

**BRAINERD FIRE DEPARTMENT
RELIEF ASSOCIATION**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2019

BRAINERD FIRE DEPARTMENT RELIEF ASSOCIATION

TABLE OF CONTENTS

OFFICERS AND BOARD OF TRUSTEES 1

INDEPENDENT AUDITOR'S REPORT2 - 3

BASIC FINANCIAL STATEMENTS

 Statement of Fiduciary Net Position 4

 Statement of Changes in Fiduciary Net Position – Special
 Pension Trust Fund 5

 Statement of Changes in Fiduciary Net Position – General Fund 6

 Notes to Financial Statements7 - 13

REQUIRED SUPPLEMENTARY INFORMATION

 Schedule of Changes in the Association's Net Pension Liability 14

 Schedule of Contributions from Employer and Other Entities 15

 Schedule of Investment Returns 15

OTHER REQUIRED REPORTS

 Independent Auditor's Report on Minnesota Legal Compliance 16

 Communication of Material Weaknesses17 - 18

BRAINERD FIRE DEPARTMENT RELIEF ASSOCIATION
OFFICERS AND BOARD OF TRUSTEES

OFFICERS

Joseph Enge - President

Nicholas Haglin - Vice President

Matthew Holmstrom - Secretary

Jonathan LeMieur - Treasurer

TRUSTEES

Dave Badeaux - Mayor

Jennifer Bergman - City Administrator

Timothy Holmes - Fire Chief

Joseph Rubado

Jeremy Powell



Richard L. Kummet, CPA Michael A. Sands, CPA Laura J. Richter, CPA Michael J. Youngquist, CPA Jennifer A. Roth, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Brainerd Fire Department Relief Association
Brainerd, Minnesota

We have audited the accompanying financial statements of Brainerd Fire Department Relief Association as of and for the year ended December 31, 2019, 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 of 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 an opinion 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 of 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 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 organization'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 opinion.

Board of Trustees
Brainerd Fire Department Relief Association

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of Brainerd Fire Department Relief Association as of December 31, 2019, and the changes in fiduciary net position 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 schedule of changes in the Association's net pension liability, schedule of contributions from employer and other entities, and schedule of investment returns as listed in 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic 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.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. Our opinion on the basic financial statements is not affected by this missing information.

Kummet Larson Bluth & Co., P.A.

KUMMET LARSON BLUTH & CO., P.A.
Brainerd, Minnesota
August 5, 2020

BRAINERD FIRE DEPARTMENT RELIEF ASSOCIATION
STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2019

	<u>Special Pension Trust Fund</u>	<u>General Fund</u>	<u>Total</u>
ASSETS			
CASH AND CASH EQUIVALENTS	\$ 250,011	\$ 63,322	\$ 313,333
ACCOUNTS RECEIVABLE	6,960	-	6,960
INVESTMENTS	3,842,164	-	3,842,164
PROPERTY AND EQUIPMENT			
Furniture and equipment	-	13,753	13,753
Less: Accumulated depreciation	-	<u>(7,469)</u>	<u>(7,469)</u>
Net property and equipment	<u>-</u>	<u>6,284</u>	<u>6,284</u>
Total assets	<u>\$ 4,099,135</u>	<u>\$ 69,606</u>	<u>\$ 4,168,741</u>
LIABILITIES			
Payroll and sales taxes	<u>\$ 1,004</u>	<u>\$ 4,301</u>	<u>\$ 5,305</u>
Total liabilities	<u>1,004</u>	<u>4,301</u>	<u>5,305</u>
NET POSITION			
Net position restricted for pension benefits	4,098,131	-	4,098,131
Net position restricted for general account	-	65,305	65,305
Total net position	<u>\$ 4,098,131</u>	<u>\$ 65,305</u>	<u>\$ 4,163,436</u>

See accompanying notes to financial statements.

