

LYON COUNTY, MINNESOTA
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2020

**LYON COUNTY
MARSHALL, MINNESOTA
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INTRODUCTORY SECTION

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**LYON COUNTY
MARSHALL, MINNESOTA
ORGANIZATIONAL SCHEDULE
2020**

| Office | Name | Term Expires |
|-----------------------------|-----------------|---------------|
| Commissioners | | |
| 1 st District | Charles Sanow | January 2021 |
| 2 nd District | Stephen Ritter | January 2023 |
| 3 rd District | Paul Graupmann | January 2023 |
| 4 th District | Gary Crowley * | January 2021 |
| 5 th District | Rick Anderson | January 2021 |
| Officers | | |
| Elected | | |
| Attorney | Rick Maes | January 2023 |
| Sheriff | Eric Wallen | January 2023 |
| Appointed | | |
| Administrator | Loren Stomberg | Indefinite |
| Assessor | Mark Buysse | December 2024 |
| Auditor/Treasurer | E.J. Moberg | Indefinite |
| Environmental Administrator | Roger Schroeder | Indefinite |
| Highway Engineer | Aaron VanMoer | May 2022 |
| Recorder | Michelle DeSmet | Indefinite |
| Veteran's Service Officer | Heidi Fier | October 2022 |

* = Chair 2020

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FINANCIAL SECTION

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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, 2020, 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, 2020, 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 Matter Regarding Restatement

During the year ended December 31, 2020, the County restated beginning net position in the Landfill Fund and business-type activities to correct errors in the previously issued financial statements (see Note 6. B.). In addition, during the year ended December 31, 2020, the County adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 84, *Fiduciary Activities*. As a result of the implementation of this standard, the County reported a restatement for a change in accounting principle (see Note 6). Our auditor's 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 changes in the total OPEB liability, related ratios and notes, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lyon County's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

Supplementary Information (continued)

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2021, 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.



CliftonLarsonAllen LLP

Brainerd, Minnesota
September 27, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**LYON COUNTY
MARSHALL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(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, 2020. 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 and deferred outflows of Lyon County exceeded its liabilities and deferred inflows on December 31, 2020, by \$134,531,928 (net position). Of this amount, \$11,195,304 (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 \$6,169,539 in 2020 from current operations. A large part of the increase is attributable to the County's additional operating grants.
- The net cost of governmental and business-type activities for the current fiscal year was \$13,079,103. The net cost was funded by general revenues totaling \$19,248,642.
- As of the close of 2020, the County's governmental funds reported combined ending fund balances of \$24,901,016, an increase of \$3,778,104 in comparison with 2019 combined ending fund balances. Of the 2020 balance, \$17,804,650 was unrestricted (committed, assigned, and unassigned) and, thus, available for spending at the government's discretion.
- At the end of 2020, the unrestricted fund balance for the General Fund was \$13,367,714, or 87.4 percent, of the total General Fund expenditures for the year. This represents an increase from 2019, in which the unrestricted fund balance for the General Fund represented 85.5 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
DECEMBER 31, 2020
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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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MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 Statement of Fiduciary Net Position and Statement of 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 and schedule of expenditures of federal awards.

**LYON COUNTY
MARSHALL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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(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 \$134,531,928 at the close of 2020. The largest portion of Lyon County's net position (78.5 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 2019 is presented:

| | Net Position | | | 2019 |
|---|------------------------------------|-------------------------------------|-----------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| Assets | | | | |
| Current and other assets | \$ 35,139,903 | \$ 11,032,569 | \$ 46,172,472 | \$ 43,093,195 |
| Capital assets | 113,153,095 | 4,073,226 | 117,226,321 | 116,520,317 |
| Total Assets | \$ 148,292,998 | \$ 15,105,795 | \$ 163,398,793 | \$ 159,613,512 |
| Deferred Outflows of Resources | | | | |
| Deferred pension outflows | \$ 1,196,134 | \$ 29,169 | \$ 1,225,303 | \$ 1,626,491 |
| Deferred OPEB outflows | 237,039 | 9,748 | 246,787 | 291,324 |
| Total Deferred Outflows of Resources | 1,433,173 | 38,917 | 1,472,090 | 1,917,815 |
| Liabilities | | | | |
| Long-term liabilities | \$ 22,638,308 | \$ 3,108,262 | \$ 25,746,570 | \$ 26,871,555 |
| Other liabilities | 1,805,049 | 368,024 | 2,173,073 | 2,399,441 |
| Total Liabilities | \$ 24,443,357 | \$ 3,476,286 | \$ 27,919,643 | \$ 29,270,996 |
| Deferred Inflows of Resources | | | | |
| Deferred pension inflows | \$ 1,590,841 | \$ 15,761 | \$ 1,606,602 | \$ 3,298,222 |
| Deferred OPEB inflows | 780,608 | 32,102 | 812,710 | 130,716 |
| Gain on Refunding | - | - | - | 78,048 |
| Total Deferred Inflows of Resources | \$ 2,371,449 | \$ 47,863 | \$ 2,419,312 | \$ 3,506,986 |
| Net Position | | | | |
| Net investment in capital assets | \$ 101,537,982 | \$ 4,073,226 | \$ 105,611,208 | \$ 103,882,271 |
| Restricted | 12,679,666 | 5,045,750 | 17,725,416 | 16,962,366 |
| Unrestricted | 8,693,717 | 2,501,587 | 11,195,304 | 7,908,708 |
| Total Net Position | \$ 122,911,365 | \$ 11,620,563 | \$ 134,531,928 | \$ 128,753,345 |

Unrestricted net position (in the amount of \$11,195,304)--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 8.3 percent of the net position.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Lyon County's activities increased net position during 2020 by \$6,169,539, representing a 4.8 percent increase. Key elements in this increase in net position are as follows for 2020, with comparative data for 2019:

| | Changes in Net Position | | | 2019 |
|---|----------------------------|-----------------------------|-----------------------|-----------------------|
| | 2020 | | | |
| | Governmental Activities | Business-Type Activities | Total | |
| Revenues | | | | |
| Program revenues | | | | |
| Fees, charges, fines and other | \$ 3,157,574 | \$ 2,878,190 | \$ 6,035,764 | \$ 10,095,998 |
| Operating grants and contributions | 7,329,536 | - | 7,329,536 | 3,766,797 |
| Capital grants and contributions | 4,110,539 | - | 4,110,539 | 6,064,936 |
| General revenues | | | | |
| Property taxes | 15,009,294 | - | 15,009,294 | 14,814,685 |
| Other | 4,044,802 | 194,546 | 4,239,348 | 5,857,924 |
| Total Revenues | <u>\$ 33,651,745</u> | <u>\$ 3,072,736</u> | <u>\$ 36,724,481</u> | <u>\$ 40,600,340</u> |
| Expenses | | | | |
| General government | 6,079,460 | - | 6,079,460 | 4,740,535 |
| Public safety | 5,191,322 | - | 5,191,322 | 5,443,549 |
| Highways and streets | 7,881,153 | - | 7,881,153 | 14,447,581 |
| Sanitation | 781,647 | 2,657,300 | 3,438,947 | 3,177,510 |
| Human services | 3,393,818 | - | 3,393,818 | 3,264,583 |
| Health | 355,534 | - | 355,534 | 329,677 |
| Culture and recreation | 1,026,391 | - | 1,026,391 | 919,441 |
| Conservation of natural resources | 1,061,693 | - | 1,061,693 | 1,126,711 |
| Economic development | 1,779,213 | - | 1,779,213 | 11,333 |
| Interest | 347,411 | - | 347,411 | 314,796 |
| Total Expenses | <u>\$ 27,897,642</u> | <u>\$ 2,657,300</u> | <u>\$ 30,554,942</u> | <u>\$ 33,775,716</u> |
| Change in Net Position | 5,754,103 | 415,436 | 6,169,539 | 6,824,624 |
| Net Position - January 1 | 117,177,712 | 11,575,633 | 128,753,345 | 121,770,721 |
| Changes in Account Principle | (20,450) | - | (20,450) | - |
| Prior Period Adjustment | - | (370,506) | (370,506) | 158,000 |
| Net Position - January 1 (as restated) | <u>117,157,262</u> | <u>11,205,127</u> | <u>128,362,389</u> | <u>121,928,721</u> |
| Net Position - December 31 | <u>\$ 122,911,365</u> | <u>\$ 11,620,563</u> | <u>\$ 134,531,928</u> | <u>\$ 128,753,345</u> |

**LYON COUNTY
MARSHALL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental Activities:

In 2020, the total net position of the governmental activities increased by \$5,754,103 to \$122,911,365. The primary reason for the change is an increase in operating grants and contributions.

Business-Type Activities:

In 2020 total net position of the county's business-type activities increased by \$415,546 to \$11,620,563. At year-end the Counties business type activities consisted of landfill services and there was an increase in the current year net position.

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 \$24,901,016, an increase of \$3,778,104 in comparison with the prior year. Of the combined ending fund balances, \$17,804,650 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 \$13,367,714. Fund balance in the General Fund increased \$2,220,933 from the prior year primarily due to additional operating grants related to COVID-19. 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 85.5 percent of total General Fund expenditures.

The Road and Bridge Special Revenue Fund had an unrestricted fund balance of \$4,436,936 at year-end. In total, fund balance for the Road and Bridge Special Revenue Fund increased \$1,278,408 from the previous year, excluding the change in inventory, primarily due to the county completing construction projects in 2019 therefore reducing expenses in 2020.

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

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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 \$1,446,846. This ending balance represents a \$223,398 increase in fund balance from the prior year due to the county reducing the ditch repair work in 2020. The restricted fund balance amount at fiscal year-end was 241 percent of the annual expenditures for the fund.

The Debt Service Fund had a restricted ending balance of \$1,675,587. This ending balance represents a \$55,489 increase in fund balance from the prior year primarily due to the payments on the debt outstanding continuing to decrease. The restricted fund balance amount at fiscal year-end was 135 percent of the annual expenditures for the fund.

Governmental Activities

The County's total revenues for 2020 were \$33,651,745. Table 1 provides a breakdown of the source of revenues for governmental activities for the year ended December 31, 2020.

**Table 1
Total Revenues - Governmental Activities**

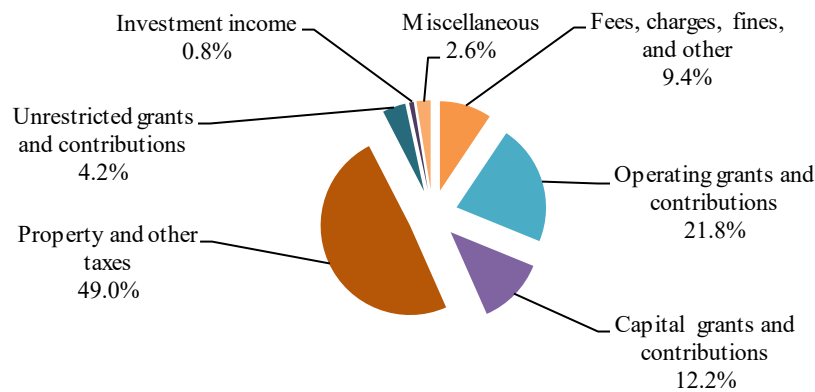


Table 2 (below) presents the revenues and expenses of each of the County's governmental activities, as well as the County's revenues from other sources such as property taxes, interest, and unrestricted grants.

Total revenues for the County's governmental activities were \$33,651,745, while total expenses were \$27,897,642. This corresponds to a \$5,754,103 increase in net position for the year ended December 31, 2020.

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

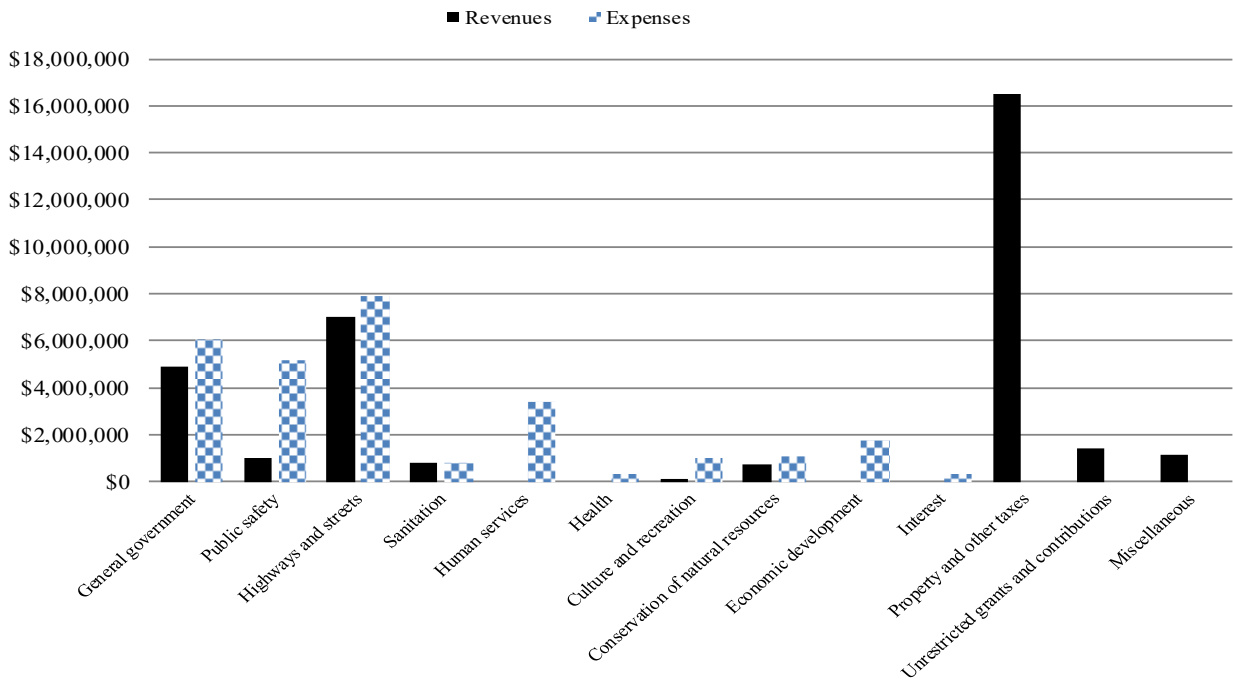


Table 3 displays the cost of each of the County’s four largest program functions as well as each function’s net cost (total cost, less revenues generated by the activity). The net cost shows the financial burden placed on the County’s taxpayers by each of these functions.

**Table 3
Governmental Activities**

| | Total Cost of Services 2020 | Net Cost (Revenue) of Services 2020 |
|----------------------|-----------------------------------|--|
| Public safety | \$ 5,191,322 | \$ (4,193,552) |
| Highways and streets | 7,881,153 | (857,032) |
| General government | 6,079,460 | (1,169,657) |
| Human services | 3,393,818 | (3,393,818) |
| All others | 5,351,889 | (3,685,934) |
| Totals | \$ 27,897,642 | \$ (13,299,993) |

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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General Fund Budgetary Highlights

General Fund revenues exceeded budgeted revenues by \$4,322,173, primarily due to more intergovernmental revenue received than budgeted for.

General Fund expenditures were more than budgeted expenditures by \$2,171,956, primarily due to unbudgeted costs related to the pandemic, along with unbudgeted costs related to building repairs, parks expenditures exceeding the budget 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, 2020, totaled \$110,716,418 (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 \$444,236 from the previous year.

