u>	<u>\$ 106,879,967</u>

Construction in progress of governmental activities consists of amounts completed on open road projects, software purchases and upgrades, and the addition to the Government Center.

**LYON COUNTY  
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2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	\$ 390,432	\$ -	\$ -	\$ -	\$ 390,432
Capital Assets, Being Depreciated:					
Buildings	\$ 187,823	\$ -	\$ -	\$ -	\$ 187,823
Machinery and Equipment	1,781,200	375,954	-	19,402	2,176,556
Landfill Cells	10,342,085	-	-	-	10,342,085
Infrastructure	508,946	-	-	-	508,946
Total Capital Assets, Being Depreciated	\$ 12,820,054	\$ 375,954	\$ -	\$ 19,402	\$ 13,215,410
Accumulated Depreciation for:					
Buildings	\$ 91,971	\$ 6,260	\$ -	\$ -	\$ 98,231
Machinery and Equipment	942,921	159,439	-	19,402	1,121,762
Landfill cells	7,613,777	363,775	-	-	7,977,552
Infrastructure	197,515	35,521	-	-	233,036
Total Accumulated Depreciation	8,846,184	564,995	-	19,402	9,430,581
Total Capital Assets, Being Depreciated, Net	3,973,870	(189,041)	-	-	3,784,829
Business-Type Capital Assets, Net	\$ 4,364,302	\$ (189,041)	\$ -	\$ -	\$ 4,175,261

There was no construction in progress for the business-type activities in 2017.

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

Governmental Activities:	
General Government	\$ 539,211
Public Safety	290,306
Highways and Streets, Including Depreciation of Infrastructure Assets	2,539,209
Sanitation	4,887
Culture and Recreation	142,505
Conservation of Natural Resources	13,955
Total Depreciation Expense - Governmental Activities	<u>\$ 3,530,073</u>
Business-Type Activities	
Landfill	<u>\$ 564,995</u>

**LYON COUNTY  
MARSHALL, MINNESOTA  
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2. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds

The composition of interfund balances as of December 31, 2017, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Enterprise Fund	\$ 131,524
General Fund	Road & Bridge Special Revenue Fund	115
Road and Bridge Special Revenue Fund	Landfill Enterprise Fund	132
Road and Bridge Special Revenue Fund	General Fund	<u>4,790</u>
Total Due To/From Other Funds		<u>\$ 136,561</u>

The outstanding balances between funds result from the time lag between the dates the interfund goods and services are provided or reimbursable expenditures occur and are recorded in the accounting system, and the date when the funds are repaid. These balances are expected to be liquidated in the subsequent year.

2. Advances To/From Other Funds

The composition of interfund balances as of December 31, 2017, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Ditch Special Revenue Fund	\$ 113,183

The Ditch Special Revenue Fund advance is to provide working capital to County Ditch No. 37 Lateral B with low reserves and current operating costs in excess of its revenues. This balance will be paid from future ditch special assessments collected through 2026.

**LYON COUNTY  
MARSHALL, MINNESOTA  
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2. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2017, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts Payable	\$ 222,931	\$ 119,068
Claims Payable	107,495	-
Salaries Payable	311,260	14,404
Contracts Payable	601,159	-
Due to Other Governments	<u>294,855</u>	<u>11,617</u>
Total Payables	<u>\$ 1,537,700</u>	<u>\$ 145,089</u>

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Unearned Revenues/Deferred Inflows of Resources

In the governmental funds, unearned revenues and deferred inflows of resources consist of special assessments, taxes, state grants, and other receivables not collected soon enough after year-end to pay liabilities of the current period, and state grants received but not yet earned. Unearned revenues and deferred inflows of resources at December 31, 2017, are summarized below by fund:

	<u>Taxes</u>	<u>Special Assessments</u>	<u>Prepaid Taxes</u>	<u>Grants</u>	<u>Other</u>	<u>Total</u>
Governmental Funds:						
General Fund	\$ 81,229	\$ 406,912	\$ 155,061	\$ 75,924	\$ 23,794	\$ 742,920
Special Revenue Funds:						
Road and Bridge	20,914	-	38,548	1,420,137	-	1,479,599
Human Services	29,936	-	57,106	-	-	87,042
Ditch	-	2,903,719	-	-	180,000	3,083,719
Debt Service Fund	14,368	-	24,999	-	-	39,367
Total	<u>146,447</u>	<u>3,310,631</u>	<u>275,714</u>	<u>1,496,061</u>	<u>203,794</u>	<u>5,432,647</u>
Liability:						
Unearned revenue	\$ -	\$ -	\$ -	\$ 75,924	\$ -	\$ 75,924
Deferred Inflows of Resources:						
Unavailable Revenue	146,447	3,310,631	275,714	1,420,137	203,794	5,356,723
Total	<u>146,447</u>	<u>3,310,631</u>	<u>275,714</u>	<u>1,496,061</u>	<u>203,794</u>	<u>5,432,647</u>

4. Long-Term Debt

Capital Leases

Lyon County has lease agreements that qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. Capital leases consist of the following at December 31, 2017:

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2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt

Capital Leases (Continued)

Lease	Final Maturity	Installment	Payment Amount	Original Issue Amount	Outstanding Balance December 31, 2017
2015 Dodge Charger	2018	Monthly	\$ 645	\$ 23,235	\$ 4,185
2015 Dodge Charger	2018	Monthly	645	23,235	4,476
2016 Ford Police Utility	2019	Monthly	678	24,407	10,169
2016 Ford Police Utility	2019	Monthly	678	24,407	9,929
2017 Dodge Charger	2020	Monthly	750	23,996	20,441
2017 Dodge Charger	2020	Monthly	697	25,077	18,987
2017 Dodge Charger	2020	Monthly	750	27,007	20,885
2017 Ford Police Utility	2020	Monthly	697	25,088	20,261
Total Capital Leases					<u>\$ 109,333</u>

Capital lease payments for the squad cars are paid from the General Fund. Capital lease assets comprise \$199,452 of machinery and equipment capital assets and \$59,302 of current year depreciation. The future minimum lease obligations and the net present value of the minimum lease payments as of December 31, 2017, were as follows:

Year Ending December 31	Governmental Activities
2018	\$ 59,655
2019	38,550
2020	11,128
Present Value of Minimum Lease Payments	<u>\$ 109,333</u>

Bonds Payable

On December 7, 2017, Lyon County issued General Obligation Jail Refunding Bond, Series 2017A, in the amount of \$2,425,000, with interest of 3.0 to 4.40 percent. The term of the bonds is 5 years, with interest payments starting in 2018 and principal payments starting in 2019. Payments on the general obligation jail refunding bonds are made to the Debt Service Fund. As a result of this refunding, the County decreased its debt service requirements \$38,806, resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt service) of \$234,145.

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2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt

Bonds Payable (Continued)

On August 20, 2015, Lyon County issued General Obligation Capital Improvement Plan Bonds, Series 2015A, in the amount of \$10,000,000, with interest rates of 3.0 to 5.0 percent. The term of the bonds is 15 years, with interest payments starting in 2016 and principal payments starting in 2022. Payments on the capital improvement plan bonds will be made by the Debt Service Fund.

On November 19, 2015, Lyon County issued General Obligation Ditch Bonds, Series 2015B, in the amount of \$2,610,000, with interest rates of 3.0 to 4.0 percent, to be paid over 20 years. Payments on the ditch bonds will be made by the Ditch Special Revenue Fund.

On July 1, 2008, Lyon County issued General Obligation Jail Bonds, Series 2008A, in the amount of \$8,545,000, with interest rates of 4.0 to 5.0 percent, to finance the costs of constructing a new jail and law enforcement facility. Payments on the general obligation jail bonds are made by the Debt Service Fund.

