

GRAND RAPIDS FIRE RELIEF ASSOCIATION

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023



CPAs | CONSULTANTS | WEALTH ADVISORS

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INTRODUCTORY SECTION

**GRAND RAPIDS FIRE RELIEF ASSOCIATION
BOARD OF TRUSTEES
YEAR ENDED DECEMBER 31, 2023**

| Trustee | Position | Term Expires |
|-----------------|----------------|-------------------|
| Lance Kuschel | President | December 31, 2023 |
| Jeffrey Ingle | Vice-President | December 31, 2024 |
| William Richter | Treasurer | December 31, 2024 |
| Anthony Clifton | Secretary | December 31, 2025 |
| Karl Gaalaas | Trustee | December 31, 2023 |
| Jeff Cook | Trustee | December 31, 2025 |

Ex-Officio Trustees

| | | |
|----------------|-----------------------------|-----------|
| Tasha Connelly | City Mayor | Appointed |
| Barb Baird | City Treasurer | Appointed |
| Travis Cole | Fire Chief | Appointed |
| John Linder | First Assistant Fire Chief | Appointed |
| Shawn Graeber | Second Assistant Fire Chief | Appointed |

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Grand Rapids Fire Relief Association
Grand Rapids, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the general fund, and the special pension trust fund of Grand Rapids Fire Relief Association (the Association), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

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 Association, as of December 31, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of changes in the net pension liability and related ratios and the schedule of investment returns be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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's 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Board of Trustees
Grand Rapids Fire Relief Association

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2024, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Brainerd, Minnesota
May 22, 2024

BASIC FINANCIAL STATEMENTS

**GRAND RAPIDS FIRE RELIEF ASSOCIATION
GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION
DECEMBER 31, 2023**

| | <u>Balance Sheet General Fund</u> | <u>Adjustments</u> | <u>Statement of Net Position Governmental Activities</u> |
|--|---|--------------------|--|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 18,452 | \$ - | \$ 18,452 |
| Receivable | 1,290 | - | 1,290 |
| Capital Assets - Net of Accumulated Depreciation | - | 8,614 | 8,614 |
| Total Assets | <u>\$ 19,742</u> | <u>8,614</u> | <u>28,356</u> |
| FUND BALANCE | | | |
| Fund Balance | | | |
| Nonspendable | - | - | - |
| Unassigned | 19,742 | (19,742) | - |
| Total Fund Balance | <u>\$ 19,742</u> | <u>(19,742)</u> | <u>-</u> |
| NET POSITION | | | |
| Investment in Capital Assets | | 8,614 | 8,614 |
| Unrestricted | | 19,742 | 19,742 |
| Total Net Position | | <u>\$ 28,356</u> | <u>\$ 28,356</u> |

See accompanying Notes to Basic Financial Statements.

**GRAND RAPIDS FIRE RELIEF ASSOCIATION
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

| | <u>Statement of Revenues, Expenditures, and Changes in Fund Balance General Fund</u> | <u>Adjustments</u> | <u>Statement of Activities Governmental Activities</u> |
|---|--|-------------------------|--|
| EXPENDITURES/EXPENSES | | | |
| General Government: | | | |
| Member Events | \$ 12,075 | \$ - | \$ 12,075 |
| Dues and Subscriptions | 1,030 | - | 1,030 |
| Donations | 200 | - | 200 |
| Retirement Gifts | 1,081 | - | 1,081 |
| Miscellaneous | 495 | - | 495 |
| Depreciation | - | 1,751 | 1,751 |
| Total Expenditures/Expenses | <u>14,881</u> | <u>1,751</u> | <u>16,632</u> |
| PROGRAM REVENUES | | | |
| Membership Dues | 14,809 | - | 14,809 |
| Member Event | 2,791 | - | 2,791 |
| Fundraiser | 923 | - | 923 |
| Total Program Revenues | <u>18,523</u> | <u>-</u> | <u>18,523</u> |
| REVENUES OVER (UNDER) EXPENDITURES/ EXPENSES | <u>3,642</u> | <u>(1,751)</u> | <u>1,891</u> |
| CHANGE IN FUND BALANCE | 3,642 | (3,642) | - |
| CHANGE IN NET POSITION | - | 1,891 | 1,891 |
| Fund Balance/Net Position - Beginning of Year | <u>16,100</u> | <u>10,365</u> | <u>26,465</u> |
| FUND BALANCE/NET POSITION - END OF YEAR | <u><u>\$ 19,742</u></u> | <u><u>\$ 12,256</u></u> | <u><u>\$ 28,356</u></u> |

