STATE OF MINNESOTA
Office of the State Auditor

Rebecca Otto
State Auditor

LYON COUNTY
MARSHALL, MINNESOTA

YEAR ENDED DECEMBER 31, 2016

Description of the Office of the State Auditor

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

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

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

Pension - monitors investment, financial, and actuarial reporting for approximately 650 public pension funds; and

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

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

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LYON COUNTY
MARSHALL, MINNESOTA

Year Ended December 31, 2016

Audit Practice Division
Office of the State Auditor
State of Minnesota

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LYON COUNTY
MARSHALL, MINNESOTA

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LYON COUNTY
MARSHALL, MINNESOTA

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Introductory Section

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LYON COUNTY
MARSHALL, MINNESOTA

ORGANIZATION
2016

Office	Name	Term Expires
Commissioners		
1st District	Charles Sanow[1]	January 2020
2nd District	Stephen Ritter	January 2019
3rd District	Paul Graupmann[2]	January 2019
4th District	Rodney Stensrud	January 2017
5th District	Rick Anderson	January 2020
Officers		
Elected		
Attorney	Rick Maes	January 2019
Sheriff	Mark Mather	January 2019
Appointed		
Administrator	Loren Stomberg	Indefinite
Assessor	Sherri Kitchenmaster	December 2020
Auditor/Treasurer	E.J. Moberg	Indefinite
Environmental Administrator	Roger Schroeder	Indefinite
Highway Engineer	Aaron VanMoer	October 2017
Recorder	Michelle DeSmet*	Indefinite
Veterans Service Officer	Terry Wing	September 2018

[1]Chair 2016
[2]Chair 2017

*Michelle DeSmet was appointed as Recorder effective June 6, 2016, to replace Mona Hammer, who retired on June 3, 2016.

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

REBECCA OTTO
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INDEPENDENT AUDITOR'S 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, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lyon County as of December 31, 2016, 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.

Other Matters

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2017, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lyon County's internal control over financial reporting and compliance.

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

October 25, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016
(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, 2016. 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 resources of Lyon County exceeded its liabilities and deferred inflows of resources on December 31, 2016, by $113,359,140 (net position). Of this amount, $9,497,044 (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 $2,823,272 in 2016. A large part of the increase is attributable to the County's net investment in capital assets.

- The net cost of governmental and business-type activities for the current fiscal year was $15,248,115. The net cost was funded by general revenues totaling $18,071,387.

- As of the close of 2016, the County's governmental funds reported combined ending fund balances of $23,441,624, a decrease of $2,855,537 in comparison with 2015 combined ending fund balances. Of the 2016 balance, $13,414,086 was unrestricted (committed, assigned, and unassigned) and, thus, available for spending at the government's discretion.

- At the end of 2016, the unrestricted fund balance for the General Fund was $10,451,490, or 87.1 percent, of the total General Fund expenditures for the year. This represents a decrease from 2015, in which the unrestricted fund balance for the General Fund represented 88.5 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.

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.

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

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

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

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

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

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

Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35 through 93 of this report.

Other Information

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

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 $113,359,140 at the close of 2016. The largest portion of Lyon County's net position (80.7 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 2015 is presented:

Net Position

	2016			
	Governmental Activities	Business-Type Activities	Total	2015
Assets				
Current and other assets	$ 30,645,200	$ 8,765,857	$ 39,411,057	$ 42,429,719
Capital assets	100,247,712	4,364,302	104,612,014	98,699,717
Total Assets	$ 130,892,912	$ 13,130,159	$ 144,023,071	$ 141,129,436
Deferred Outflows of Resources				
Deferred pension outflows	$ 6,633,420	$ 108,687	$ 6,742,107	$ 957,130
Liabilities				
Long-term liabilities	$ 31,647,895	$ 2,668,569	$ 34,316,464	$ 28,668,885
Other liabilities	1,759,513	73,447	1,832,960	2,321,833
Total Liabilities	$ 33,407,408	$ 2,742,016	$ 36,149,424	$ 30,990,718
Deferred Inflows of Resources				
Deferred pension inflows	$ 1,219,022	$ 37,592	$ 1,256,614	$ 559,980
Net Position				
Net investment in capital assets	$ 87,060,752	$ 4,364,302	$ 91,425,054	$ 90,167,102
Restricted	8,360,334	4,076,708	12,437,042	12,275,302
Unrestricted	7,478,816	2,018,228	9,497,044	8,093,464
Total Net Position	$ 102,899,902	$ 10,459,238	$ 113,359,140	$ 110,535,868

Unrestricted net position (in the amount of $9,497,044)--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 8.4 percent of the net position.

Lyon County's activities increased net position during 2016 by $2,823,272, representing a 2.6 percent increase. Key elements in this increase in net position are as follows for 2016, with comparative data for 2015:

Changes in Net Position

	2016			
	Governmental Activities	Business-Type Activities	Total	2015
Revenues				
Program revenues				
Fees, charges, fines, and other	$ 2,668,284	$ 2,524,916	$ 5,193,200	$ 8,717,565
Operating grants and contributions	5,759,338	-	5,759,338	5,172,020
Capital grants and contributions	207,881	-	207,881	2,613,319
General revenues				
Property taxes	13,924,232	-	13,924,232	13,079,385
Other	4,097,412	49,743	4,147,155	2,400,078
Total Revenues	$ 26,657,147	$ 2,574,659	$ 29,231,806	$ 31,982,367
Expenses				
General government	$ 4,506,075	$ -	$ 4,506,075	$ 4,491,623
Public safety	6,355,660	-	6,355,660	5,540,481
Highways and streets	5,627,902	-	5,627,902	6,345,612
Sanitation	679,634	3,138,144	3,817,778	5,482,117
Human services	2,822,580	-	2,822,580	2,723,378
Health	289,097	-	289,097	256,775
Culture and recreation	795,383	-	795,383	546,193
Conservation of natural resources	1,541,126	-	1,541,126	3,866,437
Economic development	46,155	-	46,155	46,155
Interest	606,778	-	606,778	355,821
Total Expenses	$ 23,270,390	$ 3,138,144	$ 26,408,534	$ 29,654,592
Change in Net Position	$ 3,386,757	$ (563,485)	$ 2,823,272	$ 2,327,775
Net Position - January 1	99,513,145	11,022,723	110,535,868	108,208,093
Net Position - December 31	$ 102,899,902	$ 10,459,238	$ 113,359,140	$ 110,535,868

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 $23,441,624, a decrease of $2,855,537 in comparison with the prior year. Of the combined ending fund balances, $13,414,086 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 not in spendable form.

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 $10,451,490. Fund balance in the General Fund increased $352,490 from the prior year. As a measure of the General Fund's liquidity, it may be useful to compare unrestricted fund balance to total expenditures. The General Fund's unrestricted fund balance represents 87.1 percent of total General Fund expenditures.

The Road and Bridge Special Revenue Fund had an unrestricted fund balance of $2,962,596 at year-end. In total, fund balance for the Road and Bridge Special Revenue Fund increased $2,642,929 from the previous year.

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

The Ditch Special Revenue Fund had a restricted ending balance of $1,580,684. This ending balance represents a $452,761 decrease in fund balance from the prior year. The restricted fund balance amount at fiscal year-end was 144.5 percent of the annual expenditures for the fund.

The Debt Service Fund had a restricted ending balance of $1,424,752. This ending balance represents a $283,935 increase in fund balance from the prior year. The restricted fund balance amount at fiscal year-end was 111.4 percent of the annual expenditures for the fund.

The Capital Projects Fund had a restricted ending balance of $2,132,232. This ending balance represents a $5,682,130 decrease in fund balance from the prior year. The restricted fund balance amount at fiscal year-end was 37.5 percent of the annual expenditures for the fund.

Governmental Activities

The County's total revenues for 2016 were $26,657,147. Table 1 provides a breakdown of the source of revenues for governmental activities for the year ended December 31, 2016.

Table 1
Total Revenues - Governmental Activities

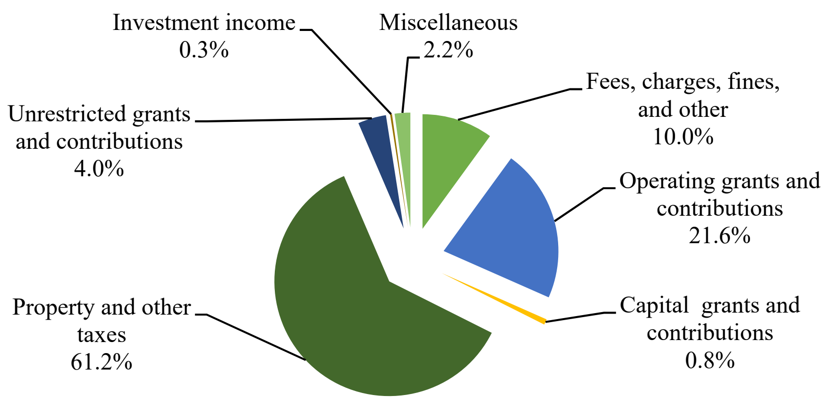

Table 2 presents the revenues and expenses of each of the County's governmental activities, as well as the County's revenues from other sources such as property taxes, interest, and unrestricted grants.

Total revenues for the County's governmental activities were $26,657,147, while total expenses were $23,270,390. This corresponds to a $3,386,757 increase in net position for the year ended December 31, 2016.