Depreciable Governmental Capital Assets

| | 2020 | 2019 |
|---------------------------------------|----------------|----------------|
| Capital assets depreciated | | |
| Land improvements | \$ 3,588,381 | \$ 3,271,382 |
| Buildings | 33,567,162 | 33,567,162 |
| Machinery and equipment | 8,951,036 | 9,177,635 |
| Infrastructure | 121,667,561 | 118,229,988 |
| Total capital assets depreciated | \$ 167,774,140 | \$ 164,246,167 |
| Less: accumulated depreciation for | | |
| Land improvements | \$ 912,274 | \$ 788,333 |
| Buildings | 8,976,466 | 8,304,082 |
| Machinery and equipment | 6,192,997 | 6,385,795 |
| Infrastructure | 40,975,985 | 38,495,775 |
| Total accumulated depreciation | 57,057,722 | \$ 53,973,985 |
| Total Capital Assets Depreciated, Net | \$ 110,716,418 | \$ 110,272,182 |

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

**LYON COUNTY
MARSHALL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(UNAUDITED)**

Long-Term Debt

At the end of the current fiscal year, the County had total outstanding debt of \$13,974,533 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

| | 2020 | 2019 |
|------------------------------|---------------|---------------|
| Special assessment debt | \$ 2,190,874 | \$ 2,327,082 |
| General obligation debt | 11,398,201 | 12,280,881 |
| Notes form direct borrowings | 42,808 | 90,456 |
| Notes payable | 255,000 | 280,000 |
| Capital leases | 87,650 | 71,559 |
| Total | \$ 13,974,533 | \$ 15,049,978 |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The County's elected and appointed officials considered many factors when setting the 2021 budget, tax rates, and fees that will be charged for the year.

The average unemployment rate for Lyon County for 2020 was 4.5 percent. This compares unfavorably with the state unemployment rate of 4.0 percent and shows an increase from the County's 3.2 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 1.5 percent (\$238,272) from 2020, while the net tax levy (the amount spread to taxpayers) increased 1.1 percent (\$166,228) from 2020.

County Tax Rate and Net Tax Levy History

| | | |
|------|---------|---------------|
| 2021 | 38.951% | \$ 15,246,415 |
| 2020 | 38.968 | 15,080,187 |
| 2019 | 37.768 | 14,751,251 |
| 2018 | 37.500 | 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 15, 2020, the Lyon County Board of Commissioners approved the 2021 budget and adopted a net property tax levy of \$15,246,415, which represents a 1.1 percent increase over the 2020 property tax levy of \$15,080,187.

**LYON COUNTY
MARSHALL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(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.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**LYON COUNTY
MARSHALL, MINNESOTA
STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020**

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|----------------|
| ASSETS | | | |
| Cash and Pooled Investments | \$ 24,101,708 | \$ 5,199,963 | \$ 29,301,671 |
| Investments | 2,640,578 | 751,381 | 3,391,959 |
| Receivables | 7,906,323 | 172,578 | 8,078,901 |
| Internal Balances | 140,093 | (140,093) | - |
| Inventories | 264,438 | - | 264,438 |
| Prepaid Items | 86,763 | 2,990 | 89,753 |
| Restricted Assets | - | 5,045,750 | 5,045,750 |
| Capital Assets: | | | |
| Nondepreciable | 2,436,677 | 390,432 | 2,827,109 |
| Depreciable Assets - Net of Accumulated Depreciation | 110,716,418 | 3,682,794 | 114,399,212 |
| Total Assets | \$ 148,292,998 | \$ 15,105,795 | \$ 163,398,793 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension Related | \$ 1,196,134 | \$ 29,169 | \$ 1,225,303 |
| Other Postemployment Benefits Obligations | 237,039 | 9,748 | 246,787 |
| Total Deferred Outflows of Resources | \$ 1,433,173 | \$ 38,917 | \$ 1,472,090 |
| LIABILITIES | | | |
| Accounts Payable and Other Current Liabilities | \$ 1,318,973 | \$ 368,024 | \$ 1,686,997 |
| Customer Deposits | 45,000 | - | 45,000 |
| Interest Payable | 204,037 | - | 204,037 |
| Net Other Postemployment Benefits Obligations Due Within One Year | 237,039 | - | 237,039 |
| Long-Term Liabilities: | | | |
| Due Within One Year | 1,145,933 | - | 1,145,933 |
| Due in More than One Year | 13,519,098 | 2,696,217 | 16,215,315 |
| Net Pension Liability | 5,494,209 | 301,751 | 5,795,960 |
| Net Other Postemployment Benefits Obligations | 2,479,068 | 110,294 | 2,589,362 |
| Total Liabilities | \$ 24,443,357 | \$ 3,476,286 | \$ 27,919,643 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension Related | \$ 1,590,841 | \$ 15,761 | \$ 1,606,602 |
| Other Postemployment Benefits Obligations | 780,608 | 32,102 | 812,710 |
| Total Deferred Inflows of Resources | \$ 2,371,449 | \$ 47,863 | \$ 2,419,312 |
| NET POSITION | | | |
| Net Investment in Capital Assets | \$ 101,537,982 | \$ 4,073,226 | \$ 105,611,208 |
| Restricted for: | | | |
| Public Safety | 675,009 | - | 675,009 |
| Highways and Streets | 5,058,150 | - | 5,058,150 |
| Conservation of Natural Resources | 4,029,250 | - | 4,029,250 |
| Landfill Closure/Postclosure | - | 5,045,750 | 5,045,750 |
| Debt Service | 1,528,538 | - | 1,528,538 |
| Other Purposes | 1,388,719 | - | 1,388,719 |
| Unrestricted | 8,693,717 | 2,501,587 | 11,195,304 |
| Total Net Position | \$ 122,911,365 | \$ 11,620,563 | \$ 134,531,928 |

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, 2020**

| | 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 |
| FUNCTIONS/PROGRAMS | | | | | | | |
| GOVERNMENTAL ACTIVITIES | | | | | | | |
| General Government | \$ 6,079,460 | \$ 1,083,033 | \$ 3,826,770 | \$ - | \$ (1,169,657) | \$ - | \$ (1,169,657) |
| Public Safety | 5,191,322 | 575,032 | 422,738 | - | (4,193,552) | - | (4,193,552) |
| Highways and Streets | 7,881,153 | 253,761 | 2,659,821 | 4,110,539 | (857,032) | - | (857,032) |
| Sanitation | 781,647 | 640,992 | 169,374 | - | 28,719 | - | 28,719 |
| Human Services | 3,393,818 | - | - | - | (3,393,818) | - | (3,393,818) |
| Health | 355,534 | - | - | - | (355,534) | - | (355,534) |
| Culture and Recreation | 1,026,391 | 93,561 | 54,844 | - | (877,986) | - | (877,986) |
| Conservation of Natural Resources | 1,061,693 | 511,195 | 195,989 | - | (354,509) | - | (354,509) |
| Economic Development | 1,779,213 | - | - | - | (1,779,213) | - | (1,779,213) |
| Interest | 347,411 | - | - | - | (347,411) | - | (347,411) |
| Total Governmental Activities | \$ 27,897,642 | \$ 3,157,574 | \$ 7,329,536 | \$ 4,110,539 | \$ (13,299,993) | \$ - | \$ (13,299,993) |
| BUSINESS-TYPE ACTIVITIES | | | | | | | |
| Landfill | 2,657,300 | 2,878,190 | - | - | - | 220,890 | 220,890 |
| Total | \$ 30,554,942 | \$ 6,035,764 | \$ 7,329,536 | \$ 4,110,539 | \$ (13,299,993) | \$ 220,890 | \$ (13,079,103) |
| GENERAL REVENUES | | | | | | | |
| Property Taxes | | | | | \$ 15,009,294 | \$ - | \$ 15,009,294 |
| Mortgage Registry and Deed Tax | | | | | 25,874 | - | 25,874 |
| County Local Option Sales Tax | | | | | 884,539 | - | 884,539 |
| Wheelage Tax | | | | | 250,407 | - | 250,407 |
| Payment in Lieu of Tax | | | | | 328,578 | - | 328,578 |
| Grants and Contributions not Restricted for a Particular Purpose | | | | | 1,410,090 | - | 1,410,090 |
| Interest Income | | | | | 251,918 | 179,782 | 431,700 |
| Miscellaneous | | | | | 893,396 | 14,764 | 908,160 |
| Total General Revenues | | | | | \$ 19,054,096 | \$ 194,546 | \$ 19,248,642 |
| CHANGE IN NET POSITION | | | | | | | |
| Net Position - Beginning of Year, as Previously Stated | | | | | 117,177,712 | 11,575,633 | 128,753,345 |
| Prior Period Adjustment, See Note 6. A. | | | | | - | (370,506) | (370,506) |
| Change in Accounting Principle, See Note 6. B. | | | | | (20,450) | - | (20,450) |
| Net Position - Beginning of Year, as Restated | | | | | 117,157,262 | 11,205,127 | 128,362,389 |
| NET POSITION - END OF YEAR | | | | | \$ 122,911,365 | \$ 11,620,563 | \$ 134,531,928 |

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, 2020**

| | General | Road and Bridge | Human Services | Ditch |
|---|----------------------|----------------------|-------------------|---------------------|
| ASSETS | | | | |
| Cash and Pooled Investments | \$ 12,807,695 | \$ 6,065,259 | \$ 28,249 | \$ 1,613,077 |
| Investments | 2,640,578 | - | - | - |
| Taxes Receivable - Delinquent | 160,083 | 42,933 | 64,911 | - |
| Special Assessments Receivable: | | | | |
| Delinquent | 20,902 | - | - | 7,912 |
| Noncurrent | 457,968 | - | - | 2,429,556 |
| Accounts Receivable | 39,406 | 5,655 | - | - |
| Accrued Interest Receivable | 20,421 | - | - | 36 |
| Due from Other Governments | 662,836 | 3,782,177 | - | - |
| Due from Other Funds | 95,489 | 48,299 | - | - |
| Notes Receivable | - | - | - | 135,000 |
| Inventory | - | 264,438 | - | - |
| Prepaid Items | 83,244 | 3,519 | - | - |
| Advance to Other Funds | 78,747 | - | - | - |
| | <u>\$ 17,067,369</u> | <u>\$ 10,212,280</u> | <u>\$ 93,160</u> | <u>\$ 4,185,581</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts Payable | \$ 176,590 | \$ 108,319 | \$ - | \$ 42,520 |
| Salaries Payable | 401,906 | 85,690 | - | - |
| Contracts Payable | - | 129,262 | - | - |
| Due to Other Governments | 196,215 | 83,033 | 28,249 | - |
| Due to Other Funds | 3,695 | - | - | - |
| Customer Deposits | - | - | - | 45,000 |
| Advance from Other Funds | - | - | - | 78,747 |
| | <u>778,406</u> | <u>406,304</u> | <u>28,249</u> | <u>166,267</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable Revenue | \$ 654,862 | \$ 3,661,494 | \$ 64,911 | \$ 2,572,468 |
| FUND BALANCES | | | | |
| Nonspendable | \$ 161,991 | \$ 267,957 | \$ - | \$ - |
| Restricted | 2,104,396 | 1,439,589 | - | 1,446,846 |
| Committed | 550,720 | - | - | - |
| Assigned | 1,020,251 | 4,436,936 | - | - |
| Unassigned | 11,796,743 | - | - | - |
| | <u>15,634,101</u> | <u>6,144,482</u> | <u>-</u> | <u>1,446,846</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 17,067,369</u> | <u>\$ 10,212,280</u> | <u>\$ 93,160</u> | <u>\$ 4,185,581</u> |

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

| <u>Debt Service</u> | <u>Total Governmental Funds</u> |
|-------------------------|---|
| \$ 1,676,887 | \$ 22,191,167 |
| - | 2,640,578 |
| 26,256 | 294,183 |
| - | 28,814 |
| - | 2,887,524 |
| - | 45,061 |
| - | 20,457 |
| - | 4,445,013 |
| - | 143,788 |
| - | 135,000 |
| - | 264,438 |
| - | 86,763 |
| - | 78,747 |
| <u>\$ 1,703,143</u> | <u>\$ 33,261,533</u> |

| | |
|--------------|------------------|
| \$ 1,300 | \$ 328,729 |
| - | 487,596 |
| - | 129,262 |
| - | 307,497 |
| - | 3,695 |
| - | 45,000 |
| - | 78,747 |
| <u>1,300</u> | <u>1,380,526</u> |

| | |
|-----------|--------------|
| \$ 26,256 | \$ 6,979,991 |
|-----------|--------------|

| | |
|------------------|-------------------|
| \$ - | \$ 429,948 |
| 1,675,587 | 6,666,418 |
| - | 550,720 |
| - | 5,457,187 |
| - | 11,796,743 |
| <u>1,675,587</u> | <u>24,901,016</u> |

| | |
|---------------------|----------------------|
| <u>\$ 1,703,143</u> | <u>\$ 33,261,533</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, 2020**

| | | |
|--|-----------------|-----------------------|
| TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS | | \$ 24,901,016 |
| 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. | | 113,153,095 |
| 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. | | 1,894,923 |
| 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. | | 6,979,991 |
| Deferred outflows and inflows of resources related to other postemployment obligations are applicable to future periods and, therefore, are not reported in the funds. | | |
| Deferred Outflows of Resources Related to Other Postemployment Obligations | | 237,039 |
| Deferred Inflows of Resources Related to Other Postemployment Obligations | | (780,608) |
| 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 | | 1,196,134 |
| Deferred Inflows of Resources Related to Pensions | | (1,590,841) |
| 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 | \$ (10,825,000) | |
| Special Assessment Bonds | (2,135,000) | |
| Unamortized Bond Premium | (573,201) | |
| Unamortized Special Assessment Premium | (55,874) | |
| Capital Lease | (87,650) | |
| Loans Payable | (42,808) | |
| Notes Payable | (255,000) | |
| Accrued Interest | (204,037) | |
| Compensated Absences | (690,498) | |
| Net Pension Liability | (5,494,209) | |
| Net Other Postemployment Benefits | (2,716,107) | (23,079,384) |
| TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES | | \$ 122,911,365 |

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 ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

| | General | Road and Bridge | Human Services | Ditch |
|---|-----------------------------|----------------------------|---------------------|----------------------------|
| REVENUES | | | | |
| Taxes | \$ 8,215,488 | \$ 3,292,609 | \$ 3,318,886 | \$ - |
| Special Assessments | 611,764 | - | - | 792,338 |
| Licenses and Permits | 60,855 | - | - | - |
| Intergovernmental | 6,278,014 | 6,693,936 | 74,808 | 19,325 |
| Charges for Services | 1,131,155 | 6,300 | - | - |
| Investment Earnings | 247,868 | - | - | 6,767 |
| Miscellaneous | 907,350 | 247,461 | - | 4,665 |
| Total Revenues | <u>\$ 17,452,494</u> | <u>\$ 10,240,306</u> | <u>\$ 3,393,694</u> | <u>\$ 823,095</u> |
| EXPENDITURES | | | | |
| CURRENT | | | | |
| General Government | \$ 4,847,863 | \$ - | \$ - | \$ - |
| Public Safety | 5,701,694 | - | - | - |
| Highways and Streets | - | 8,484,476 | - | - |
| Sanitation | 777,151 | - | - | - |
| Culture and Recreation | 541,291 | - | - | - |
| Conservation of Natural Resources | 833,957 | - | - | 361,823 |
| Economic Development | 1,779,213 | - | - | - |
| INTERGOVERNMENTAL | 717,262 | 477,422 | 3,393,818 | - |
| DEBT SERVICE | | | | |
| Principal | 102,273 | - | - | 155,000 |
| Interest | 1,573 | - | - | 78,674 |
| Administrative (Fiscal) Fees | - | - | - | 4,200 |
| Total Expenditures | <u>\$ 15,302,277</u> | <u>\$ 8,961,898</u> | <u>\$ 3,393,818</u> | <u>\$ 599,697</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>\$ 2,150,217</u> | <u>\$ 1,278,408</u> | <u>\$ (124)</u> | <u>\$ 223,398</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Capital Lease Issued | 70,716 | - | - | - |
| NET CHANGE IN FUND BALANCES | <u>\$ 2,220,933</u> | <u>\$ 1,278,408</u> | <u>\$ (124)</u> | <u>\$ 223,398</u> |
| Fund Balances - Beginning of Year, as Previously Stated | 13,433,618 | 4,931,558 | 124 | 1,223,448 |
| Change in Accounting Principle, See Note 5. B. | (20,450) | - | - | - |
| Fund Balances - Beginning of Year, as Restated | <u>13,413,168</u> | <u>4,931,558</u> | <u>124</u> | <u>1,223,448</u> |
| DECREASE IN INVENTORY | <u>-</u> | <u>(65,484)</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES - END OF YEAR | <u><u>\$ 15,634,101</u></u> | <u><u>\$ 6,144,482</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 1,446,846</u></u> |