See accompanying Notes to Basic Financial Statements.

**GRAND RAPIDS FIRE RELIEF ASSOCIATION
STATEMENT OF FIDUCIARY NET POSITION – PENSION TRUST FUND
DECEMBER 31, 2023**

ASSETS

Cash and Investments, at Fair Value:

Cash and Cash Equivalents \$ 4,796

Investments:

Money Market 65,571

Corporate Stock 2,945,553

Treasury Bonds and Notes 440,783

Mutual Funds 47,203

Total Cash and Investments 3,503,906

Receivables:

State Supplemental Benefit Refund Receivable 2,000

Total Assets 3,505,906

NET POSITION

Net Position Restricted for Pension Benefits \$ 3,505,906

See accompanying Notes to Basic Financial Statements.

**GRAND RAPIDS FIRE RELIEF ASSOCIATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – PENSION TRUST FUND
YEAR ENDED DECEMBER 31, 2023**

ADDITIONS

Contributions:

Employer:

| | |
|------------------------------------|------------|
| State of Minnesota | \$ 146,629 |
| Supplemental Benefit Reimbursement | 2,000 |
| Municipal Contribution | 5,000 |
| Total Contributions | 153,629 |

Investment Income (Loss):

| | |
|--|----------|
| Net Appreciation (Depreciation) in Fair Value of Investments | 255,509 |
| Interest and Dividends | 90,777 |
| Less: Investment Expenses | (36,260) |
| Total Investment Income (Loss) | 310,026 |

| | |
|-----------------|---------|
| Total Additions | 463,655 |
|-----------------|---------|

DEDUCTIONS

| | |
|----------------------|---------|
| Audit and Accounting | 11,289 |
| Benefits Paid | 185,942 |
| Salaries | 1,597 |
| Total Deductions | 198,828 |

CHANGE IN NET POSITION

264,827

Net Position Restricted for Pension Benefits - Beginning of Year

3,241,079

NET POSITION RESTRICTED FOR PENSION BENEFITS - END OF YEAR

\$ 3,505,906

**GRAND RAPIDS FIRE RELIEF ASSOCIATION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 ORGANIZATION STRUCTURE

The Association is the administrator of a single employer defined benefit pension plan available to the firefighters of the City of Grand Rapids and operates under the provisions of Minnesota Statute 424A. It is governed by a board of six members elected by the members of the Association and three ex-officio members consisting of the Fire Department Chief, the City Mayor, and the City Administrator. Two Board members are elected for three-year terms at each annual meeting of the Association.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

With the exception of calculating and disclosing the pension liability under Minnesota Section 424A rather than actuarially determining the pension liability as required by Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, financial statements of the Association have been prepared in conformity with accounting principles generally accepted in the United States 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 reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments.

Financial Reporting Entity

For financial reporting purposes, the Association's financial statements include all funds, agencies, boards, and component units for which it is financially accountable. According to the Governmental Accounting Standards Board criteria, there is financial accountability if the primary government appoints a voting majority of an organization's governing body and has the ability to impose its will on that governing body, or there is the potential for the organization to provide specific financial benefits or to impose specific financial burdens on the primary government. There are no component units included in the Association's financial statements.