On August 1, 2008, Lyon County issued General Obligation Drainage Refunding Bonds, Series 2008B, in the amount of \$715,000, with interest rates of 3.15 to 4.25 percent, to refund General Obligation Bonds, Series 1997 and 1999A. Payments on the general obligation drainage refunding bonds are made by the Ditch Special Revenue Fund.

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2017
Special Assessment Bonds with Government Commitment 2008B G.O. Drainage Refunding Bonds	2019	\$35,000 - \$85,000	3.15 - 4.25	\$ 715,000	\$ 70,000
2015B G.O. Ditch Bonds	2036	\$100,000 - \$160,000	3.00 - 4.00	2,610,000	2,510,000
Plus: Unamortized Premium					<u>74,500</u>
Special Assessment Bonds with Government Commitment, Net					<u>\$ 2,654,500</u>



**LYON COUNTY  
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C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt

Bonds Payable (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2017
General Obligation Bonds					
2008A G.O. Jail Bonds	2021	\$150,000 - \$840,000	4.00 - 5.00	\$ 8,545,000	\$ 750,000
2015A G.O. Capital Improvement Plan Bonds	2031	\$800,000 - \$1,195,000	3.00 - 5.00	10,000,000	10,000,000
2017A G.O. Jail Refunding Bonds	2021	\$790,000- \$825,000	3.00 – 4.40	2,425,000	2,425,000
Plus: Unamortized Premium					<u>791,241</u>
General Obligation Bonds, Net					<u><u>\$ 13,966,241</u></u>

Loans Payable

The County entered into loan agreements with the Minnesota Pollution Control Agency for funding Clean Water Partnership (CWP) projects. The loans are secured by special assessments placed on the individual parcels. Loan payments are reported in the General Fund.

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2017
Cottonwood River Restoration CWP Project	2022	\$24,662	2.00	\$ 445,043	\$ 69,895
Yellow Medicine River Watershed CWP Project	2018	\$9,535	2.00	172,070	5,810
Redwood Watershed Phosphorus CWP Project	2021	\$25,038	2.00	<u>451,831</u>	<u>113,057</u>
Total Loans Payable				<u>\$ 1,068,944</u>	<u>\$ 188,762</u>

**LYON COUNTY  
MARSHALL, MINNESOTA  
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2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt (Continued)

Note Payable

During 2014, Yellow Medicine County issued General Obligation Drainage Bonds, Series 2014A, on Joint Ditch No. 3 with Lyon County. Lyon County landowners are responsible for \$385,000 that will be collected by Lyon County through special assessments and paid to Yellow Medicine County for repayment on the bond. A note payable was signed during 2014 with amounts owed through 2030.

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2017
Note Payable	2030	\$25,000 - \$30,000	2.000 - 3.125	\$ 385,000	\$ 330,000

5. Debt Service Requirements

Debt service requirements at December 31, 2017, were as follows:

Year Ending December 31	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 750,000	\$ 518,714	\$ 155,000	\$ 77,994
2019	0	452,081	160,000	72,831
2020	790,000	428,081	130,000	68,263
2021	810,000	410,156	130,000	64,363
2022	1,625,000	384,381	135,000	60,388
2023 - 2027	4,640,000	1,270,031	725,000	236,988
2028 - 2032	4,560,000	295,016	690,000	123,513
2033 - 2037	-	-	455,000	30,006
Total	<u>\$ 13,175,000</u>	<u>\$ 3,758,460</u>	<u>\$ 2,580,000</u>	<u>\$ 734,346</u>

**LYON COUNTY  
MARSHALL, MINNESOTA  
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2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

5. Debt Service Requirements (Continued)

Year Ending December 31	Note Payable		Loans Payable	
	Principal	Interest	Principal	Interest
2018	\$ 25,000	\$ 8,693	\$ 51,598	\$ 3,489
2019	25,000	8,194	46,708	2,511
2020	25,000	7,694	47,647	1,572
2021	30,000	7,144	35,893	678
2022	25,000	6,469	6,916	104
2023 - 2027	125,000	21,094	-	-
2028 - 2032	75,000	3,515	-	-
Total	<u>\$ 330,000</u>	<u>\$ 62,803</u>	<u>\$ 188,762</u>	<u>\$ 8,354</u>

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
General Obligation Bonds	\$ 13,900,000	\$ 2,425,000	\$ 3,150,000	\$ 13,175,000	\$ 750,000
Plus: Unamortized Premium	898,953	46,081	153,793	791,241	-
General Obligation Bonds, Net	<u>\$ 14,798,953</u>	<u>\$ 2,471,081</u>	<u>\$ 3,303,793</u>	<u>\$ 13,966,241</u>	<u>\$ 750,000</u>
Special Assessment Bonds with Government Commitment	\$ 2,715,000	\$ -	\$ 135,000	\$ 2,580,000	\$ 155,000
Plus: Unamortized Premium	80,708	-	6,208	74,500	-
Special Assessment Bonds with Government Commitment, Net	<u>\$ 2,795,708</u>	<u>\$ -</u>	<u>\$ 141,208</u>	<u>\$ 2,654,500</u>	<u>\$ 155,000</u>
Total Bonds Payable	\$ 17,594,661	\$ 2,471,081	\$ 3,445,001	\$ 16,620,741	\$ 905,000
Note Payable	355,000	-	25,000	330,000	25,000
Loans Payable	276,507	-	87,745	188,762	51,598
Capital Leases	60,521	104,168	55,356	109,333	59,655
Compensated Absences	584,208	381,757	354,258	611,707	67,767
Governmental Activities Long-Term Liabilities	<u>\$ 18,870,897</u>	<u>\$ 2,957,006</u>	<u>\$ 3,967,360</u>	<u>\$ 17,860,543</u>	<u>\$ 1,109,020</u>

**LYON COUNTY  
MARSHALL, MINNESOTA  
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2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

6. Changes in Long-Term Liabilities (Continued)

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Estimated Liability for Landfill Closure and Postclosure Care Compensated Absences	\$ 2,226,368	\$ 569,541	\$ -	\$ 2,795,909	\$ -
	40,509	15,321	12,558	43,272	-
Business-Type Activities Long-Term Liabilities	<u>\$ 2,266,877</u>	<u>\$ 584,862</u>	<u>\$ 12,558</u>	<u>\$ 2,839,181</u>	<u>\$ -</u>

7. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each statement of net position date. The \$2,795,909 landfill closure and postclosure care liability at December 31, 2017, represents the cumulative amount reported to date based on the use of 31.96 percent of the estimated capacity of the landfill.

The County will recognize the remaining estimated cost of closure and postclosure care of \$5,951,351 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2017. Based on the current permitted capacity, the landfill has an estimated operating life of 68 years. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The Board is in compliance with these requirements and, at December 31, 2017, restricted assets of \$4,309,650 are held for these purposes. Lyon County expects that future inflation costs will be paid from investment earnings on these annual contributions.

