

Financial Report
For the Year Ended December 31, 2020

Lakeville Fire Relief Association



LAKEVILLE FIRE RELIEF ASSOCIATION

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I. INTRODUCTORY SECTION

**LAKEVILLE FIRE RELIEF ASSOCIATION
BOARD OF TRUSTEES AND OFFICERS
DECEMBER 31, 2020**

<u>Officer</u>	<u>Position</u>	<u>Term Expires January</u>
Kris Fletcher	President	2021
Jon Muma	Vice President	2023
Derrick Gaborski	Treasurer	2023
Jesse Nergard	Secretary	2022
Stephen Higgins	Trustee	2021
Michael Jones	Trustee	2022
<u>Ex-Officio</u>		
Michelle Volk	City of Lakeville – Council Member	
Jerilyn Erickson	Finance Director	
Mike Meyer	Fire Chief	

II. FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Lakeville Fire Relief Association
Lakeville, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund, and the special pension trust fund of the Lakeville Fire Relief Association (the Association), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association'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 Association'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.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, and the special pension trust fund of the Lakeville Fire Relief Association as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Lakeville Fire Relief Association's 2019 financial statements and expressed an unmodified opinion on the respective financial statements of the governmental activities and the general fund and of the Special Pension Trust Fund in our report dated April 7, 2020. The summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lakeville Fire Relief Association's basic financial statements. The Schedule of Revenue Sources – Special Pension Trust Fund and the Schedule of Employer contributions are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenue Sources – Special Pension Trust Fund and the Schedule of Employer Contributions have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurances on them.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 9, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

**LAKEVILLE FIRE RELIEF ASSOCIATION
LAKEVILLE, MINNESOTA**

MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

The discussion and analysis of the Lakeville Fire Relief Association’s (the Association) financial performance provides an overview of the financial activities for the fiscal year ended December 31, 2020. Please read it in conjunction with the basic financial statements, which follow this discussion.

Financial Highlights – General Fund

The Association maintains a general fund for the purpose of providing non-pension related benefits to the current membership. These benefits include, but are not limited to, recognition gifts for retiring members and memorials/flowers to members and their families. The main source of funding is provided through fundraising activities.

The General Fund Balance at December 31, 2020 amounted to \$15,923, which is a decrease from 2019 of \$3,742.

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND**

	<u>2020</u>	<u>2019</u>	<u>Increase/ (Decrease)</u>
REVENUES:			
Investment income	\$ 3	\$ 4	\$ (1)
Donations	1,005	3,747	(2,742)
Fundraising/other	206	15,578	(15,372)
Total revenues	<u>1,214</u>	<u>19,329</u>	<u>(18,115)</u>
EXPENSES/EXPENDITURES:			
Fundraising	-	8,104	(8,104)
Other	4,956	6,132	(1,176)
Total expenses/expenditures	<u>4,956</u>	<u>14,236</u>	<u>(9,280)</u>
Excess (deficiency) of revenues Over (under) expenses/expenditures	(3,742)	5,093	(8,835)
Net position/fund balance - January 1	19,665	14,572	5,093
Net position/fund balance - December 31	<u>\$ 15,923</u>	<u>\$ 19,665</u>	<u>\$ (3,742)</u>

Financial Highlights – Special Pension Trust Fund

The Association’s funding objective is to meet benefit obligations through contributions and investment income. As of December 31, 2020, the Association’s net position of \$12,431,782 exceeded the actuarial calculated pension liabilities of \$7,416,917 by \$5,014,865, thereby resulting in the funded ratio of 167.61%.

The net position of the Special Fund administered by the Association was \$12,431,782 which is an increase of \$1,864,985 during the 2020 fiscal year.

Additions to the fund for the year were \$2,125,397, comprised of state aid for fire relief of \$407,568, state supplemental aid of \$2,000 and investment income of \$1,715,829. Investment income is a combination of investment earnings and increased investment asset values due to favorable market conditions.

Fund deductions increased primarily due to pension payments of \$249,778 in 2020. Total deductions for pension and administrative expenses increased from \$216,409 in 2019 to \$260,412 in 2020.

The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position

The Statement of Fiduciary Net Position presents all of the Association’s assets and liabilities of the Special Pension Trust Fund, with the difference reported as Net Position. Over time, increases and decreases in Net Position measure whether the Association’s financial position is improving or deteriorating. The Statement of Changes in Fiduciary Net Position presents how the Association’s Net Position changed during the most recent fiscal year. These two statements should be reviewed along with the Schedule of Employer Contributions to determine whether the Association is becoming financially stronger or weaker and to understand changes over time in the funded status of the Association.

Financial Analysis – Special Pension Trust Fund

The Association’s total assets as of December 31, 2020, were \$12,431,782 which is comprised primarily of investments. Total assets increased \$1,864,985 or 17.6 percent from fiscal year 2019.