Basic Financial Statement Presentation

The Association meets the definition of a special-purpose government and is involved in only one program (i.e., general government). Accordingly, the Association is allowed to present its government-wide statements with the fund statements. At December 31, 2023 and for the year then ended, capital assets of \$8,614 and depreciation expense of \$1,751 were reconciling items.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all financial activities of the Association, except for the fiduciary funds. The Fiduciary Fund is only reported in the statement of plan net position and statement of changes in plan net position.

**GRAND RAPIDS FIRE RELIEF ASSOCIATION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statement Presentation (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Investment earnings and other items not properly included among program revenues are reported instead as general revenues.

The Association applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net positions are available.

Fund Types

Resources of the Association are accounted for in two fund types:

General Fund

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

Pension Trust Fund

The Pension Trust 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. Resources are contributed by the City of Grand Rapids at amounts determined by law (taxes) including the 2% insurance premium tax and amortization aid from the state of Minnesota. Net position of the Pension Trust Fund is restricted for pension benefits.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. 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 the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

**GRAND RAPIDS FIRE RELIEF ASSOCIATION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

- a. Revenue Recognition – Revenue is recognized when it becomes measurable and available. “Available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Other revenues (except investment earnings) are recorded as revenue when received because they are generally not measurable until then.

- b. Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used.

Reconciliation of Government-Wide and Fund Financial Statements

In the fund financial statements, the governmental funds are reported using the modified accrual basis of accounting. Under this method, governmental funds report only current assets and current liabilities. In the government-wide financial statements, all funds are reported using the accrual basis of accounting.

The governmental fund balance sheet includes adjustments between fund balance and net position as reported in the government-wide statement of net position. Capital assets in the amount of \$8,614 (net of accumulated depreciation) used in governmental activities are not financial resources, and therefore, are not reported in the funds.

The governmental fund statement of revenues, expenditures and changes in fund balances includes adjustments between revenue over (under) expenditures and changes in net position as reported in the government-wide statement of activities. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. For the year ended, December 31, 2023, \$1,751 was reported as depreciation expense.

Investments

Investments are reflected at fair value based on 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 debt instruments including commercial paper, banker’s acceptances, and U.S. Treasury and agency obligations.

**GRAND RAPIDS FIRE RELIEF ASSOCIATION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include equipment, are reported in the government-wide financial statements. Capital assets are defined by the Association as all assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased. Donated capital assets are recorded at acquisition value at the date of donation.

Equipment of the Association is depreciated using the straight-line method over an estimated useful life of five years.

Budget

The Association is not legally required to adopt a formal budget and no budget has been adopted.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

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).

Accrued Pension Liability

The accrued pension liability at December 31, 2023, has been determined in accordance with Minnesota Statute 69.772 for lump sum benefits for the purpose of determining City of Grand Rapids' required contribution. Also, in accordance with GASB Statement 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 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 based on an actuarial valuation of the total pension liability. The benefits payable according to the benefit provisions are detailed in Note 4.

**GRAND RAPIDS FIRE RELIEF ASSOCIATION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Trustees. The Board of Trustees is authorized to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. 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 the purpose for which committed, assigned, and unassigned amounts are available, it is the Associations' policy to use committed first, then assigned, and finally unassigned fund balance.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources in the basic financial statements. Net position is reported at restricted in the basic financial statements when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws or regulations of other governments. When restricted and unrestricted net position is available for an expense, it is the Association's policy to use restricted first and then unrestricted.

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

Minnesota Statutes §356A.06 subd. 8a authorizes the Association to deposit cash and to invest in certificates of deposit in financial institutions designated by the governing body. At December 31, 2023, the Association's deposits were entirely covered by federal depository insurance in accordance with Minnesota Statutes.