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

| Debt Service | Total Governmental Funds |
|---------------------|--------------------------------|
| \$ 1,269,248 | \$ 16,096,231 |
| - | 1,404,102 |
| - | 60,855 |
| 29,672 | 13,095,755 |
| - | 1,137,455 |
| - | 254,635 |
| - | 1,159,476 |
| <u>\$ 1,298,920</u> | <u>\$ 33,208,509</u> |
| | |
| \$ - | \$ 4,847,863 |
| - | 5,701,694 |
| - | 8,484,476 |
| - | 777,151 |
| - | 541,291 |
| - | 1,195,780 |
| - | 1,779,213 |
| - | 4,588,502 |
| 810,000 | 1,067,273 |
| 428,081 | 508,328 |
| 5,350 | 9,550 |
| <u>\$ 1,243,431</u> | <u>\$ 29,501,121</u> |
| | |
| \$ 55,489 | \$ 3,707,388 |
| - | 70,716 |
| <u>\$ 55,489</u> | <u>\$ 3,778,104</u> |
| 1,620,098 | 21,208,846 |
| - | (20,450) |
| <u>1,620,098</u> | <u>21,188,396</u> |
| - | (65,484) |
| <u>\$ 1,675,587</u> | <u>\$ 24,901,016</u> |

**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, 2020**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 3,778,104

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 | \$ 4,089,820 | |
| Net Book Value of Capital Asset Disposals | (22,415) | |
| Current Year Depreciation | <u>(3,957,399)</u> | 110,006 |

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 | 6,979,991 | |
| Unavailable Revenue - January 1 | <u>(7,161,067)</u> | (181,076) |

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:

| | | |
|---------------|-----------------|----------|
| Capital Lease | <u>(70,716)</u> | (70,716) |
|---------------|-----------------|----------|

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 | 810,000 | |
| Special Assessment Bonds | 130,000 | |
| Notes | 25,000 | |
| Capital Leases | 54,625 | |
| Loans | <u>47,648</u> | 1,067,273 |

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 | 11,958 | |
| Change in Unamortized Refunding Gain on Bonds | 78,049 | |
| Change in Net Pension Liability | (683,178) | |
| Change in Deferred Pension Outflows | (403,740) | |
| Change in Deferred Pension Inflows | 1,649,552 | |
| Amortization of Premiums | 78,888 | |
| Change in Compensated Absences | (27,852) | |
| Change in Other Postemployment Benefits | 808,354 | |
| Change in Deferred Other Postemployment Benefits Outflows | (42,914) | |
| Change in Deferred Other Postemployment Benefits Inflows | (655,094) | |
| Change in Inventory | <u>(65,484)</u> | 748,539 |

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.

301,973

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 5,754,103

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

PROPRIETARY FUNDS

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**LYON COUNTY
MARSHALL, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020**

| ASSETS | Business-Type Activities Landfill Enterprise Fund | Governmental Activities Internal Service Fund |
|--|--|--|
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 5,199,963 | \$ 1,910,541 |
| Investments | 751,381 | - |
| Accounts Receivable | 91,174 | 50,271 |
| Interest Receivable | 21 | - |
| Due From Other Governments | 81,383 | - |
| Prepaid Items | 2,990 | - |
| Total Current Assets | <u>\$ 6,126,912</u> | <u>\$ 1,960,812</u> |
| RESTRICTED ASSETS | | |
| Investments | \$ 5,032,133 | \$ - |
| Accrued Interest Receivable | 13,617 | - |
| Total Restricted Assets | <u>\$ 5,045,750</u> | <u>\$ -</u> |
| NONCURRENT ASSETS | | |
| Capital Assets: | | |
| Nondepreciable | \$ 390,432 | \$ - |
| Depreciable - Net of Accumulated Depreciation | 3,682,794 | - |
| Total Noncurrent Assets | <u>\$ 4,073,226</u> | <u>\$ -</u> |
| Total Assets | <u>\$ 15,245,888</u> | <u>\$ 1,960,812</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension Related | \$ 29,169 | \$ - |
| Other Postemployment Benefits Obligations | 9,748 | - |
| Total Deferred Outflows of Resources | <u>38,917</u> | <u>-</u> |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 145,979 | \$ - |
| Salaries Payable | 26,081 | - |
| Claims Payable | - | 65,889 |
| Other Postemployment Benefits Obligations - Due in One Year | 9,748 | - |
| Due to Other Funds | 140,093 | - |
| Due to Other Governments | 195,964 | - |
| Total Current Liabilities | <u>\$ 517,865</u> | <u>\$ 65,889</u> |
| NONCURRENT LIABILITIES | | |
| Compensated Absences | \$ 48,802 | \$ - |
| Net Pension Liability | 301,751 | - |
| Other Postemployment Benefits Obligation - Due in More Than One Year | 100,546 | - |
| Estimated Liability for Landfill Closure/Postclosure Care | 2,647,415 | - |
| Total Noncurrent Liabilities | <u>\$ 3,098,514</u> | <u>\$ -</u> |
| Total Liabilities | <u>\$ 3,616,379</u> | <u>\$ 65,889</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension Related | \$ 15,761 | \$ - |
| Other Postemployment Benefits Obligations | 32,102 | - |
| Total Deferred Inflows of Resources | <u>\$ 47,863</u> | <u>\$ -</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | \$ 4,073,226 | \$ - |
| Restricted for: | | |
| Postclosure Care | 5,045,750 | - |
| Unrestricted | 2,501,587 | 1,894,923 |
| Total Net Position | <u>\$ 11,620,563</u> | <u>\$ 1,894,923</u> |

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, 2020**

| | Business-Type Activities Landfill Enterprise Fund | Governmental Activities Internal Service Fund |
|--|--|--|
| OPERATING REVENUE | | |
| Charges for Services | \$ 2,878,190 | \$ 2,316,695 |
| Miscellaneous | 14,764 | - |
| Total Operating Revenue | <u>\$ 2,892,954</u> | <u>\$ 2,316,695</u> |
| OPERATING EXPENSES | | |
| Administration and Fiscal Services | \$ 27,909 | \$ - |
| Personal Services | 498,369 | - |
| Other Services and Charges | 803,567 | - |
| Professional Services | 439,979 | - |
| Utilities | 39,842 | - |
| Depreciation | 839,603 | - |
| Landfill Closure and Postclosure Care Costs | 8,031 | - |
| Cost of Service | - | 2,014,722 |
| Total Operating Expenses | <u>\$ 2,657,300</u> | <u>\$ 2,014,722</u> |
| OPERATING INCOME | \$ 235,654 | \$ 301,973 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Investment Earnings | 179,782 | - |
| CHANGE IN NET POSITION | \$ 415,436 | \$ 301,973 |
| Net Position - Beginning of Year, as Previously Stated | 11,575,633 | 1,592,950 |
| Prior Period Adjustment, See Note 6. A. | (370,506) | - |
| Net Position - Beginning of Year, as Restated | <u>11,205,127</u> | <u>1,592,950</u> |
| NET POSITION - ENDING | <u>\$ 11,620,563</u> | <u>\$ 1,894,923</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, 2020**

| | Business-Type Activities <u>Landfill Enterprise Fund</u> | Governmental Activities <u>Internal Service Fund</u> |
|---|--|--|
| Cash Flows from Operating Activities | | |
| Receipts from Customers and Users | \$ 2,932,655 | \$ 2,439,981 |
| Payments to Suppliers | (1,172,244) | (2,248,204) |
| Payments to Employees | (555,886) | - |
| Net Cash Provided by Operating Activities | <u>1,204,525</u> | <u>191,777</u> |
| Cash Flows from Investing Activities | | |
| Investment income | 219,440 | - |
| Purchase of investments | (192,058) | - |
| Net Cash Provided by Investing Activities | <u>27,382</u> | <u>-</u> |
| Cash Flows from Noncapital Financing Activities | | |
| Intergovernmental borrowing | 84,773 | - |
| Net Cash Provided by Noncapital Financing Activities | <u>84,773</u> | <u>-</u> |
| Cash Flows from Capital and Related Financing Activities | | |
| Payments for construction and purchases of capital assets | (1,435,601) | - |
| Net Cash Used by Capital and Related Financing Activities | <u>(1,435,601)</u> | <u>-</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (118,921) | 191,777 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>5,318,884</u> | <u>1,718,764</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 5,199,963</u> | <u>\$ 1,910,541</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Operating Income | \$ 235,654 | \$ 301,973 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | |
| Depreciation Expense | 839,603 | - |
| (Increase) Decrease in Accounts Receivable | 39,701 | 123,286 |
| (Increase) Decrease in Prepaids | (980) | - |
| (Increase) Decrease in Deferred Pension Outflows | (2,552) | - |
| (Increase) Decrease in Deferred OPEB Outflows | 1,623 | - |
| Increase (Decrease) in Other Postemployment Benefits | (33,243) | - |
| Increase (Decrease) in Accounts Payable | 112,124 | - |
| Increase (Decrease) in Salaries Payable | 1,790 | - |
| Increase (Decrease) in Compensated Absences | (1,729) | - |
| Increase (Decrease) in Landfill Closure/Postclosure Care | 8,031 | - |
| Increase (Decrease) in Claims Payable | - | (233,482) |
| Increase (Decrease) in Net Pension Liability | 19,671 | - |
| Increase (Decrease) in Deferred Pension Inflows | (42,068) | - |
| Increase (Decrease) in Deferred OPEB Inflows | 26,900 | - |
| Net Cash Provided by Operating Activities | <u>\$ 1,204,525</u> | <u>\$ 191,777</u> |

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

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FIDUCIARY FUNDS

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**LYON COUNTY
MARSHALL, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020**

| | Private Purpose Trust | Custodial Funds |
|--|--------------------------|--------------------|
| ASSETS | | |
| Cash and Pooled Investments | \$ 8,688,663 | \$ 5,366,733 |
| Accrued Interest Receivable | 219 | - |
| Due from Other Governments | - | 45,446 |
| Taxes Receivable for Other Governments | - | 768,259 |
| | \$ 8,688,882 | \$ 6,180,438 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | |
| LIABILITIES | | |
| Due to Others | \$ - | \$ 21,396 |
| Due to Other Governments | - | 574,221 |
| Total Liabilities | - | 595,617 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Property Taxes Collected for Subsequent Period | \$ - | \$ 20,919 |
| NET POSITION | | |
| Restricted for: | | |
| Individuals, organizations, and other governments | \$ 8,688,882 | \$ 5,563,902 |

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
YEAR ENDED DECEMBER 31, 2020**

| | Private Purpose Trust | Custodial Funds |
|---|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| ADDITIONS | | |
| Property Tax Collections for Other Governments | \$ - | \$ 29,009,020 |
| Interest | 20,103 | 37,652 |
| Miscellaneous | - | 804,186 |
| Taxes and Fees Collected for State | - | 955,989 |
| License and Fees Collected for State | - | 41,797 |
| Contributions | 36,693,694 | 1,053,497 |
| | <u>36,693,694</u> | <u>1,053,497</u> |
| Total Additions | <u>\$ 36,713,797</u> | <u>\$ 31,902,141</u> |
| DEDUCTIONS | | |
| Beneficiary Payments to Individuals and State | \$ 35,128,879 | \$ 969,405 |
| Payments of Property Tax to Other Governments | - | 28,885,118 |
| Administrative Expenses | - | 1,187,317 |
| Payments to State | - | 955,989 |
| Total Deductions | <u>35,128,879</u> | <u>31,997,829</u> |
| NET INCREASE (DECREASE) IN FIDUCIARY FUNDS | <u>\$ 1,584,918</u> | <u>\$ (95,688)</u> |
| Fiduciary Net Position - Beginning of Year | \$ 7,103,964 | \$ - |
| Changed in Accounting Principle, See Note 6. B. | - | 5,659,590 |
| Fiduciary Net Position - Beginning of Year, As Restated | <u>7,103,964</u> | <u>5,659,590</u> |
| FIDUCIARY NET POSITION - END OF YEAR | <u>\$ 8,688,882</u> | <u>\$ 5,563,902</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, 2020

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, 2020. 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 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 5.C. The County also participates in jointly-governed organizations described in Note 5.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, 2020**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements (Continued)

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, 2020**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements (Continued)

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 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.
- The Custodial funds are custodial in nature. These funds are used for a variety of purposes such as: to account for the collection and disbursement of taxes on behalf of local governments within the County, as an agent for the civil process, as an agent for state revenue payments, and as an agent for the inmates of the Lyon County Jail.

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020**

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, 2020. 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 2020 were \$254,635.

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, 2020**

1. Summary of Significant Accounting Policies (Continued)

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 consists of delinquent special assessments payable in the years 2015 through 2020 and noncurrent special assessments payable in 2021 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, 2020**

1. Summary of Significant Accounting Policies (Continued)

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

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 and the proprietary funds 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, 2020**

1. Summary of Significant Accounting Policies (Continued)

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

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 \$618,368. 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 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.

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

1. Summary of Significant Accounting Policies (Continued)

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

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, 2020**

1. Summary of Significant Accounting Policies (Continued)

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 two items reported in this category, deferred pension outflows and deferred outflows related to OPEB, that qualify 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 three 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. The last type of deferred inflows is related to the systematic amortization of the gain on refunding balance.

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

1. Summary of Significant Accounting Policies (Continued)

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

11. 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. As of December 31, 2020, \$4,704,259 of net position was restricted due to enabling legislation.
- Unrestricted net position - the amount of net position that does not meet the definition of restricted or net investment in capital assets.

12. 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, 2020**

1. Summary of Significant Accounting Policies (Continued)

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

12. 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, 2020**

1. Summary of Significant Accounting Policies (Continued)

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

13. 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 July 2, 2012. At December 31, 2020, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

14. 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.

2. Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Budget

Expenditures exceeded final budgets in the following major funds:

| Fund | Expenditures | Budgets | Excess |
|---------------------------|---------------|---------------|--------------|
| Major Governmental Funds: | | | |
| General Fund | \$ 15,302,277 | \$ 13,127,137 | \$ 2,175,140 |
| Road and Bridge Fund | 8,961,898 | 7,967,816 | 994,082 |

The excess of expenditures over budgets were primarily funded by unexpected grant revenues in response to the coronavirus pandemic.

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

3. 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 | \$ 24,101,708 |
| Investments | 2,640,578 |
| Business-Type Activities: | |
| Cash and Pooled Investments | 5,199,963 |
| Investments | 751,381 |
| Investments - Restricted Assets | 5,032,133 |
| Statement of Fiduciary Net Position: | |
| Cash and Pooled Investments | 14,055,396 |
| Total Cash and Investments | \$ 51,781,159 |

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, 2020**

3. Detailed Notes on All Funds (Continued)

A. Assets and Deferred Outflows of Resources (Continued)

1. Deposits and Investments (Continued)

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, 2020, 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, 2020**

3. Detailed Notes on All Funds (Continued)

A. Assets and Deferred Outflows of Resources (Continued)

1. Deposits and Investments (Continued)

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.