Table 2
Program Revenues, General Revenues, and Expenses
Governmental Activities

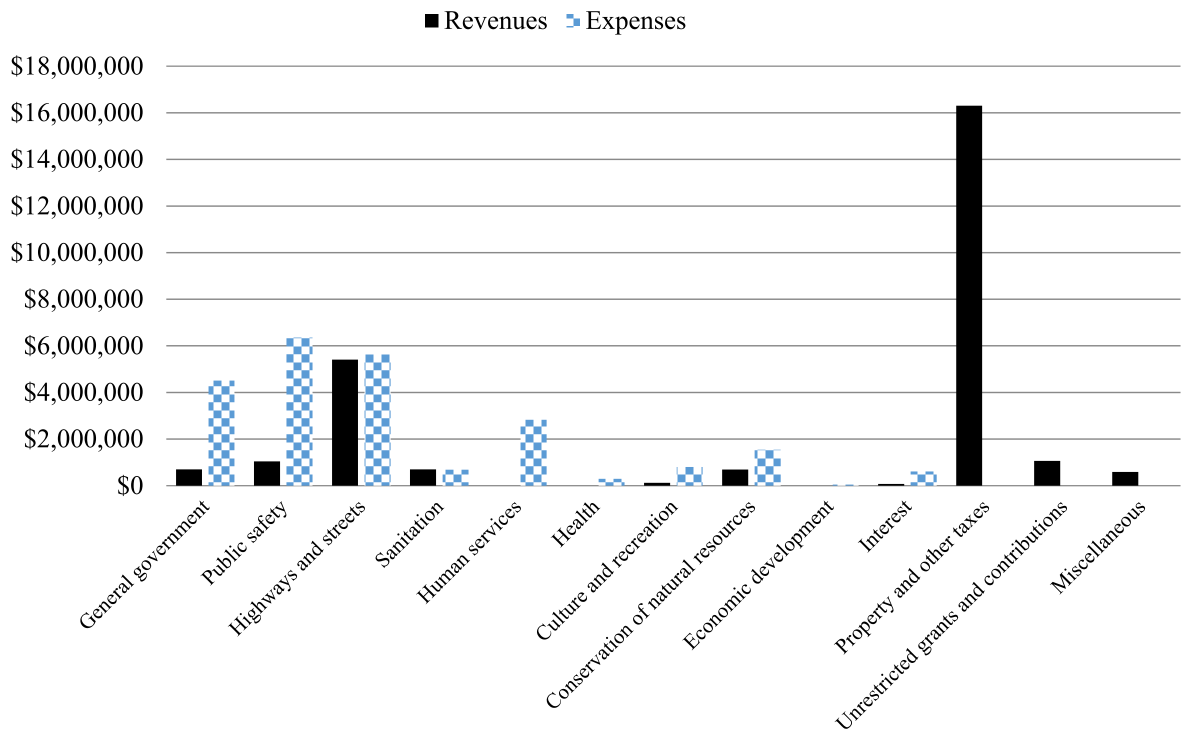

Table 3 displays the cost of each of the County's four largest program functions as well as each function's net cost (total cost, less revenues generated by the activity). The net cost shows the financial burden placed on the County's taxpayers by each of these functions.

Table 3
Governmental Activities

	Total Cost of Services 2016	Net Cost (Revenue) of Services 2016
Public safety	$ 6,355,660	$ 5,317,853
Highways and streets	5,627,902	220,129
General government	4,506,075	3,812,009
Human services	2,822,580	2,822,580
All others	3,958,173	2,462,316
Totals	$ 23,270,390	$ 14,634,887

General Fund Budgetary Highlights

General Fund revenues exceeded budgeted revenues by $823,198, primarily due to more intergovernmental revenue received than budgeted for and not budgeting for special assessment collections on septic loans.

General Fund expenditures were more than budgeted expenditures by $420,022, primarily due to unbudgeted costs to remodel a building at the fairgrounds and to convert heating controls at the museum, and due to not budgeting for principal and interest expenditures to the State of Minnesota for septic loan programs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Lyon County's depreciable capital assets for its governmental activities at December 31, 2016, totaled $87,881,927 (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 $190,688 from the previous year.

Depreciable Governmental Activities Capital Assets

	2016	2015
Capital assets depreciated		
Land improvements	$ 3,185,022	$ 3,185,022
Buildings	22,983,484	22,615,366
Machinery and equipment	7,624,940	7,248,087
Infrastructure	98,042,719	95,744,974
Total capital assets depreciated	$ 131,836,165	$ 128,793,449
Less: accumulated depreciation for		
Land improvements	$ 590,170	$ 471,585
Buildings	6,418,014	5,974,141
Machinery and equipment	5,267,178	4,985,320
Infrastructure	31,678,876	29,671,164
Total accumulated depreciation	$ 43,954,238	$ 41,102,210
Total Capital Assets Depreciated, Net	$ 87,881,927	$ 87,691,239

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

Long-Term Debt

At the end of the current fiscal year, the County had total outstanding debt of $18,286,689 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

	2016	2015
Special assessment debt	$ 3,150,708	$ 3,221,917
General obligation debt	14,798,953	15,577,239
Loans payable	276,507	373,600
Capital leases	60,521	39,641
Total	$ 18,286,689	$ 19,212,397

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The County's elected and appointed officials considered many factors when setting the 2017 budget, tax rates, and fees that will be charged for the year.

The average unemployment rate for Lyon County for 2016 was 3.6 percent. This compares favorably with the state unemployment rate of 3.9 percent and shows a decrease from the County's 3.7 percent rate of one year ago. This could impact the level of services requested by County residents.

The gross property tax levy for the County increased 2.1 percent ($306,075) from 2016, while the net tax levy (the amount spread to taxpayers) increased 1.5 percent ($216,308) from 2016.

County Tax Rate and Net Tax Levy History

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
2011	42.819	12,164,341

On December 20, 2016, the Lyon County Board of Commissioners approved the 2017 budget and adopted a net property tax levy of $14,318,823, which represents a 1.5 percent increase over the 2016 property tax levy of $14,102,515.

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

LYON COUNTY
MARSHALL, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and pooled investments	$ 20,968,371	$ 3,690,777	$ 24,659,148
Investments	3,024,897	712,221	3,737,118
Receivables	6,298,235	286,208	6,584,443
Internal balances	57	(57)	-
Inventories	260,396	-	260,396
Prepaid items	93,244	-	93,244
Restricted assets			
Investments	-	4,058,130	4,058,130
Accrued interest receivable	-	18,578	18,578
Capital assets			
Non-depreciable capital assets	12,365,785	390,432	12,756,217
Depreciable capital assets - net of accumulated depreciation	87,881,927	3,973,870	91,855,797
Total Assets	**$ 130,892,912**	**$ 13,130,159**	**$ 144,023,071**
Deferred Outflows of Resources			
Deferred pension outflows	**$ 6,633,420**	**$ 108,687**	**$ 6,742,107**
Liabilities			
Accounts payable and other current liabilities	$ 1,427,966	$ 73,447	$ 1,501,413
Unearned revenue	28,589	-	28,589
Accrued interest payable	282,958	-	282,958
Customer deposits - current	20,000	-	20,000
Long-term liabilities			
Due within one year	1,065,123	-	1,065,123
Due in more than one year	17,805,774	2,266,877	20,072,651
Net pension liability	11,112,983	332,806	11,445,789
Net other postemployment benefits obligation	1,664,015	68,886	1,732,901
Total Liabilities	**$ 33,407,408**	**$ 2,742,016**	**$ 36,149,424**
Deferred Inflows of Resources			
Deferred pension inflows	**$ 1,219,022**	**$ 37,592**	**$ 1,256,614**

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

LYON COUNTY
MARSHALL, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Governmental Activities	Business-Type Activities	Total
Net Position			
Net investment in capital assets	$ 87,060,752	$ 4,364,302	$ 91,425,054
Restricted for			
Public safety	434,184	-	434,184
Highways and streets	4,290,497	-	4,290,497
Conservation of natural resources	1,670,558	-	1,670,558
Landfill closure/postclosure	-	4,076,708	4,076,708
Debt service	1,193,951	-	1,193,951
Other purposes	771,144	-	771,144
Unrestricted	7,478,816	2,018,228	9,497,044
Total Net Position	**$ 102,899,902**	**$ 10,459,238**	**$ 113,359,140**

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, 2016

	Expenses	Fees, Charges, Fines, and Other
Functions/Programs		
Governmental activities		
General government	$ 4,506,075	$ 638,028
Public safety	6,355,660	662,383
Highways and streets	5,627,902	251,930
Sanitation	679,634	424,246
Human services	2,822,580	-
Health	289,097	-
Culture and recreation	795,383	53,012
Conservation of natural resources	1,541,126	638,685
Economic development	46,155	-
Interest	606,778	-
Total governmental activities	**$ 23,270,390**	**$ 2,668,284**
Business-type activities		
Landfill	3,138,144	2,524,916
Total	**$ 26,408,534**	**$ 5,193,200**

General Revenues
Property taxes
Mortgage registry and deed tax
County local option sales tax
Wheelage tax
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Investment earnings
Miscellaneous

Total general revenues

Change in net position

Net Position - January 1

Net Position - December 31

EXHIBIT 2

Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
$ 56,038	$ -	$ (3,812,009)	$ -	$ (3,812,009)
357,431	17,993	(5,317,853)	-	(5,317,853)
4,965,955	189,888	(220,129)	-	(220,129)
270,517	-	15,129	-	15,129
-	-	(2,822,580)	-	(2,822,580)
-	-	(289,097)	-	(289,097)
63,078	-	(679,293)	-	(679,293)
46,319	-	(856,122)	-	(856,122)
-	-	(46,155)	-	(46,155)
-	-	(606,778)	-	(606,778)
$ 5,759,338	**$ 207,881**	**$ (14,634,887)**	**$ -**	**$ (14,634,887)**
-	-	-	(613,228)	(613,228)
$ 5,759,338	**$ 207,881**	**$ (14,634,887)**	**$ (613,228)**	**$ (15,248,115)**
		$ 13,924,232	$ -	$ 13,924,232
		18,605	-	18,605
		1,819,083	-	1,819,083
		245,445	-	245,445
		294,083	-	294,083
		1,059,986	861	1,060,847
		72,605	48,743	121,348
		587,605	139	587,744
		$ 18,021,644	**$ 49,743**	**$ 18,071,387**
		$ 3,386,757	**$ (563,485)**	**$ 2,823,272**
		99,513,145	**11,022,723**	**110,535,868**
		$ 102,899,902	**$ 10,459,238**	**$ 113,359,140**

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	Road and Bridge
Assets		
Cash and pooled investments	$ 9,134,098	$ 6,153,794
Investments	2,767,324	-
Taxes receivable		
Delinquent	69,301	17,905
Special assessments receivable		
Delinquent	19,527	-
Noncurrent	406,391	-
Accounts receivable	17,665	10,731
Accrued interest receivable	15,324	-
Due from other funds	101,115	4,157
Due from other governments	286,894	1,999,200
Notes receivable	-	-
Inventories	-	260,396
Prepaid items	90,105	3,139
Advance to other funds	124,000	-
Total Assets	**$ 13,031,744**	**$ 8,449,322**