Minnesota Statutes require that all Relief Association deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance on bonds. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

Investments

Minnesota Statutes §424A.095 and 356A.06, subdivision 7 authorizes the Association to invest in the following:

**GRAND RAPIDS FIRE RELIEF ASSOCIATION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

- a) **Securities generally; investment forms.** An expanded list plan is authorized to purchase, sell, lend, and exchange the investment securities authorized under this subdivision, including puts and call options and future contracts traded on a contract market regulated by a governmental agency or by a financial institution regulated by a governmental agency. These securities may be owned directly or through shares in exchange-traded or mutual funds, or as units in commingled trusts, subject to any limitations specified in this subdivision.

- b) **Government obligations.** An expanded list plan is authorized to invest funds in governmental bonds, notes, bills, mortgages, and other evidences of indebtedness if the issue is backed by the full faith and credit of the issuer or the issue is rated among the top four quality rating categories by a nationally recognized rating agency. The obligations in which funds may be invested under this paragraph are guaranteed or insured issues of (1) the United States, its agencies, its instrumentalities, or organizations created and regulated by an act of Congress; (2) the Dominion of Canada or one of its provinces, if the principal and interest are payable in United States dollars; (3) a state or one of its municipalities, political subdivisions, agencies, or instrumentalities and; (4) a United States government-sponsored organization of which the United States is a member if the principal and interest are payable in United States dollars.

- c) **Investment-grade corporate obligations.** An expanded list plan is authorized to invest funds in bonds, notes, debentures, transportation equipment obligations, or any other longer term evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or any of its states, or the Dominion of Canada or any of its provinces if:
 - 1) The principal and interest are payable in United States dollars; and
 - 2) The obligations are rated among the top four quality categories by a nationally recognized rating agency.

- d) **Below-investment-grade corporate obligations.** An expanded list plan is authorized to invest in unrated corporate obligations or in corporate obligations that are not rated among the top four quality categories by a nationally recognized rating agency if:
 - 1) The aggregate value of these obligations does not exceed five percent of the covered pension plan's market value;
 - 2) The covered pension plan's participation is limited to 50% of a single offering subject to this paragraph; and
 - 3) The covered pension plan's participation is limited to 25% of an issuer's obligations subject to this paragraph.

**GRAND RAPIDS FIRE RELIEF ASSOCIATION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

e) Other obligations.

- 1) An expanded list plan is authorized to invest funds in:
 - a) Bankers' acceptances and deposit notes of United States banks are limited to those issued by banks rated in the highest four quality categories by a nationally recognized rating agency;
 - b) Certificates of deposit are limited to those issued by (a) United States banks and savings institutions that are rated in the highest four quality categories by a nationally recognized rating agency or whose certificates of deposit are fully insured by federal agencies; or (b) credit unions in amounts up to the limit of insurance coverage provided by the National Credit Union Administration;
 - c) Commercial paper is limited to those issued by United States corporations or their Canadian subsidiaries and rated in the highest two quality categories by a nationally recognized rating agency;
 - d) Mortgage securities and asset-backed securities if rated in the top four quality categories by a nationally recognized rating agency;
 - e) Repurchase agreements and reverse repurchase agreements if collateralized with letters of credit or securities authorized in this section;
 - f) Guaranteed investment contracts if issued by an insurance company or a bank that is rated in the top four quality categories by a nationally recognized rating agency or alternative guaranteed investment contracts if the underlying assets comply with the requirements of this subdivision;
 - g) Savings accounts are limited to those fully insured by federal agencies; and
 - h) Guaranty fund certificates, surplus notes, or debentures if issued by a domestic mutual insurance company.
- 2) Sections 16A.58, 16C.03, subdivision 4, and 16C.05 do not apply to certificates of deposit and collateralization agreements executed by the covered pension plan under clause (1), item (b).