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2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

7. Landfill Closure and Postclosure Care Costs (Continued)

However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

D. Fund Balances

Fund Balances	General	Special Revenue		Debt Service	Total
		Road and Bridge	Ditch		
Nonspendable					
Prepaid items	\$ 53,478	\$ 3,068	\$ -	\$ -	\$ 56,546
Inventories	-	212,055	-	-	212,055
Advances to other funds	113,183	-	-	-	113,183
Restricted					
DARE program	14,476	-	-	-	14,476
Law library	19,434	-	-	-	19,434
Recorder's technology	183,417	-	-	-	183,417
Recorder's compliance	247,401	-	-	-	247,401
Debt service	-	-	-	1,499,181	1,499,181
Ditch	-	-	1,483,206	-	1,483,206
Enhanced 911	286,330	-	-	-	286,330
Sheriff's contingency	2,587	-	-	-	2,587
Sheriff's forfeited property	5,983	-	-	-	5,983
Attorney's forfeited property	67,121	-	-	-	67,121
Sheriff's gun permits	141,350	-	-	-	141,350
Probation supervision fees	78,837	-	-	-	78,837
Septic/sewer loans	136,320	-	-	-	136,320
Fish and wildlife trust	129,944	-	-	-	129,944
Aquatic invasive species	111,891	-	-	-	111,891
Road projects - local option sales tax	-	922,122	-	-	922,122
Road projects - wheelage tax	-	458,334	-	-	458,334
State Park Grant	-	1,575,178	-	-	1,575,178
Committed					
County septic systems program	141,555	-	-	-	141,555
Garvin Park trust	121,404	-	-	-	121,404
Aggregate - gravel pit	209,901	-	-	-	209,901
Recycling and household hazardous waste assessments	358,677	-	-	-	358,677
Assigned					
Criminal justice contingency	57,599	-	-	-	57,599
Self-insurance	489,850	-	-	-	489,850
Capital projects	912,218	-	-	-	912,218
Elections	102,927	-	-	-	102,927
Road and bridge	-	3,035,877	-	-	3,035,877
Unassigned	8,664,286	-	-	-	8,664,286
<b>Total Fund Balances</b>	<b>\$ 12,650,169</b>	<b>\$ 6,206,634</b>	<b>\$ 1,483,206</b>	<b>\$ 1,499,181</b>	<b>\$ 21,839,190</b>

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description

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

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

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 percent for each year of service until fully vested after 20 years.

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Public Employees Correctional Plan (accounted for in the Correctional

**LYON COUNTY  
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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description (Continued)

Fund). For members hired after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years.

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 1.7 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Plan members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

**LYON COUNTY  
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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

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

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in 2017. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2017. Public Employees Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2017.

In 2017, the County was required to contribute the following percentages of annual covered salary:

General Employees Retirement Plan	
Coordinated Plan members	7.50%
Public Employees Police and Fire Plan	16.20
Public Employees Correctional Plan	8.75

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



**LYON COUNTY  
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NOTES TO THE FINANCIAL STATEMENTS  
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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

3. Contributions (Continued)

The County's contributions for the year ended December 31, 2017, to the pension plans were:

General Employees Retirement Plan	\$ 351,958
Public Employees Police and Fire Plan	180,715
Public Employees Correctional Plan	90,659

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

4. Pension Costs

General Employees Retirement Plan

At December 31, 2017, the County reported a liability of \$4,647,504 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.0728 percent. It was 0.0681 percent measured as of June 30, 2016. The County recognized pension expense of \$671,609 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized \$1,689 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

**LYON COUNTY  
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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

County's Proportionate Share of the Net Pension Liability	\$ 4,647,504
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the County	<u>58,474</u>
Total	<u>\$ 4,705,978</u>

The County reported its proportionate share of the General Employees Retirement 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	\$ 153,168	\$ 298,985
Changes in Actuarial Assumptions	771,586	465,913
Difference Between Projected and Actual Investment Earnings	30,017	-
Changes in Proportion	199,098	138,609
Contributions Paid to PERA Subsequent to the Measurement Date	<u>173,544</u>	<u>-</u>
Total	<u>\$ 1,327,413</u>	<u>\$ 903,507</u>

The \$173,544 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

Year Ended December 31	Pension Expense Amount
2018	\$ 179,451
2019	289,832
2020	(21,644)
2021	(197,278)

Public Employees Police and Fire Plan

At December 31, 2017, the County reported a liability of \$1,471,630 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.109 percent. It was 0.101 percent measured as of June 30, 2016. The County recognized pension expense of \$378,619 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized \$9,810 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

**LYON COUNTY  
MARSHALL, MINNESOTA  
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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Plan (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 33,874	\$ 393,424
Changes in Actuarial Assumptions	1,925,921	2,089,349
Difference Between Projected and Actual Investment Earnings	20,211	-
Changes in Proportion	126,367	52,384
Contributions Paid to PERA Subsequent to the Measurement Date	<u>93,728</u>	<u>-</u>
Total	<u>\$ 2,200,101</u>	<u>\$ 2,535,157</u>

The \$93,728 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2018	\$ 39,958
2019	39,958
2020	(13,989)
2021	(105,650)
2022	(389,062)

**LYON COUNTY  
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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Correctional Plan

At December 31, 2017, the County reported a liability of \$1,482,005 for its proportionate share of the Public Employees Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.52 percent. It was 0.51 percent measured as of June 30, 2016. The County recognized pension expense of \$560,933 for its proportionate share of the Public Employees Correctional Plan's pension expense.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 974	\$ 23,775
Changes in Actuarial Assumptions	791,347	257,973
Difference Between Projected and Actual Investment Earnings	-	12,131
Changes in Proportion	27,399	754
Contributions Paid to PERA Subsequent to the Measurement Date	<u>44,259</u>	<u>-</u>
Total	<u>\$ 863,979</u>	<u>\$ 294,633</u>

**LYON COUNTY  
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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Plan (Continued)

The \$44,259 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	\$ 319,100
2019	329,916
2020	(82,675)
2021	(41,255)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2017, was \$1,612,850.

5. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 Percent Per Year
Active Member Payroll Growth	3.25 Percent Per Year
Investment Rate of Return	7.50 Percent

**LYON COUNTY  
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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants in the General Employees Retirement Plan were based on RP-2014 tables, while mortality rates for the Public Employees Police and Fire Plan and the Public Employees Correctional Plan were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for retirees are assumed to be 1.0 percent. Cost of living benefit increases for retirees are assumed to be 2.5 percent for the Public Employees Correctional Plan.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Plan was completed in 2015. The experience study for the Public Employees Police and Fire Plan was completed in 2016. The experience study for the Public Employees Correctional Plan was completed in 2012.

The long-term expected rate of return on pension plan investments is 7.5 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	39%	5.10%
International Stocks	19	5.30
Bonds	20	0.75
Alternative Assets	20	5.90
Cash	2	0.00

6. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Correctional Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2061. Beginning in fiscal years ended June 30, 2062, when projected benefit payments exceed the funds' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 3.56 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.96 percent for the Correctional Fund was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits through the point of asset depletion and 3.56 percent after.



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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2017:

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and nonvested, deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for nonvested 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 3.0 percent 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 percent to 60 percent.

**LYON COUNTY  
MARSHALL, MINNESOTA  
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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

7. Changes in Actuarial Assumptions

Public Employees Police and Fire Plan (Continued)

- 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 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.6 percent per annum to 7.5 percent per annum.

Public Employees Correctional Plan

- 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, and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to MP-2016).
- The Combined Service Annuity (CSA) load was 30 percent for vested and nonvested, deferred members. The CSA has been changed to 35 percent for vested members and 1 percent for nonvested members.
- The Single Discount Rate was changed from 5.31 percent per annum to 5.96 percent per annum.

8. 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 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

8. Pension Liability Sensitivity

	Proportionate Share of the					
	General Employees Retirement Plan		Public Employees Police and Fire Plan		Public Employees Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 7,208,624	6.50%	\$ 2,771,508	4.96%	\$ 2,442,159
Current	7.50	4,647,504	7.50	1,471,630	5.96	1,482,005
1% Increase	8.50	2,550,762	8.50	398,508	6.96	732,592

9. Pension Plan Fiduciary Net Position

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

**LYON COUNTY  
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NOTES TO THE FINANCIAL STATEMENTS  
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3. Pension Plans and Other Postemployment Benefits (Continued)

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by Lyon County during the year ended December 31, 2017, were:

	Employee	Employer
Contribution Amount	\$ 1,199	\$ 1,199
Percentage of Covered Payroll	5%	5%

C. Other Postemployment Benefits (OPEB)

Plan Description and Funding Policy

The County provides a single-employer defined benefit health care plan to eligible retirees. The plan offers medical insurance benefits. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b.