BRAINERD FIRE DEPARTMENT RELIEF ASSOCIATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
SPECIAL PENSION TRUST FUND

YEAR ENDED DECEMBER 31, 2019

ADDITIONS	
Contributions and Support	
State of Minnesota	\$ 197,332
City of Brainerd	59,141
State 10% supplemental reimbursement	1,000
Total contributions	<u>257,473</u>
Investment income	
Interest and dividends	167,298
Net appreciation in fair value of investments	504,640
Total investment income	<u>671,938</u>
Less: direct investment expenses	(21,093)
Net investment income	<u>650,845</u>
Total additions	<u>908,318</u>
DEDUCTIONS	
Pension benefit payments	222,620
Wages and payroll taxes	6,767
Professional fees	9,348
Actuarial fees	2,800
Other	1,232
Total deductions	<u>242,767</u>
INCREASE IN NET POSITION	665,551
Net position - beginning of year	<u>3,432,580</u>
NET POSITION - END OF YEAR	<u><u>\$ 4,098,131</u></u>

See accompanying notes to financial statements.

BRAINERD FIRE DEPARTMENT RELIEF ASSOCIATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
GENERAL FUND

YEAR ENDED DECEMBER 31, 2019

ADDITIONS	
Investment income	
Interest	\$ 25
Other income	
Special events and fundraisers (net)	15,932
Donations and other receipts	214
Total additions	<u>16,171</u>
DEDUCTIONS	
Convention and meeting expenses	2,162
Annual meeting	2,662
Donations, memorials and public relations	17,115
Professional fees	1,432
Office supplies and postage	145
Repairs, maintenance and supplies	65
Insurance	397
Depreciation	450
Total deductions	<u>24,428</u>
DECREASE IN NET POSITION	(8,257)
Net position - beginning of year	<u>73,562</u>
NET POSITION - END OF YEAR	<u>\$ 65,305</u>

See accompanying notes to financial statements.

BRAINERD FIRE DEPARTMENT RELIEF ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 PLAN DESCRIPTION AND ORGANIZATION STRUCTURE

A. General Information

The Brainerd Fire Department Relief Association was incorporated on April 18, 1921. The Association is the administrator of a single employer defined benefit pension plan available for firefighters of the City of Brainerd. The plan operates under the provisions of Minnesota Statute Secs. 69 and 424A and is exempt from income taxes under Minnesota Statute Section 290.05, Subdivision 1 and Internal Revenue Code Section 501(c)(4). The Association is governed by a board of six members elected by the members of the Association for three-year terms, and three members representing the City of Brainerd including one elected official, one elected or appointed official, and the fire chief who serve as ex-officio voting members. The Association is not a component unit of the city.

B. Plan Membership

As of December 31, 2019 membership data related to the Relief Association was:

Terminated members entitled to benefits but have not received them	7
Active members:	
Vested	2
Partially vested	14
Non-vested	<u>19</u>
Total	<u>42</u>

C. Pension Benefits

Authority for payment of pension benefits is established in Minnesota Statute Sec. 424A and the Association's bylaws. Pension benefits are earned by each member of the Association as follows:

1. Each member who is at least 50 years of age, has retired from the Fire Department of the City of Brainerd, has served at least twenty (20) years of active service with such department before retirement and has been a member of the Association in good standing at least 20 years prior to such retirement shall be entitled to a lump sum service pension in the amount of \$10,750 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 as prescribed by law.

BRAINERD FIRE DEPARTMENT RELIEF ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 PLAN DESCRIPTION AND ORGANIZATION STRUCTURE (CONTINUED)

C. Pension Benefits (Continued)

2. According to the bylaws of the Association and pursuant to Minn. Stat. Sec. 424A.02, subd.2, members who retire with less than 20 years of service and have reached the age of 50 years and have completed at least ten years of active membership are entitled to a reduced lump sum service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service by the applicable non-forfeitable percentage of pension as follows:

<u>Completed Years of Service</u>	<u>Non-forfeitable Percentage of Pension Amount</u>
10	60
11	64
12	68
13	72
14	76
15	80
16	84
17	88
18	92
19	96
20 and thereafter	100

3. To be eligible to receive a permanent disability benefit, the member must be totally and permanently disabled, to the extent that a physician shall certify that such disability will prevent the member from performing firefighting duties. When a member is disabled to the extent that it is substantially certain that they will never again be able to return to active duty as a firefighter, then the member shall be paid a disability benefit out of the Special Fund in the amount equivalent to the accrued retirement liability at the time of disability.
4. Upon the death of an active or deferred member, the surviving spouse and surviving children of the deceased member, and if no surviving spouse, the estate of the deceased member shall be paid a benefit out of the Special Fund in an amount equivalent to the accrued retirement liability at the time of death.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

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

The Special Pension Trust Fund is a pension trust fund for the accumulation of resources to be used for retirement, dependency, death and disability payments of appropriate amounts and at appropriate times in the future. Resources are contributed by the City of Brainerd at amounts determined by law; and from the two-percent insurance premium tax and amortization aid from the State of Minnesota.

