



Management
Lakeville Fire Relief Association
Lakeville, Minnesota

In planning and performing our audit of the financial statements of Lakeville Fire Relief Association (the Organization) as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the entity's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

However, during our audit, we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and other matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. Our comments and suggestions regarding those matters are summarized below. We previously provided a written communication dated March 9, 2020, on the entity's internal control. This letter does not affect our report on the financial statements dated March 9, 2020, nor our internal control communication dated March 9, 2020.

- It was noted during the audit that one individual had separated from the Lakeville Fire Relief Association on December 31, 2015. He was noted on the 2016 SC form to be separated and not vested. During 2020, it was noted that the initial calculation of his months of service was incorrect, and he should have been a deferred member of the Organization and was then added as such in the SC form for 2020. Since this form is the census data utilized by the actuary to determine the total pension liability of the Organization, the liability and member count had been understated since 2016. We recommend that when someone separates from the FRA, the months of service is calculated, that calculation is reviewed, the review and performance of the calculation initially are documented, and then the final months of service calculation and the determined status of the member as deferred or separated and not vested be provided to the retiree to ensure they agree.
- It was noted during the audit that some of the leaves of absences listed on the SC 2020 form were overstated for some individuals. This understates the amount of active service months that each member has on the SC form, which is then used for the actuarial report every other year to project the Organization's total pension liability and is disclosed in the notes to the financial statements. Having these errors could result in the actuarially determined total pension liability being slightly lower due to having members presented as having less active time than actual in the SC form used by the actuary. We recommend that the Organization go over the most recent SC form and ensure everything is accurate and supported by documentation. Then, going forward, when the SC form is provided for actuarial calculations the Organization should also provide a brief summary of changes since the SC form was completed through the end of the fiscal year that the actuary is utilizing as the measurement date of their report.

- It was noted during the audit that two of the deferred members on the SC form had hire dates that were not supported by anything other than the date input into the payroll system of the city of Lakeville on behalf of the Lakeville Fire Relief Association. This could result in that hire date being inaccurate or contested at the time of payment to those individuals. We recommend that supporting documentation be maintained on file for both birthdates and hire dates. If someone is discovered to not have such supporting documentation, documentation should be obtained at that point in time and retained for future reference.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various entity personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the entity, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 9, 2020