The required contribution is based on projected pay-as-you-go financing requirements. Retirees contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. As of January 1, 2015, (date of the most recent

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Plan Description and Funding Policy (Continued)

actuarial study) there were approximately 25 retirees receiving health benefits from the plan. The implicit rate subsidy amount was determined by an actuarial study to be \$84,808 for 2017.

In addition to the implicit rate subsidy, Lyon County pays the health and dental insurance for qualified retired employees and elected officials. Any employee or elected official hired on a full-time basis or elected to office prior to May 1, 1997, and retiring while in active service shall be entitled to four percent per year of service towards the County dental and health insurance premium. To be eligible, employees and elected officials must have worked for Lyon County for a minimum of 15 years and be at least 55 years old; or the employee's age and years of service, added together, total 75 or more. The County-paid portion shall not exceed the amount currently paid by the County on behalf of active employees, and the benefit continues until death. Any employee hired after May 1, 1997, is not eligible for the benefit. The County finances the plan on a pay-as-you-go basis. The County had 6 elected officials and 42 employees eligible for this benefit in 2017. The cost for this program totaled \$194,754 (\$23,619 for elected officials and \$171,135 for employees) in 2017.

During February 2009, the Lyon County Board of Commissioners reduced the maximum payment of retirement benefits to \$330 per month, prorated at four percent per year of service, and limited the payment period to ten years (120 monthly payments) after retirement or upon death of the retiree, whichever occurs first.

For the governmental activities, the net OPEB obligation is liquidated through the General Fund and the Road and Bridge Special Revenue Fund. For the business-type activities, the net OPEB obligation is liquidated by the Landfill Enterprise Fund.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years.

**LYON COUNTY  
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NOTES TO THE FINANCIAL STATEMENTS  
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3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC	\$	369,855
Interest on Net OPEB Obligation		69,316
Adjustment to ARC		<u>(98,268)</u>
Annual OPEB Cost (Expense)	\$	340,903
Contributions Made During the Year		<u>(279,418)</u>
Increase in Net OPEB Obligation	\$	61,485
Net OPEB Obligation - Beginning of Year		<u>1,732,901</u>
Net OPEB Obligation - End of Year	\$	<u><u>1,794,386</u></u>

The County's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for the years ended December 31, 2015, 2016, and 2017, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2015	\$ 343,897	\$ 237,782	69.1%	\$ 1,659,878
December 31, 2016	342,123	269,100	78.7	1,732,901
December 31, 2017	340,903	279,418	82.0	1,794,386

Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the County had no assets to fund the plan. The actuarial accrued liability for benefits was \$3,877,615, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,877,615. The covered payroll (annual payroll of active employees covered by the plan) was \$5,807,936, and the ratio of the UAAL to the covered payroll was 66.8 percent.

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0 percent investment rate of return (net of investment expenses), which is Lyon County's implicit rate of return on the General Fund.

The annual health care cost trend is 7.25 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 9 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2017, was 20 years.

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

4. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; or natural disasters, for which the County carries commercial insurance. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For all other risk, other than pertaining to health insurance, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2017 and 2018. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

On October 15, 2013, Lyon County entered into a joint powers agreement with three counties (Murray, Redwood, and Swift) and Southwest Health and Human Services to form the Minnesota Public Sector Collaborative to self-insure health insurance as of January 1, 2014. Premiums are withheld from employees and transferred into an internal service fund. Claims are managed and paid by a third party, and the County is billed weekly, in aggregate, for claims incurred.



**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

4. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

The County established a limited risk management program for health coverage in 2014. Premiums are paid into the internal service fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. The County retained risk up to a \$50,000 stop-loss per person insured (employee and eligible dependent) per year (\$1,000,000 aggregate) for the health plan. Liabilities of the internal service fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The December 31, 2017, liability is determined based on detailed reports received by the County from the third-party administrator for claims incurred, adjusted, and paid through February 28, 2018. Changes in the balances of claims liabilities during 2016 and 2017 are as follows:

	2016	2017
Unpaid Claims, January 1	\$ 134,802	\$ 42,254
Incurred Claims	1,394,783	1,554,560
Claims Payments	(1,487,331)	(1,489,319)
Unpaid Claims, December 31	\$ 42,254	\$ 107,495

B. Contingent Liabilities

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

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

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

4. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities (Continued)

Lincoln-Pipestone Rural Water System

At December 31, 2017, the Lincoln-Pipestone Rural Water System had \$47,575,000 of general obligation bonds and other loans outstanding through 2052. The bonds were issued by some of the participating counties in the Rural Water System to finance the construction of water system expansions and improvements.

The debt is paid by the Lincoln-Pipestone Rural Water System from special assessments levied against property specifically benefited by the applicable expansion, extension, or enlargement of the system and from the net revenues from time to time received in excess of the current costs of operating and maintaining the system. The bonds are general obligations of the issuing counties for which their full faith, credit, and taxing powers are pledged. The participating counties (Jackson, Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, and Yellow Medicine) have adopted Board resolutions and have signed joint powers agreements to define their liability for a proportional share of the debt should the issuing counties be required to make any debt service payments. In such a situation, each of the other counties will promptly reimburse the paying counties in proportion to the percentage of Lincoln-Pipestone Rural Water System customers located in such county, in accordance with Minn. Stat. § 116A.24, subd. 3. The outstanding bonds are reported as liabilities in the annual financial statements of the Lincoln-Pipestone Rural Water System and are not reported as liabilities in the financial statements of any of the ten participating counties. The participating counties disclose a contingent liability due to the guarantee of indebtedness.

C. Joint Ventures

The County has an ongoing financial interest or responsibility in the following joint ventures:

Southwest Health and Human Services

Southwest Health and Human Services (SWHHS) was formed pursuant to Minn. Stat. ch. 145A and §§ 471.59 and 393.01, subd. 7, by Lincoln, Lyon, Murray, and Pipestone Counties. SWHHS began official operation on January 1, 2011, and performs human service and public health functions. Funding is provided by the member counties based on consideration of:

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Southwest Health and Human Services (Continued)

(1) population based on the most recent national census; (2) tax capacity; and (3) the most recent three-year average Social Services Expenditure and Grant Reconciliation Report (SEAGR), each factor to be weighted equally.

Rock County's health and human services functions were assumed by SWHHS as of January 1, 2012. Redwood County's health and human service functions and Pipestone County's human service function joined SWHHS as of January 1, 2013.

SWHHS is governed by the:

- Joint Health and Human Services Board ("Joint Board") - responsible for financial, personnel, budget, and general administration of the agency, and is made up of one County Commissioner (or alternate) from each county serving on the Community Health Board and one County Commissioner (or alternate) serving on the Human Services Board.
- Human Services Board - responsible for duties set forth in Minn. Stat. ch. 393 and made up of two County Commissioners appointed annually and one layperson to be appointed consistent with the requirement of the Commissioner of Human Services.
- Community Health Board - responsible for all duties set forth in Minn. Stat. ch. 145A and made up of one County Commissioner and one alternate from each member county unless such county shall have a population in excess of twice that of any other member county, in which case, it shall have two Commissioners and two alternates.

Financing is provided by state and federal grants and appropriations from member counties. Lyon County's contribution in 2017 for the human services function was \$2,926,246 and its contribution to the health services function was \$342,821.

Complete financial statements of Southwest Health and Human Services can be obtained at 607 West Main, Marshall, Minnesota 56258.

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Lincoln-Pipestone Rural Water System

Lyon County, along with Jackson, Lac qui Parle, Lincoln, Murray, Nobles, Pipestone, Redwood, Rock, and Yellow Medicine Counties, jointly established the Lincoln-Pipestone Rural Water System pursuant to Minn. Stat. ch. 116A. The Rural Water System is responsible for storing, treating, and distributing water for domestic, commercial, and industrial use within the area it serves. The cost of providing these services is recovered through user charges.