BRAINERD FIRE DEPARTMENT RELIEF ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Fund Accounting (Continued)

The General Fund is a governmental fund which accounts for the resources other than those in the Special Pension Trust Fund. It is used for the good and benefit of the Association as determined by Association bylaws. Its resources consist of membership dues, fundraiser proceeds, investment earnings and miscellaneous sources.

B. Basis of Presentation and Accounting

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as set forth by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

C. Investments

The Association's investment policy is established and may be amended by its Board with a majority vote of its members. There were no changes to the investment policy during 2019.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on an exchange are valued at last reported sales price at the current exchange rates. Investments that do not have an established market are reported at estimated fair value.

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. Interest and dividend income is recognized as earned.

D. Property and Equipment

Property and equipment are stated at cost. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method and amounted to \$450 in 2019.

E. Use of Estimates

The Association uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

BRAINERD FIRE DEPARTMENT RELIEF ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

The Association is authorized by Minnesota Statutes § 356A.06 to deposit its cash in financial institutions designated by the Board of Trustees.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Association's deposits may not be recovered. The Association's policy for custodial credit risk is to maintain compliance with Minnesota statutes that require all the Association's deposits be protected by insurance, surety bond, or pledged collateral.

B. Investments

The types of securities available to the Association for investment are authorized and defined by Minnesota Statutes §§424A.095 and 356A.06. Permissible investments include, but are not limited to: government and corporate obligations, United States and Canadian common stock, mutual funds and exchange traded funds. The Association invests primarily in government and corporate obligations, and mutual funds.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the issuer of an investment, the Association will not be able to recover the value of the investment or the collateral securities in the possession of an outside party. All investments purchased by the Association are held by a third-party agent as custodian.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates of debt investments will adversely affect the fair value of an investment. The Association manages its exposure to fair value of loss arising from changing interest rates by having fixed income investments with varying maturity dates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota statutes provide for the types of fixed income investments that a pension plan can make. In addition, the Association establishes other restrictions that are set forth in the investment guidelines for the management of the Association's fixed assets.

Concentration of Credit Risk

The Association's investment policy limits investments in any one issuer to not more than five percent unless the increase is a result of market price increase. U.S. Treasuries and agencies along with commingled investment pools are exempted. The Association's investments as of December 31, 2019, were below these limits.

Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2019 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 19.96%.

BRAINERD FIRE DEPARTMENT RELIEF ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

The following is a summary of investments and deposits as of December 31, 2019:

SPECIAL PENSION TRUST FUND	CARRYING VALUE
Cash	\$ <u>250,011</u>
Corporate obligations	\$ 892,744
Government obligations	21,772
Mutual funds	<u>2,927,648</u>
Total investments	<u>\$ 3,842,164</u>
GENERAL FUND	
Cash	<u>\$ 63,322</u>

NOTE 4 CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Minnesota Statutes § 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from state aid are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a 10-year period. The significant actuarial assumptions used to compute the municipal support are the same as those used to compute the accrued pension liability. The Association is comprised of volunteers; therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations).

Contributions totaling \$197,332 consisted of the 2% insurance premium tax from the State of Minnesota and were made in accordance with state statute requirements for the year ended December 31, 2019. The City of Brainerd made voluntary contributions in the amount of \$59,141.

NOTE 5 ACCOUNTS RECEIVABLE

Special Fund accounts receivable represents the amount due from the City of Brainerd for their municipal contribution and amount due for reimbursement of 10% supplemental retirement benefit.

NOTE 6 RISK MANAGEMENT

The Association is exposed to various risks of loss related to torts, theft of assets, errors, and omissions. The Association manages its risk of loss through the purchase of commercial insurance. There were no reductions in insurance coverage from the previous year, and there have been no claims resulting from these risks in any of the past three years.

BRAINERD FIRE DEPARTMENT RELIEF ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7 NET PENSION ASSET

The components of the net pension asset at December 31, 2019, are as follows:

Net Pension Asset			
(a)	(b)	(a-b)	(b/a)
Actuarial Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
\$ 3,182,065	\$ 4,098,131	\$ (916,066)	129%

A. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2020, based on the measurement date of December 31, 2019, and using the following actuarial assumptions.