**GRAND RAPIDS FIRE RELIEF ASSOCIATION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

e) Other obligations. (Continued)

3) In addition to investments authorized by clause (1), item (d), the covered plan may purchase from the Minnesota Housing Finance Agency all or any part of a pool of residential mortgages, not in default, that has previously been financed by the issuance of bonds or notes of the Agency. The covered pension plan may also enter into a commitment with the Agency, at the time of any issue of bonds or notes, to purchase at a specific future date, not exceeding 12 years from the date of the issue, the amount of mortgage loans then outstanding and not in default that have been made or purchased from the proceeds of the bonds or notes. The covered pension plan may charge reasonable fees for any such commitment and may agree to purchase the mortgage loans at a price sufficient to produce a yield to the covered pension plan comparable, in its judgment, to the yield available on similar mortgage loans at the date of the bonds or notes. The covered pension plan may also enter into agreements with the Agency for the investment of any portion of the funds of the Agency. The agreement must cover the period of investment, withdrawal privileges, and any guaranteed rate of return.

f) **Corporate stocks.** An expanded list plan is authorized to invest in stocks or convertible issues of any corporation organized under the laws of the United States or any of its states, any corporation organized under the laws of the Dominion of Canada or any of its provinces, or any corporation listed on an exchange that is regulated by an agency of the United States or of the Canadian national government. An investment in any corporation must not exceed five percent of the total outstanding shares of that corporation, except that an expanded list plan may hold up to 20 percent of the shares of a real estate investment trust and up to 20 percent of the shares of a closed mutual fund. Purchase of shares of exchange-traded or mutual funds shall be consistent with paragraph (a):

g) Other investments.

1) In addition to the investments authorized in paragraphs (a) to (f), and subject to the provisions in clause (2), the covered pension plan may invest in:

a) equity and debt investment businesses through participation in limited partnerships, trusts, private placements, limited liability corporations, limited liability companies, limited liability partnerships, and corporations;

b) resource investments through limited partnerships, trusts, private placements, limited liability corporations, limited liability companies, limited liability partnerships, and corporations; and;

c) international securities.

**GRAND RAPIDS FIRE RELIEF ASSOCIATION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

g) Other investments. (Continued)

- 2) The investments authorized in clause (1) must conform to the following provisions:
 - a) the aggregate value of all investments made under clause (1), items (a), (b), and (c), may not exceed 35% of the market value of the fund for which the expanded list plan is investing;
 - b) there must be at least four unrelated owners of the investment other than the expanded list plan for investments made under clause (1), item (a), (b), or (c);
 - c) the expanded list plan's participation in an investment vehicle is limited to 20% thereof for investments made under clause (1), item (a), (b), or (c);
 - d) the expanded list plan's participation in a limited partnership does not include a general partnership interest or other interest involving general liability. The expanded list plan may not engage in any activity as a limited partner which creates general liability;
 - e) the aggregate value of all unrated obligations and obligations that are not rated among the top four quality categories by a nationally recognized rating agency authorized by paragraph (d) and clause (1), item (d), must not exceed 5% of the covered plan's market value; and
 - f) for volunteer firefighter relief associations, emerging market equity and international debt investments authorized under clause (1), item (d), must not exceed 15% of the association's special fund market value.
- h) **Supplemental plan investments.** The governing body of an expanded list plan may certify assets to the State Board of Investment for investment under section 11A.17.
- i) **Asset mix limitations.** The aggregate value of an expanded list plan's investments under paragraph (f) and (g) and equity investments under paragraph (h), regardless of the form in which these investments are held, must not exceed 85% of the covered plan's market value.

Credit Risk

Generally, credit risk is the risk an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Association does not have a formal policy relating to this risk.

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% of the Association's total investment portfolio and 5% of the outstanding shares of any one corporation.

**GRAND RAPIDS FIRE RELIEF ASSOCIATION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Association will not be able to recover the value if its investment or collateral securities that are in the possession of an outside party. The Association's deposit policy for investment custodial credit risk requires compliance with the provisions for state law.