EXHIBIT 3

Human Services	Ditch	Debt Service	Capital Projects	Total
$ 32,265	$ 1,571,780	$ 1,424,752	$ 2,486,051	$ 20,802,740
-	257,573	-	-	3,024,897
25,292	-	12,795	-	125,293
-	2,394	-	-	21,921
-	3,169,632	-	-	3,576,023
-	-	-	49,874	78,270
-	67	-	243	15,634
-	-	-	-	105,272
-	-	-	-	2,286,094
-	195,000	-	-	195,000
-	-	-	-	260,396
-	-	-	-	93,244
-	-	-	-	124,000
$ 57,557	**$ 5,196,446**	**$ 1,437,547**	**$ 2,536,168**	**$ 30,708,784**

LYON COUNTY
MARSHALL, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	Road and Bridge
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	$ 104,160	$ 40,535
Salaries payable	247,684	50,775
Contracts payable	-	332,382
Due to other funds	4,100	115
Due to other governments	36,932	133,307
Customer deposits	-	-
Unearned revenue	28,589	-
Advance from other funds	-	-
Total Liabilities	**$ 421,465**	**$ 557,114**
Deferred Inflows of Resources		
Unavailable revenue	**$ 550,050**	**$ 1,648,481**
Fund Balances		
Nonspendable	$ 214,105	$ 263,535
Restricted	1,394,634	3,017,596
Committed	878,866	-
Assigned	1,603,108	2,962,596
Unassigned	7,969,516	-
Total Fund Balances	**$ 12,060,229**	**$ 6,243,727**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 13,031,744**	**$ 8,449,322**

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

EXHIBIT 3
(Continued)

Human Services	Ditch	Debt Service	Capital Projects	Total
$ -	$ 3,736	$ -	$ 56,770	$ 205,201
-	-	-	-	298,459
-	-	-	347,119	679,501
-	101,000	-	-	105,215
32,265	-	-	47	202,551
-	20,000	-	-	20,000
-	-	-	-	28,589
-	124,000	-	-	124,000
$ 32,265	**$ 248,736**	**$ -**	**$ 403,936**	**$ 1,663,516**
$ 25,292	**$ 3,367,026**	**$ 12,795**	**$ -**	**$ 5,603,644**
$ -	$ -	$ -	$ -	$ 477,640
-	1,580,684	1,424,752	2,132,232	9,549,898
-	-	-	-	878,866
-	-	-	-	4,565,704
-	-	-	-	7,969,516
$ -	**$ 1,580,684**	**$ 1,424,752**	**$ 2,132,232**	**$ 23,441,624**
$ 57,557	**$ 5,196,446**	**$ 1,437,547**	**$ 2,536,168**	**$ 30,708,784**

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LYON COUNTY
MARSHALL, MINNESOTA

EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016

Fund balance - total governmental funds (Exhibit 3)		**$ 23,441,624**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		100,247,712
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		6,633,420
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.		123,377
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources--unavailable revenue in the governmental funds.		5,603,644
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	$ (13,900,000)	
Special assessment bonds	(2,715,000)	
Compensated absences	(584,208)	
Net other postemployment benefits obligation	(1,664,015)	
Net pension liability	(11,112,983)	
Capital leases	(60,521)	
Loans payable	(276,507)	
Note payable	(355,000)	
Accrued interest payable	(282,958)	
Unamortized premium on general obligation bonds	(898,953)	
Unamortized premium on special assessment bonds	(80,708)	(31,930,853)
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in governmental funds.		(1,219,022)
Net Position of Governmental Activities (Exhibit 1)		**$ 102,899,902**

LYON COUNTY
MARSHALL, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General	Road and Bridge
Revenues		
Taxes	$ 7,749,635	$ 3,997,894
Special assessments	439,146	-
Licenses and permits	52,720	-
Intergovernmental	2,024,173	5,629,044
Charges for services	1,017,316	8,506
Gifts and contributions	4,988	-
Investment earnings	66,367	-
Miscellaneous	948,755	258,787
Total Revenues	**$ 12,303,100**	**$ 9,894,231**
Expenditures		
Current		
General government	$ 4,173,697	$ -
Public safety	5,438,005	-
Highways and streets	-	6,776,421
Sanitation	674,860	-
Culture and recreation	472,161	-
Conservation of natural resources	497,308	-
Economic development	46,155	-
Intergovernmental	565,222	398,984
Capital outlay		
General government	-	-
Culture and recreation	-	-
Debt service		
Principal	125,027	-
Interest	6,989	-
Administrative (fiscal) fees	-	-
Total Expenditures	**$ 11,999,424**	**$ 7,175,405**
Excess of Revenues Over (Under) Expenditures	**$ 303,676**	**$ 2,718,826**
Other Financing Sources (Uses)		
Capital leases	48,814	-
Net Change in Fund Balance	**$ 352,490**	**$ 2,718,826**
Fund Balance - January 1	**11,707,739**	**3,600,798**
Increase (decrease) in inventories	**-**	**(75,897)**
Fund Balance - December 31	**$ 12,060,229**	**$ 6,243,727**

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

Human Services	Ditch	Debt Service	Capital Projects	Total
$ 2,742,335	$ -	$ 1,525,862	$ -	$ 16,015,726
-	635,072	-	-	1,074,218
-	-	-	-	52,720
80,245	4,130	36,662	-	7,774,254
-	-	-	-	1,025,822
-	-	-	-	4,988
-	954	-	5,284	72,605
-	1,050	-	-	1,208,592
$ 2,822,580	**$ 641,206**	**$ 1,562,524**	**$ 5,284**	**$ 27,228,925**
$ -	$ -	$ -	$ -	$ 4,173,697
-	-	-	-	5,438,005
-	-	-	-	6,776,421
-	-	-	-	674,860
-	-	-	-	472,161
-	887,201	-	-	1,384,509
-	-	-	-	46,155
2,822,580	69,565	-	-	3,856,351
-	-	-	5,384,214	5,384,214
-	-	-	303,200	303,200
-	65,000	700,000	-	890,027
-	71,301	577,289	-	655,579
-	900	1,300	-	2,200
$ 2,822,580	**$ 1,093,967**	**$ 1,278,589**	**$ 5,687,414**	**$ 30,057,379**
$ -	**$ (452,761)**	**$ 283,935**	**$ (5,682,130)**	**$ (2,828,454)**
-	-	-	-	48,814
$ -	**$ (452,761)**	**$ 283,935**	**$ (5,682,130)**	**$ (2,779,640)**
-	**2,033,445**	**1,140,817**	**7,814,362**	**26,297,161**
-	**-**	**-**	**-**	**(75,897)**
$ -	**$ 1,580,684**	**$ 1,424,752**	**$ 2,132,232**	**$ 23,441,624**

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EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016

Net change in fund balance - total governmental funds (Exhibit 5)		**$ (2,779,640)**
Amounts reported for governmental activities in the statement of activities are different because:		
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.		
Unavailable revenue - December 31	$ 5,603,644	
Unavailable revenue - January 1	(6,205,187)	(601,543)
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for general capital assets and infrastructure	$ 10,114,268	
Current year depreciation	(3,206,797)	6,907,471
Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position.		
Debt principal repayments		
General obligation bonds	$ 700,000	
Special assessment bonds	65,000	
Loans payable	97,093	
Capital leases	27,934	890,027
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in a statement of net position, the lease obligation is reported as a liability. (See Note 2.C.4. for more information.)		(48,814)
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	$ (33,494)	
Change in compensated absences	(12,866)	
Change in net other postemployment benefits obligation	(70,737)	
Change in net pension liability	(6,346,428)	
Change in deferred pension outflows	5,712,823	
Change in deferred pension inflows	(682,039)	
Change in inventories	(75,897)	
Amortization of premiums on bonds	84,495	(1,424,143)
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.		443,399
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 3,386,757**

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

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PROPRIETARY FUNDS

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EXHIBIT 7

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016

	Business-Type Activities	Governmental Activities
	Landfill Enterprise Fund	Internal Service Fund
Assets		
Current assets		
Cash and pooled investments	$ 3,690,777	$ 165,631
Investments	712,221	-
Accounts receivable	263,594	-
Accrued interest receivable	199	-
Due from other governments	22,415	-
Restricted assets		
Investments	4,058,130	-
Accrued interest receivable	18,578	-
Total current assets	**$ 8,765,914**	**$ 165,631**
Noncurrent assets		
Capital assets		
Nondepreciable	$ 390,432	$ -
Depreciable - net	3,973,870	-
Total noncurrent assets	**$ 4,364,302**	**$ -**
Total Assets	**$ 13,130,216**	**$ 165,631**
Deferred Outflows of Resources		
Deferred pension outflows	**$ 108,687**	**$ -**

EXHIBIT 7
(Continued)

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016

	Business-Type Activities		Governmental Activities	
	Landfill Enterprise Fund		Internal Service Fund	
Liabilities				
Current liabilities				
Accounts payable	$	38,129	$	-
Salaries payable		13,113		-
Claims payable		-		42,254
Due to other funds		57		-
Due to other governments		22,205		-
Total current liabilities	**$**	**73,504**	**$**	**42,254**
Noncurrent liabilities				
Compensated absences payable - long-term	$	40,509	$	-
Net other postemployment benefits obligation		68,886		-
Net pension liability		332,806		-
Estimated liability for landfill closure/postclosure care		2,226,368		-
Total noncurrent liabilities	**$**	**2,668,569**	**$**	**-**
Total Liabilities	**$**	**2,742,073**	**$**	**42,254**
Deferred Inflows of Resources				
Deferred pension inflows	**$**	**37,592**	**$**	**-**
Net Position				
Investment in capital assets	$	4,364,302	$	-
Restricted for postclosure care		4,076,708		-
Unrestricted		2,018,228		123,377
Total Net Position	**$**	**10,459,238**	**$**	**123,377**