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

3. Detailed Notes on All Funds (Continued)

A. Assets and Deferred Outflows of Resources (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

Credit Risk (Continued)

The County's exposure to credit risk as of December 31, 2020, is as follows:

| Investment Type | Rating Agency | Rating | Fair Value |
|--|------------------|--------|----------------------|
| Federal Farm Credit Bank | S & P | AA + | \$ 486,560 |
| Federal Home Loan Bank | S & P | AA+ | 104,323 |
| Federal Home Loan Mortgage Corporation | S & P | AA+ | 1,326,977 |
| Federal National Mortgage Association | S & P | AA+ | 64,471 |
| Money Market Mutual Fund | N/R | N/R | 2,257,431 |
| U.S. Treasury Notes | Moody | Aaa | 207,876 |
| Municipal Bonds | Moody | AA | 1,433,064 |
| Negotiable Certificates of Deposit | N/R | N/R | 5,780,658 |
| Total | | | <u>\$ 11,661,360</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, 2020, none of the County's investments were subject to custodial credit risk.

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

3. Detailed Notes on All Funds (Continued)

A. Assets and Deferred Outflows of Resources (Continued)

1. Deposits and Investments (Continued)

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:

| <u>Issuer</u> | <u>Reported Amount</u> |
|--|----------------------------|
| US Bank | |
| Federal Home Credit Bank | \$ 486,560 |
| Federal Home Loan Mortgage Corporation | 294,180 |
| Municipal Bonds | 1,433,064 |
| Wells Fargo Advisors | |
| Federal Home Loan Mortgage Corporation | 1,032,797 |
| Mutual Fund | 2,257,431 |
| MAGIC Fund | 23,824,832 |

The following table presents the County's deposit and investment balances at December 31, 2020, along with information relating to maturities:

| <u>Investment Type</u> | <u>Less Than 2 Years</u> | <u>2-5 Years</u> | <u>5-10 Years</u> | <u>Fair Value</u> |
|---------------------------------|------------------------------|------------------|-------------------|-----------------------|
| Investments | | | | |
| Federal Farm Credit Bank | \$ 399,948 | \$ 86,612 | \$ - | \$ 486,560 |
| Federal Home Loan Bank | - | 104,323 | - | 104,323 |
| Federal Home Loan Mortgage Corp | 102,312 | 1,162,665 | 62,000 | 1,326,977 |
| Federal National Mortgage Assn | - | 13,356 | 51,115 | 64,471 |
| U.S. Treasury Notes | - | 207,876 | - | 207,876 |
| Money Market Mutual Funds | 2,257,431 | - | - | 2,257,431 |
| Municipal Bonds | 972,194 | 292,576 | 168,294 | 1,433,064 |
| Negotiable CDs | 4,458,510 | 1,322,148 | - | 5,780,658 |
| Total investments | | | | <u>\$ 11,661,360</u> |

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

3. Detailed Notes on All Funds (Continued)

A. Assets and Deferred Outflows of Resources (Continued)

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, 2020, the County had the following recurring fair value measurements:

| | December 31, 2020 | 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 | \$ 207,876 | \$ - | \$ 207,876 | \$ - |
| U.S. Agencies | 1,982,331 | - | 1,982,331 | - |
| Municipal/Public Bonds | 1,433,064 | - | 1,433,064 | - |
| Negotiable certificates of deposit | 5,780,658 | - | 5,780,658 | - |
| Money market mutual fund | <u>2,257,431</u> | <u>-</u> | <u>2,257,431</u> | <u>-</u> |
| Total Investments included in the Fair value hierarchy | <u>\$ 11,661,360</u> | <u>\$ -</u> | <u>\$ 11,661,360</u> | <u>\$ -</u> |
| Investments measured at Amortized Cost | | | | |
| MAGIC Portfolio | \$ 14,824,832 | | | |
| Investments measured at the Net Asset Value (NAV) | | | | |
| MAGIC Term | <u>9,000,000</u> | | | |
| Total MAGIC investments | <u>\$ 23,824,832</u> | | | |

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

3. Detailed Notes on All Funds (Continued)

A. Assets and Deferred Outflows of Resources (Continued)

1. Deposits and Investments (Continued)

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.

Shares of MAGIC Term Series are purchased to mature upon pre-determined maturity dates selected by the County at the time of purchase. The fair value of the participant's position in the pool approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments. Should the County need to redeem shares in a MAGIC Term Series prematurely they must provide notice at least seven days prior to the premature redemption date. The value of premature redemption is equal to the original price for such share, plus dividends thereon at the projected yield less such share's allocation of any losses incurred by the series, less a premature redemption penalty, if any.

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

3. Detailed Notes on All Funds (Continued)

A. Assets and Deferred Outflows of Resources (Continued)

2. Receivables

Receivables as of December 31, 2020, 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 | \$ 294,183 | \$ - |
| Special assessments | 2,916,338 | 2,887,524 |
| Accounts | 95,332 | - |
| Accrued Interest | 20,457 | - |
| Due from other governments | 4,445,013 | - |
| Notes | 135,000 | 120,000 |
| Total Governmental Activities | \$ 7,906,323 | \$ 3,007,524 |
| Business-Type Activities | | |
| Accounts | \$ 91,174 | \$ - |
| Accrued Interest | 21 | - |
| Due from other governments | 81,383 | - |
| Total Business-Type Activities | \$ 172,578 | \$ - |

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 \$135,000 that will be collected by Lincoln County through special assessments and paid to Lyon County for repayment on the bond.

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

3. Detailed Notes on All Funds (Continued)

A. Assets and Deferred Outflows of Resources (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2020, was as follows:

Governmental Activities

| | Beginning Balance | Increases | Decreases | 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 | 334,230 | 8,211 | (342,441) | - |
| Total Capital Assets, Not Being Depreciated | <u>\$ 2,770,907</u> | <u>\$ 8,211</u> | <u>\$ (342,441)</u> | <u>\$ 2,436,677</u> |
| Capital Assets, Being Depreciated: | | | | |
| Land Improvements | \$ 3,271,382 | \$ 316,999 | \$ - | \$ 3,588,381 |
| Buildings | 33,567,162 | - | - | 33,567,162 |
| Machinery and Equipment | 9,177,635 | 669,478 | (896,077) | 8,951,036 |
| Infrastructure | 118,229,988 | 3,437,573 | - | 121,667,561 |
| Total Capital Assets, Being Depreciated | <u>\$ 164,246,167</u> | <u>\$ 4,424,050</u> | <u>\$ (896,077)</u> | <u>\$ 167,774,140</u> |
| Accumulated Depreciation for: | | | | |
| Land Improvements | \$ 788,333 | \$ 123,941 | \$ - | \$ 912,274 |
| Buildings | 8,304,082 | 672,384 | - | 8,976,466 |
| Machinery and Equipment | 6,385,795 | 680,864 | (873,662) | 6,192,997 |
| Infrastructure | 38,495,775 | 2,480,210 | - | 40,975,985 |
| Total Accumulated Depreciation | <u>53,973,985</u> | <u>3,957,399</u> | <u>(873,662)</u> | <u>57,057,722</u> |
| Total Capital Assets, Being Depreciated, Net | <u>110,272,182</u> | <u>466,651</u> | <u>(22,415)</u> | <u>110,716,418</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 113,043,089</u> | <u>\$ 474,862</u> | <u>\$ (364,856)</u> | <u>\$ 113,153,095</u> |

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

3. Detailed Notes on All Funds (Continued)

A. Assets and Deferred Outflows of Resources (Continued)

3. Capital Assets (Continued)

Business-Type Activities

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------|----------------|-------------------|
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 390,432 | \$ - | \$ - | \$ 390,432 |
| Construction in Progress | 61,146 | 1,131,891 | (1,193,037) | - |
| Total Capital Assets, Not Being Depreciated | 451,578 | 1,131,891 | (1,193,037) | 390,432 |
| Capital Assets, Being Depreciated: | | | | |
| Buildings | \$ 187,823 | \$ - | \$ - | \$ 187,823 |
| Machinery and Equipment | 2,465,024 | 333,431 | (198,022) | 2,600,433 |
| Landfill Cells | 10,342,085 | 1,163,316 | - | 11,505,401 |
| Infrastructure | 508,946 | - | - | 508,946 |
| Total Capital Assets, Being Depreciated | \$ 13,503,878 | \$ 1,496,747 | \$ (198,022) | \$ 14,802,603 |
| Accumulated Depreciation for: | | | | |
| Buildings | \$ 110,751 | \$ 6,260 | \$ - | \$ 117,011 |
| Machinery and Equipment | 1,358,298 | 179,454 | (198,022) | 1,339,730 |
| Landfill cells | 8,705,101 | 618,368 | - | 9,323,469 |
| Infrastructure | 304,078 | 35,521 | - | 339,599 |
| Total Accumulated Depreciation | 10,478,228 | 839,603 | (198,022) | 11,119,809 |
| Total Capital Assets, Being Depreciated, Net | 3,025,650 | 657,144 | - | 3,682,794 |
| Business-Type Capital Assets, Net | \$ 3,477,228 | \$ 1,789,035 | \$ (1,193,037) | \$ 4,073,226 |

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

Governmental Activities:

| | |
|--|---------------------|
| General Government | \$ 672,795 |
| Public Safety | 249,420 |
| Highways and Streets | 2,828,953 |
| Sanitation | 24,678 |
| Culture and Recreation | 159,874 |
| Conservation of Natural Resources | 21,679 |
| Total Depreciation Expense, Governmental Activities | <u>\$ 3,957,399</u> |

Business-Type Activities:

| | |
|----------|-------------------|
| Landfill | <u>\$ 839,603</u> |
|----------|-------------------|

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

3. 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, 2020, is as follows:

| Receivable Fund | Amount |
|--------------------------------------|--------------------------|
| General Fund | \$ 95,489 |
| Road and Bridge Special Revenue Fund | 44,604 |
| Road and Bridge Special Revenue Fund | 3,695 |
| | <hr/> |
| Total Due To/From Other Funds | <u><u>\$ 143,788</u></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, 2020, is as follows:

| Receivable Fund | Amount |
|-----------------|-----------|
| General | \$ 78,747 |

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.

3. Transfers In/Transfers Out

There were no interfund transfers as of December 31, 2020.

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2020, were as follows:

| | Governmental Activities | Business-Type Activities |
|-------------------------------|----------------------------|-----------------------------|
| Accounts payable | \$ 328,729 | \$ 145,979 |
| Claims payable | 65,889 | - |
| Salaries payable | 487,596 | 26,081 |
| Contracts payable | 129,262 | - |
| Due to other governments | 307,497 | 195,964 |
| Total Governmental Activities | <u>\$ 1,318,973</u> | <u>\$ 368,024</u> |

2. Deferred Inflows of Resources

In the governmental funds, 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 not received but not yet earned. Deferred inflows of resources at December 31, 2020, are summarized below by fund:

| | Taxes | Special Assessments | Grants | Other | Total |
|------------------------|-------------------|------------------------|---------------------|-------------------|---------------------|
| Governmental Funds: | | | | | |
| General Fund | \$ 160,083 | \$ 478,870 | \$ 15,909 | \$ - | \$ 654,862 |
| Special Revenue Funds: | | | | | |
| Road and Bridge | 42,933 | - | 3,618,561 | - | 3,661,494 |
| Human Services | 64,911 | - | - | - | 64,911 |
| Ditch | - | 2,437,468 | - | 135,000 | 2,572,468 |
| Debt Service Fund | 26,256 | - | - | - | 26,256 |
| Total | <u>\$ 294,183</u> | <u>\$ 2,916,338</u> | <u>\$ 3,634,470</u> | <u>\$ 135,000</u> | <u>\$ 6,979,991</u> |

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources (Continued)

3. 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, 2020:

| <u>Lease</u> | <u>Final Maturity</u> | <u>Installment</u> | <u>Payment Amount</u> | <u>Original Issue Amount</u> | <u>Outstanding Balance December 31, 2020</u> |
|--------------------------|-----------------------|--------------------|-----------------------|----------------------------------|--|
| 2017 Dodge Charger | 2020 | Monthly | 750 | 26,996 | \$ - |
| 2017 Dodge Charger | 2020 | Monthly | 697 | 25,077 | - |
| 2017 Dodge Charger | 2020 | Monthly | 750 | 27,007 | - |
| 2017 Ford Police Utility | 2020 | Monthly | 697 | 25,088 | - |
| 2018 Dodge Charger | 2021 | Monthly | 670 | 23,339 | 3,296 |
| 2018 Dodge Charger | 2021 | Monthly | 670 | 23,339 | 3,296 |
| 2019 Dodge Charger | 2022 | Monthly | 638 | 22,344 | 11,308 |
| 2019 Dodge Charger | 2022 | Monthly | 636 | 22,344 | 11,676 |
| 2020 Dodge Charger | 2023 | Monthly | 669 | 23,572 | 18,999 |
| 2020 Dodge Charger | 2023 | Monthly | 669 | 23,572 | 19,343 |
| 2020 Dodge Charger | 2023 | Monthly | 669 | 23,572 | 19,732 |
| Total Capital Leases | | | | | <u>\$ 87,650</u> |

Capital lease payments for the squad cars are paid from the General Fund. Capital lease assets comprise \$187,169 of machinery and equipment capital assets and \$54,625 of current year depreciation. The future minimum lease obligations and the net present value of the minimum lease payments as of December 31, 2020, were as follows:

| <u>Year Ending December 31</u> | <u>Governmental Activities</u> |
|---|------------------------------------|
| 2021 | \$ 45,298 |
| 2022 | 32,439 |
| 2023 | 9,913 |
| Present Value of Minimum Lease Payments | <u>\$ 87,650</u> |

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Long-Term Debt (Continued)

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.

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. The County is required to make debt payments even if the property owners default on paying their special assessments.