Association assets exceeded its liabilities at the close of fiscal year 2020 by \$12,431,782. Total net position increased \$1,864,985 or 17.6 percent between fiscal years 2019 and 2020.

FIDUCIARY NET POSITION - SPECIAL PENSION TRUST FUND

	2020	2019	Increase (Decrease)
ASSETS			
Cash	\$ 7,324	\$ 5,791	\$ 1,533
Receivables/prepays	14,577	18,730	(4,153)
Investments	12,409,881	10,542,276	1,867,605
Total assets	<u>12,431,782</u>	<u>10,566,797</u>	<u>1,864,985</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net position	<u>\$ 12,431,782</u>	<u>\$ 10,566,797</u>	<u>\$ 1,864,985</u>

Additions to Net Position

The reserves needed to finance pension benefits are accumulated from revenues derived from state aids, municipal contributions and earnings on investments. Total additions for the fiscal year 2020 totaled \$2,125,397 which is a \$158,344 decrease from 2019.

State aid for fire relief increased from \$379,598 in 2019 to \$409,568 in 2020. There were no municipal contributions in 2020 or 2019. Investment income amounted to \$1,715,829 due to significant market gains in 2020, consistent with investment gains of \$1,904,143 in 2019.

Deductions from Net Position

The primary deductions of the Association include the payment of pension benefits and the cost of administering the fund. Total deductions for fiscal year 2020 were \$260,412, which is an increase of \$44,003 from fiscal year 2019. Administrative expenses remained fairly consistent with the previous year.

CHANGES IN FIDUCIARY NET POSITION - SPECIAL PENSION TRUST FUND

	Year Ended December 31,		Increase
	2020	2019	(Decrease)
ADDITIONS			
State aid	\$ 409,568	\$ 379,598	\$ 29,970
Net investment income (loss)	1,715,829	1,904,143	(188,314)
Total additions	2,125,397	2,283,741	(158,344)
DEDUCTIONS			
Benefits and refunds paid to participants	249,778	203,935	45,843
Administrative expenses	10,634	12,474	(1,840)
Total deductions	260,412	216,409	44,003
Net increase/(decrease)	\$ 1,864,985	\$ 2,067,332	\$ (202,347)

The Association as a Whole

The Association's net position has experienced an increase as a result of favorable investment valuation changes for the second year. Investments are invested 75% with the Minnesota State Board of Investment and 25% in corporate bonds, certificates of deposit, money market mutual funds and government agencies.

Economic Factors

The COVID-19 virus pandemic has not negatively impacted investment returns of the Association. The stock market continues to be strong despite the pandemic. COVID-19 continues to be a concern and with the rising energy costs and new administration in Washington DC, markets could be impacted. The board continues to monitor the situation and will take necessary action to maximize investment gains and limit investment losses.

Requests for Information

This financial report is designed to provide a general overview of the Lakeville Fire Relief Association's finances for all those with an interest in the Association's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the City of Lakeville Finance Department at 20195 Holyoke Avenue, Lakeville, Minnesota, 55044, or at (952) 985-4400.

BASIC FINANCIAL STATEMENTS

LAKEVILLE FIRE RELIEF ASSOCIATION
GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION
GENERAL FUND
DECEMBER 31, 2020

	Balance Sheet General Fund	Adjustments	Statement of Net Position Governmental Activities
ASSETS:			
Cash and cash equivalents	<u>\$ 15,923</u>	<u>\$ -</u>	<u>\$ 15,923</u>
LIABILITIES			
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE/NET POSITION			
Fund balance - unassigned	<u>\$ 15,923</u>	<u>(15,923)</u>	<u>-</u>
Net position - unrestricted		<u>\$ 15,923</u>	<u>\$ 15,923</u>

LAKEVILLE FIRE RELIEF ASSOCIATION
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Revenues, Expenditures, and Changes in Fund Balance General Fund	Adjustments	Statement of Activities Governmental Activities
EXPENSES/EXPENDITURES:			
Station events	\$ 3,844	\$ -	\$ 3,844
Flowers and gift cards	668	-	668
Other	444	-	444
Total expenses/expenditures	4,956	-	4,956
PROGRAM REVENUES			
Investment income	3	-	3
Donations	1,005	-	1,005
Fundraising	80	-	80
Other	126	-	126
Total revenues	1,214	-	1,214
NET INCREASE (DECREASE)			
IN FUND BALANCE	(3,742)	3,742	-
CHANGE IN NET POSITION			
	-	(3,742)	(3,742)
FUND BALANCE/NET POSITION			
Beginning of year	19,665	-	19,665
End of year	\$ 15,923	\$ -	\$ 15,923