- Investment Rate of Return 5.50%
- Discount Rate 5.50%
- 20-Year Municipal Bond Yield 3.50%
- Salary Increases 2.50%
- Inflation Rate built into other rate
assumptions
- Cost of Living Adjustment 5.00% annual increase
to eligible deferred
pension amounts
- Age of Service Retirement 50

B. Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

BRAINERD FIRE DEPARTMENT RELIEF ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7 NET PENSION ASSET (CONTINUED)

B. Long-Term Expected Rate of Return (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Portfolio Weight</u>	<u>Expected Class Return</u>
Cash	13.0%	2.25%
Fixed Income	29.0%	3.70%
Equities	55.0%	7.30%
Other	<u>3.0%</u>	<u>6.00%</u>
 Total Portfolio	 <u>100.0%</u>	 <u>5.50%</u>

C. Discount Rate

The discount rate used to measure the total pension liability was 5.50%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected assets return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate of return. The equivalent single rate is the discount rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

D. Sensitivity Analysis

The following presents the net pension asset calculated using the discount rate of 5.50%, as well as what the net pension (asset)/liability would be if it were calculated using a discount that is one-percentage-point lower (4.50%) or one-percentage-point higher (6.50%) than the current rate:

	1% Decrease (4.50%)	Selected Discount Rate (5.50%)	1% Increase (6.50%)
Net Pension (Asset)/Liability	\$ (839,175)	\$ (916,066)	\$ (990,863)

REQUIRED SUPPLEMENTARY INFORMATION

BRAINERD FIRE DEPARTMENT RELIEF ASSOCIATION
SCHEDULE OF CHANGES IN THE ASSOCIATION'S NET PENSION LIABILITY
(UNAUDITED)

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service Cost	\$ 151,623	\$ 153,758	\$ 138,165	\$ 155,063	\$ 155,042	\$ 151,260
Interest Cost	162,798	143,196	124,317	141,169	133,392	135,543
Assumption Changes	-	(19,085)	-	18,154	-	-
Plan Changes	170,618	100,234	177,823	-	64,528	-
Gain or Loss	-	(32,251)	-	(219,298)	-	-
Benefit Payments	(222,620)	-	(192,583)	(361,338)	(371,914)	(201)
Other Changes	-	-	-	-	-	-
Net Change in Total Pension Liability	<u>262,419</u>	<u>345,852</u>	<u>247,722</u>	<u>(266,250)</u>	<u>(18,952)</u>	<u>286,602</u>
Total Pension Liability - Beginning	<u>2,919,646</u>	<u>2,573,794</u>	<u>2,326,072</u>	<u>2,592,322</u>	<u>2,611,274</u>	<u>2,324,672</u>
Total Pension Liability - Ending (a)	<u>3,182,065</u>	<u>2,919,646</u>	<u>2,573,794</u>	<u>2,326,072</u>	<u>2,592,322</u>	<u>2,611,274</u>
Fiduciary Net Position						
Municipal Contributions	59,141	52,369	58,095	60,768	57,324	46,833
State Contributions	198,332	193,723	197,198	196,646	209,218	203,105
Net Investment Income	650,845	(204,298)	434,272	216,918	(67,607)	129,037
Benefit Payments	(222,620)	-	(192,583)	(361,338)	(371,914)	(201)
Administrative Expenses	(20,147)	(18,393)	(17,129)	(15,586)	(18,356)	(14,697)
Net Change in Fiduciary Net Position	<u>665,551</u>	<u>23,401</u>	<u>479,853</u>	<u>97,408</u>	<u>(191,335)</u>	<u>364,077</u>
Fiduciary Net Position - Beginning	<u>3,432,580</u>	<u>3,409,179</u>	<u>2,929,326</u>	<u>2,831,918</u>	<u>3,023,253</u>	<u>2,659,176</u>
Fiduciary Net Position - Ending (b)	<u>4,098,131</u>	<u>3,432,580</u>	<u>3,409,179</u>	<u>2,929,326</u>	<u>2,831,918</u>	<u>3,023,253</u>
Association's Net Position Liability/(Asset) - Ending (a) - (b)	<u>\$ (916,066)</u>	<u>\$ (512,934)</u>	<u>\$ (835,385)</u>	<u>\$ (603,254)</u>	<u>\$ (239,596)</u>	<u>\$ (411,979)</u>
Fiduciary Net Position as a Percentage of the Total Pension Liability	128.79%	117.57%	132.46%	125.93%	109.24%	115.78%

Note:

This schedule is prepared prospectively until it contains ten years of data.