LYON COUNTY
MARSHALL, MINNESOTA

EXHIBIT 8

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-Type Activities	Governmental Activities
	Landfill Enterprise Fund	Internal Service Fund
Operating Revenues		
Intergovernmental	$ 861	$ -
Charges for services	2,511,549	1,930,730
Miscellaneous	13,367	-
Dividends	139	-
Total Operating Revenues	**$ 2,525,916**	**$ 1,930,730**
Operating Expenses		
Personal services	$ 8,717	$ -
Professional services	355,529	-
Administration and fiscal services	760,517	-
Other services and charges	290,484	-
Utilities	58,210	-
Depreciation	1,593,211	-
Landfill closure and postclosure care costs	71,476	-
Cost of service	-	1,487,331
Total Operating Expenses	**$ 3,138,144**	**$ 1,487,331**
Operating Income (Loss)	**$ (612,228)**	**$ 443,399**
Nonoperating Revenues (Expenses)		
Investment earnings	48,743	-
Change in Net Position	**$ (563,485)**	**$ 443,399**
Net Position - January 1	**11,022,723**	**(320,022)**
Net Position - December 31	**$ 10,459,238**	**$ 123,377**

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

LYON COUNTY
MARSHALL, MINNESOTA

EXHIBIT 9

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-Type Activities	Governmental Activities
	Landfill Enterprise Fund	**Internal Service Fund**
Cash Flows from Operating Activities		
Receipts from customers and users	$ 2,556,308	$ 1,930,730
Payments to suppliers	(1,112,696)	(1,579,879)
Payments to employees	(347,803)	-
Net cash provided by (used in) operating activities	**$ 1,095,809**	**$ 350,851**
Cash Flows from Investing Activities		
Purchase of investments	(240,000)	-
Cash Flows from Noncapital Financing Activities		
Advance returned to other funds	-	(190,000)
Cash Flows from Capital and Related Financing Activities		
Payments for construction and purchases of capital assets	(863,557)	-
Net Increase (Decrease) in Cash and Cash Equivalents	**$ (7,748)**	**$ 160,851**
Cash and Cash Equivalents - January 1	**3,698,525**	**4,780**
Cash and Cash Equivalents - December 31	**$ 3,690,777**	**$ 165,631**

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

LYON COUNTY
MARSHALL, MINNESOTA

EXHIBIT 9
(Continued)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-Type Activities Landfill Enterprise Fund	Governmental Activities Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	**$ (612,228)**	**$ 443,399**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	$ 1,593,211	$ -
(Increase) decrease in accounts receivable	31,592	-
(Increase) decrease in due from other governments	(338)	-
(Increase) decrease in deferred pension outflows	(72,154)	-
Increase (decrease) in accounts payable	1,884	-
Increase (decrease) in salaries payable	(7,357)	-
Increase (decrease) in claims payable	-	(92,548)
Increase (decrease) in due to other governments	3,512	-
Increase (decrease) in due to other funds	(166)	-
Increase (decrease) in estimated liability for landfill closure/postclosure care	71,476	-
Increase (decrease) in net other postemployment benefits obligation	2,287	-
Increase (decrease) in compensated absences payable	(2,838)	-
Increase (decrease) in deferred pension inflows	14,595	-
Increase (decrease) in net pension liability	72,333	-
Total adjustments	**$ 1,708,037**	**$ (92,548)**
Net Cash Provided by (Used in) Operating Activities	**$ 1,095,809**	**$ 350,851**

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FIDUCIARY FUNDS

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EXHIBIT 10

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2016

	Investment Trust Fund	Agency
Assets		
Cash and pooled investments	$ 5,533,702	$ 1,772,233
Accrued interest receivable	6,762	-
Total Assets	**$ 5,540,464**	**$ 1,772,233**
Liabilities		
Due to other governments	-	**$ 1,772,233**
Net Position		
Net position, held in trust for pool participants	**$ 5,540,464**	

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

EXHIBIT 11

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

		Investment Trust Fund
Additions		
Contributions from participants	$	31,371,710
Investment earnings		33,743
Total Additions	**$**	**31,405,453**
Deductions		
Distributions to participants		32,184,807
Change in Net Position	**$**	**(779,354)**
Net Position - January 1		**6,319,818**
Net Position - December 31	**$**	**5,540,464**

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

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2016. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Lyon County was established March 6, 1868, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. § 373.01. As required by accounting principles generally accepted in the United States of America, these financial statements present Lyon County. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Administrator serves as clerk of the Board of Commissioners but has no vote.

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

B. Basic Financial Statements

1. Government-Wide Statements

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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

- The Road and Bridge Special Revenue Fund accounts for restricted revenues from the federal and state government, as well as assigned property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

- The Human Services Special Revenue Fund accounts for assigned property tax revenues used for economic assistance and community social services programs.

- The Ditch Special Revenue Fund accounts for special assessment revenues levied against benefitted property to finance the cost of constructing and maintaining an agricultural drainage ditch system.

- The Debt Service Fund accounts for the accumulation of restricted resources used for, and the payment of, principal, interest, and related costs.

- The Capital Projects Fund accounts for financial resources to be used for capital acquisition, construction, or improvement of capital facilities.

The County reports the following major enterprise fund:

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

Additionally, the County reports the following fund types:

- The Internal Service Fund accounts for health insurance premiums and payments.

- The Investment Trust Fund is used to account for the external pooled investments held for Southwest Health and Human Services.

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

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.

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, 2016. 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 2016 were $39,362.

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.

1. Summary of Significant Accounting Policies

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

3. Receivables and Payables

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

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

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

Special assessments receivable consist of delinquent special assessments payable in the years 2011 through 2016 and noncurrent special assessments payable in 2017 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.

1. Summary of Significant Accounting Policies

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

4. Inventories and Prepaid Items (Continued)

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

1. Summary of Significant Accounting Policies

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

6. Capital Assets (Continued)

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

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

During 2015, the management of Lyon County reviewed estimates related to depreciation of the landfill cell capital assets in the Landfill Enterprise Fund. Previous estimates based depreciation on the percentage of ultimate landfill capacity used. Management determined changing the estimate to the straight-line method would better align depreciation expense with the assets' useful lives. The depreciation charges of the Landfill Enterprise Fund for the current year-end are $1,428,960. 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

1. Summary of Significant Accounting Policies

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

7. Compensated Absences (Continued)

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

8. Long-Term Obligations

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

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

9. Pension Plan

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

1. Summary of Significant Accounting Policies

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

10. Deferred Outflows/Inflows of Resources

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

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

1. Summary of Significant Accounting Policies

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

11. Unearned Revenue

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

12. Classification of Net Position

Net position in the government-wide and proprietary fund financial statements is classified in the following categories:

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

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

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

13. Classification of Fund Balances

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

- Nonspendable - amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

1. Summary of Significant Accounting Policies

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

13. Classification of Fund Balances (Continued)

- Restricted - amounts in which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

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

- Assigned - amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board, the County Administrator, or the County Auditor/Treasurer, who has been delegated that authority by Board resolution.

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

1. Summary of Significant Accounting Policies

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

      13. Classification of Fund Balances (Continued)

      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.

      14. Minimum Fund Balance

      Lyon County has adopted a minimum fund balance policy for the General Fund. The General Fund is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined it needs to maintain a minimum unrestricted fund balance (committed, assigned, and unassigned) of no less than five months of operating expenditures. The fund balance policy was adopted by the County Board on December 20, 2011. At December 31, 2016, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

      15. Use of Estimates

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

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

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

Government-wide statement of net position		
Governmental activities		
Cash and pooled investments	$	20,968,371
Investments		3,024,897
Business-type activities		
Cash and pooled investments		3,690,777
Investments		712,221
Investments - restricted assets		4,058,130
Statement of fiduciary net position		
Cash and pooled investments		
Investment trust fund		5,533,702
Agency funds		1,772,233
Total Cash and Investments	$	39,760,331

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.

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County has adopted a policy for custodial credit risk of obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and perfected security interest under federal law. As of December 31, 2016, 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;

2. Detailed Notes on All Funds

   A. Assets and Deferred Outflows of Resources

      1. Deposits and Investments

         b. Investments (Continued)

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

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

            Interest Rate Risk

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

            Credit Risk

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

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments

Credit Risk (Continued)

The County's exposure to credit risk as of December 31, 2016, is as follows:

Rating Agency	Rating	Fair Value
Moody's	Aa1	$ 100,000
Moody's	Aa2	260,000
Moody's	Aaa	4,531,865
S&P	AA	668,605
S&P	AA-	100,000
S&P	AA+	80,000
N/A	N/R	2,070,874
Total		$ 7,811,344

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, 2016, none of the County's investments were subject to custodial credit risk.

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

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

Issuer	Reported Amount
BNP Pariabas	
Federal Home Loan Bank	$ 690,000
Federal Home Loan Mortgage Corporation	781,582
Municipal bonds	1,228,605
Wells Fargo Advisors	
Federal National Mortgage Association	1,492,305
MAGIC Fund	3,967,255

The following table presents the County's deposit and investment balances at December 31, 2016, along with information relating to maturities:

Investment Type	Less Than 2 Years	2 - 5 Years	5 - 10 Years	More Than 10 Years	Fair Value
Investments					
Federal Farm Credit Bank	$ -	$ -	$ 80,000	$ -	$ 80,000
Federal Home Loan Bank	-	655,000	450,001	-	1,105,001
Federal Home Loan Mortgage Corporation	2,854	267,900	600,000	155,827	1,026,581
Federal Home National Mortgage Corporation	-	-	564,305	-	564,305
Federal National Mortgage Association	-	53,006	1,551,536	127,257	1,731,799
Government National Mortgage Association	-	-	-	17,041	17,041
U.S. Treasury Notes	-	225,000	200,000	-	425,000
Municipal bonds	85,000	620,041	523,564	-	1,228,605
Negotiable certificates of deposit	-	1,633,012	-	-	1,633,012
Total investments					$ 7,811,344

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

Investment Type	Less Than 2 Years	2 - 5 Years	5 - 10 Years	More Than 10 Years	Fair Value
Investment pools					
MAGIC Fund					3,967,255
Checking					14,308,020
Savings					13,661,187
Petty cash and change funds					12,525
Total Cash and Investments					$ 39,760,331

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, 2016, the County had the following recurring fair value measurements:

		Fair Value Measurements Using		
	December 31, 2016	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	$ 425,000	$ -	$ 425,000	$ -
U.S. agencies	4,524,727	-	4,524,727	-
Municipal bonds	1,228,605	-	1,228,605	-
Negotiable certificates of deposit	1,633,012	-	1,633,012	-
Total Investments Included in the Fair Value Hierarchy	$ 7,811,344	$ -	$ 7,811,344	$ -

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

	December 31, 2016	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	$ 3,967,255			

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.