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Long-Term Debt (Continued)

Bonds Payable (Continued)

| <u>Type of Indebtedness</u> | <u>Final Maturity</u> | <u>Installment Amounts</u> | <u>Average Interest Rate (%)</u> | <u>Original Issue Amount</u> | <u>Outstanding Balance December 31, 2020</u> |
|--|-----------------------|----------------------------|----------------------------------|------------------------------|--|
| Special Assessment Bonds with Government Commitment | | | | | |
| 2015B G.O. Ditch Bonds | 2036 | \$100,000 - \$160,000 | 3.00 - 4.00 | \$ 2,610,000 | \$ 2,135,000 |
| Plus: Unamortized Premium | | | | | <u>55,874</u> |
| Special Assessment Bonds with Government Commitment, Net | | | | | <u>\$ 2,190,874</u> |

| <u>Type of Indebtedness</u> | <u>Final Maturity</u> | <u>Installment Amounts</u> | <u>Average Interest Rate (%)</u> | <u>Original Issue Amount</u> | <u>Outstanding Balance December 31, 2020</u> |
|---|-----------------------|----------------------------|----------------------------------|------------------------------|--|
| General Obligation Bonds | | | | | |
| 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 | 825,000 |
| Plus: Unamortized Premium | | | | | <u>573,201</u> |
| General Obligation Bonds, Net | | | | | <u>\$ 11,398,201</u> |

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Long-Term Debt (Continued)

Notes from Direct Borrowings

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.

| <u>Type of Indebtedness</u> | <u>Final Maturity</u> | <u>Installment Amounts</u> | <u>Interest Rate (%)</u> | <u>Original Issue Amount</u> | <u>Outstanding Balance December 31, 2020</u> |
|--|-----------------------|----------------------------|--------------------------|------------------------------|--|
| Cottonwood River Restoration CWP Project | 2022 | \$19,108 | 2.00 | \$ 445,043 | \$ 13,694 |
| Redwood Watershed Phosphorus CWP Project | 2021 | \$28,540 | 2.00 | 451,831 | 29,114 |
| Total Loans Payable | | | | <u>\$ 896,874</u> | <u>\$ 42,808</u> |

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.

| <u>Type of Indebtedness</u> | <u>Final Maturity</u> | <u>Installment Amounts</u> | <u>Interest Rate (%)</u> | <u>Original Issue Amount</u> | <u>Outstanding Balance December 31, 2020</u> |
|-----------------------------|-----------------------|----------------------------|--------------------------|------------------------------|--|
| Note Payable | 2030 | \$25,000 - \$30,000 | 2.000 - 3.125 | \$ 385,000 | \$ 255,000 |

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2020, were as follows:

| Year Ending December 31 | General Obligation Bonds | | Special Assessment Bonds | |
|----------------------------|--------------------------|---------------------|--------------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2021 | \$ 825,000 | \$ 410,156 | \$ 130,000 | \$ 64,363 |
| 2022 | 800,000 | 384,381 | 135,000 | 60,388 |
| 2023 | 840,000 | 343,381 | 140,000 | 56,263 |
| 2024 | 880,000 | 300,381 | 150,000 | 51,913 |
| 2025 | 925,000 | 255,256 | 150,000 | 47,413 |
| 2026 – 2030 | 5,360,000 | 646,609 | 710,000 | 168,763 |
| 2031 – 2035 | 1,195,000 | 19,419 | 600,000 | 64,206 |
| 2036 | | | 120,000 | 1,950 |
| Total | <u>\$ 10,825,000</u> | <u>\$ 2,359,584</u> | <u>\$ 2,135,000</u> | <u>\$ 515,256</u> |

| Year Ending December 31 | Note Payable | | Notes from Direct Borrowings | |
|----------------------------|-------------------|------------------|------------------------------|---------------|
| | Principal | Interest | Principal | Interest |
| 2021 | \$ 30,000 | \$ 7,144 | \$ 35,893 | \$ 678 |
| 2022 | 25,000 | 6,469 | 6,915 | 104 |
| 2023 | 25,000 | 5,719 | - | - |
| 2024 | 25,000 | 4,969 | - | - |
| 2025 | 25,000 | 4,219 | - | - |
| 2026 – 2030 | 125,000 | 9,703 | - | - |
| Total | <u>\$ 255,000</u> | <u>\$ 38,223</u> | <u>\$ 42,808</u> | <u>\$ 782</u> |

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2020, was as follows:

Governmental Activities

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|-------------------|---------------------|----------------------|------------------------|
| Bonds payable | | | | | |
| General obligation bonds | \$ 11,635,000 | \$ - | \$ 810,000 | \$ 10,825,000 | \$ 825,000 |
| Plus: unamortized premium | 645,881 | - | 72,680 | 573,201 | - |
| General obligation bonds, net | <u>\$ 12,280,881</u> | <u>\$ -</u> | <u>\$ 882,680</u> | <u>\$ 11,398,201</u> | <u>\$ 825,000</u> |
| Special assessment bonds with government commitment | \$ 2,265,000 | \$ - | \$ 130,000 | \$ 2,135,000 | \$ 130,000 |
| Plus: unamortized premium | 62,082 | - | 6,208 | 55,874 | - |
| Special assessment bonds with government commitment, net | <u>\$ 2,327,082</u> | <u>\$ -</u> | <u>\$ 136,208</u> | <u>\$ 2,190,874</u> | <u>\$ 130,000</u> |
| Total bonds payable | <u>\$ 14,607,963</u> | <u>\$ -</u> | <u>\$ 1,018,888</u> | <u>\$ 13,589,075</u> | <u>\$ 955,000</u> |
| Note payable | \$ 280,000 | \$ - | \$ 25,000 | \$ 255,000 | \$ 30,000 |
| Notes from Direct Borrowings | 90,456 | - | 47,648 | 42,808 | 35,893 |
| Capital leases | 71,559 | 70,716 | 54,625 | 87,650 | 45,298 |
| Compensated absences | 662,646 | 434,057 | 406,205 | 690,498 | 79,742 |
| Governmental Activities Long-Term Liabilities | <u>\$ 15,712,624</u> | <u>\$ 504,773</u> | <u>\$ 1,552,366</u> | <u>\$ 14,665,031</u> | <u>\$ 1,145,933</u> |

Business-Type Activities

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|------------------|------------------|---------------------|------------------------|
| Estimated liability for landfill closure and postclosure care | \$ 2,639,384 | \$ 8,031 | \$ - | \$ 2,647,415 | \$ - |
| Compensated absences | 50,531 | 18,394 | 20,123 | 48,802 | - |
| Business-Type Activities Long-Term Liabilities | <u>\$ 2,689,915</u> | <u>\$ 26,425</u> | <u>\$ 20,123</u> | <u>\$ 2,696,217</u> | <u>\$ -</u> |

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources (Continued)

6. 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 \$2,647,415 landfill closure and postclosure care liability at December 31, 2020, represents the cumulative amount reported to date based on the use of 34.26 percent of the estimated capacity of the landfill.

The County will recognize the remaining estimated cost of closure and postclosure care of \$5,079,075 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2020. Based on the current permitted capacity, the landfill has an estimated operating life of 59 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, 2020, restricted assets of \$5,045,750 are held for these purposes. Lyon County expects that future inflation costs will be paid from investment earnings on these annual contributions.

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.

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

3. Detailed Notes on All Funds (Continued)

D. Fund Balances

| Fund Balances | General | Special Revenue | | | Debt Service | Total |
|---|----------------------|---------------------|----------------|---------------------|---------------------|----------------------|
| | | Road and Bridge | Human Services | Ditch | | |
| Nonspendable | | | | | | |
| Prepaid items | \$ 83,244 | \$ 3,519 | \$ - | \$ - | \$ - | \$ 86,763 |
| Inventories | - | 264,438 | - | - | - | 264,438 |
| Advances to other funds | 78,747 | - | - | - | - | 78,747 |
| Restricted | | | | | | |
| DARE program | 18,633 | - | - | - | - | 18,633 |
| Law library | 15,455 | - | - | - | - | 15,455 |
| Recorder's technology | 190,951 | - | - | - | - | 190,951 |
| Recorder's compliance | 180,042 | - | - | - | - | 180,042 |
| Debt service | - | - | - | - | 1,675,587 | 1,675,587 |
| Ditch | - | - | - | 1,446,846 | - | 1,446,846 |
| Enhanced 911 | 383,119 | - | - | - | - | 383,119 |
| Sheriff's contingency | 2,236 | - | - | - | - | 2,236 |
| Sheriff's forfeited property | 306 | - | - | - | - | 306 |
| Attorney's forfeited property | 79,120 | - | - | - | - | 79,120 |
| Sheriff's gun permits | 218,700 | - | - | - | - | 218,700 |
| Probation supervision fees | 52,015 | - | - | - | - | 52,015 |
| Septic/sewer loans | 40,668 | - | - | - | - | 40,668 |
| Fish and wildlife trust | 218,395 | - | - | - | - | 218,395 |
| Aquatic invasive species | 198,836 | - | - | - | - | 198,836 |
| Highway allotments | - | 223,983 | - | - | - | 223,983 |
| Road projects - wheelage tax | - | 1,215,606 | - | - | - | 1,215,606 |
| Economic Relief Grant | 505,920 | - | - | - | - | 505,920 |
| Committed | | | | | | |
| County septic systems program | 78,559 | - | - | - | - | 78,559 |
| Garvin park trust | 46,669 | - | - | - | - | 46,669 |
| Aggregate - gravel pit | 209,901 | - | - | - | - | 209,901 |
| Recycling and household hazardous waste assessments | 215,591 | - | - | - | - | 215,591 |
| Assigned | | | | | | |
| Criminal justice contingency | 56,799 | - | - | - | - | 56,799 |
| Self-insurance | 491,193 | - | - | - | - | 491,193 |
| Capital projects | 424,393 | - | - | - | - | 424,393 |
| Elections | 47,866 | - | - | - | - | 47,866 |
| Road and Bridge | - | 4,436,936 | - | - | - | 4,436,936 |
| Unassigned | 11,796,743 | - | - | - | - | 11,796,743 |
| | <u>\$ 15,634,101</u> | <u>\$ 6,144,482</u> | <u>\$ -</u> | <u>\$ 1,446,846</u> | <u>\$ 1,675,587</u> | <u>\$ 24,901,016</u> |

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description

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

General Employees Retirement Plan

All full-time and certain part-time employees are covered by defined benefit pension plans administered by PERA. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

Public Employees Police and Fire Plan

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

Local Government Correctional Plan

The Correctional Plan was established for correctional officers serving in county and regional corrections facilities. Eligible participants must be responsible for the security, custody, and control of the facilities and their inmates.

2. Benefits Provided

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

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

2. Benefits Provided (Continued)

Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

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

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

2. Benefits Provided (Continued)

Correctional Plan Benefits

Benefits for Correctional Plan members first hired after June 30, 2010, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. The annuity accrual rate is 1.9% of average salary for each year of service in that plan. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Benefits increases are provided to benefit recipients each January. The postretirement increase will be equal to 100% of the COLA announced by SSA, with a minimum increase of at least 1% and a maximum of 2.5%. If the plan's funding status declines to 85% or below for two consecutive years or 80% for one year, the maximum will be lowered from 2.5% to 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

3. Contributions

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

General Employee Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2020 and the County was required to contribute 7.50% for Coordinated Plan members. The County's contributions to the General Employees Fund for the year ended December 31, 2020, were \$392,088. The County's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 11.3% of pay to 11.8% and employer rates increased from 16.95% to 17.70% on January 1, 2020. The County's contributions to the Police and Fire Fund for the year ended December 31, 2020, were \$209,101. The County's contributions were equal to the required contributions as set by state statute.

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

3. Contributions (Continued)

Correctional Fund Contributions

Plan members were required to contribute 5.83% of their annual covered salary and the County was required to contribute 8.75% of pay for plan members in fiscal year 2020. The County's contributions to the Correctional Fund for the year ended December 31, 2020, were \$101,356. The County's contributions were equal to the required contributions as set by state statute.

4. Pension Costs

General Employees Fund Pension Plan

At December 31, 2020, the County reported a liability of \$4,310,734 for its proportionate share of the General Employees Fund's net pension liability. The County's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the County totaled \$132,897. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportionate share of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.0719% at the end of the measurement period and 0.0697% of the beginning of the period.

| | |
|--|---------------------|
| County's proportionate share of the net pension liability | \$ 4,310,734 |
| State of Minnesota's proportionate share of the net pension liability associated with the County | <u>132,897</u> |
| Total | <u>\$ 4,443,631</u> |

For the year ended December 31, 2020, the County recognized pension expense of \$224,666 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized \$11,556 as grant revenue for its proportionate share of the state of Minnesota's pension expense for the annual \$16 million contribution.

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs (Continued)

At December 31, 2020, the County reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ 39,303 | \$ 16,310 |
| Changes in actuarial assumptions | - | 159,815 |
| Net collective difference between projected and actual investment earnings | 74,471 | - |
| Changes in proportion | 105,114 | 49,035 |
| Contributions paid to PERA subsequent to the measurement date | 197,808 | - |
| Total | \$ 416,696 | \$ 225,160 |

The \$197,808 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31 | Pension Expense Amount |
|---------------------------|------------------------------|
| 2021 | \$ (256,869) |
| 2022 | 29,453 |
| 2023 | 116,995 |
| 2024 | 104,149 |

Police and Fire Fund Plan

At December 31, 2020, the County reported a liability of \$1,345,787 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs (Continued)

The County's proportionate share of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.1021% at the end of the measurement period and 0.1099% for the beginning of the period.

The state of Minnesota contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in supplemental state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later.

The state of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the state of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the County recognized pension expense of \$153,208 for its proportionate share of the Police and Fire Plan's pension expense. The County recognized \$9,754 as grant revenue for its proportionate share of the state of Minnesota's pension expense for the contribution of \$4.5 million to the Police and Fire Fund.

The state of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The County recognized \$9,189 for the year ended December 31, 2020 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the Police and Fire Fund.

| | |
|--|---------------------|
| County's proportionate share of the net pension liability | \$ 1,345,787 |
| State of Minnesota's proportionate share of the net pension liability associated with the County | <u>31,703</u> |
| Total | <u>\$ 1,377,490</u> |

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs (Continued)

At December 31, 2020, the County reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ 59,464 | \$ 63,910 |
| Changes in actuarial assumptions | 451,001 | 839,320 |
| Net collective difference between projected and actual investment earnings | 40,878 | - |
| Changes in proportion | 57,652 | 131,574 |
| Contributions paid to PERA subsequent to the measurement date | 106,689 | - |
| Total | \$ 715,684 | \$ 1,034,804 |

The \$106,689 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending December 31 | Pension Expense Amount |
|----------------------------|------------------------------|
| 2021 | \$ (106,430) |
| 2022 | (371,072) |
| 2023 | 38,784 |
| 2024 | 34,257 |
| 2025 | (21,348) |

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs (Continued)

Correctional Plan

At December 31, 2020, the County reported a liability of \$139,439 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportionate share of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.514% at the end of the measurement period and 0.502% for the beginning of the period.

For the year ended December 31, 2020, the County recognized pension expense of -\$257,570 for its proportionate share of the Correctional Plan's pension expense.

At December 31, 2020, the County reported its proportionate share of the Correctional Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ 1,308 | \$ 51,314 |
| Changes in actuarial assumptions | - | 282,389 |
| Net collective difference between projected and actual investment earnings | 26,532 | - |
| Changes in proportion | 13,483 | 12,935 |
| Contributions paid to PERA subsequent to the measurement date | 51,600 | - |
| Total | \$ 92,923 | \$ 346,638 |

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs (Continued)

Correctional Plan (Continued)

The \$51,600 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending December 31 | Pension Expense Amount |
|----------------------------|------------------------------|
| 2021 | \$ (325,771) |
| 2022 | (16,976) |
| 2023 | 12,276 |
| 2024 | 25,156 |

5. Summary

The aggregate amount of net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense for the County's defined benefit pension plans are summarized below. These liabilities are typically liquidated by the individual activity in which the employee's costs are associated. The table below includes the County's portion of each plan.

| | GERF | PEPFF | PECF | Total |
|-----------------------|--------------|--------------|------------|--------------|
| Net Pension Liability | \$ 4,310,734 | \$ 1,345,787 | \$ 139,439 | \$ 5,795,960 |
| DO of Resources | 416,696 | 715,684 | 92,923 | 1,225,303 |
| DI of Resources | 225,160 | 1,034,804 | 346,638 | 1,606,602 |
| Pension Expense | 236,222 | 162,962 | (257,570) | 141,614 |

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

6. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

| | General Employees Fund | Police and Fire Fund | Correctional Fund |
|------------------------------|---------------------------|-------------------------|----------------------|
| Inflation | 2.25% per year | 2.50% per year | 2.50% per year |
| Active Member Payroll Growth | 3.00% per year | 3.25% per year | 3.25% per year |
| Investment Rate of Return | 7.50% | 7.50% | 7.50% |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on Pub-2010 General Employee Mortality table for the General Employees Plan and RP 2014 tables for the Police and Fire and the Correctional Plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan and 2.0% per year for the Correctional Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.0% per year as set by state statute.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The four-year experience study used for the Police and Fire Plan was completed in 2016. The five-year experience study used for the Correctional Plan, prepared by a former actuary, was completed in 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study completed in 2016. Inflation and investment return assumptions for the Police and Fire Plan and the Correctional Plan are based on the General Employees Retirement Plan experience study completed in 2019. The most recent four-year experience studies for the Police and Fire Plan and the Correctional Plan were completed in 2020. The recommended assumptions for those plans were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

6. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2020:

General Employees Plan

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Change in Plan Provisions

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

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

6. Actuarial Assumptions (Continued)

Police and Fire Plan

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

Correctional Plan

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------------------------|--------------------------|---|
| Domestic stocks | 35.5% | 5.10% |
| Alternative Assets (Private Markets) | 25.0 | 5.90 |
| Bonds (Fixed Income) | 20.0 | 0.75 |
| International Equity | 17.5 | 5.30 |
| Cash | 2.0 | 0.00 |

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

4. Pension Plans and Other Postemployment Benefits (Continued)

A. Defined Benefit Pension Plans (Continued)

7. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund, the Police and Fire Fund, and the Correctional Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

8. Pension Liability Sensitivity

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

| | 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% Lower | 6.50% | \$ 6,908,611 | 6.50% | \$ 2,682,3485 | 6.50% | \$ 866,615 |
| Current | 7.50 | 4,310,734 | 7.50 | 1,345,787 | 7.50 | 139,439 |
| 1% Higher | 8.50 | 2,167,694 | 8.50 | 240,018 | 8.50 | (442,771) |

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.