Rate of Return

For the year ended December 31, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.60%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The following is a summary of investments and deposits at December 31, 2023:

| | Fair Value |
|----------------------------|----------------|
| Corporate Stock | \$ 2,945,553 |
| Mutual Funds | 47,203 |
| Money Market | 65,571 |
| Treasury Bonds and Notes | 440,783 |
| Total Investments | \$ 3,499,110 |
| | Carrying Value |
| General Fund: | |
| Cash and Cash Equivalents | \$ 18,452 |
| Pension Trust Fund: | |
| Cash and Cash Equivalents | 4,796 |
| Total Cash and Investments | \$ 3,522,358 |

Interest Rate Risk

Interest rate risk is the risk that changes in the interest rates of debt investments could adversely affect the fair value of an investment. The Associations investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Fair Value Measurements

The Association uses fair value measurements to record fair value adjustments to certain assets and liabilities to determine fair value disclosures.

**GRAND RAPIDS FIRE RELIEF ASSOCIATION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

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 III). 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 statement of net 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. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

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 would use in pricing the asset.

The Association's investments are measured as follows:

| | December 31, 2023 | Level 1 | Level 2 | Level 3 |
|--|----------------------|---------------------|-------------------|-------------|
| Investments by Fair Value Level: | | | | |
| Treasury Bonds and Notes | \$ 440,783 | \$ - | \$ 440,783 | \$ - |
| Mutual Funds | 47,203 | 47,203 | - | - |
| Corporate Stocks | 2,945,553 | 2,945,553 | - | - |
| Total Investments by Fair Value Level | 3,433,539 | <u>\$ 2,992,756</u> | <u>\$ 440,783</u> | <u>\$ -</u> |
| Investments Measured at Amortized Cost | 65,571 | | | |
| Total Investments | <u>\$ 3,499,110</u> | | | |

**GRAND RAPIDS FIRE RELIEF ASSOCIATION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 is as follows:

| | Beginning Balance | Increase | Decrease | Ending Balance |
|---|----------------------|-------------------|-------------|-------------------|
| Capital Assets, Being Depreciated: | | | | |
| Equipment | \$ 13,730 | \$ - | \$ - | \$ 13,730 |
| Less: Accumulated Depreciation for: | | | | |
| Machinery and Equipment | 3,365 | 1,751 | - | 5,116 |
| Total Capital Assets, Being Depreciated, Net | <u>\$ 10,365</u> | <u>\$ (1,751)</u> | <u>\$ -</u> | <u>\$ 8,614</u> |

Depreciation expense of \$1,751 was charged to the general government program/function for the year ended December 31, 2023.

NOTE 5 DEFINED BENEFIT PENSION PLAN

Plan Description

The Association is the administrator of a single employer defined benefit pension plan established to provide benefits for members of the Association. The plan is administered by the Association pursuant to Minnesota Statutes Chapter 69, 424A and the Association's by-laws. Plan contributions are received from the City of Grand Rapids and a portion of that contribution is from the 2% insurance premium tax and supplemental aid from the state of Minnesota.

Membership Information

As of December 31, 2023, membership data related to the Association were:

| | | |
|---|--|-----------|
| Retired Members Entitled to Benefits, but Not Yet Receiving Them: | | |
| Fully Vested | | 3 |
| Partially Vested | | 7 |
| Active Plan Participants: | | |
| Fully Vested | | 3 |
| Partially Vested | | 26 |
| Nonvested | | - |
| Total | | <u>39</u> |

The above membership data does not include retired members because, once a member retires, he or she is paid in a lump sum fashion and is no longer considered to be a member.

**GRAND RAPIDS FIRE RELIEF ASSOCIATION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Status and Progress

The total pension benefit obligation has been determined as measure of the present value of pension benefits, adjusted for the effects of any step-rate benefits, estimated to be payable in the future as a result of service to date. The measure is used as a substitute of the standardized measure of the pension obligation and is intended to help users assess the Association's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems. This measurement is required by the state of Minnesota as part of the Association's annual reporting. Also, in accordance with GASB Statement No. 67, *Financial Reporting form Pension Plans – an Amendment of GASB Statement No. 25*, the net pension liability of the Association has been measured as the total pension liability based on an actuarial valuation, less the amount of the pension plan's fiduciary net position. This measure is independent of the state required funding method used to determine contributions to the Association.