The Lincoln-Pipestone Rural Water System is governed by a Board appointed by the District Court. The Rural Water System's Board is solely responsible for the budgeting and financing of the Rural Water System.

Bonds were issued by Lincoln, Nobles, and Yellow Medicine Counties to finance the construction of the Rural Water System. Costs assessed to municipalities and special assessments levied against benefited properties pay approximately 85 percent of the amount necessary to retire principal and interest on the bonds. The remainder of the funds necessary to retire the outstanding bonds and interest will be provided by appropriations from the Lincoln-Pipestone Rural Water System. Outstanding obligations at December 31, 2017, were \$47,575,000.

Complete financial statements of the Lincoln-Pipestone Rural Water System can be obtained at East Highway 14, P. O. Box 188, Lake Benton, Minnesota 56149-0188.

Red Rock Rural Water System

The Red Rock Rural Water System was established pursuant to Minn. Stat. ch. 116A through a joint powers agreement, pursuant to Minn. Stat. § 471.59 and under the jurisdiction of the Fifth Judicial District. Brown, Cottonwood, Jackson, Lyon, Martin, Murray, Redwood, and Watonwan Counties have agreed to guarantee their shares of debt arising within each respective county. The Red Rock Rural Water System provides water for participating rural water users and cities within the water district. The cost of providing these services is recovered through user charges.

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Red Rock Rural Water System (Continued)

The governing body is composed of nine members appointed to three-year terms by the District Court. Each county is responsible for levying and collecting the special assessments from the benefited properties within that county. A bond issue and notes payable are shown as long-term debt on the financial statements of the Red Rock Rural Water System.

Complete financial information can be obtained from the Red Rock Rural Water System, 305 West Whited Street, Jeffers, Minnesota 56145.

Southwest Minnesota Regional Emergency Communications Joint Powers Board

As of August 23, 2013, the Southwest Minnesota Regional Radio Board changed its name to the Southwest Minnesota Regional Emergency Communications Joint Powers Board. The Southwest Minnesota Regional Emergency Communications Joint Powers Board was established April 22, 2008, between Lyon County, the Cities of Marshall and Worthington, and 12 other counties under the authority of Minn. Stat. §§ 471.59 and 403.39. The purpose of the agreement is to formulate a regional radio board to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER).

Control is vested in a Joint Powers Board consisting of one County Commissioner and one City Council member for each party to the agreement. The members representing counties and cities shall be appointed by their respective governing bodies for the membership of that governing body. In addition, voting members of the Board include a member of the Southwest Minnesota Regional Advisory Committee, a member of the Southwest Minnesota Regional Radio System User Committee, and a member of the Southwest Minnesota Owners and Operators Committee.

Financing is provided by the appropriations from member parties and by state and federal grants. During 2017, Lyon County contributed \$3,027 to the Joint Powers Board.

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Marshall-Lyon County Library

The Marshall-Lyon County Library is governed by a nine-member Board. All members are to be appointed by the Mayor for the City of Marshall with City Council approval. The City of Marshall appoints six members, and the County recommends appointment for three members. Of the County recommendations, one is to be a County Commissioner and two are to be residents of Lyon County residing outside the City of Marshall.

Lyon County and the City of Marshall are responsible for the operating budget of the Library. Lyon County agreed to be responsible for no less than \$200,000 per year. Lyon County's contribution for 2017 was \$264,382.

Brown-Lyon-Redwood-Renville Drug Task Force

As of January 1, 2011, the Brown-Lyon-Redwood Drug Task Force changed its name to the Brown-Lyon-Redwood-Renville Drug Task Force. The Brown-Lyon-Redwood-Renville Drug Task Force was established between Brown, Lyon, and Redwood Counties and the Cities of Marshall, New Ulm, and Redwood Falls, pursuant to Minn. Stat. § 471.59, as of January 1, 2010. Renville County joined the Task Force as of January 1, 2011. The Task Force was established to create a cooperative law enforcement effort that provides drug enforcement services for member organizations.

The Task Force is governed by an Advisory Board consisting of one appointed member from each party to the agreement. Financing is provided through contributions of the participating counties, grants, and forfeitures. During 2017, Lyon County paid \$83,360 to the Task Force.

Fiscal agent responsibilities for the Task Force are with the City of New Ulm. The Task Force is reported as an agency fund in the City of New Ulm's financial statements.

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Advocate, Connect, Educate (A.C.E.) of Southwest Minnesota

Lyon County, in conjunction with Cottonwood, Lincoln, Murray, Nobles, Redwood, and Rock Counties and the Southwest Regional Development Commission, pursuant to Minn. Stat. § 471.59, have formed an agreement to coordinate the delivery of volunteer services to non-profit community service entities and local units of government meeting the guidelines for receiving volunteer services under the authority of the counties. The entity known as Retired and Senior Volunteer Program of Southwest Minnesota (RSVP of Southwest Minnesota) changed its name to A.C.E. of Southwest Minnesota as of January 1, 2014. Lyon County joined as of July 1, 2014. The Board comprises one voting member from each participating county and one voting member of the A.C.E. of Southwest Minnesota Advisory Council. In 2017, Lyon County made contributions of \$44,353 to the A.C.E. of Southwest Minnesota.

Plum Creek Library System

Lyon County, along with 19 cities and 8 other counties participates in the Plum Creek Library System. The Plum Creek Library System was created as a public library service on May 29, 1974, by the act of contracting with various public libraries in its region to provide expanded library service, with the additional purpose of furthering the public interest by providing the potential for extending public library services into areas without such services. The Plum Creek Library System is governed by a board of trustees which consists of two representatives from each county. One is appointed by the County Commissioners, the second from the board of participating libraries.

Complete financial statements of the Plum Creek Library System can be obtained at 290 South Lake Street, P. O. Box 697, Worthington, Minnesota 56187.

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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

D. Jointly-Governed Organizations

Lyon County, in conjunction with other governmental entities, has formed the jointly-governed organization listed below:

Southwest Minnesota Public Safety Board

The Southwest Minnesota Public Safety Board was established June 29, 2012, by a joint powers agreement between Lyon, Murray, Nobles, Pipestone, Redwood, and Yellow Medicine Counties and the Cities of Marshall and Worthington under authority of Minn. Stat. § 471.59. The purpose of the agreement is to formulate regional and local emergency communications recording and logging services between the parties.

Control is vested in a Joint Powers Board consisting of one County Commissioner or one City Council member for each party to the agreement and the Sheriff or Chief of Police from each party to the agreement. The members representing counties and cities shall be appointed by their respective governing bodies for the membership of that governing body. In 2017, Lyon County contributed \$4,000 to the Southwest Minnesota Public Safety Board.