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

2. Receivables

Receivables as of December 31, 2016, 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	$ 125,293	$ -
Special assessments	3,597,944	3,084,027
Accounts	78,270	-
Interest	15,634	-
Due from other governments	2,286,094	-
Notes	195,000	180,000
Total Governmental Activities	$ 6,298,235	$ 3,264,027
Business-Type Activities		
Accounts	$ 263,594	$ -
Interest	199	-
Due from other governments	22,415	-
Total Business-Type Activities	$ 286,208	$ -

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

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 1,300,960	$ 22,367	$ -	$ 1,323,327
Right-of-way	836,566	276,784	-	1,113,350
Construction in progress	3,511,476	7,003,373	585,741	9,929,108
Total capital assets not depreciated	$ 5,649,002	$ 7,302,524	$ 585,741	$ 12,365,785
Capital assets depreciated				
Land improvements	$ 3,185,022	$ -	$ -	$ 3,185,022
Buildings	22,615,366	368,118	-	22,983,484
Machinery and equipment	7,248,087	731,622	354,769	7,624,940
Infrastructure	95,744,974	2,297,745	-	98,042,719
Total capital assets depreciated	$ 128,793,449	$ 3,397,485	$ 354,769	$ 131,836,165
Less: accumulated depreciation for				
Land improvements	$ 471,585	$ 118,585	$ -	$ 590,170
Buildings	5,974,141	443,873	-	6,418,014
Machinery and equipment	4,985,320	636,627	354,769	5,267,178
Infrastructure	29,671,164	2,007,712	-	31,678,876
Total accumulated depreciation	$ 41,102,210	$ 3,206,797	$ 354,769	$ 43,954,238
Total capital assets depreciated, net	$ 87,691,239	$ 190,688	$ -	$ 87,881,927
Governmental Activities Capital Assets, Net	$ 93,340,241	$ 7,493,212	$ 585,741	$ 100,247,712

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

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 390,432	$ -	$ -	$ 390,432
Capital assets depreciated				
Buildings	$ 187,823	$ -	$ -	$ 187,823
Machinery and equipment	1,573,533	550,300	342,633	1,781,200
Landfill cells	10,342,085	-	-	10,342,085
Infrastructure	461,209	47,737	-	508,946
Total capital assets depreciated	$ 12,564,650	$ 598,037	$ 342,633	$ 12,820,054
Less: accumulated depreciation for				
Buildings	$ 85,711	$ 6,260	$ -	$ 91,971
Machinery and equipment	1,161,094	124,460	342,633	942,921
Landfill cells	6,184,817	1,428,960	-	7,613,777
Infrastructure	163,984	33,531	-	197,515
Total accumulated depreciation	$ 7,595,606	$ 1,593,211	$ 342,633	$ 8,846,184
Total capital assets depreciated, net	$ 4,969,044	$ (995,174)	$ -	$ 3,973,870
Business-Type Activities Capital Assets, Net	$ 5,359,476	$ (995,174)	$ -	$ 4,364,302

There was no construction in progress for the business-type activities in 2016.

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

Governmental Activities	
General government	$ 458,368
Public safety	258,784
Highways and streets, including depreciation of infrastructure assets	2,345,010
Sanitation	4,167
Culture and recreation	128,617
Conservation of natural resources	11,851
Total Depreciation Expense - Governmental Activities	$ 3,206,797
Business-Type Activities	
Landfill	$ 1,593,211

2. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables and Transfers

1. Due To/From Other Funds

The composition of interfund balances as of December 31, 2016, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Ditch Special Revenue Fund	$ 101,000
General Fund	Road and Bridge Special Revenue Fund	115
Road and Bridge Special Revenue Fund	Landfill Enterprise Fund	57
Road and Bridge Special Revenue Fund	General Fund	4,100
Total Due To/From Other Funds		$ 105,272

The outstanding balances between the General Fund and Ditch Special Revenue Fund result from a transfer to provide funding for improvements on County Ditch No. 37 Lateral B. This will be paid back during 2017 through petitioner deposits and prepaid special assessments. The remaining 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, 2016, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Ditch Special Revenue Fund	$ 124,000

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.

2. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2016, were as follows:

	Governmental Activities	Business-Type Activities
Accounts payable	$ 205,201	$ 38,129
Claims payable	42,254	-
Salaries payable	298,459	13,113
Contracts payable	679,501	-
Due to other governments	202,551	22,205
Total Payables	$ 1,427,966	$ 73,447

2. Construction Commitments

The County has active construction projects and other commitments as of December 31, 2016. The projects and commitments include the following:

	Spent-to-Date	Remaining Commitment
Pictometry - General Fund	$ 51,835	$ 23,354
Government Center project - Capital Projects Fund	6,447,719	1,315,991

The $23,354 remaining commitment to Pictometry is the total payment, with the County share being two-thirds of the total and the remaining one-third being split between the City of Marshall and Marshall Municipal Utilities. Additional remaining commitments for highway projects are state-funded and, therefore, not obligations of the County at December 31, 2016.

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Unearned Revenues/Deferred Inflows of Resources

In the governmental funds, unearned revenues and deferred inflows of resources consist of special assessments, taxes, state grants, and other receivables not collected soon enough after year-end to pay liabilities of the current period, and state grants received but not yet earned. Unearned revenues and deferred inflows of resources at December 31, 2016, are summarized below by fund:

	Taxes	Special Assessments	Grants	Other	Total
Governmental funds					
General Fund	$ 69,301	$ 425,918	$ 28,589	$ 54,831	$ 578,639
Special Revenue Funds					
Road and Bridge	17,905	-	1,630,576	-	1,648,481
Human Services	25,292	-	-	-	25,292
Ditch	-	3,172,026	-	195,000	3,367,026
Debt Service Fund	12,795	-	-	-	12,795
Total	$ 125,293	$ 3,597,944	$ 1,659,165	$ 249,831	$ 5,632,233
Liability					
Unearned revenue	$ -	$ -	$ 28,589	$ -	$ 28,589
Deferred Inflows of Resources					
Unavailable revenue	125,293	3,597,944	1,630,576	249,831	5,603,644
Total	$ 125,293	$ 3,597,944	$ 1,659,165	$ 249,831	$ 5,632,233

4. Long-Term Debt

Capital Leases

Lyon County has lease agreements that qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. Capital leases consist of the following at December 31, 2016:

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt

Capital Leases (Continued)

Lease	Final Maturity	Installment	Payment Amount	Original Issue Amount	Outstanding Balance December 31, 2016
2015 Dodge Charger	2018	Monthly	$ 645	$ 23,235	$ 11,930
2015 Dodge Charger	2018	Monthly	645	23,235	12,221
2016 Ford Police Utility	2019	Monthly	678	24,407	18,305
2016 Ford Police Utility	2019	Monthly	678	24,407	18,065
Total Capital Leases					$ 60,521

Capital lease payments for the squad cars are paid from the General Fund. The future minimum lease obligations and the net present value of the minimum lease payments as of December 31, 2016, were as follows:

Year Ending December 31	Governmental Activities
2017	$ 31,761
2018	24,932
2019	3,828
Present Value of Minimum Lease Payments	$ 60,521

Bonds Payable

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.

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt

Bonds Payable (Continued)

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

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

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

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2016
Special assessment bonds with government commitment					
2008B G.O. drainage refunding bonds	2019	$35,000 - $85,000	3.15 - 4.25	$ 715,000	$ 105,000
2015B G.O. ditch bonds	2036	$100,000 - $160,000	3.00 - 4.00	2,610,000	2,610,000
Plus: unamortized premium					80,708
Special Assessment Bonds with Government Commitment, Net					$ 2,795,708

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt

Bonds Payable (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2016
General obligation bonds					
2008A G.O. jail bonds	2021	$150,000 - $840,000	4.00 - 5.00	$ 8,545,000	$ 3,900,000
2015A G.O. capital improvement plan bonds	2031	$800,000 - $1,195,000	3.00 - 5.00	10,000,000	10,000,000
Plus: unamortized premium					898,953
General Obligation Bonds, Net					$ 14,798,953

Loans Payable

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

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2016
Cottonwood River Restoration CWP Project	2022	$24,662	2.00	$ 445,043	$ 99,083
Yellow Medicine River Watershed CWP Project	2018	$9,535	2.00	172,070	17,259
Redwood Watershed Phosphorus CWP Project	2021	$25,038	2.00	451,831	160,165
Total Loans Payable				$ 1,068,944	$ 276,507

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt (Continued)

Note Payable

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

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2016
Note Payable	2030	$25,000 - $30,000	2.000 - 3.125	$ 385,000	$ 355,000

5. Debt Service Requirements

Debt service requirements at December 31, 2016, were as follows:

Year Ending	General Obligation Bonds		Special Assessment Bonds	
December 31	Principal	Interest	Principal	Interest
2017	$ 725,000	$ 570,131	$ 135,000	$ 82,781
2018	750,000	540,631	155,000	77,994
2019	780,000	506,131	160,000	72,831
2020	805,000	466,506	130,000	68,263
2021	840,000	425,381	130,000	64,363
2022 - 2026	4,415,000	1,491,281	730,000	258,813
2027 - 2031	5,585,000	646,609	715,000	145,988
2032 - 2036	-	-	560,000	46,094
Total	$ 13,900,000	$ 4,646,670	$ 2,715,000	$ 817,127

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

5. Debt Service Requirements (Continued)

Year Ending	Note Payable		Loans Payable	
December 31	Principal	Interest	Principal	Interest
2017	$ 25,000	$ 9,194	$ 87,745	$ 5,037
2018	25,000	8,693	51,598	3,489
2019	25,000	8,194	46,708	2,511
2020	25,000	7,694	47,647	1,572
2021	30,000	7,144	35,893	678
2022 - 2026	125,000	24,844	6,916	104
2027 - 2031	100,000	6,234	-	-
Total	$ 355,000	$ 71,997	$ 276,507	$ 13,391