Also, in accordance with GASB Statement No. 67, the amount shown below as the Association's "net pension asset" has been determined by an actuarial valuation independent of the state of Minnesota's required forms.

The actuarial total pension liability was determined as of December 31, 2023, and the pension liability used to calculate the total pension liability was determined by an actuarial valuation as of January 1, 2023. Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using standard actuarial roll forward techniques.

The actuarial total pension liability was determined by an actuarial valuation as of January 1, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

| | |
|--------------------------------------|------------------------|
| Valuation Date | 1/1/2023 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Dollar Closed |
| Actuarial Assumptions: | |
| Discount Rate | 6.00% |
| Expected Long-Term Investment Return | 6.00% |
| 20-Year Municipal Bond Yield | N/A |
| Projected Salary Increases | N/A |
| Includes Inflation at | 2.50% |
| Cost-of-Living Adjustments | None |
| Age of Service Retirement | 50 |

**GRAND RAPIDS FIRE RELIEF ASSOCIATION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Status and Progress (Continued)

Funding status as of December 31, 2023 is as follows:

| Date | Net Position Available for Benefits | Accrued Liability | Assets in Excess of (Unfunded) Accrued Liability | Funded Ratio | Pension Benefit Per Year of Service |
|-------------------|---|----------------------|--|-----------------|--|
| December 31, 2023 | <u>\$ 3,505,906</u> | <u>\$ 2,168,338</u> | <u>\$ 1,337,568</u> | <u>161.7%</u> | <u>\$ 6,500</u> |

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 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 of 2.50%.

The best estimate of expected future real rates of return were developed by aggregating data from several published capital market assumption surveys and deriving a single best estimate based on the average survey values. These capital market assumptions reflect both historical market experience as well as diverse views regarding anticipated future returns. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of December 31, 2023 (see the discussion of the pension plan's investment policy) are summarized in the following table:

| <u>Asset Class</u> | <u>Portfolio Weight</u> | <u>Expected Class Return</u> |
|--------------------|-----------------------------|----------------------------------|
| Cash | 5.00 % | 2.00 % |
| Fixed Income | 37.00 | 3.90 |
| Equities | 57.00 | 7.90 |
| Other | 1.00 | 7.00 |
| Total Portfolio | | <u>6.00 %</u> |

The discount rate used to measure the total pension liability was 6.00%. 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.

**GRAND RAPIDS FIRE RELIEF ASSOCIATION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Status and Progress (Continued)

The following presents the net pension liability (asset) of the Association, calculated using the discount rate of 6.00%, as well as what the Association's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.00%) or one-percentage-point higher (7.00%) than the current rate:

| | One Percent Decrease | Selected Discount Rate | One Percent Increase |
|-------------------------------|-------------------------|---------------------------|-------------------------|
| Net Pension Liability (Asset) | \$ (1,274,916) | \$ (1,337,568) | \$ (1,397,150) |
| Discount Rate | 5.00% | 6.00% | 7.00% |

Pension Benefits

Twenty-Year Service Pension

Each member who is at least 50 years of age, has retired from the Grand Rapids Fire Relief, has served at least 20 years of active service with such department before retirement, and has been a member of the Association in good standing for at least 10 years prior to such retirement; shall be entitled to a lump sum service pension in the amount of \$6,500 full year of service.

Less Than Twenty-Year Service Pension

If a member shall have served for more than 10 years, but less than 20 years, as an active member of the Grand Rapids Fire Relief, he may retire from said fire department and be placed on the early vested pension roll.

When he reaches the age of 50 years, and provided that at that time he has been a member of the Association for at least 10 years, he shall upon application, be paid in the following manner:

- A) For active duty of 10 years, 60% of the amount per year of service which would have been earned, had the member served for 20 years or more.
- B) For active duty of more than 10 years, but less than 20 years, 60% of the amount per year of service which would have been earned and 4% added for every year of service beyond 10 years up to 20 years, had the member served for 20 years.
- C) Any member on the early vested pension roll will have their retirement payment transferred to a separate investment vehicle held by the Association and maintained separately from the assets of the Association.
- D) In the event of death of a member on the early vested pension payroll, widow's benefits shall be paid in accordance with this section.