**REQUIRED SUPPLEMENTARY INFORMATION**

**LYON COUNTY  
MARSHALL, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 8,160,946	\$ 8,160,946	\$ 7,944,698	\$ (216,248)
Special Assessments	254,012	254,012	419,392	165,380
Licenses and Permits	17,655	17,655	49,770	32,115
Intergovernmental	1,581,065	1,581,065	2,181,830	600,765
Charges for Services	951,000	951,000	977,494	26,494
Gifts and Contributions	-	-	8,300	8,300
Investment Earnings	49,000	49,000	185,472	136,472
Miscellaneous	809,400	809,400	1,108,897	299,497
Total Revenues	\$ 11,823,078	\$ 11,823,078	\$ 12,875,853	\$ 1,052,775
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>GENERAL GOVERNMENT</b>				
Commissioners	\$ 217,550	\$ 217,550	\$ 218,733	\$ (1,183)
Courts	140,000	140,000	85,252	54,748
Law Library	16,000	16,000	38,813	(22,813)
Administrator	325,300	325,300	338,506	(13,206)
Auditor - Treasurer	657,550	657,550	663,068	(5,518)
Information Technology	320,196	320,196	293,139	27,057
Elections	105,500	105,500	21,233	84,267
Central Services	379,000	379,000	386,819	(7,819)
Attorney	469,050	469,050	489,480	(20,430)
Recorder	353,000	353,000	435,182	(82,182)
Assessor	399,300	399,300	392,677	6,623
Building and Plant	597,250	597,250	726,561	(129,311)
Veterans Service Officer	147,490	147,490	100,357	47,133
Human Resources	-	-	5,154	(5,154)
Garvin Park Trust	-	-	101,439	(101,439)
Lyon County Self Insurance Trust	-	-	8,741	(8,741)
Total General Government	\$ 4,127,186	\$ 4,127,186	\$ 4,305,154	\$ (177,968)
<b>PUBLIC SAFETY</b>				
Sheriff	\$ 2,735,815	\$ 2,735,815	\$ 2,844,709	\$ (108,894)
Law Enforcement Center	1,943,775	1,943,775	2,008,636	(64,861)
Boat and Water Safety	-	-	1,207	(1,207)
Joint Law Enforcement Center	195,300	195,300	176,997	18,303
Coroner	30,000	30,000	20,870	9,130
Sentence to Serve	62,000	62,000	18,724	43,276
Probation and Parole	374,650	374,650	366,486	8,164
Emergency Services	81,775	81,775	78,222	3,553
E-911 System	104,000	104,000	44,391	59,609
SWMRRB Grants	-	-	57,900	(57,900)
Total Public Safety	\$ 5,527,315	\$ 5,527,315	\$ 5,618,142	\$ (90,827)

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

**LYON COUNTY  
MARSHALL, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>EXPENDITURES (CONTINUED)</b>				
<b>CURRENT</b>				
<b>SANITATION</b>				
Environmental	\$ 593,493	\$ 593,493	\$ 595,162	\$ (1,669)
<b>CULTURE AND RECREATION</b>				
Parks	\$ 317,729	\$ 317,729	\$ 346,025	\$ (28,296)
Other	115,400	115,400	132,543	(17,143)
Total Culture and Recreation	\$ 433,129	\$ 433,129	\$ 478,568	\$ (45,439)
<b>CONSERVATION OF NATURAL RESOURCES</b>				
Extension	\$ 128,781	\$ 128,781	\$ 132,614	\$ (3,833)
Soil and Water Conservation	419,891	419,891	254,251	165,640
Water Quality Loan Program	-	-	84,442	(84,442)
Other	81,645	81,645	78,709	2,936
Total Conservation of Natural Resources	\$ 630,317	\$ 630,317	\$ 550,016	\$ 80,301
<b>ECONOMIC DEVELOPMENT</b>				
Community Development	\$ 4,200	\$ 4,200	\$ 46,240	\$ (42,040)
<b>INTERGOVERNMENTAL</b>				
Health	\$ 342,821	\$ 342,821	347,275	\$ (4,454)
Culture and Recreation	289,382	289,382	289,382	-
Total Intergovernmental	\$ 632,203	\$ 632,203	\$ 636,657	\$ (4,454)
<b>DEBT SERVICE</b>				
Principal	\$ -	\$ -	\$ 143,100	\$ (143,100)
Interest	-	-	5,037	(5,037)
Total Debt Service	\$ -	\$ -	\$ 148,137	\$ (148,137)
Total Expenditures	\$ 11,947,843	\$ 11,947,843	\$ 12,378,076	\$ (430,233)
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(124,765)	(124,765)	497,777	622,542
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	\$ -	\$ -	\$ (12,005)	\$ 12,005
Proceeds from Capital Lease	-	-	104,168	(104,168)
Total Other Financing Sources (Uses)	-	-	92,163	(92,163)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (124,765)</u>	<u>\$ (124,765)</u>	589,940	<u>\$ 714,705</u>
Fund Balance - Beginning of Year, as Restated (Note 1.E)			<u>12,060,229</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 12,650,169</u>	

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

**LYON COUNTY  
MARSHALL, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 4,066,151	\$ 4,066,151	\$ 4,063,142	\$ (3,009)
Intergovernmental	3,976,316	3,976,316	7,850,178	3,873,862
Charges for Services	20,000	20,000	27,447	7,447
Investment Earnings	-	-	10,565	10,565
Miscellaneous	355,500	355,500	337,238	(18,262)
Total Revenues	8,417,967	8,417,967	12,288,570	3,870,603
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>HIGHWAY AND STREETS</b>				
Public Works	\$ 6,050	\$ 6,050	\$ 3,776	\$ 2,274
Administration	383,746	383,746	355,755	27,991
Construction	4,455,547	4,455,547	8,627,774	(4,172,227)
Maintenance	2,299,176	2,299,176	1,960,294	338,882
Equipment and Maintenance Shops	917,404	917,404	933,683	(16,279)
Total Highways and Streets	8,061,923	8,061,923	11,881,282	(3,819,359)
<b>INTERGOVERNMENTAL</b>				
Highways and Streets	\$ 400,000	\$ 400,000	\$ 396,040	\$ 3,960
Total Expenditures	\$ 8,461,923	\$ 8,461,923	\$ 12,277,322	\$ (3,815,399)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (43,956)</u>	<u>\$ (43,956)</u>	11,248	<u>\$ 55,204</u>
Fund Balance - Beginning of Year			6,243,727	
Decrease in Inventory			(48,341)	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 6,206,634</u>	

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

**LYON COUNTY  
MARSHALL, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,922,445	\$ 2,922,445	\$ 2,843,829	\$ (78,616)
Intergovernmental	-	-	82,418	82,418
Total Revenues	2,922,445	2,922,445	2,926,247	3,802
<b>EXPENDITURES</b>				
<b>INTERGOVERNMENTAL</b>				
Human Services	\$ 2,922,445	\$ 2,922,445	\$ 2,926,247	\$ (3,802)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			-	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ -</u>	

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

**LYON COUNTY  
MARSHALL, MINNESOTA  
SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a)/c)</b>
January 1, 2007	\$ -	\$ 9,480,606	\$ 9,480,606	0.00%	\$ 4,482,273	211.5%
January 1, 2009	-	4,103,917	4,103,917	0.00%	4,942,611	83.0%
January 1, 2012	-	3,330,764	3,330,764	0.00%	4,858,831	68.6%
January 1, 2015	-	3,877,615	3,877,615	0.00%	5,807,936	66.8%

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

**LYON COUNTY  
MARSHALL, MINNESOTA  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA GENERAL EMPLOYEES RETIREMENT PLAN – LYON COUNTY  
DECEMBER 31, 2017**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share of the Net Pension Liability Associated with Entity Name	Employer's Proportionate 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
2017	0.0728%	\$ 4,647,504	\$ 58,474	\$ 4,705,978	\$ 4,737,416	98.10%	75.90%
2016	.0681	5,529,382	72,227	5,601,609	4,225,610	130.85%	68.91
2015	.0718	3,721,049	N/A	3,721,049	4,222,023	88.13%	78.19

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

The measurement date for each year is June 30.