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	$ 14,600,000	$ -	$ 700,000	$ 13,900,000	$ 725,000
Plus: unamortized premium	977,239	-	78,286	898,953	-
General obligation bonds, net	$ 15,577,239	$ -	$ 778,286	$ 14,798,953	$ 725,000
Special assessment bonds with government commitment	$ 2,750,000	$ -	$ 35,000	$ 2,715,000	$ 135,000
Plus: unamortized premium	86,917	-	6,209	80,708	-
Special assessment bonds with government commitment, net	$ 2,836,917	$ -	$ 41,209	$ 2,795,708	$ 135,000
Total bonds payable	$ 18,414,156	$ -	$ 819,495	$ 17,594,661	$ 860,000
Note payable	385,000	-	30,000	355,000	25,000
Loans payable	373,600	-	97,093	276,507	87,745
Capital leases	39,641	48,814	27,934	60,521	31,761
Compensated absences	571,342	371,465	358,599	584,208	60,617
Governmental Activities Long-Term Liabilities	$ 19,783,739	$ 420,279	$ 1,333,121	$ 18,870,897	$ 1,065,123

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

6. Changes in Long-Term Liabilities (Continued)

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Estimated liability for landfill closure and postclosure care	$ 2,154,892	$ 71,476	$ -	$ 2,226,368	$ -
Compensated absences	43,348	13,321	16,160	40,509	-
Business-Type Activities Long-Term Liabilities	$ 2,198,240	$ 84,797	$ 16,160	$ 2,266,877	$ -

7. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each statement of net position date. The $2,226,368 landfill closure and postclosure care liability at December 31, 2016, represents the cumulative amount reported to date based on the use of 31.39 percent of the estimated capacity of the landfill.

The County will recognize the remaining estimated cost of closure and postclosure care of $4,866,060 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2016. Based on the current permitted capacity, the landfill has an estimated operating life of 68 years. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The Board is in compliance with these requirements and, at December 31, 2016, restricted assets of $4,076,708 are held for these purposes. Lyon County expects that future inflation costs will be paid from investment earnings on these annual contributions.

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

7. Landfill Closure and Postclosure Care Costs (Continued)

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

D. Fund Balances

		Special Revenue				
Fund Balances	General	Road and Bridge	Ditch	Debt Service	Capital Projects	Total
Nonspendable						
Prepaid items	$ 90,105	$ 3,139	$ -	$ -	$ -	$ 93,244
Inventories	-	260,396	-	-	-	260,396
Advances to other funds	124,000	-	-	-	-	124,000
Restricted						
DARE program	14,230	-	-	-	-	14,230
Law library	26,635	-	-	-	-	26,635
Recorder's technology	233,503	-	-	-	-	233,503
Recorder's compliance	265,924	-	-	-	-	265,924
Capital projects	-	-	-	-	2,132,232	2,132,232
Debt service	-	-	-	1,424,752	-	1,424,752
Ditch	-	-	1,580,684	-	-	1,580,684
Enhanced 911	214,879	-	-	-	-	214,879
Sheriff's contingency	206	-	-	-	-	206
Sheriff's forfeited property	4,807	-	-	-	-	4,807
Attorney's forfeited property	62,364	-	-	-	-	62,364
Sheriff's gun permits	119,117	-	-	-	-	119,117
Probation supervision fees	80,945	-	-	-	-	80,945
Septic/sewer loans	189,306	-	-	-	-	189,306
Fish and wildlife trust	112,956	-	-	-	-	112,956
Aquatic invasive species	69,762	-	-	-	-	69,762
Highway allotments	-	530,906	-	-	-	530,906
Road projects - local option sales tax	-	2,270,502	-	-	-	2,270,502
Road projects - wheelage tax	-	216,188	-	-	-	216,188
Committed						
County septic systems program	134,494	-	-	-	-	134,494
Garvin Park trust	218,306	-	-	-	-	218,306
Aggregate - gravel pit	209,901	-	-	-	-	209,901
Recycling and household hazardous waste assessments	316,165	-	-	-	-	316,165
Assigned						
Criminal justice contingency	57,599	-	-	-	-	57,599
Self-insurance	498,590	-	-	-	-	498,590
Capital projects	982,768	-	-	-	-	982,768
Elections	64,151	-	-	-	-	64,151
Road and bridge	-	2,962,596	-	-	-	2,962,596
Unassigned	7,969,516	-	-	-	-	7,969,516
Total Fund Balances	$ 12,060,229	$ 6,243,727	$ 1,580,684	$ 1,424,752	$ 2,132,232	$ 23,441,624

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description

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

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

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

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

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description (Continued)

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

2. Benefits Provided

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

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

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

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

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

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in 2016. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2016. Public Employees Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2016.

In 2016, the County was required to contribute the following percentages of annual covered salary:

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

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

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

3. Contributions (Continued)

The County's contributions for the year ended December 31, 2016, to the pension plans were:

General Employees Retirement Plan	$	327,281
Public Employees Police and Fire Plan		166,452
Public Employees Correctional Plan		84,412

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

4. Pension Costs

General Employees Retirement Plan

At December 31, 2016, the County reported a liability of $5,529,382 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.0681 percent. It was 0.0718 percent measured as of June 30, 2015. The County recognized pension expense of $718,134 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized $21,536 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

County's proportionate share of the net pension liability	$	5,529,382
State of Minnesota's proportionate share of the net pension liability associated with the County		72,227
Total	$	5,601,609

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 455,625
Changes in actuarial assumptions	1,082,658	-
Difference between projected and actual investment earnings	1,063,114	-
Changes in proportion	-	237,765
Contributions paid to PERA subsequent to the measurement date	180,005	-
Total	$ 2,325,777	$ 693,390

The $180,005 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

3. Pension Plans and Other Postemployment Benefits

   A. Defined Benefit Pension Plans

      4. Pension Costs

General Employees Retirement Plan (Continued)

Year Ended December 31	Pension Expense Amount
2017	$ 381,047
2018	381,047
2019	490,557
2020	199,731

Public Employees Police and Fire Plan

At December 31, 2016, the County reported a liability of $4,053,306 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.101 percent. It was 0.108 percent measured as of June 30, 2015. The County recognized pension expense of $695,605 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized $9,090 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Plan. Legislation requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 475,310
Changes in actuarial assumptions	2,230,711	-
Difference between projected and actual investment earnings	628,957	-
Changes in proportion	21,601	66,280
Contributions paid to PERA subsequent to the measurement date	91,650	-
Total	$ 2,972,919	$ 541,590

The $91,650 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	$ 505,867
2018	505,867
2019	505,867
2020	452,415
2021	369,663

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Correctional Plan

At December 31, 2016, the County reported a liability of $1,863,101 for its proportionate share of the Public Employees Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.51 percent. It was 0.51 percent measured as of June 30, 2015. The County recognized pension expense of $525,450 for its proportionate share of the Public Employees Correctional Plan's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,459	$ 20,125
Changes in actuarial assumptions	1,187,020	-
Difference between projected and actual investment earnings	209,325	-
Changes in proportion	-	1,509
Contributions paid to PERA subsequent to the measurement date	45,607	-
Total	$ 1,443,411	$ 21,634

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Plan (Continued)

The $45,607 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	$ 441,782
2018	441,782
2019	452,598
2020	40,008

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2016, was $1,939,189.

5. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

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

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Plan was for the period 2008 through 2015. The experience study for the Public Employees Police and Fire Plan was for the period 2004 through 2009. The experience study for the Public Employees Correctional Plan was for the period 2006 through 2011.

On August 16, 2016, an updated experience study was done for PERA's Public Employees Police and Fire Plan for the period 2011 through 2015, which would result in a larger pension liability. However, PERA will implement the changes in assumptions for its June 30, 2017, estimate of pension liability.

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

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	45%	5.50%
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2016, a reduction of the 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In the Public Employees Police and Fire Plan and the Public Employees Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056, and June 30, 2058, respectively. Beginning in fiscal years ended June 30, 2057, for the Public Employees Police and Fire Plan and June 30, 2059, for the Public Employees Correctional Plan, when projected benefit payments exceed the Plans' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60 percent for the Public Employees Police and Fire Plan and 5.31 percent for the Public Employees Correctional Plan was determined that produced approximately the same present value of the projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits through the point of asset depletion and 2.85 percent thereafter.

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2016:

General Employees Retirement Plan

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

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

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

Public Employees Police and Fire Plan

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

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

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

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions (Continued)

Public Employees Correctional Plan

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.

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

8. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	Proportionate Share of the					
	General Employees Retirement Plan		Public Employees Police and Fire Plan		Public Employees Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 7,853,361	4.60%	$ 5,674,090	4.31%	$ 2,805,255
Current	7.50	5,529,382	5.60	4,053,306	5.31	1,863,101
1% Increase	8.50	3,615,056	6.60	2,729,002	6.31	1,127,569

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; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

3. Pension Plans and Other Postemployment Benefits (Continued)

B. Defined Contribution Plan

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

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

Total contributions by dollar amount and percentage of covered payroll made by Lyon County during the year ended December 31, 2016, were:

	Employee	Employer
Contribution amount	$ 1,199	$ 1,199
Percentage of covered payroll	5%	5%

C. Other Postemployment Benefits (OPEB)

Plan Description and Funding Policy

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

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

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Plan Description and Funding Policy (Continued)

the most recent actuarial study) there were approximately 25 retirees receiving health benefits from the plan. The implicit rate subsidy amount was determined by an actuarial study to be $77,268 for 2016.

In addition to the implicit rate subsidy, Lyon County pays the health and dental insurance for qualified retired employees and elected officials. Any employee or elected official hired on a full-time basis or elected to office prior to May 1, 1997, and retiring while in active service shall be entitled to four percent per year of service towards the County dental and health insurance premium. To be eligible, employees and elected officials must have worked for Lyon County for a minimum of 15 years and be at least 55 years old; or the employee's age and years of service, added together, total 75 or more. The County-paid portion shall not exceed the amount currently paid by the County on behalf of active employees, and the benefit continues until death. Any employee hired after May 1, 1997, is not eligible for the benefit. The County finances the plan on a pay-as-you-go basis. The County had 6 elected officials and 42 employees eligible for this benefit in 2016. The cost for this program totaled $192,647 ($23,653 for elected officials and $168,994 for employees) in 2016.