LAKEVILLE FIRE RELIEF ASSOCIATION
STATEMENT OF FIDUCIARY NET POSITION - SPECIAL PENSION TRUST FUND
DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE AMOUNTS FOR 2019)

	2020	2019
ASSETS:		
Cash	\$ 7,324	\$ 5,791
Investments:		
Government obligations	54,444	74,657
Corporate bonds	265,052	308,514
Certificates of deposit	1,434,688	2,132,335
Mutual funds	1,298,519	316,848
State Board of Investment		
Growth	3,841,785	3,603,529
Index stock	3,606,337	3,571,346
International	539,639	535,047
Bonds	1,369,417	-
Total investments	12,409,881	10,542,276
Due from other governmental units	2,000	3,000
Interest receivable	12,577	15,730
Total assets	12,431,782	10,566,797
LIABILITIES:		
Salaries/accounts payable	-	-
NET POSITION:		
Restricted for pensions	\$ 12,431,782	\$ 10,566,797

LAKEVILLE FIRE RELIEF ASSOCIATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – SPECIAL PENSION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE AMOUNTS FOR 2019)

	2020	2019
ADDITIONS:		
Contributions:		
State fire aid	\$ 407,568	\$ 377,598
State supplemental aid	2,000	2,000
Total contributions	409,568	379,598
Investment income (loss):		
Interest and dividend earnings	55,781	68,940
Net change in fair value of investments	1,660,503	1,835,599
Subtotal	1,716,284	1,904,539
Less: Investment management fees	(455)	(396)
Total investment income (loss)	1,715,829	1,904,143
TOTAL ADDITIONS	2,125,397	2,283,741
DEDUCTIONS:		
Administrative wages and payroll taxes	5,167	5,167
Pension benefits	249,778	203,935
Professional fees	5,467	7,245
Other	-	62
TOTAL DEDUCTIONS	260,412	216,409
NET INCREASE/(DECREASE)	1,864,985	2,067,332
NET POSITION RESTRICTED FOR PENSIONS, JANUARY 1	10,566,797	8,499,465
NET POSITION RESTRICTED FOR PENSIONS, DECEMBER 31	\$ 12,431,782	\$ 10,566,797

NOTES TO FINANCIAL STATEMENTS

LAKEVILLE FIRE RELIEF ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - ORGANIZATIONAL STRUCTURE

Form of Government

The Lakeville Fire Relief Association (the Association) was incorporated on October 8, 1943, and operates under the provisions of Minnesota State Statutes § 69 and 424, as amended. It is governed by a Board of Trustees consisting of six elected active firefighters and three ex-officio members who are officials of the City of Lakeville.

Reporting Entity

For financial reporting purposes, the Association's financial statements include all funds, departments, agencies, boards, commissions and other organizations over which the Association is considered to be financially accountable. No component units were combined with the Association's financial report and the Association is not combined with any other entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statement of the Association have been prepared in conformity with accounting principles generally accepted in the United State of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial principles. The GASB pronouncements are recognized as GAAP for state and local governments.

Fund Accounting

The resources of the Association are accounted for in two funds:

Special Fund – This fund is a pension trust fund for the accumulation of resources to be used for retirement, dependency and disability annuity payments of appropriate amounts and at appropriate times in the future. This is considered to be a fiduciary fund of the Association. Resources are contributed by the City of Lakeville at amounts determined by law (taxes), and from the 2% insurance premium tax and amortization aid from the State of Minnesota. The net position of the Special Fund is restricted for pension benefits.

General Fund – This fund is a governmental fund, which accounts for the resources not accounted for in the Special Fund. It is used for the good and benefit of the Association as determined by Association bylaws. Its resources consist of fundraiser proceeds, investment earnings and miscellaneous sources. The fund balance of the general fund is unassigned.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Association.

Financial statements are provided for the General Fund. However, as this Fund is the only governmental activity of the Association and because no reconciling items exist between the two different bases of accounting described below, this Fund's statements are combined with the government-wide statements for presentation. Also, the

LAKEVILLE FIRE RELIEF ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Association's General Fund does not adopt a formal budget so no budget or actual comparison is shown either in the basic financial statements or as required supplementary information.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Association considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Income Tax Exemption

The Association is exempt from income taxes under Minnesota Statutes 290.05, Subd 1.1 and Internal Revenue Code 501(c)(4).

Methods Used to Value Investments

Investments are stated at their fair value as determined by quoted market prices, except for money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less which are recorded at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Money market investments are short-term, highly liquid investments including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations. Investments in external investment pools are valued at net asset value per share.

Receivable from State

Minnesota Statutes provide for the payment of supplemental benefits to retired members of the Association. These benefits are paid by the Association, which is reimbursed by the State of Minnesota by March 15 of the next calendar year. State supplemental aid is recognized in the period the funds are expended by the Association.