N/A - Not Applicable

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

**LYON COUNTY  
MARSHALL, MINNESOTA  
SCHEDULE OF PENSION CONTRIBUTIONS  
PERA GENERAL EMPLOYEES RETIREMENT PLAN – LYON COUNTY  
DECEMBER 31, 2017**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2017	\$ 351,958	\$ 351,958	\$ -	\$ 4,606,607	7.64%
2016	327,281	327,281	-	4,363,735	7.50%
2015	327,218	327,218	-	4,362,892	7.50%

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



**LYON COUNTY  
MARSHALL, MINNESOTA  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN – LYON COUNTY  
DECEMBER 31, 2017**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2017	.1090%	\$ 1,471,630	\$ 1,120,166	131.38%	85.40%
2016	.1010	4,053,306	976,625	415.03%	63.88
2015	.1080	1,227,133	985,736	124.49%	86.61

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

**LYON COUNTY  
MARSHALL, MINNESOTA  
SCHEDULE OF PENSION CONTRIBUTIONS  
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN – LYON COUNTY  
DECEMBER 31, 2017**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2017	\$ 180,715	\$ 180,715	\$ -	\$ 1,128,353	16.02%
2016	166,452	166,452	-	1,027,480	16.20%
2015	164,195	164,195	-	1,013,546	16.20%

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

**LYON COUNTY  
MARSHALL, MINNESOTA  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN  
DECEMBER 31, 2017**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2017	.520%	\$ 1,482,005	\$ 1,037,427	142.85%	67.90%
2016	.510	1,863,101	961,042	193.86	58.16
2015	.510	78,846	919,327	8.58	96.95

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.

**LYON COUNTY  
MARSHALL, MINNESOTA  
SCHEDULE OF PENSION CONTRIBUTIONS  
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN  
DECEMBER 31, 2017**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2017	\$ 90,659	\$ 90,659	\$ -	\$ 1,020,703	8.88%
2016	84,412	84,412	-	964,703	8.75%
2015	86,066	86,066	-	983,612	8.75%

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

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. General Budget Policies

The County Board adopts estimated revenue and expenditure budgets for the General Fund, Road and Bridge Special Revenue Fund, and Human Services Special Revenue Fund. The expenditure budget is approved at the fund level.

The budgets may be amended or modified at any time by the County Board. Expenditures may not legally exceed budgeted appropriations. Comparisons of final budgeted revenues and expenditures to actual are presented in the required supplementary information for the General Fund and budgeted special revenue funds.

2. Budget Basis of Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles.

3. Budget Amendments

The County did not amend the budgets for the General Fund or any of the special revenue funds.

4. Excess of Expenditures Over Budget

Expenditures exceeded final budgets in the following funds:

Fund	Expenditures	Budgets	Excess
Major Governmental Funds:			
General Fund	\$ 12,378,076	\$ 11,947,843	\$ 430,233
Road and Bridge Fund	11,881,282	8,061,923	3,819,359
Human Services Fund	2,926,247	2,922,445	3,802

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2017**

5. Other Postemployment Benefits - Funding Status

Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets to pay the accrued liability for postemployment benefits is zero. See Note 3.C. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

6. Other Postemployment Benefits - Significant Plan Provision and Actuarial Assumption Changes

2012

The County obtained an actuarial valuation as of January 1, 2012. Since the actuarial valuation as of January 1, 2009, the following assumptions have changed:

Actuarial Assumptions

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated to reflect the projection of 2000 rates to 2012 based on scale BB.
- Future retirees electing to continue coverage on the County medical plan was reduced from 50 percent to 35 percent.

2015

The County obtained an actuarial valuation as of January 1, 2015. Since the actuarial valuation as of January 1, 2012, the following assumptions have changed:

Actuarial Assumptions

- The health care trend rates were changed to better anticipate short-term and long-term medical increases. At the time the valuation was completed, the actual 2015 medical cost increase was available. The actual 2015 increase of 14.9 percent has been taken into account in the valuation.

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2017**

6. Other Postemployment Benefits - Significant Plan Provision and Actuarial Assumption Changes  
(Continued)

2015

Actuarial Assumptions (Continued)

- The mortality table was updated to reflect the projection of RP 2000 rates to 2012 (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar Mortality Table with MP-2015 Generational Improvement Scale (Blue Collar Tables for Police and Fire Personnel).
- The discount rate was changed from 4.5 percent to 4.0 percent.

Plan Provisions

- The service requirement for access to group insurance was changed from three years to five years due to changes in the public pension provisions.

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

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30, 2017:

General Employees Retirement Plan

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

**LYON COUNTY  
MARSHALL, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2017**

7. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

Public Employees Police and Fire Plan

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0 percent 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 percent to 60 percent.
- 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 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.



**SUPPLEMENTARY INFORMATION**



**AGENCY FUNDS**



**LYON COUNTY  
MARSHALL, MINNESOTA  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**AGENCY FUNDS**

Economic Development – to account for the receipts and disbursements of the Enterprise Development Board.

Lyon County Ag Society – to account for the receipts and disbursements of the Lyon County Agricultural Society.

Lyon County Soil & Water Conservation District Projects – to account for the receipts and disbursements of the Soil & Water Conservation District project monies.

Minnesota Public Sector Collaborative – to account for the receipts and disbursements of the Minnesota Public Sector Collaborative Joint Powers Board.

State Revenue – to account for the collection and disbursement of the state's share of fees, fines, and mortgage registry and state deed taxes.

Southwest Minnesota Regional Emergency Communications Board – to account for the joint receipts and disbursements of the Southwest Minnesota Regional Emergency Communications Joint Powers Board.

Southwest Minnesota Regional Public Safety Board – to account for the receipts and disbursements of the Southwest Minnesota Regional Public Safety Board.

Taxes and Penalties – to account for the collection of taxes and penalties and their distribution to the various fund and government units.

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**LYON COUNTY  
MARSHALL, MINNESOTA  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Balance January 1	Additions	Deductions	Balance December 31
<b>ENTERPRISE DEVELOPMENT</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,223	\$ -	\$ -	\$ 1,223
<b>LIABILITIES</b>				
Due to Other Governments	\$ 1,223	\$ -	\$ -	\$ 1,223
<b>LYON COUNTY AG SOCIETY</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,060	\$ 145,263	\$ 128,828	\$ 17,495
<b>LIABILITIES</b>				
Due to Other Governments	\$ 1,060	\$ 145,263	\$ 128,828	\$ 17,495
<b>LYON COUNTY SOIL &amp; WATER CONSERVATION DISTRICT PROJECTS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 353,981	\$ 257,785	\$ 246,185	\$ 365,581
<b>LIABILITIES</b>				
Due to Other Governments	\$ 353,981	\$ 257,785	\$ 246,185	\$ 365,581
<b>MINNESOTA PUBLIC SECTOR COLLATORATIVE</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 8,203	\$ 6,538	\$ 1,444	\$ 13,297
<b>LIABILITIES</b>				
Due to Other Governments	\$ 8,203	\$ 6,538	\$ 1,444	\$ 13,297

**LYON COUNTY  
MARSHALL, MINNESOTA  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b>STATE REVENUE</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	<u>\$ 351,980</u>	<u>\$ 640,604</u>	<u>\$ 940,742</u>	<u>\$ 51,842</u>
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 351,980</u>	<u>\$ 640,604</u>	<u>\$ 940,742</u>	<u>\$ 51,842</u>
<b>SOUTHWEST MINNESOTA REGIONAL EMERGENCY COMMUNICATIONS BOARD</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	<u>\$ 110,253</u>	<u>\$ 105,862</u>	<u>\$ 101,964</u>	<u>\$ 114,151</u>
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 110,253</u>	<u>\$ 105,862</u>	<u>\$ 101,964</u>	<u>\$ 114,151</u>
<b>SOUTHWEST MINNESOTA REGIONAL PUBLIC SAFETY BOARD</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	<u>\$ 507,361</u>	<u>\$ 146,822</u>	<u>\$ 615,471</u>	<u>\$ 38,712</u>
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 507,361</u>	<u>\$ 146,822</u>	<u>\$ 615,471</u>	<u>\$ 38,712</u>
<b>TAXES AND PENALTIES</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	<u>\$ 438,172</u>	<u>\$ 44,500,336</u>	<u>\$ 44,068,397</u>	<u>\$ 870,111</u>
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 438,172</u>	<u>\$ 44,500,336</u>	<u>\$ 44,068,397</u>	<u>\$ 870,111</u>