B. Defined Contribution Plan

One Commissioner is covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution 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.

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

4. Pension Plans and Other Postemployment Benefits (Continued)

B. Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee 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% of employer contributions and twenty-five hundredths of 1% (0.25%) of the assets in each member's account annually.

Total contributions made by the County during the year ended December 31, 2020, were:

| Contribution Amount | | Percentage of Covered Payroll | | Required |
|---------------------|----------|-------------------------------|----------|----------|
| Employee | Employer | Employee | Employer | Rate |
| \$ 1,291 | \$ 1,291 | 5% | 5% | 5% |

C. Other Postemployment Benefits (OPEB)

1. Plan Description

In addition to providing a pension benefits plan, the County provides postemployment health care benefits for eligible retired employees, spouses and dependents through a single-employer fully insured plan. The Plan does not issue a publicly available financial report.

2. Contributions

The County currently has no assets that have been irrevocably deposited into a trust for future health benefits. Lyon County is funding this liability on a pay-as-you-go-basis. For the year ended December 31, 2020, the County contributed \$261,538 to the plan.

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

4. Pension Plans and Other Postemployment Benefits (Continued)

C. Other Postemployment Benefits (OPEB) (Continued)

3. Benefits Provided

Pursuant to Minnesota Statutes 471.61, subdivision 2b, Lyon County provides postemployment health care benefits to certain retired employees. To be eligible for benefits, a participant must qualify to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and must not participate in any other health benefits program providing coverage similar to that herein described when they retire from active employment. Eligible retirees may continue coverage under the County's health benefits program. Pursuant to the provision of the plan, retirees are required to pay 100 percent of the total premium cost. As of December 31, 2020, there was 51 retirees and 128 active participants receiving health benefits from the County's health plan. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy.

4. Total OPEB Liability

The County's total OPEB liability of \$2,826,401 was measured as of January 1, 2020 and was determined by an actuarial valuation as of January 1, 2020. The Schedule of Changes in the County's Total OPEB Liability and Related Ratios, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information.

5. Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

4. Pension Plans and Other Postemployment Benefits (Continued)

C. Other Postemployment Benefits (OPEB) (Continued)

5. Actuarial Methods and Assumptions (Continued)

The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-------------------------|--|
| Inflation | 2.50% |
| Salary Increases | Service graded table |
| Health Care Trend Rates | 6.50% decreasing to 5.00% over 6 years then to 4.00% over the next 48 years |

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2019 Generational Improvement Scale.

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the General Employees plan from 2015 and the Police and Fire Plan from 2016.

The discount rate used to measure the total OPEB liability was 2.90%. The discount rate is equal to the 20-year AA Municipal Bond Yield.

- The discount rate was changed from 3.80% to 2.90%.
- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality table was updated from RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale.

6. Changes in the Total OPEB Liability

| | Governmental Activities | Business-Type Activities | Total OPEB Liability |
|---|----------------------------|-----------------------------|-------------------------|
| Balance at December 31, 2019 | \$ 3,524,461 | \$ 143,537 | \$ 3,667,998 |
| Changes for the year: | | | |
| Service Cost | 107,886 | 4,437 | 112,323 |
| Interest Cost | 132,711 | 5,458 | 138,169 |
| Assumption Changes | (55,795) | (2,295) | (58,090) |
| Benefit Payments | (279,817) | (11,507) | (291,324) |
| Difference between Expected and Actual Experience | (713,339) | (29,336) | (742,675) |
| Net Changes | (808,354) | (33,243) | (841,597) |
| Balance at December 31, 2020 | <u>\$ 2,716,107</u> | <u>\$ 110,294</u> | <u>\$ 2,826,401</u> |

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

4. Pension Plans and Other Postemployment Benefits (Continued)

C. Other Postemployment Benefits (OPEB) (Continued)

7. Sensitivity Results

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

| | 1% Decrease (1.90%) | Discount Rate (2.90%) | 1% Increase (3.90%) |
|----------------------|------------------------|--------------------------|------------------------|
| Total OPEB Liability | \$ 3,058,604 | \$ 2,826,401 | \$ 2,620,530 |

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.50% decreasing to 4.00% then 3.00%) or one percentage point higher (7.50% decreasing to 6.00% then 5.00%) than the current healthcare cost trend rates:

| | 1% Decrease (5.50% decreasing to 4.00% then 3.00%) | Discount Rate (6.50% decreasing to 5.00% then 4.00%) | 1% Increase (7.50% decreasing to 6.00% then 5.00%) |
|----------------------|--|--|--|
| Total OPEB Liability | \$ 2,624,371 | \$ 2,826,401 | \$ 3,067,899 |

8. OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended December 31, 2020, the County recognized OPEB expense of \$131,721. In addition, the County reported deferred outflows and inflows of resources from the following sources:

| <u>Description</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Assumption Changes | \$ - | \$ 162,870 |
| Liability Gains | - | 649,840 |
| Contributions Subsequent to the Measurement Date | 246,787 | - |
| Total | <u>\$ 246,787</u> | <u>\$ 812,710</u> |

\$246,787 reported as deferred inflows of resources related to OPEB resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be amortized as follows:

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

4. Pension Plans and Other Postemployment Benefits (Continued)

C. Other Postemployment Benefits (OPEB) (Continued)

8. OPEB Expense and Deferred Outflows of Resources Related to OPEB (Continued)

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---------------------------------|---------------|
| 2021 | \$ (118,771) |
| 2022 | (118,771) |
| 2023 | (118,771) |
| 2024 | (118,771) |
| 2025 | (118,771) |
| Thereafter | (218,855) |

5. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors 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 2020. 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, 2020**

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

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, 2020, liability is determined based on detailed reports received by the County from the third-party administrator for claims incurred, adjusted, and paid through March 31, 2021. Changes in the balances of claims liabilities during 2019 and 2020 are as follows:

| | 2019 | 2020 |
|----------------------------|-------------|-------------|
| Unpaid Claims, January 1 | \$ 145,945 | \$ 299,371 |
| Incurred Claims | 2,071,650 | 1,781,240 |
| Claims Payments | (1,918,224) | (2,014,722) |
| Unpaid Claims, December 31 | \$ 299,371 | \$ 65,889 |

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, 2020**

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

B. Contingent Liabilities (Continued)

Lincoln-Pipestone Rural Water System

At December 31, 2020, the Lincoln-Pipestone Rural Water System had \$36,782,000 of general obligation bonds and other loans outstanding through 2056. 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, 2020**

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

C. Joint Ventures (Continued)

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 2020 for the human services function was \$3,414,255 and its contribution to the health services function was \$355,534. Southwest Health and Human Services is not accumulating significant financial resources or experiencing fiscal distress.

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, 2020**

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

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, 2020, were \$36,782,000. Lincoln-Pipestone Rural Water System is not accumulating significant financial resources or experiencing fiscal distress.

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, 2020**

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

C. Joint Ventures (Continued)

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. Red Rock Rural Water System is not accumulating significant financial resources or experiencing fiscal distress.

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 2019, Lyon County contributed \$3,027 to the Joint Powers Board. Southwest Minnesota Regional Emergency Communications Joint Powers Board is not accumulating significant financial resources or experiencing fiscal distress.

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

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 2020 was \$330,772. Marshall-Lyon County Library is not accumulating significant financial resources or experiencing fiscal distress.

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 2020, Lyon County paid \$90,146 to the Task Force. Brown-Lyon-Redwood-Renville Drug Task Force is not accumulating significant financial resources or experiencing fiscal distress.

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, 2020**

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

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 2020, Lyon County made contributions of \$37,500 to the A.C.E. of Southwest Minnesota. A.C.E. of Southwest Minnesota is not accumulating significant financial resources or experiencing fiscal distress.

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. Plum Creek Library System is not accumulating significant financial resources or experiencing fiscal distress.

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, 2020**

5. 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 2020, Lyon County contributed \$4,000 to the Southwest Minnesota Public Safety Board.

6. Restatements

A. Restatement of Prior Period Net Position

During the current year it was determined that certain charges for services revenues were overstated as the accounts receivable and due from other governments were not reversed in in the prior year.

To correct this error, beginning net position of the Landfill Enterprise Fund and Business Type Activities was restated by a decrease of \$307,506.

| | |
|--|---|
| | Landfill Enterprise Fund and Business Type Activities |
| Beginning Net Position, as Previously Stated | \$ 11,575,633 |
| Prior Period Adjustment | (370,506) |
| Beginning Net Position, as Restated | \$ 11,205,127 |

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

6. Restatements (Continued)

B. Restatement for Change in Accounting Principle

During the year ended December 31, 2020, the County adopted GASB No. 84, *Fiduciary Activities*, which established criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements including accruals and net position to custodial funds not previously required. This pronouncement requires a restatement of January 1, 2020 net position of the governmental activities, fund balance of the General Fund, and net position of the custodial funds as follows.

| | Governmental Activities | General Fund | Custodial Funds |
|---|----------------------------|----------------------|---------------------|
| Beginning Net Position/Fund Balance, as Previously Stated | \$ 117,177,712 | \$ 13,433,618 | \$ - |
| Change in Accounting Principle | (20,450) | (20,450) | 5,659,590 |
| Beginning Net Position/Fund Balance, as Restated | <u>\$ 117,157,262</u> | <u>\$ 13,413,168</u> | <u>\$ 5,659,590</u> |

7. Subsequent Event

On March 11, 2021, Lyon County was allocated \$2,474,013 in additional aid from the American Rescue Plan Act of 2021.

REQUIRED SUPPLEMENTARY INFORMATION

**LYON COUNTY
MARSHALL, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|------------------|---------------|-------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 8,311,029 | \$ 8,311,029 | \$ 8,215,488 | \$ (95,541) |
| Special Assessments | 503,000 | 503,000 | 611,764 | 108,764 |
| Licenses and Permits | 17,655 | 17,655 | 60,855 | 43,200 |
| Intergovernmental | 2,302,553 | 2,302,553 | 6,278,014 | 3,975,461 |
| Charges for Services | 974,500 | 974,500 | 1,131,155 | 156,655 |
| Investment Earnings | 200,000 | 200,000 | 247,868 | 47,868 |
| Miscellaneous | 818,400 | 818,400 | 907,350 | 88,950 |
| Total Revenues | \$ 13,127,137 | \$ 13,127,137 | \$ 17,452,494 | \$ 4,325,357 |
| EXPENDITURES | | | | |
| CURRENT | | | | |
| GENERAL GOVERNMENT | | | | |
| Commissioners | \$ 216,475 | \$ 216,475 | \$ 212,623 | \$ 3,852 |
| Courts | 130,000 | 130,000 | 101,959 | 28,041 |
| Law Library | 16,000 | 16,000 | 36,212 | (20,212) |
| Administrator | 233,775 | 233,775 | 216,679 | 17,096 |
| Auditor - Treasurer | 716,350 | 716,350 | 591,382 | 124,968 |
| Information Technology | 352,200 | 352,200 | 374,954 | (22,754) |
| Elections | 130,500 | 130,500 | 237,001 | (106,501) |
| Central Services | 406,117 | 406,117 | 541,456 | (135,339) |
| Attorney | 662,125 | 662,125 | 659,290 | 2,835 |
| Recorder | 392,730 | 392,730 | 498,133 | (105,403) |
| Assessor | 401,605 | 401,605 | 327,546 | 74,059 |
| Building and Plant | 695,025 | 695,025 | 758,776 | (63,751) |
| Veterans Service Officer | 113,175 | 113,175 | 106,571 | 6,604 |
| Human Resources | 184,645 | 184,645 | 183,460 | 1,185 |
| Other General Government | - | - | 1,821 | (1,821) |
| Total General Government | \$ 4,650,722 | \$ 4,650,722 | \$ 4,847,863 | \$ (197,141) |
| PUBLIC SAFETY | | | | |
| Sheriff | \$ 2,968,617 | \$ 2,968,617 | \$ 2,878,536 | \$ 90,081 |
| Law Enforcement Center | 2,068,167 | 2,068,167 | 2,058,627 | 9,540 |
| Sheriff's Contingent - Criminal Investigation | - | - | 4,148 | (4,148) |
| Boat and Water Safety | - | - | 955 | (955) |
| Joint Law Enforcement Center | 173,750 | 173,750 | 164,523 | 9,227 |
| Coroner | 30,000 | 30,000 | 58,228 | (28,228) |
| Sentence to Serve | 71,350 | 71,350 | 71,311 | 39 |
| DNR ATV Enforcement/Education | - | - | 10,299 | (10,299) |
| Probation and Parole | 320,300 | 320,300 | 253,613 | 66,687 |
| Emergency Services | 91,075 | 91,075 | 84,099 | 6,976 |
| E-911 System | 104,000 | 104,000 | 46,667 | 57,333 |
| SWMRRB Grants | - | - | 70,688 | (70,688) |
| Total Public Safety | \$ 5,827,259 | \$ 5,827,259 | \$ 5,701,694 | \$ 125,565 |