Pension Liability

The accrued pension liability at December 31, 2020 has been determined in accordance with Minnesota Statutes 69.772 for lump-sum benefits for the purpose of determining the City of Lakeville's required contribution. Also, in accordance with GASB Statement number 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement number 25*, the net pension liability of the Association has been measured as the total pension liability, less the amount of the pension plan's fiduciary net position, and an actuarial valuation of the total pension liability has been obtained. The benefits payable according to the benefit provisions are detailed in Note 5.

LAKEVILLE FIRE RELIEF ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned. The Association currently does not report any nonspendable fund balances. Restricted fund balances are constrained by outside parties (statute, grantors, bond agreements, etc.). The Association currently does not report any restricted fund balances. Committed fund balances represent constraints on spending that the Association imposes upon itself by high-level formal action prior to the close of the fiscal period. The Association currently does not report any committed fund balances. The board of trustees authorizes all assigned fund balances and their intended uses. The Association currently does not report any assigned fund balances. Unassigned fund balances are considered the remaining amounts, usually in the General Fund, only. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the Association's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned and unassigned fund balance is available, it is the Association's policy to use committed first, next assigned, and then unassigned fund balance.

Net Position

Net position represents the difference between assets and liabilities in the government-wide and fiduciary fund financial statements.

Comparative Financial Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's prior year financial statements.

NOTE 3 - CASH AND INVESTMENTS

Deposits

Minnesota Statutes requires all deposits made by municipalities (which includes fire relief associations) with financial institutions to be collateralized in an amount equal to 110% of deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance.

Custodial Credit Risk – Deposits: For deposits, this is the risk that in the event of bank failure, the Association's deposits may not be returned to it. The Association does not have formal policies in place to address custodial credit risk, interest rate risk, credit risk or concentration of credit risk for investments. The Association's deposits were not exposed to custodial credit risk as of December 31, 2020.

In accordance with applicable *Minnesota Statutes*, the Association maintains deposits at depository banks authorized by the Board of Trustees.

LAKEVILLE FIRE RELIEF ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

As of December 31, 2020, the Association's bank balance was not exposed to custodial credit risk because it was insured by FDIC insurance. The Association's deposits had a bank balance as follows:

General Fund	\$ 15,893
Special Fund	<u>7,324</u>
Total deposits	<u>\$ 23,217</u>

Investments

Minnesota Statutes authorizes the Association to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, corporate bonds, common stock and foreign stock of the highest quality, mutual funds and in the State Board of Investments. The State Board of Investments is an external investment pool which is governed by Minnesota Statute Chapter 356A as well as other standards.

Fair Value Measurements

The Association uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The Association follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements.

In accordance with this standard, the Association has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

LAKEVILLE FIRE RELIEF ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Assets measured at fair value on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Brokered Certificates of Deposit	\$ -	\$ 1,132,252	\$ -	\$ 1,132,252
Government Agencies	-	54,444	-	54,444
Corporate Bonds	-	265,052	-	265,052
SBI - Bond Fund	1,369,417	-	-	1,369,417
SBI - Broad international Stock Fund	539,639	-	-	539,639
SBI - U.S. Stock Actively Managed Fund	3,841,785	-	-	3,841,785
SBI - U.S. Stock Index Fund	3,606,337	-	-	3,606,337
	<u>\$ 9,357,178</u>	<u>\$ 1,451,748</u>	<u>\$ -</u>	10,808,926
				Investments valued at amortized cost 1,600,955
				Deposits 23,247
				<u>\$ 12,433,128</u>

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial papers and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations.

As of December 31, 2020, the Association had the following investments:

	Credit Risk		Value	Interest Risk		
				Maturity Duration in Years		
	Rating	Agency		Less Than 1	1-5	More Than 5
Money market funds						
Wells Fargo advantage	N/R	N/A	\$ 1,298,519	\$ 1,298,519	\$ -	\$ -
Certificates of deposit	N/R	N/A	1,437,689	808,590	629,099	-
GNMA	N/R	N/A	54,444	-	-	54,444
Corporate bonds	A-	S&P	265,052	-	265,052	-
State Board of Investment						
Bond	N/R	N/A	1,369,417	1,369,417	-	-
Growth	N/R	N/A	3,841,785	3,841,785	-	-
Index stock	N/R	N/A	3,606,337	3,606,337	-	-
International	N/R	N/A	539,639	539,639	-	-
Total investments			<u>\$ 12,412,882</u>	<u>11,464,287</u>	<u>894,151</u>	<u>54,444</u>

(continued on next page)

LAKEVILLE FIRE RELIEF ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Balances

The following is a summary of total deposits and investments:

Deposits	\$ 23,247
Investments	<u>12,409,881</u>
 Total deposits and investments	 <u><u>\$ 12,433,128</u></u>

Deposits and investments are presented in the December 31, 2020 basic financial statements as follows:

Statement of net assets - balance sheet -

General Fund:

Cash	\$ 15,923
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Statement of fiduciary net position:

Cash	7,324
Investments	<u>12,409,881</u>
Total	<u><u>\$ 12,433,128</u></u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the Association's investment in a single issuer. State law limits investments in equity investments to 85 percent of the Association's total investment portfolio and 5 percent of the outstanding shares of any one corporation.