**LYON COUNTY  
MARSHALL, MINNESOTA  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b>TOTAL ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	<u>\$ 1,772,233</u>	<u>\$ 45,803,210</u>	<u>\$ 46,103,031</u>	<u>\$ 1,472,412</u>
Total Assets	<u><u>\$ 1,772,233</u></u>	<u><u>\$ 45,803,210</u></u>	<u><u>\$ 46,103,031</u></u>	<u><u>\$ 1,472,412</u></u>
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 1,772,233</u>	<u>\$ 45,803,210</u>	<u>\$ 46,103,031</u>	<u>\$ 1,472,412</u>
Total Liabilities	<u><u>\$ 1,772,233</u></u>	<u><u>\$ 45,803,210</u></u>	<u><u>\$ 46,103,031</u></u>	<u><u>\$ 1,472,412</u></u>

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**OTHER SCHEDULES**



**LYON COUNTY  
MARSHALL, MINNESOTA  
SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>Primary Government</b>
<b>Appropriations and Shared Revenue</b>	
<b>State:</b>	
Highway Users Tax	\$ 6,748,844
Market Value Credit	298,618
PERA Rate Reimbursement	40,500
Disparity Reduction Aid	26,855
Police Aid	125,959
County Program Aid	720,017
Enhanced 911	101,626
Riparian Protection Aid	129,331
Aquatic Invasive species aid	55,541
<b>Total Appropriations and Shared Revenue</b>	<b>\$ 8,247,291</b>
<b>Reimbursement for Services</b>	
<b>Local:</b>	
Minnesota Department of Human Services	\$ 40,758
City of Cottonwood	134,488
Lincoln County	20,675
<b>Total Reimbursements for Services</b>	<b>\$ 195,921</b>
<b>Payments</b>	
<b>Local:</b>	
Payments in Lieu of Taxes	\$ 357,709
Local Contributions	17,161
<b>Total Payments</b>	<b>\$ 374,870</b>
<b>Grants</b>	
<b>State:</b>	
Minnesota Department/Board of:	
Natural Resources	360,521
Public Safety	3,244
Corrections	54,960
Transportation	213,567
Water and Soil Resources	29,339
Veterans Affairs	10,000
Peace Officer Standards and Training Board	5,087
Pollution Control Agency	218,903
<b>Total State</b>	<b>\$ 895,621</b>
<b>Federal</b>	
Department of:	
Commerce	\$ 2,409
Justice	1,672
Transportation	393,855
Homeland Security	55,491
<b>Total Federal</b>	<b>\$ 453,427</b>
<b>Total State and Federal Grants</b>	<b>\$ 1,349,048</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 10,167,130</b>



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

Board of County Commissioners  
Lyon County  
Marshall, 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 business-type activities, each major fund, and the aggregate remaining fund information of Lyon County, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Lyon County's basic financial statements, and have issued our report thereon dated September 24, 2018.

**Internal Control Over Financial Reporting**

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

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations as item 2017-001, that we consider to be material weaknesses.

### **Compliance and Other Matters**

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

### **Lyon County's Response to Findings**

Lyon County's response to the finding identified in our audit is described in the accompanying schedule of findings and recommendations. Lyon County's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

### **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 result of that testing, and not to provide an opinion on the effectiveness of the County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Alexandria, Minnesota  
September 24, 2018

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**LYON COUNTY  
MARSHALL, MINNESOTA  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
YEAR ENDED DECEMBER 31, 2017**

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

**MATERIAL WEAKNESSES (FINANCIAL REPORTING)**

AUDIT ADJUSTMENTS (2017-001)

**Criteria:** County management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of the financial statements in accordance with applicable accounting and reporting standards. Management is responsible for accuracy and completeness of all financial records and related information. Their responsibilities include adjusting the financial statements to correct material misstatements and produce accurate financial statements on a timely basis.

**Condition:** Audit procedures revealed a material adjustment related to the prior period to restate beginning net position and fund balance related to expense recorded in the wrong year. This adjustment recorded activity not properly reflected in the prior year. Audit procedures also resulted in material and immaterial adjustments to record revenue and expense in the current year.

**Context:** Lyon County had not previously recorded a payable in the landfill fund for amounts paid after year end. In addition, material adjustments were proposed to record payables and receivables in the landfill fund and receivables in the general fund.

**Cause:** The amounts were not considered to be material to the financial statements in previous years.

**Effect:** Errors in the previous year-end balances increases the risk related to financial statement misstatements. The amounts were, in our judgement, material to the financial statements and, therefore, we concluded that a material weakness existed in the County's control policies and procedures related to recording such adjustments, which are required to be reported under professional standards.

**Repeat Finding:** This was not a repeat finding.

**Recommendation:** We recommend the County review receipts and payments after year end to ensure activity is recorded in the correct period.

**View of Responsible Official:** Acknowledged

**LYON COUNTY  
MARSHALL, MINNESOTA  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
YEAR ENDED DECEMBER 31, 2017**

**FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS (CONTINUED)**

**OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE**

PUBLISHING OF ITEMIZED CLAIMS (2017-002)

**Criteria:** Minnesota Statutes §375.12 requires that County Board minutes be published within 30 days of the meeting and include an individualized, itemized list of County Board-approved payments over \$2,000. For claims \$2,000 or less, the total number of claims and total amount shall be stated. The County can publish summaries of the minutes, meeting the requirement of Minn. Stat. §331A.01. However, the County must still publish claims as required by Minn. Stat. §375.12.

**Condition:** Lyon County does not publish an itemized list of County Board-approved payments over \$2,000 with the total number of claims and total amount for payments under \$2,000 as provided by Minn. Stat. §375.12.

**Context:** Lyon County includes vendors paid over \$2,000 in the version of the County Board minutes available online at the County website, but the minutes published in the newspaper do not include itemized claims over \$2,000.

**Cause:** The County Board and management do not wish to incur additional costs of publication and continue to make claim information available in the official minutes and the minutes posted on the County's website, and warrant registers remain physically available at the Auditor/Treasurer's Office.

**Effect:** Noncompliance with Minn. Stat. §375.12.

**Repeat Finding:** Finding was a repeat finding from the prior year identified as Finding 2016-001

**Recommendation:** We recommend the County comply with the above-noted statute and publish an itemized list of County Board-approved payments over \$2,000 with the total number of claims and total amount for payments under \$2,000.

**View of Responsible Official:** Acknowledged

**LYON COUNTY  
MARSHALL, MINNESOTA  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2017**

**OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE (CONTINUED)**

DELEGATION OF AUTHORITY – ELECTRONIC FUND TRANSFERS (2017-003)

**Criteria:** Minnesota Statutes §471.38 subds. 3 and 3a govern electronic fund transfer conditions and requirements. This statute requires the County to enact a plan containing the following policy controls: annual delegation of authority to make electronic funds transfers, requiring the disbursing bank to keep a certified copy of delegation of authority, identification of the initiator of each electronic funds transfer, the initiator to document the request and obtain approval for each transfer before initiating the transaction, written confirmation of each transaction within one business day, and a list of transactions to be submitted to the board at the next regular meeting after the transaction.

**Condition:** The County’s formal written policy and standard practice around electronic funds transfers do not address all of the above requirements.

**Context:** Lyon County’s current policy and practice does not include annual delegation of authority to make electronic funds transfers.

**Cause:** The County was not aware of this new statutory requirement.

**Effect:** Noncompliance with Minn. Stat. §471.38

**Repeat Finding:** This is not a repeat finding.

**Recommendation:** We recommend the County comply with the above-noted statute and annual delegate the authority to make electronic fund transfers.

**View of Responsible Official:** Acknowledged

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## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of County Commissioners  
Lyon County, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lyon County (the County) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 24, 2018.

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

In connection with our audit, nothing came to our attention that caused us to believe that Lyon County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Recommendations as items 2017-002 and 2017-003. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Alexandria, Minnesota  
September 24, 2018