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, 2020**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|------------------|---------------|----------------------|-------------------------------|
| | Original | Final | | |
| EXPENDITURES (CONTINUED) | | | | |
| CURRENT | | | | |
| SANITATION | | | | |
| Environmental | \$ 815,425 | \$ 815,425 | \$ 777,151 | \$ 38,274 |
| CULTURE AND RECREATION | | | | |
| Parks | \$ 327,488 | \$ 327,488 | \$ 386,194 | \$ (58,706) |
| Other | 142,900 | 142,900 | 155,097 | (12,197) |
| Total Culture and Recreation | \$ 470,388 | \$ 470,388 | \$ 541,291 | \$ (70,903) |
| CONSERVATION OF NATURAL RESOURCES | | | | |
| Extension | \$ 161,780 | \$ 161,780 | \$ 143,249 | \$ 18,531 |
| Soil and Water Conservation | 347,251 | 347,251 | 513,095 | (165,844) |
| Water Quality Loan Program | - | - | 108,469 | (108,469) |
| Other | 83,144 | 83,144 | 69,144 | 14,000 |
| Total Conservation of Natural Resources | \$ 592,175 | \$ 592,175 | \$ 833,957 | \$ (241,782) |
| ECONOMIC DEVELOPMENT | | | | |
| Central Services | \$ - | \$ - | \$ 1,767,880 | \$ (1,767,880) |
| Community Development | 56,200 | 56,200 | 11,333 | 44,867 |
| Total Economic Development | \$ 56,200 | \$ 56,200 | \$ 1,779,213 | \$ (1,723,013) |
| INTERGOVERNMENTAL | | | | |
| Health | \$ 355,534 | \$ 355,534 | 355,534 | \$ - |
| Culture and Recreation | 359,434 | 359,434 | 361,728 | (2,294) |
| Total Intergovernmental | \$ 714,968 | \$ 714,968 | \$ 717,262 | \$ (2,294) |
| DEBT SERVICE | | | | |
| Principal | \$ - | \$ - | \$ 102,273 | \$ (102,273) |
| Interest | - | - | 1,573 | (1,573) |
| Total Debt Service | \$ - | \$ - | \$ 103,846 | \$ (103,846) |
| Total Expenditures | \$ 13,127,137 | \$ 13,127,137 | \$ 15,302,277 | \$ (2,175,140) |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | - | - | 2,150,217 | 2,150,217 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Capital Lease Issued | - | - | 70,716 | (70,716) |
| NET CHANGE IN FUND BALANCE | \$ - | \$ - | 2,220,933 | \$ 2,220,933 |
| Fund Balance - Beginning of Year, as Previously Stated | | | 13,433,618 | |
| Change in Accounting Principle, See Note 6. B. | | | (20,450) | |
| Fund Balance - Beginning of Year, as Restated | | | 13,413,168 | |
| FUND BALANCE - END OF YEAR | | | <u>\$ 15,634,101</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, 2020**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|-----------------------------------|------------------|--------------|-------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 3,466,000 | \$ 3,466,000 | \$ 3,292,609 | \$ (173,391) |
| Intergovernmental | 3,976,316 | 3,976,316 | 6,693,936 | 2,717,620 |
| Charges for Services | 20,000 | 20,000 | 6,300 | (13,700) |
| Miscellaneous | 355,500 | 355,500 | 247,461 | (108,039) |
| Total Revenues | 7,817,816 | 7,817,816 | 10,240,306 | 2,422,490 |
| EXPENDITURES | | | | |
| CURRENT | | | | |
| HIGHWAY AND STREETS | | | | |
| Public Works | \$ 7,050 | \$ 7,050 | \$ 5,845 | \$ 1,205 |
| Administration | 329,372 | 329,372 | 394,516 | (65,144) |
| Construction | 3,688,823 | 3,688,823 | 4,654,712 | (965,889) |
| Maintenance | 2,614,100 | 2,614,100 | 2,461,086 | 153,014 |
| Equipment and Maintenance Shops | 928,471 | 928,471 | 968,317 | (39,846) |
| Total Highways and Streets | 7,567,816 | 7,567,816 | 8,484,476 | (916,660) |
| INTERGOVERNMENTAL | | | | |
| Highways and Streets | \$ 400,000 | \$ 400,000 | \$ 477,422 | \$ (77,422) |
| Total Expenditures | \$ 7,967,816 | \$ 7,967,816 | \$ 8,961,898 | \$ (994,082) |
| NET CHANGE IN FUND BALANCE | \$ (150,000) | \$ (150,000) | 1,278,408 | \$ 1,428,408 |
| Fund Balance - Beginning of Year | | | 4,931,558 | |
| Decrease in Inventory | | | (65,484) | |
| FUND BALANCE - END OF YEAR | | | \$ 6,144,482 | |

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, 2020**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|-----------------------------------|---------------------|---------------------|-------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 3,408,158 | \$ 3,408,158 | \$ 3,318,886 | \$ (89,272) |
| Intergovernmental | - | - | 74,808 | 74,808 |
| Total Revenues | 3,408,158 | 3,408,158 | 3,393,694 | (14,464) |
| EXPENDITURES | | | | |
| INTERGOVERNMENTAL | | | | |
| Human Services | <u>\$ 3,408,158</u> | <u>\$ 3,408,158</u> | \$ 3,393,818 | <u>\$ 14,340</u> |
| Fund Balance - Beginning of Year | | | <u>124</u> | |
| FUND BALANCE - END OF YEAR | | | <u>\$ -</u> | |

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

**LYON COUNTY
MARSHALL, MINNESOTA
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES
FOR THE LAST TEN FISCAL YEARS**

| | Measurement Date January 1, 2020 | Measurement Date January 1, 2019 | Measurement Date January 1, 2018 |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
| Total OPEB Liability | | | |
| Service Cost | \$ 112,323 | \$ 124,572 | \$ 132,104 |
| Interest Cost | 138,169 | 126,090 | 126,709 |
| Changes of Assumptions | (58,090) | (149,390) | - |
| Differences between Expected and Actual Experience | (742,675) | - | - |
| Benefit Payments | (291,324) | (260,499) | (279,418) |
| Plan Changes | - | 1,692 | - |
| Net Change in Total OPEB Liability | (841,597) | (157,535) | (20,605) |
| Total OPEB Liability - Beginning | 3,667,998 | 3,825,533 | 3,846,138 |
| Total OPEB Liability - Ending (a) | \$ 2,826,401 | \$ 3,667,998 | \$ 3,825,533 |
| | | | |
| Covered-employee Payroll | \$ 7,177,165 | \$ 6,595,911 | \$ 6,403,797 |
| | | | |
| County's OPEB Liability as a Percentage of Covered-employee Payroll | 39.38% | 55.61% | 59.74% |

Note 1: The County implemented GASB Statement No. 75 in fiscal year 2018, and the above table will be expanded to 10 years of information as the information becomes available.

Note 2: No assets have been accumulated in a trust.

**LYON COUNTY
MARSHALL, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN – LYON COUNTY
DECEMBER 31, 2020**

| 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 and the State's Related Net Pension Liability (Asset) | 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 |
|------------------|--|---|--|---|---------------------|--|--|
| | (a) | (b) | (a + b) | | | | |
| 2020 | 0.0719% | \$ 4,310,734 | \$ 132,897 | \$ 4,443,631 | \$ 5,129,773 | 84.03% | 79.06% |
| 2019 | 0.0697 | 3,853,557 | 119,661 | 3,973,218 | 4,693,841 | 82.10 | 80.20 |
| 2018 | 0.0698 | 3,872,218 | 127,034 | 3,999,252 | 4,692,766 | 82.51 | 79.50 |
| 2017 | 0.0728 | 4,647,504 | 58,474 | 4,705,978 | 4,737,416 | 98.10 | 75.90 |
| 2016 | 0.0681 | 5,529,382 | 72,227 | 5,601,609 | 4,225,610 | 130.85 | 68.91 |
| 2015 | 0.0718 | 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

**LYON COUNTY
MARSHALL, MINNESOTA
SCHEDULE OF PENSION CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN – LYON COUNTY
DECEMBER 31, 2020**

| Year Ending | Statutorily Required Contributions (a) | Actual Contributions in Relation to Statutorily Required Contributions (b) | Contribution (Deficiency) Excess (b - a) | Covered Payroll (c) | Actual Contributions as a Percentage of Covered Payroll (b/c) |
|------------------------|---|---|---|------------------------------------|--|
| 2020 | \$ 392,088 | \$ 392,088 | \$ - | \$ 5,227,840 | 7.50% |
| 2019 | 369,696 | 369,696 | - | 4,929,280 | 7.50 |
| 2018 | 352,039 | 352,039 | - | 4,693,853 | 7.50 |
| 2017 | 351,958 | 351,958 | - | 4,692,773 | 7.50 |
| 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, 2020**

| Measurement Date | Employer's Proportion of 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 and the State's Related Share of the Net Pension Liability (Asset) | Covered Payroll | 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 |
|------------------|--|---|--|--|-----------------|--|--|
| | (a) | (b) | (a + b) | (c) | (a/c) | | |
| 2020 | .1021% | \$ | 31,703 | \$ 1,377,490 | \$ 1,152,436 | 116.78% | 87.19% |
| 2019 | .1099 | 1,345,787 | N/A | 1,169,996 | 1,164,499 | 100.47 | 89.30 |
| 2018 | .1105 | 1,169,996 | N/A | 1,177,816 | 1,115,524 | 105.58 | 88.80 |
| 2017 | .1090 | 1,177,816 | N/A | 1,471,630 | 1,120,166 | 131.38 | 85.40 |
| 2016 | .1010 | 1,471,630 | N/A | 4,053,306 | 976,625 | 415.03 | 63.88 |
| 2015 | .1080 | 4,053,306 | N/A | 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.
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 PUBLIC EMPLOYEES POLICE AND FIRE PLAN – LYON COUNTY
DECEMBER 31, 2020**

| Year Ending | Statutorily Required Contributions (a) | Actual Contributions in Relation to Statutorily Required Contributions (b) | Contribution (Deficiency) Excess (b - a) | Covered Payroll (c) | Actual Contributions as a Percentage of Covered Payroll (b/c) |
|------------------------|---|---|---|------------------------------------|--|
| 2020 | \$ 209,101 | \$ 209,101 | \$ - | \$ 1,181,362 | 17.70% |
| 2019 | 192,216 | 192,216 | - | 1,134,018 | 16.95 |
| 2018 | 188,649 | 188,649 | - | 1,164,500 | 16.20 |
| 2017 | 180,715 | 180,715 | - | 1,115,525 | 16.20 |
| 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, 2020**

| Measurement Date | Employer's Proportion of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) (a) | Covered Payroll (b) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-----------------------------|---|--|------------------------------------|---|---|
| 2020 | .514% | \$ 139,440 | \$ 1,118,317 | 12.47% | 96.67% |
| 2019 | .502 | 69,558 | 1,061,010 | 6.56 | 97.60 |
| 2018 | .520 | 85,444 | 1,036,101 | 8.25 | 97.60 |
| 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, 2020**

| Year Ending | Statutorily Required Contributions (a) | Actual Contributions in Relation to Statutorily Required Contributions (b) | Contribution (Deficiency) Excess (b - a) | Covered Payroll (c) | Actual Contributions as a Percentage of Covered Payroll (b/c) |
|------------------------|---|---|---|------------------------------------|--|
| 2020 | \$ 101,356 | \$ 101,356 | \$ - | \$ 1,158,354 | 8.75% |
| 2019 | 69,558 | 69,558 | - | 794,949 | 8.75 |
| 2018 | 85,444 | 85,444 | - | 976,503 | 8.75 |
| 2017 | 90,659 | 90,659 | - | 1,036,103 | 8.75 |
| 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, 2020**

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. An annual budget is not adopted for the Ditch Special Revenue Fund.

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 | \$ 15,302,277 | \$ 13,127,137 | \$ 2,175,140 |
| Road and Bridge Fund | 8,961,898 | 7,967,816 | 994,082 |

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:

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

2012 (Continued)

Plan Provisions

- There were no changes in plan provisions

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:

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.

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.
- 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 While 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.

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

2018

The County obtained an actuarial valuation as of January 1, 2018. Since the actuarial valuation as of January 1, 2012, the following assumptions have changed:

Plan Provisions

- There were no changes in plan provisions.

Actuarial Assumptions

- The discount rate was changed from 3.5 percent to 3.3 percent.

2019

The County obtained an actuarial valuation as of January 1, 2018. Since the actuarial valuation as of January 1, 2012, the following assumptions have changed:

Plan Provisions

- There were no changes in plan provisions.

Actuarial Assumptions

- The discount rate was changed from 3.3 percent to 3.8 percent.

2020

The County obtained an actuarial valuation as of January 1, 2020. Since the actuarial valuation as of January 1, 2012, the following assumptions have changed:

Plan Provisions

- There were no changes in plan provisions.

Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the TP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and employee classification.
- The discount rate was changed from 3.80 percent to 2.90 percent.

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

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:

A. General Employees Plan

2020

Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirement and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The mortality improvement scale was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

Plan Provisions

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

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

A. General Employees Plan (Continued)

2019

Actuarial Assumptions

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

Plan Provisions

- The employer supplemental contribution was changed prospectively, decreased from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

2018

Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018.
- Deferred augmentation changed to 0.0 percent effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90 percent funding ratio to 50 percent of the Social Security Cost of Living Adjustment, not less than 1 percent and not more than 1.5 percent beginning January 1, 2019.
- For retirement on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

A. General Employees Plan (Continued)

2017

Actuarial Assumptions

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

Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16 million in 2017 and 2018, and \$6 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21 million to \$31 million in calendar years 2019 to 2031. The State's contribution changed from \$16 million to \$6 million in calendar years 2019 to 2031.

2016

Actuarial Assumptions

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

Plan Provisions

- There have been no changes since the prior valuation.

2015

Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

A. General Employees Plan (Continued)

2015 (Continued)

Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

B. Police and Fire Plan

2020

Actuarial Assumptions

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

Plan Provisions

- There have been no changes since the prior valuation.

2019

Actuarial Assumptions

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

Plan Provisions

- There have been no changes since the prior valuation.

2018

Actuarial Assumptions

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

Plan Provisions

- As set by statute, the assumed postretirement benefit was changed to 1.0% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 percent, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020.

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

B. Police and Fire Plan (Continued)

2018 (Continued)

- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% percent per annum.

Plan Provisions

- There have been no changes since the prior valuation.

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

B. Police and Fire Plan (Continued)

2016

Actuarial Assumptions

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

Plan Provisions

- There have been no changes since the prior valuation.

2015

Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2037 and 2.5 percent per year thereafter.

Plan Provisions

- The postretirement benefit increase to be paid after the attainment of the 90.0 percent funding threshold was changed from inflation up to 2.5 percent, to a fixed rate of 2.5 percent.

C. Correctional Plan

2020

Actuarial Assumptions

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

Plan Provisions

- There have been no changes since the prior valuation.

2019

Actuarial Assumptions

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

Plan Provisions

- There have been no changes since the prior valuation.

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

C. Correctional Plan (Continued)

2018

Actuarial Assumptions

- The Single Discount Rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The morality projection scale was changed from MP-2016 to MP-2017.
- The assumed postretirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.

Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Postretirement benefit increases were changed from 2.50 percent per year with a provision to reduce to 1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security Cost of Living adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85.00 percent for two consecutive years or 80.00 percent for one year, the maximum increase will be lowered to 1.50 percent.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Actuarial Assumptions

- 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 non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1 percent for non-vested members.
- The Single Discount Rate was changed from 5.31 percent per annum to 5.96 percent per annum.

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

C. Correctional Plan (Continued)

2017 (Continued)

Plan Provisions

- There have been no changes since the prior valuation.

2016

Actuarial Assumptions

- The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate changed from 7.9 percent to 5.31 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Plan Provisions

- There have been no changes since the prior valuation.

2015

Actuarial Assumptions

- There have been no changes since the prior valuation.

Plan Provisions

- There have been no changes in plan provisions since the prior valuation.

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SUPPLEMENTARY INFORMATION

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FIDUCIARY FUNDS

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**LYON COUNTY
MARSHALL, MINNESOTA
DESCRIPTION OF FUNDS**

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

Taxes and Penalties Fund – to account for the inflows of tax collections and the disbursement of taxes during the settlement process for municipalities within the County.

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

Jail Inmate Fund – used to account for deposits and withdrawals made by inmates of the Lyon County Jail.

License Center Fund – used to account for the collection of license fees on behalf of the state.

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

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

Civil Process Fund – used to maintain compliance with state guidelines regarding the proper handling of seized property.

Southwest Minnesota Regional Emergency Communications Board Fund – to account for the interagency activity of the Southwest Minnesota Regional Emergency Communications Joint Powers Board.

Southwest Minnesota Regional Public Safety Board Fund – to account for the interagency activity of the Southwest Minnesota Regional Public Safety Board.

Southern Prairie Community Care Fund – to account for receipts and disbursement of the Southern Prairie Community Care board.

Snowmobile and ATV Trails Fund – to account for Ridge Runners inflows and disbursements related to the collections from the state related to trail maintenance grants.