The Association's investment policy contains guideline percentages that the Association maintain a portfolio using the range of assets in each of the following general investment classes.

Asset Class	Minimum Percent of Portfolio	Target Percent of Portfolio	Maximum Percent of Portfolio
Equities	30%	60%	70%
Fixed income	30%	35%	70%
Short-term investments	0%	5%	15%

The Association held no investments (other than mutual funds, external investment pools and other pooled investments) in any one organization that exceeded 5% of the net pension available for the benefits.

Valuation of Investments

Investment income is recognized by the Association when it is earned. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

LAKEVILLE FIRE RELIEF ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Net appreciation (depreciation) in fair value of investments includes net unrealized and realized gains and losses. Purchases and sales of securities are recorded on a trade-date basis.

There are no investments in loans to, or leases with parties related to the pension plan.

Investment Policy

The Association's investment policy complements State Statutes and documents the principles and standards that will guide management of the assets of the Association. The Association's Board of Trustees and Officers have the authority for establishing and amending the investment policy. The investment policy strives for a target asset allocation of 60 percent equities, 35 percent fixed income and 5% short-term investments, however actual allocations may vary depending on changes in market valuation. There were no changes in the investment policy in 2020.

Money-weighted Rate of Return

The money-weighted rate of return on pension plan assets was 16.23%.

NOTE 4 - PENSION PLAN AND CONTRIBUTION INFORMATION

Plan Description

Firefighters of the City are members of the Association. The Association is the administrator of a single-employer defined benefit pension plan available to firefighters that was established in 1972 and operates under the provisions of Minnesota Statutes Chapter 424A. The plan is governed by a board of six members elected by the members of the Association for three year terms. The City's Council Member, Finance Director and Fire Chief are ex-officio members of the Board of Trustees. The plan is funded primarily by contributions from the City, 2% fire aid from the State of Minnesota and investment earnings.

Current Membership

At December 31, 2020, membership data related to the Association was as follows:

Retired members entitled to benefits but not yet receiving them	16
Active plan participants:	
Vested	3
Partially vested	47
Non-vested	<u>35</u>
Total plan membership	<u><u>101</u></u>

Benefit Provisions

Authority for payment of pension benefits is established in Minnesota State Statute § 69.77 and may be amended only by the Minnesota State Legislature.

LAKEVILLE FIRE RELIEF ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Twenty-Year Service Pension – Each member who is at least 50 years of age, has retired from the Fire Department, has served at least 20 years of active service with the department before retirement and has been a member of the Association in good standing at least seven years prior to retirement, shall be entitled to a lump sum service pension in the amount of \$9,195 (effective January 1, 2020) for each year of service (including each year over 20), but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter.

The Association’s benefit amount will increase to the State maximum of \$10,000 for calendar year 2021.

Any member who retires after 20 years of service and is under the age of 50 is placed on the deferred pension roll. On March 30, 2009, the Association membership amended their bylaws which changed how interest is earned on a deferred member’s retirement account. All moneys deferred prior to the amendment shall earn interest at five percent compounded annually. All moneys deferred after the amendment will be placed in a separate investment account and will earn interest at the current market rate actually earned on the account.

Seven-Year Service, But Less Than Twenty-Year Service – Each member who is at least 50 years of age; who has retired from the Fire Department; who has served at least seven years of active service with the department before retirement, but has not served at least 20 years of active service; and who has been a member of the Association in good standing at least seven years prior to retirement, shall be entitled to a pro-rated sum service pension based on the percentages in the following table:

For Duty of More Than Years	Less Than Years	Percent of Pension
7	8	48%
8	9	52%
9	10	56%
10	11	60%
11	12	64%
12	13	68%
13	14	72%
14	15	76%
15	16	80%
16	17	84%
17	18	88%
18	19	92%
19	20	96%
20	-	100%

The payment will be calculated by using the amount payable per year of service in effect at the time of such early retirement, multiplied by the number of accumulative years of service, multiplied by the appropriate percentage as defined above.

Death Benefit – Upon the death of any member in good standing, the Association will pay a death benefit equal to the full annual service pension amount for each year the member served.