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

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

Annual OPEB Cost and Net OPEB Obligation

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

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

ARC	$	369,855
Interest on net OPEB obligation		66,395
Adjustment to ARC		(94,127)
Annual OPEB cost (expense)	$	342,123
Contributions made during the year		(269,100)
Increase in net OPEB obligation	$	73,023
Net OPEB Obligation - Beginning of Year		1,659,878
Net OPEB Obligation - End of Year	$	1,732,901

The County's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for the years ended December 31, 2014, 2015, and 2016, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2014	$ 295,644	$ 225,187	76.2%	$ 1,553,763
December 31, 2015	343,897	237,782	69.1	1,659,878
December 31, 2016	342,123	269,100	78.7	1,732,901

Funded Status and Funding Progress

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

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

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

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

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

The annual health care cost trend is 7.25 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 9 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2016, was 21 years.

4. Summary of Significant Contingencies and Other Items

A. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2016 and 2017. 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.

4. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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

The December 31, 2016, liability is determined based on detailed reports received by the County from the third-party administrator for claims incurred, adjusted, and paid through February 28, 2017. Changes in the balances of claims liabilities during 2015 and 2016 are as follows:

	2015	2016
Unpaid claims, January 1	$ 156,945	$ 134,802
Incurred claims	2,095,818	1,394,783
Claims payments	(2,117,961)	(1,487,331)
Unpaid Claims, December 31	$ 134,802	$ 42,254

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.

4. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities (Continued)

Lincoln-Pipestone Rural Water System

At December 31, 2016, the Lincoln-Pipestone Rural Water System had $48,946,000 of general obligation bonds and other loans outstanding through 2052. The bonds were issued by some of the participating counties in the Rural Water System to finance the construction of water system expansions and improvements.

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

C. Joint Ventures

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

Southwest Health and Human Services

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

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Southwest Health and Human Services (Continued)

on consideration of: (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 2016 for the human services function was $2,822,580 and its contribution to the health services function was $289,097.

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

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Lincoln-Pipestone Rural Water System

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

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

Bonds were issued by Lincoln, Nobles, and Yellow Medicine Counties to finance the construction of the Rural Water System. Costs assessed to municipalities and special assessments levied against benefited properties pay approximately 85 percent of the amount necessary to retire principal and interest on the bonds. The remainder of the funds necessary to retire the outstanding bonds and interest will be provided by appropriations from the Lincoln-Pipestone Rural Water System. Outstanding obligations at December 31, 2016, were $48,946,000.

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

Red Rock Rural Water System

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

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Red Rock Rural Water System (Continued)

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

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

Southwest Minnesota Regional Emergency Communications Joint Powers Board

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

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

Financing is provided by the appropriations from member parties and by state and federal grants. During 2016, Lyon County contributed $3,028 to the Joint Powers Board.

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Marshall-Lyon County Library

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

Lyon County and the City of Marshall are responsible for the operating budget of the Library. Lyon County agreed to be responsible for no less than $200,000 per year. Lyon County's contribution for 2016 was $251,125.

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 2016, Lyon County paid $80,932 to the Task Force.

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

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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

Lyon County, in conjunction with Cottonwood, Lincoln, Murray, Nobles, Redwood, and Rock Counties and the Southwest Regional Development Commission, pursuant to Minn. Stat. § 471.59, have formed an agreement to coordinate the delivery of volunteer services to non-profit community service entities and local units of government meeting the guidelines for receiving volunteer services under the authority of the counties. The entity known as Retired and Senior Volunteer Program of Southwest Minnesota (RSVP of Southwest Minnesota) changed its name to A.C.E. of Southwest Minnesota as of January 1, 2014. Lyon County joined as of July 1, 2014. The Board comprises one voting member from each participating county and one voting member of the A.C.E. of Southwest Minnesota Advisory Council. In 2016, Lyon County made contributions of $39,458 to the A.C.E. of Southwest Minnesota.

Plum Creek Library System

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

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

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

D. Jointly-Governed Organizations

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

Southwest Minnesota Public Safety Board

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

Control is vested in a Joint Powers Board consisting of one County Commissioner or one City Council member for each party to the agreement and the Sheriff or Chief of Police from each party to the agreement. The members representing counties and cities shall be appointed by their respective governing bodies for the membership of that governing body. In 2016, Lyon County contributed $4,000 to the Southwest Minnesota Public Safety Board.

E. Subsequent Events

October 3, 2017, the Lyon County Board of Commissioners approved refunding the General Obligation Jail Bonds, Series 2008A, with an expected sale date of November 6, 2017.

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REQUIRED SUPPLEMENTARY INFORMATION

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LYON COUNTY
MARSHALL, MINNESOTA

EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 7,924,919	$ 7,924,919	$ 7,749,635	$ (175,284)
Special assessments	244,825	244,825	439,146	194,321
Licenses and permits	17,480	17,480	52,720	35,240
Intergovernmental	1,516,928	1,516,928	2,024,173	507,245
Charges for services	967,000	967,000	1,017,316	50,316
Gifts and contributions	-	-	4,988	4,988
Investment earnings	45,000	45,000	66,367	21,367
Miscellaneous	763,750	763,750	948,755	185,005
Total Revenues	**$ 11,479,902**	**$ 11,479,902**	**$ 12,303,100**	**$ 823,198**
Expenditures				
Current				
General government				
Commissioners	$ 218,150	$ 218,150	$ 203,149	$ 15,001
Courts	120,000	120,000	126,325	(6,325)
Law library	16,000	16,000	37,738	(21,738)
Administrator	317,920	317,920	305,699	12,221
Auditor/Treasurer	639,570	639,570	569,898	69,672
Information technology	326,675	326,675	296,917	29,758
Elections	137,000	137,000	123,571	13,429
Central services	355,567	355,567	496,867	(141,300)
Attorney	458,500	458,500	459,249	(749)
Recorder	354,900	354,900	423,467	(68,567)
Assessor	377,595	377,595	337,197	40,398
Buildings and plant	577,250	577,250	653,730	(76,480)
Veterans service officer	126,500	126,500	139,890	(13,390)
Total general government	**$ 4,025,627**	**$ 4,025,627**	**$ 4,173,697**	**$ (148,070)**

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

LYON COUNTY
MARSHALL, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	$ 2,684,272	$ 2,684,272	$ 2,595,411	$ 88,861
Law enforcement center	1,964,522	1,964,522	1,874,409	90,113
Sheriff's contingent - criminal investigation	-	-	6,900	(6,900)
Boat and water safety	-	-	1,643	(1,643)
Joint law enforcement center	195,300	195,300	196,480	(1,180)
Coroner	30,000	30,000	21,570	8,430
Sentence to serve	59,000	59,000	60,266	(1,266)
Probation and parole	339,125	339,125	372,292	(33,167)
Emergency services	89,650	89,650	114,251	(24,601)
E-911 system	100,000	100,000	177,199	(77,199)
SWMRRB Grants	-	-	17,584	(17,584)
Total public safety	**$ 5,461,869**	**$ 5,461,869**	**$ 5,438,005**	**$ 23,864**
Sanitation				
Environmental	$ 466,525	$ 466,525	$ 568,240	$ (101,715)
Hazardous waste	29,800	29,800	24,178	5,622
Recycling	99,250	99,250	82,442	16,808
Total sanitation	**$ 595,575**	**$ 595,575**	**$ 674,860**	**$ (79,285)**
Culture and recreation				
Parks	$ 286,327	$ 286,327	$ 364,054	$ (77,727)
Other	107,500	107,500	108,107	(607)
Total culture and recreation	**$ 393,827**	**$ 393,827**	**$ 472,161**	**$ (78,334)**
Conservation of natural resources				
Extension	$ 117,341	$ 117,341	$ 115,097	$ 2,244
Soil and water conservation	284,550	284,550	271,967	12,583
Water quality loan program	-	-	25,600	(25,600)
Other	81,645	81,645	84,644	(2,999)
Total conservation of natural resources	**$ 483,536**	**$ 483,536**	**$ 497,308**	**$ (13,772)**

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Economic development				
Community development	**$ 58,200**	**$ 58,200**	**$ 46,155**	**$ 12,045**
Intergovernmental				
Health	$ 284,643	$ 284,643	$ 289,097	$ (4,454)
Culture and recreation	276,125	276,125	276,125	-
Total intergovernmental	**$ 560,768**	**$ 560,768**	**$ 565,222**	**$ (4,454)**
Debt service				
Principal	$ -	$ -	$ 125,027	$ (125,027)
Interest	-	-	6,989	(6,989)
Total debt service	**$ -**	**$ -**	**$ 132,016**	**$ (132,016)**
Total Expenditures	**$ 11,579,402**	**$ 11,579,402**	**$ 11,999,424**	**$ (420,022)**
Excess of Revenues Over (Under) Expenditures	**$ (99,500)**	**$ (99,500)**	**$ 303,676**	**$ 403,176**
Other Financing Sources (Uses)				
Capital leases	-	-	48,814	48,814
Net Change in Fund Balance	**$ (99,500)**	**$ (99,500)**	**$ 352,490**	**$ 451,990**
Fund Balance - January 1	**11,707,739**	**11,707,739**	**11,707,739**	**-**
Fund Balance - December 31	**$ 11,608,239**	**$ 11,608,239**	**$ 12,060,229**	**$ 451,990**

LYON COUNTY
MARSHALL, MINNESOTA

EXHIBIT A-2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,954,725	$ 1,954,725	$ 3,997,894	$ 2,043,169
Intergovernmental	7,688,525	7,688,525	5,629,044	(2,059,481)
Charges for services	34,000	34,000	8,506	(25,494)
Miscellaneous	440,500	440,500	258,787	(181,713)
Total Revenues	**$ 10,117,750**	**$ 10,117,750**	**$ 9,894,231**	**$ (223,519)**
Expenditures				
Current				
Highways and streets				
Public works	$ 7,400	$ 7,400	$ 4,085	$ 3,315
Administration	357,524	357,524	334,302	23,222
Construction	6,281,805	6,281,805	3,846,997	2,434,808
Maintenance	2,045,006	2,045,006	1,729,151	315,855
Equipment and maintenance shops	1,066,015	1,066,015	861,886	204,129
Total highways and streets	**$ 9,757,750**	**$ 9,757,750**	**$ 6,776,421**	**$ 2,981,329**
Intergovernmental				
Highways and streets	360,000	360,000	398,984	(38,984)
Total Expenditures	**$ 10,117,750**	**$ 10,117,750**	**$ 7,175,405**	**$ 2,942,345**
Net Change in Fund Balance	**$ -**	**$ -**	**$ 2,718,826**	**$ 2,718,826**
Fund Balance - January 1	**3,600,798**	**3,600,798**	**3,600,798**	**-**
Increase (decrease) in inventories	**-**	**-**	**(75,897)**	**(75,897)**
Fund Balance - December 31	**$ 3,600,798**	**$ 3,600,798**	**$ 6,243,727**	**$ 2,642,929**