**LYON COUNTY
MARSHALL, MINNESOTA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
DECEMBER 31, 2020**

| | State Revenues | Taxes and Penalties | Minnesota Public Sector Collaborative | Jail Inmate | License Center |
|--|-------------------|------------------------|--|------------------|-------------------|
| ASSETS | | | | | |
| Cash and Pooled Investments | \$ 113,612 | \$ 435,057 | \$ 10,534 | \$ 30,781 | \$ 3,932 |
| Due from Other Governments | - | - | - | - | - |
| Taxes Receivable for Other Governments | - | 768,259 | - | - | - |
| | <u>113,612</u> | <u>1,203,316</u> | <u>10,534</u> | <u>30,781</u> | <u>3,932</u> |
| Total Assets | <u>\$ 113,612</u> | <u>\$ 1,203,316</u> | <u>\$ 10,534</u> | <u>\$ 30,781</u> | <u>\$ 3,932</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | | | | |
| LIABILITIES | | | | | |
| Due to Others | \$ - | \$ - | \$ - | \$ - | \$ - |
| Due to Other Governments | 113,612 | 414,138 | - | - | 3,932 |
| Total Liabilities | <u>113,612</u> | <u>414,138</u> | <u>-</u> | <u>-</u> | <u>3,932</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Property Taxes Collected for Subsequent Period | \$ - | \$ 20,919 | \$ - | \$ - | \$ - |
| NET POSITION | | | | | |
| Restricted for: | | | | | |
| Individuals, organizations, and other governments | <u>\$ -</u> | <u>\$ 768,259</u> | <u>\$ 10,534</u> | <u>\$ 30,781</u> | <u>\$ -</u> |

**LYON COUNTY
MARSHALL, MINNESOTA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS (CONTINUED)
DECEMBER 31, 2020**

| Lyon County Agriculture Society | Soil and Water Conservation District | Civil Process | SW MN Regional Emergency Communications Board | SW MN Regional Public Safety Board | Southern Prairie Community Care | Snowmobile and ATV Trails | Total Custodial Funds |
|---------------------------------------|--|------------------|---|--|---------------------------------------|------------------------------|-----------------------------|
| \$ 20,762 | \$ 614,257 | \$ 13,743 | \$ 176,642 | \$ 58,262 | \$ 3,889,151 | \$ - | \$ 5,366,733 |
| - | - | - | 24,050 | - | - | 21,396 | 45,446 |
| - | - | - | - | - | - | - | 768,259 |
| <u>\$ 20,762</u> | <u>\$ 614,257</u> | <u>\$ 13,743</u> | <u>\$ 200,692</u> | <u>\$ 58,262</u> | <u>\$ 3,889,151</u> | <u>\$ 21,396</u> | <u>\$ 6,180,438</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 21,396 | \$ 21,396 |
| - | 35,101 | - | - | - | 7,438 | - | 574,221 |
| - | 35,101 | - | - | - | 7,438 | 21,396 | 595,617 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 20,919</u> |
| <u>\$ 20,762</u> | <u>\$ 579,156</u> | <u>\$ 13,743</u> | <u>\$ 200,692</u> | <u>\$ 58,262</u> | <u>\$ 3,881,713</u> | <u>\$ -</u> | <u>\$ 5,563,902</u> |

**LYON COUNTY
MARSHALL, MINNESOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
YEAR ENDED DECEMBER 31, 2020**

| | State Revenues | Taxes and Penalties | Minnesota Public Sector Collaborative | Jail Inmate | License Center |
|---|-------------------|------------------------|--|-------------------|-------------------|
| ADDITIONS | | | | | |
| Property Tax Collections for Other Governments | \$ - | \$ 29,009,020 | \$ - | \$ - | \$ - |
| Interest | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Taxes and Fees Collected for State | 955,989 | - | - | - | - |
| License and Fees Collected for State | - | - | - | - | 41,797 |
| Contributions | - | - | 63 | 164,881 | - |
| | <u>-</u> | <u>-</u> | <u>63</u> | <u>164,881</u> | <u>-</u> |
| Total Additions | <u>\$ 955,989</u> | <u>\$ 29,009,020</u> | <u>\$ 63</u> | <u>\$ 164,881</u> | <u>\$ 41,797</u> |
| DEDUCTIONS | | | | | |
| Beneficiary Payments to Individuals and State | \$ - | \$ - | \$ 985 | \$ 167,756 | \$ 41,797 |
| Payments of Property Tax to Other Governments | - | 28,885,118 | - | - | - |
| Administrative Expenses | - | - | - | - | - |
| Payments to State | 955,989 | - | - | - | - |
| | <u>955,989</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Deductions | <u>955,989</u> | <u>28,885,118</u> | <u>985</u> | <u>167,756</u> | <u>41,797</u> |
| NET INCREASE (DECREASE) IN FIDUCIARY FUNDS | | | | | |
| | <u>\$ -</u> | <u>\$ 123,902</u> | <u>\$ (922)</u> | <u>\$ (2,875)</u> | <u>\$ -</u> |
| FIDUCIARY NET POSITION - BEGINNING OF YEAR | | | | | |
| Fiduciary Net Position - Beginning of Year | \$ - | \$ - | \$ - | \$ - | \$ - |
| Changed in Accounting Principle, See Note 6. B. | - | 644,357 | 11,456 | 33,656 | - |
| | <u>-</u> | <u>644,357</u> | <u>11,456</u> | <u>33,656</u> | <u>-</u> |
| Fiduciary Net Position - Beginning of Year, As Restated | <u>-</u> | <u>644,357</u> | <u>11,456</u> | <u>33,656</u> | <u>-</u> |
| FIDUCIARY NET POSITION - END OF YEAR | | | | | |
| | <u>\$ -</u> | <u>\$ 768,259</u> | <u>\$ 10,534</u> | <u>\$ 30,781</u> | <u>\$ -</u> |

**LYON COUNTY
MARSHALL, MINNESOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
AFIDUCIARY FUNDS – CUSTODIAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

| Lyon County Agriculture Society | Soil and Water Conservation District | Civil Process | SW MN Regional Emergency Communications Board | SW MN Regional Public Safety Board | Southern Prairie Community Care | Snowmobile and ATV Trails | Total Custodial Funds |
|---------------------------------------|--|-------------------|---|--|---------------------------------------|------------------------------|-----------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 29,009,020 |
| - | - | - | - | - | 37,652 | - | 37,652 |
| - | - | - | - | - | 804,186 | - | 804,186 |
| - | - | - | - | - | - | - | 955,989 |
| - | - | - | - | - | - | - | 41,797 |
| 61,793 | 507,095 | 167,344 | 53,007 | 28,000 | - | 71,314 | 1,053,497 |
| <u>\$ 61,793</u> | <u>\$ 507,095</u> | <u>\$ 167,344</u> | <u>\$ 53,007</u> | <u>\$ 28,000</u> | <u>\$ 841,838</u> | <u>\$ 71,314</u> | <u>\$ 31,902,141</u> |
| \$ 45,655 | \$ 382,011 | \$ 158,425 | \$ 58,350 | \$ 21,439 | \$ - | \$ 92,987 | \$ 969,405 |
| - | - | - | - | - | - | - | 28,885,118 |
| - | - | - | - | - | 1,187,317 | - | 1,187,317 |
| - | - | - | - | - | - | - | 955,989 |
| 45,655 | 382,011 | 158,425 | 58,350 | 21,439 | 1,187,317 | 92,987 | 31,997,829 |
| <u>\$ 16,138</u> | <u>\$ 125,084</u> | <u>\$ 8,919</u> | <u>\$ (5,343)</u> | <u>\$ 6,561</u> | <u>\$ (345,479)</u> | <u>\$ (21,673)</u> | <u>\$ (95,688)</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 4,624 | 454,072 | 4,824 | 206,035 | 51,701 | 4,227,192 | 21,673 | 5,659,590 |
| <u>4,624</u> | <u>454,072</u> | <u>4,824</u> | <u>206,035</u> | <u>51,701</u> | <u>4,227,192</u> | <u>21,673</u> | <u>5,659,590</u> |
| <u>\$ 20,762</u> | <u>\$ 579,156</u> | <u>\$ 13,743</u> | <u>\$ 200,692</u> | <u>\$ 58,262</u> | <u>\$ 3,881,713</u> | <u>\$ -</u> | <u>\$ 5,563,902</u> |

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OTHER SCHEDULES

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**LYON COUNTY
MARSHALL, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020**

| | <u>Primary Government</u> |
|--|-------------------------------|
| Appropriations and Shared Revenue | |
| State: | |
| Highway Users Tax | \$ 6,364,849 |
| Market Value Credit | 307,219 |
| Disparity Reduction Aid | 26,855 |
| Police Aid | 145,703 |
| County Program Aid | 1,076,016 |
| Enhanced 911 | 93,158 |
| Riparian Protection Aid | 129,809 |
| Aquatic Invasive Species Aid | 54,844 |
| Total Appropriations and Shared Revenue | \$ 8,198,453 |
| Reimbursement for Services | |
| Local: | |
| Minnesota Department of Human Services | \$ 67,209 |
| City of Balaton | 21,288 |
| Lincoln County | 19,325 |
| Total Reimbursements for Services | \$ 107,822 |
| Payments | |
| Local: | |
| Payments in Lieu of Taxes | \$ 328,578 |
| Local Contributions | 10,551 |
| Total Payments | \$ 339,129 |
| Grants | |
| State: | |
| Minnesota Department/Board of: | |
| Natural Resources | \$ 6,756 |
| MMB | 505,920 |
| Public Safety | 69,689 |
| Corrections | 73,715 |
| Transportation | 8,038 |
| Secretary of State | 18,176 |
| Veterans Affairs | 10,000 |
| Water & Soil Resources Board | 43,805 |
| Peace Officer Standards and Training Board | 15,995 |
| Pollution Control Agency | 231,483 |
| Total State | \$ 983,577 |
| Federal | |
| Department of: | |
| Agriculture | \$ 750 |
| Justice | 4,000 |
| Transportation | 133,113 |
| Treasury | 3,184,808 |
| Election Assistance Commission | 17,972 |
| Homeland Security | 126,131 |
| Total Federal | \$ 3,466,774 |
| Total State and Federal Grants | \$ 4,450,351 |
| Total Intergovernmental Revenue | \$ 13,095,755 |

**LYON COUNTY
MARSHALL, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020**

| Federal Grantor Pass Through Agency Grant Program or Cluster Title | Federal CFDA Number | Pass-Through Grant Number | Expenditures | Passed to Subrecipients |
|--|---------------------------|---------------------------------|--------------|----------------------------|
| U.S. Department of Agriculture Passed Through Minnesota Department of Natural Resources Voluntary Public Access and Habitat Incentive Program | 10.093 | R29G60NRCSWIA01 | \$ 750 | \$ - |
| U.S. Department of Justice Direct Bulletproof Vest Partnership Program | 16.607 | N/A | 4,000 | - |
| U.S. Department of Transportation Passed Through Minnesota Department of Transportation Highway Planning and Construction (Part of Highway Planning and Construction Cluster) | 20.205 | 0520195 | 130,941 | - |
| Passed Through City of Marshall State and Community Highway Safety (Part of Highway Safety Cluster Total \$1,672) | 20.600 | A-ENFRC20-2020- MARSHAPD-011 | 1,172 | - |
| National Priority Safety Programs (Part of Highway Safety Cluster Total \$1,672) | 20.616 | A-ENFRC20-2020- MARSHAPD-011 | 500 | - |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | A-ENFRC20-2020- MARSHAPD-011 | 500 | - |
| Total Department of Transportation | | | 133,113 | - |
| U.S. Election Assistance Commission Passed Through Minnesota Secretary of State COVID-19 2018 HAVA Election Security Grants | 90.404 | EAC201908MNCOVID | 17,972 | - |
| U.S. Department of Treasury Passed Through Minnesota Secretary of Revenue COVID-19 Coronavirus Relief Fund | 21.019 | SLT0016 | 3,184,808 | - |
| U.S. Department of Homeland Security Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | DR-4531-MN | 97,981 | - |
| Homeland Security Grant Program | 97.067 | F-DECN-SHSP-2018 -SWECB-3082 | 28,150 | - |
| Total Department of Homeland Security | | | 126,131 | - |
| Total Cash Type Federal Awards | | | \$ 3,466,774 | \$ - |

Clusters of programs are groupings of closely related programs that share common compliance requirements.

Total Expenditures by cluster are :

| | |
|---|----------|
| Highway Safety Cluster | \$ 1,672 |
| Highway Planning and Construction Cluster | 130,941 |

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

**LYON COUNTY
MARSHALL, MINNESOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020**

NOTE 1 REPORTING ENTITY

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

NOTE 2 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Lyon County under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) from the Office of Management and Budget (OMB). Because the schedule presents only a selected portion of the operations of Lyon County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Lyon County.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the basis of accounting used by the individual funds of Lyon County. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the full accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, for all awards with the exception of CFDA 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. Lyon County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



**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, 2020, 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 27, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 questioned costs as items 2020-001 and 2020-002 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 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 Responses to Findings

Lyon County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Lyon County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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

Brainerd, Minnesota
September 27, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS
REQUIRED BY THE UNIFORM GUIDANCE**

Board of County Commissioners
Lyon County
Marshall, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Lyon County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lyon County's major federal programs for the year ended December 31, 2020. Lyon County's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Lyon County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



CliftonLarsonAllen LLP

Brainerd, Minnesota
September 27, 2021

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**LYON COUNTY
MARSHALL, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2020**

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|---|
| 21.019 | COVID-19 Coronavirus Relief Fund |

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

**LYON COUNTY
MARSHALL, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2020**

FINDINGS RELATED TO FINANCIAL STATEMENTS

2020-001 AUDIT ADJUSTMENTS

Criteria: County management is responsible for establishing and maintaining internal controls for the proper recording of all County's receipts and disbursements, including reclassifications between funds and recording of accruals.

Condition and Context: As part of the audit, we proposed account reclassification entries relating to the coding of receipts and disbursements, accruals, corrections to fund balance and net position, including prior year balances, GASB 84 and other reclassifications. These entries indicate a lack of controls over the year-end financial reporting process. The absence of this control procedure is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the County's internal control.

Cause: The County has limited number of personnel.

Possible Effect: The design of the internal controls over recording receipts and disbursement, including reclassifications, could affect the ability of the County to detect or prevent a misappropriation of assets or fraudulent activity.

Repeat Finding: Yes, Finding 2019-001.

Recommendation: We recommend County management be consistently aware of all Procedures and processes involved in recording receipts, disbursements, and reclassifications, and develop internal control policies to ensure proper recording of these items.

View of Responsible Official: There is no disagreement with the audit finding. The County will review the controls over recording transactions and year-end accruals.

**LYON COUNTY
MARSHALL, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2020**

FINDINGS RELATED TO FINANCIAL STATEMENTS (CONTINUED)

2020-002 SEGREGATION OF DUTIES

Criteria: County management should constantly be aware of the need to have adequate segregation of duties regarding the processing of transactions for the County. In addition, County management should be aware that the concentration of duties and responsibilities in one or a very few individuals is not desirable from an internal control perspective.

Condition and Context: Adequate segregation of the accounting functions necessary to ensure adequate internal accounting control is not in place in a number of departments throughout the County.

Cause: The County has a limited number of personnel within several County departments.

Effect: The lack of adequate segregation of duties can result in incorrect financial information, failure to detect misstatements or misappropriations, and lack of adherence to the County's procedures.

Repeat Finding: Yes, Finding 2019-002.

Recommendation: We recommend County management be aware of the lack of segregation of duties within the accounting functions and provide oversight to ensure the internal control policies and procedures are being implemented by organization staff.

View of Responsible Official: There is no disagreement with the audit finding. The County will review the accounting functions and segregate them if deemed cost-beneficial.

FINDINGS RELATED TO FEDERAL AWARDS

None noted for 2020.

**LYON COUNTY
MARSHALL, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

OTHER ITEM FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE

2020-003 PUBLISHING OF ITEMIZED CLAIMS

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: Yes, Finding 2019-003.

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: There is no disagreement with the audit finding. The County will continue to evaluate cost effective ways to bring the publication requirement into compliance with statute.



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, 2020, 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 27, 2021.

In connection with our audit, we noted Lyon County failed to comply with provisions of the miscellaneous provisions of *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. §6.65, in so far as they relate to accounting matters as described in the schedule of findings and questioned costs as item 2020-003. Also, 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 contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, and claims and disbursements sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, in so far as they relate to accounting matters. 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.

Lyon County's written response to the legal compliance finding identified in our audit is described in the schedule of findings and questioned costs. 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.

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

Brainerd, Minnesota
September 27, 2021