LAKEVILLE FIRE RELIEF ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Disability Benefits – In the event of total permanent disability incurred in the line of duty, a member shall be eligible to collect a disability benefit in an amount equal to his/her full years of active service on the Fire Department multiplied by the base sum pension benefit. The benefit is payable immediately upon approval by the Association regardless of age. For total permanent disability not incurred in the line of duty, a member shall be paid in accordance with the seven-year partial vesting provision described above.

State Supplemental Benefits – Minnesota Statutes provide for the payment of a supplemental benefit equal to 10 percent of a regular lump sum distribution up to a maximum of \$1,000.

NOTE 5 - NET PENSION LIABILITY OF THE ASSOCIATION

The components of the net pension liability of the Association at December 31, 2020, were as follows:

Total pension liability	\$	7,416,917
Plan fiduciary net position		12,431,782
Association's net pension liability (asset)	\$	(5,014,865)
Plan fiduciary net position as a percentage of the total pension liability		167.61%

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	N/A
Investment rate of return	5.75% net of pension plan investment expense, including inflation

Mortality rates were based on the July 1, 2019 Minnesota PERA Police and Fire Plan actuarial valuation as described below:

Healthy Pre-retirement: RP-2014 employee generational mortality table projected with mortality improvement scale MP-2019, from a base year of 2006

Healthy Post-retirement: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2019 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

Disabled: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2019 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2020 – December 31, 2020.

LAKEVILLE FIRE RELIEF ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.25%). All results are then rounded to the nearest quarter percent.

<u>Asset Class</u>	<u>Allocation at Measurement Date</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Nominal Rate of Return¹</u>
Domestic equity	58.97%	4.90%	7.15%
International equity	4.35%	5.32%	7.57%
Fixed income	13.08%	1.40%	3.65%
Real estate and alternatives	0.00%	4.43%	6.68%
Cash and equivalents	23.60%	0.09%	2.34%
Total (weighted average) ⁽²⁾	100.00%		5.91%
Reduced for assumed investment expense ⁽³⁾			-0.05%
Net assumed investment return (weighted ave, rounded to 1/4%)			<u>5.75%</u>

⁽¹⁾ Nominal rates of return are equal to real rates of return plus the assumed inflation rate.

⁽²⁾ Portfolio total expected return is weighted average of arithmetic asset class returns, with adjustment to reflect geometric averages. It is not equal to the weighted average of the asset class geometric returns shown above.

⁽³⁾ Assumed investment expense included investment management fees.

Discount Rate. The discount rate used to measure the total pension liability was 5.75%. The liability discount rate was developed using the alternative method described in paragraph 43 of GASB 67, which states that “if the evaluations required by paragraph 41 can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan, alternative methods may be applied in making the evaluations.” We believe that the plan’s current overfunded status, combined with Minnesota statutory funding requirements, provide sufficient reliability that projected plan assets will be sufficient to pay future retiree benefits. Therefore, we have used the plan’s long-term expected return on plan assets as the liability discount rate.

Sensitivity of the net pension liability(asset) to changes in the discount rate. The following presents the net pension liability of the Association, calculated using the discount rate of 5.75%, as well as what the Association’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75%) or 1-percentage-point higher (6.75%) than the current rate:

	<u>1% Decrease 4.75%</u>	<u>Current Discount Rate (5.75%)</u>	<u>1% Increase 6.75%</u>
Association's net pension liability/(asset)	(4,786,056)	(5,014,865)	(5,236,991)

LAKEVILLE FIRE RELIEF ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6 - CONTRIBUTIONS

The Association's funding policy provides for contributions from the State of Minnesota and the City of Lakeville, in amounts sufficient to accumulate assets to pay benefits when due. The Volunteer Firefighters' Relief Association Financing Guidelines Act of 1971 (Chapter 261 as amended by Chapter 509 of Minnesota Statutes 1980) specifies minimum contributions required on an annual basis. The minimum support rates from the municipality and state aid are determined in the amount required to meet the normal cost based on a statutorily-approved method plus amortizing any existing prior year service costs over a ten-year period. The minimum contribution from the City of Lakeville and state aid is determined as follows:

Normal Cost based on a statutorily-approved method for the Next Year (Increase in Pension Benefit Obligation)
Plus Estimated Expenses for Next Year and 10% of Any Deficit
Less Anticipated Income Next Year and 10% of Any Surplus

Municipal contributions are determined by the preparation of Schedule SC, which must be certified to the City by August 1, of the preceding calendar year.

The state of Minnesota contributes amortization aid, or a 2% fire aid, in accordance with state statute requirements. Plan members are not required to contribute to the plan. The State Legislature may amend contribution requirements of the City and State.

Contributions totaling \$409,568 were made by the State of Minnesota, and none were made by the City of Lakeville, in accordance with state statute requirements for the year ended December 31, 2020.