BRAINERD FIRE DEPARTMENT RELIEF ASSOCIATION

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER AND OTHER ENTITIES
(UNAUDITED)

Year Ended December 31	City of Brainerd			State of Minnesota		
	Annual Required Contribution	Actual Contribution	(Excess) Deficiency	Annual Required Contribution	Actual Contribution	(Excess) Deficiency
2019	\$ -	\$ 59,141	\$(59,141)	\$ 197,332	\$ 197,332	\$ -
2018	-	52,369	(52,369)	193,723	193,723	-
2017	-	58,095	(58,095)	196,198	196,198	-
2016	-	60,768	(60,768)	194,646	194,646	-
2015	-	57,324	(57,324)	206,218	206,218	-
2014	-	46,833	(46,833)	203,105	203,105	-
2013	-	41,983	(41,983)	207,334	207,334	-
2012	41,431	44,285	(2,854)	147,237	147,237	-
2011	65,993	65,993	-	145,914	145,914	-
2010	51,064	56,416	(5,352)	142,236	142,236	-

SCHEDULE OF INVESTMENT RETURNS
(UNAUDITED)

Annual Money-Weighted Rate of Return - Net of Investment Expenses

Fiscal Year	Annual Return
2019	19.96 %
2018	(5.94) %
2017	14.75 %
2016	7.92 %
2015	(2.37) %
2014	4.74 %

Note:

This schedule is prepared prospectively until it contains ten years of data.

OTHER REQUIRED REPORTS



Richard L. Kummet, CPA Michael A. Sands, CPA Laura J. Richter, CPA Michael J. Youngquist, CPA Jennifer A. Roth, CPA

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Trustees
Brainerd Fire Department Relief Association
Brainerd, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Brainerd Fire Department Relief Association as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated August 5, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that Brainerd Fire Department 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 Association's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of those charged with governance and management of Brainerd Fire Department Relief Association, and the State Auditor, and is not intended to be, and should not be, used by anyone other than these specified parties.

Kummet Larson Bluth & Co., P.A.

KUMMET LARSON BLUTH & CO., P.A.
Brainerd, Minnesota
August 5, 2020



Richard L. Kummet, CPA Michael A. Sands, CPA Laura J. Richter, CPA Michael J. Youngquist, CPA Jennifer A. Roth, CPA

COMMUNICATION OF MATERIAL WEAKNESSES

To The Board of Trustees
Brainerd Fire Department Relief Association

In planning and performing our audit of the financial statements of Brainerd Fire Department Relief Association as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Association'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 Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we considered to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the Association's internal control to be material weaknesses:

Lack of Control Over the Financial Reporting Process

Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements, including the notes to financial statements, in conformity with accounting principles generally accepted in the United States of America.

At times, management may choose to outsource certain accounting functions due to cost or training considerations. Such accounting functions and service providers must be governed by the control policies and procedures of the Association. Management is as responsible for outsourced functions performed by a service provider as it is for your personnel.

Management is also responsible for management decisions and functions; for designating an individual with suitable skill, knowledge, or experience to oversee any outsourced services; and for evaluating the adequacy and results of those services and accepting responsibility for them.

As part of the audit, management requested us to prepare a draft of your financial statements, including the related notes to financial statements. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance; however, management did not perform a detailed review of the financial statements. The absence of this control procedure is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the Association's internal control.

Lack of Segregation of Duties

Management is responsible for establishing and maintaining internal control. This responsibility includes the internal control over the various accounting cycles, the fair presentation of the financial statements and related notes, and the accuracy and completeness of all financial records and related information. The majority of your record maintenance and accounting duties are concentrated in just a few individuals. This limited number of personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control, and increases the risk of material misstatement of the Association's financial statements, whether due to fraud or error. This is not unusual in organizations of your size, but the board should constantly be aware of this condition and continue to implement oversight procedures and monitor those procedures to determine if they are still effective internal controls.

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

Kummet Larson Bluth & Co., P.A.

KUMMET LARSON BLUTH & CO., P.A.
August 5, 2020