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

LYON COUNTY
MARSHALL, MINNESOTA

EXHIBIT A-3

BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 2,811,516	$ 2,811,516	$ 2,742,335	$ (69,181)
Intergovernmental	-	-	80,245	80,245
Total Revenues	**$ 2,811,516**	**$ 2,811,516**	**$ 2,822,580**	**$ 11,064**
Expenditures				
Intergovernmental				
Human services	2,811,516	2,811,516	2,822,580	(11,064)
Net Change in Fund Balance	**$ -**	**$ -**	**$ -**	**$ -**
Fund Balance - January 1	-	-	-	-
Fund Balance - December 31	**$ -**	**$ -**	**$ -**	**$ -**

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

LYON COUNTY
MARSHALL, MINNESOTA

EXHIBIT A-4

SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 2009	$ -	$ 4,103,917	$ 4,103,917	0.00%	$ 4,942,611	83.03%
January 1, 2012	-	3,330,764	3,330,764	0.00	4,858,831	68.55
January 1, 2015	-	3,877,615	3,877,615	0.00	5,807,936	66.76

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

LYON COUNTY
MARSHALL, MINNESOTA

EXHIBIT A-5

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Lyon County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
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

EXHIBIT A-6

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016

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)
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

EXHIBIT A-7

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2016

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
2016	0.101%	$ 4,053,306	$ 976,625	415.03%	63.88%
2015	0.108	1,227,133	985,736	124.49	86.61

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

LYON COUNTY
MARSHALL, MINNESOTA

EXHIBIT A-8

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2016

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)
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.

The notes to the required supplementary information are an integral part of these schedules.

LYON COUNTY
MARSHALL, MINNESOTA

EXHIBIT A-9

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2016

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
2016	0.51%	$ 1,863,101	$ 961,042	193.86%	58.16%
2015	0.51	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

EXHIBIT A-10

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2016

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)
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.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

1. General Budget Policies

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

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

2. Budget Basis of Accounting

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

3. Budget Amendments

There were no amendments to the budget in the current year.

4. Excess of Expenditures Over Budget

	Expenditures	Final Budget	Excess
General Fund	$ 11,999,424	$ 11,579,402	$ 420,022
Human Services Special Revenue Fund	2,822,580	2,811,516	11,064

The expenditures in excess of budget were funded by unbudgeted revenues and fund balance.

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 actuarial 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 Provisions 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 actuarial assumptions have changed:

Actuarial Assumptions

- The assumed medical trend rates were reset to reflect updated health cost increase expectations.
- Mortality, withdrawal, and retirement rates were updated to the 2010 Public Employees Retirement Association rates (General, Police and Fire, and Correctional Employees Retirement Plans).

2015

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

Actuarial Assumptions

- The health care trend rates were changed to better anticipate short-term and long-term medical rates.
- Mortality, withdrawal, and retirement rates were updated.
- The discount rate was changed from 4.5 percent to 4.0 percent.
- Spouse age difference was changed from the same age to males three years older than females.
- Claim costs were developed by age adjusting the premium information from Lyon County. The resulting claim amount was then blended with the expected claim amount from the previous valuation. As of January 1, 2012, actual claims and enrollment experience was used.

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

Plan Provisions

- Eligible retirees receive $100 per year of service paid into Health Care Savings Plan (HCSP) on qualified retirement included in GASB 45.

- Eligibility requirements for the post-employment subsidized benefits under GASB 45 were valued at age 55 (age 50 for police and correctional employees) and 15 years of service, or "75 points" rather than age 55 with 25 years of service.

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, 2016:

General Employees Retirement Plan

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

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

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

Public Employees Police and Fire Plan

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

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

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

Public Employees Police and Fire Plan (Continued)

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

Public Employees Correctional Plan

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.

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

SUPPLEMENTARY INFORMATION

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AGENCY FUNDS

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

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

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

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

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

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

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

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

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LYON COUNTY
MARSHALL, MINNESOTA

EXHIBIT B-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance January 1	Additions	Deductions	Balance December 31
ENTERPRISE DEVELOPMENT				
Assets				
Cash and pooled investments	$ 1,223	$ -	$ -	$ 1,223
Liabilities				
Due to other governments	$ 1,223	$ -	$ -	$ 1,223
LYON COUNTY AG SOCIETY				
Assets				
Cash and pooled investments	$ 9,856	$ 162,138	$ 170,934	$ 1,060
Liabilities				
Due to other governments	$ 9,856	$ 162,138	$ 170,934	$ 1,060
LYON COUNTY SOIL & WATER CONSERVATION DISTRICT PROJECTS				
Assets				
Cash and pooled investments	$ 331,564	$ 349,666	$ 327,249	$ 353,981
Liabilities				
Due to other governments	$ 331,564	$ 349,666	$ 327,249	$ 353,981

EXHIBIT B-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance January 1	Additions	Deductions	Balance December 31
MINNESOTA PUBLIC SECTOR COLLABORATIVE				
Assets				
Cash and pooled investments	$ 9,726	$ 127	$ 1,650	$ 8,203
Liabilities				
Due to other governments	$ 9,726	$ 127	$ 1,650	$ 8,203
STATE REVENUE				
Assets				
Cash and pooled investments	$ 80,397	$ 971,964	$ 700,381	$ 351,980
Liabilities				
Due to other governments	$ 80,397	$ 971,964	$ 700,381	$ 351,980
SOUTHWEST MINNESOTA REGIONAL EMERGENCY COMMUNICATIONS BOARD				
Assets				
Cash and pooled investments	$ 58,820	$ 141,086	$ 89,653	$ 110,253
Liabilities				
Due to other governments	$ 58,820	$ 141,086	$ 89,653	$ 110,253

EXHIBIT B-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance January 1	Additions	Deductions	Balance December 31
SOUTHWEST MINNESOTA REGIONAL PUBLIC SAFETY BOARD				
Assets				
Cash and pooled investments	$ 19,381	$ 499,512	$ 11,532	$ 507,361
Liabilities				
Due to other governments	$ 19,381	$ 499,512	$ 11,532	$ 507,361
TAXES AND PENALTIES				
Assets				
Cash and pooled investments	$ 350,249	$ 28,136,742	$ 28,048,819	$ 438,172
Liabilities				
Due to other governments	$ 350,249	$ 28,136,742	$ 28,048,819	$ 438,172
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 861,216	$ 30,261,235	$ 29,350,218	$ 1,772,233
Liabilities				
Due to other governments	$ 861,216	$ 30,261,235	$ 29,350,218	$ 1,772,233

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OTHER SCHEDULE

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EXHIBIT C-1

SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Appropriations and Shared Revenue		
State		
Highway users tax	$	4,675,152
Market value credit		295,389
PERA rate reimbursement		40,500
Disparity reduction aid		26,855
Police aid		126,788
County program aid		631,863
Enhanced 911		101,626
Select Committee on Recycling and the Environment (SCORE)		75,272
Aquatic invasive species aid		58,165
Total appropriations and shared revenue	**$**	**6,031,610**
Reimbursement for Services		
Minnesota Department of Human Services	**$**	35,614
City of Cottonwood		267,350
Lincoln County		4,130
Total reimbursement for services	**$**	**307,094**
Payments		
Local		
Payments in lieu of taxes	$	294,083
Local grants		17,242
Total payments	**$**	**311,325**
Grants		
State		
Minnesota Department/Board/Office of		
Natural Resources	$	681,160
Public Safety		60,901
Corrections		64,964
Water and Soil Resources		46,319
Veterans Affairs		10,000
Peace Officer Standards and Training		4,065
Pollution Control Agency		195,245
Total state	**$**	**1,062,654**

LYON COUNTY
MARSHALL, MINNESOTA

EXHIBIT C-1
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Grants (Continued)		
Federal		
Department of		
Commerce	$	1,382
Justice		891
Transportation		13,574
Homeland Security		45,724
Total federal	**$**	**61,571**
Total state and federal grants	**$**	**1,124,225**
Total Intergovernmental Revenue	**$**	**7,774,254**

Management and Compliance Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

REBECCA OTTO
STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Lyon County
Marshall, 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 information of Lyon County, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 25, 2017.

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

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

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

Compliance and Other Matters

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

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that Lyon County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Recommendations as item 2014-001. 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.

Lyon County's Response to Finding

Lyon County's response to the legal compliance finding identified in our audit is described in the Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

October 25, 2017

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SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

None.

II. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2014-001

Publishing 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.

Effect: Noncompliance with Minn. Stat. § 375.12.

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.

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

View of Responsible Official: Acknowledged

REPRESENTATION OF LYON COUNTY
MARSHALL, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding Number: 2014-001
Finding Title: Publishing Itemized Claims

Name of Contact Person Responsible for Corrective Action:

Loren Stomberg, County Administrator

Corrective Action Planned:

Lyon County will continue to evaluate cost effective ways to bring the publication requirement into compliance with statute.

In the meantime, Lyon County will continue to include vendors paid over $2,000 in the version of the County Board minutes available online at the County website and make the information available to the public upon request.

Anticipated Completion Date:

Ongoing

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REPRESENTATION OF LYON COUNTY
MARSHALL, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding Number: 2014-001
Finding Title: Publishing Itemized Claims

Summary of 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.

Summary of Corrective Action Previously Reported: Lyon County will continue to review and consider options to bring the publication requirement into compliance with statute.

Status: Not Corrected. Lyon County evaluated options to bring the publication requirement into compliance with MN Statute and determined publishing a listing of vendors paid over $2,000 was cost prohibitive. The information is included with the minutes posted on the County website and is available to the public upon request.

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