NOTE 7 - OFFICIAL BONDS

The treasurer and secretary of the Association are each bonded by the City of Lakeville's Public Employee Faithful Performance coverage through the League of Minnesota Cities Insurance Trust in the amount of \$500,000.

NOTE 8 - SUBSEQUENT EVENTS

The Association approved a pension benefit increase of \$805 per year of service on December 21, 2020. The increase results in an annual pension benefit of \$10,000 effective January 1, 2021. The \$10,000 benefit level is currently the maximum allowed by Minnesota State Statute. The benefit level increase was approved by the City of Lakeville City Council on December 7, 2020.

The COVID-19 virus pandemic has not negatively impacted investment returns of the Association. The stock market continues to be strong despite the pandemic. COVID-19 continues to be a concern and with the rising energy costs and new administration in Washington DC, markets could be impacted. The board continues to monitor the situation and will take necessary action to maximize investment gains and limit investment losses.

III. REQUIRED SUPPLEMENTARY INFORMATION

LAKEVILLE FIRE RELIEF ASSOCIATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET)
AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY (TPL)							
Service cost	\$ 356,038	\$ 319,546	\$ 255,975	\$ 231,712	\$ 270,846	\$ 223,785	\$ 217,796
Interest	434,535	376,417	358,835	345,935	301,640	269,493	263,122
Differences between expected and actual experience	(1,177,043)	-	(57,139)	-	(201,242)	-	-
Changes of assumptions	163,176	-	94,736	38,230	(161,264)	353,037	-
Changes of benefits terms	1,435,979	388,025	352,464	154,012	186,369	-	-
Benefit payments, including refunds of member contributions	(249,778)	(203,935)	(602,296)	(276,622)	(547,241)	(210,816)	(559,140)
Net change in total pension liability	962,907	880,053	402,575	493,267	(150,892)	635,499	(78,222)
Total Pension Liability - beginning of year ⁽¹⁾	6,454,010	5,573,957	5,171,382	4,678,115	4,829,007	4,193,508	4,271,730
Total Pension Liability - end of year	7,416,917	6,454,010	5,573,957	5,171,382	4,678,115	4,829,007	4,193,508
PLAN FIDUCIARY NET POSITION (FNP, ASSETS)							
Contributions - non-employer	409,568	379,598	367,701	351,635	348,276	338,889	319,542
Contributions - employer	-	-	-	-	-	-	60,000
Net investment income	1,715,829	1,904,143	(314,875)	1,175,892	551,474	39,474	490,870
Benefit payments, including refunds of member contributions	(249,778)	(203,935)	(602,296)	(276,622)	(547,241)	(210,816)	(559,140)
Administrative expense	(10,634)	(12,474)	(12,042)	(11,579)	(9,817)	(11,292)	(11,398)
Other	-	-	-	-	-	(40)	-
Net change in plan fiduciary net position	1,864,985	2,067,332	(561,512)	1,239,326	342,692	156,215	299,874
Plan Fiduciary Net Position - beginning of year	10,566,797	8,499,465	9,060,977	7,821,651	7,478,959	7,322,744	7,022,870
Plan Fiduciary Net Position - end of year	12,431,782	10,566,797	8,499,465	9,060,977	7,821,651	7,478,959	7,322,744
NET PENSION LIABILITY/(ASSET)	\$ (5,014,865)	\$ (4,112,787)	\$ (2,925,508)	\$ (3,889,595)	\$ (3,143,536)	\$ (2,649,952)	\$ (3,129,236)
FNP as a percentage of the TPL	167.61%	163.72%	152.49%	175.21%	167.20%	154.88%	174.62%

⁽¹⁾ The January 1, 2014 results are estimated recalculations for transition purposes only. They do not reflect what was actually recognized on the FYE2013 financial statements.

The Association implemented the Provisions of Governmental Accounting Standards Board Statement No. 67 Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25 for the year ended December 31, 2014. The schedules within the Required Supplementary Information section require a 10-year presentation but does not require retro-active reporting. Information prior to 2014 is not available.

See Notes to the Required Supplementary Information

LAKEVILLE FIRE RELIEF ASSOCIATION
SCHEDULE OF INVESTMENT RETURNS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	16.23%	22.22%	-3.56%	15.12%	7.61%	0.53%	7.16%

The Association implemented the Provisions of Governmental Accounting Standards Board Statement No. 67 Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25 for the year ended December 31, 2014. The schedules within the Required Supplementary Information section require a 10-year presentation but does not require retro-active reporting. Information prior to 2014 is not available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

LAKEVILLE FIRE RELIEF ASSOCIATION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

NOTE 1 - FACTORS THAT SIGNIFICANTLY AFFECT TRENDS IN THE AMOUNTS REPORTED

The tables in the required supplementary information are subject to significant actuarial estimates. Assumptions such as the discount rate; expected return on plan assets; and inflation rate selected by the actuary can impact the amounts. The following table provides some of the significant assumptions used in the 2020 actuarial report dated February 23, 2020:

Discount rate	5.75%
Expected return on plan assets	5.75%
Inflation rate	2.25%
Actuarial cost method	Entry age normal in accordance with the requirements of GASB 67/68
Asset valuation method	Market value of assets
Mortality	<p>Healthy Pre-retirement: RP-2014 employee generational mortality table projected with mortality improvement scale MP-2019, from a base year of 2006.</p> <p>Healthy Post-retirement: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2019 from a base year of 2006. Male rates are adjusted by a factor of 0.96.</p> <p>Disabled: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2019 from a base year of 2006. Male rates are adjusted by a factor of 0.96.</p>

Changes in Significant Actuarial Assumptions

2020 Changes

- The discount rate decreased from 6.50% to 5.75%
- The expected return on plan assets decreased from 6.50% to 5.75%
- The inflation rate decreased from 2.50% to 2.25%
- The mortality improvement scale was updated from MP-2016 to MP-2019

2019 Changes

- No changes

2018 Changes

- The discount rate decreased from 7.00% to 6.50%
- The expected return on plan assets decreased from 7.00% to 6.50%
- The inflation rate decreased from 2.75% to 2.50%
- Mortality – The Healthy Pre-retirement changed from RP-2000 non annuitant generational mortality projected with scale AA, white collar adjustment, male and female rates set back two years, to RP-2014 employee generational mortality table projected with mortality improvement scale MP-2016 from a base year of 2006.
- Mortality – Healthy Post-retirement changed from RP-2000 annuitant generational mortality projected with scale AA, white collar adjustment, without age adjustment, to RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2016 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

LAKEVILLE FIRE RELIEF ASSOCIATION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

2018 Changes (continued)

- Mortality – Disabled changed from RP-2000 healthy annuitant mortality table, white collar adjustment, set forward eight years for males and females to RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2016 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

2017 Changes

- No changes

2016 Changes

- The discount rate increased from 6.25% to 7.25%
- The expected return on plan assets increased from 6.25% to 7.25%

2015 Changes

- No changes

Changes in Plan Provisions

2021 Changes

- The annual benefit level increased \$805 to \$10,000

2020 Changes

- The definition of a completed month for service credit was changed from a full calendar month to a minimum of 16 days.
- The annual benefit level increased \$800 to \$9,195

2019 Changes

- The annual benefit level increased \$800 to \$8,395

2018 Changes

- The annual benefit level increased \$370 to \$7,595

2017 Changes

- The annual benefit level increased \$348 to \$7,225

2016 Changes

- The annual benefit level increased \$135 to \$6,877

2015 Changes

- The annual benefit level increased \$132 to \$6,742

2014 Changes

- The annual benefit level increased \$193 to \$6,610

IV. OTHER INFORMATION

LAKEVILLE FIRE RELIEF ASSOCIATION
SCHEDULE OF REVENUE SOURCES -
SPECIAL PENSION TRUST FUND
UNAUDITED

<u>Years Ended December 31,</u>	<u>Municipal Contribution</u>	<u>State Contribution *</u>	<u>Investment Earnings</u>
2011	\$ 44,804	\$ 213,067	\$ (93,663)
2012	44,804	217,958	420,119
2013	60,000	309,365	1,156,305
2014	60,000	312,542	490,870
2015	-	335,889	39,474
2016	-	342,276	551,474
2017	-	347,635	1,175,892
2018	-	361,701	(314,875)
2019	-	377,598	1,904,143
2020	-	407,568	1,715,829
	<u>\$ 209,608</u>	<u>\$ 3,225,599</u>	<u>\$ 7,045,568</u>
	2.0%	30.8%	67.2%

* Excludes the supplemental state aid.

LAKEVILLE FIRE RELIEF ASSOCIATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

	December 31									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
EMPLOYER										
Statorily determined contribution (SDC)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,367	\$ 44,804
Contributions in relation to the SDC	-	-	-	-	-	-	60,000	60,000	44,804	44,804
Contribution excess (deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,000	\$ 60,000	\$ 41,437	\$ -

V. OTHER REPORT



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Trustees
Lakeville Fire Relief Association
Lakeville, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the general fund and the special pension trust fund of the Lakeville Fire Relief Association (the Association), as of and for the year ended December 31, 2020 and the related notes to the financial statements which collectively comprise the Association's basic financial statements as listed in the table of contents, and have issued our report thereon dated March 9, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the Lakeville Fire Relief Association failed to comply with the provisions of the deposits and investments and relief associations sections of the *Minnesota Legal Compliance Audit Guide for Relief Associations*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the relief association's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 9, 2020