**GRAND RAPIDS FIRE RELIEF ASSOCIATION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Benefits (Continued)

Disability Benefits

If a member of the Association shall become totally and permanently disabled, the Association shall pay to such member the sum as stated for each year that he served as an active fire fighter in the Association.

Death Benefits

Upon the death of an active member, the Association will pay to the surviving beneficiaries or estate, a survivor's benefit payment equal to 100% of the Member's accrued benefit. Upon the death of a retired member, the Association will pay to the surviving beneficiaries or estate, a survivor's benefit payment equal to year of active service multiplied by the benefit level in effect for the member multiplied by the vesting percentage for completed years of active service.

Deferred Pensions

A member who has served in the Fire Department for at least 10 years and is otherwise eligible for a service pension benefit, may retire from the Fire Department and be placed on the deferred pension roll. The amount of payable to a deferred member will be transferred to a separate investment vehicle held by the Association and maintained separately from the assets of the Association. Interest will be paid at the investment performance rate actually earned on the separate investment vehicle. The accrued liability for the deferred service pension is equal to the fair market value of the separate investment vehicle held by the Association. When he or she reaches the age of 50 and provided that he or she has been a member of the Association for a period of 10 years at that time, upon making a valid written application he or she shall be paid the sum equal to the fair market value of the member's separate investment vehicle. During the time that any member is on the deferred pension roll he or she shall not be eligible to receive any other benefits provided by the Association.

Requests for benefit payment shall be in writing and filed with the Association not less than 60 days prior to the next Board meeting, unless permitted earlier by the Board.

State Supplemental Benefits

Minnesota Statutes Section 424A.10 provides for the payment of a supplemental benefit equal to 10% of a regular lump-sum distribution up to a maximum of \$1,000. The supplemental benefit is in lieu of state income tax exclusion for lump sum distributions and will no longer be available if state tax law is modified to exclude lump sum distributions from state income tax. Upon the death of an active member, the surviving beneficiaries are eligible for a \$2,000 benefit. The Association qualifies for these benefits.

**GRAND RAPIDS FIRE RELIEF ASSOCIATION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Requirements

Minnesota Statutes §69.772 specifies minimum contributions required on an annual basis. The minimum contribution from the City of Grand Rapids and state aids is determined as follows:

| | | |
|---|--|---|
| | | Normal Cost |
| + | | Amortization Payment on Unfunded Accrued Liability Prior to Any Change |
| + | | Amortization Contribution on Unfunded Accrued Liability Attributed to Any Change |
| + | | Administrative Expenses |
| - | | Anticipated State Aid |
| - | | Projected Investment Earnings |
| = | | Total Contribution Required |
| | | |

Contributions Required and Contributions Made

Minnesota Statutes Chapter 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).

A required contribution of \$180,942 was made by the City of Grand Rapids as a pass through of state aid in accordance with Minnesota Statute for the year ended December 31, 2023. There was an additional contribution of \$5,000 made by the City of Grand Rapids for the year ended December 31, 2023.

NOTE 6 RISK MANAGEMENT

The Association is exposed to various risks of loss primarily related to theft of assets. The Association purchases commercial insurance coverage for such risk. The treasurer of the Association is covered by a bond equal to a minimum of 10% of the Association's assets as required by Minnesota Statutes § 69.051, subd 2. There has been no significant reduction in insurance coverage from the previous year and there have been no claims resulting from these risks in any of the past three years.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

GRAND RAPIDS FIRE RELIEF ASSOCIATION
SCHEDULE OF CHANGES IN THE ASSOCIATION'S NET PENSION LIABILITY
LAST TEN FISCAL YEARS
(UNAUDITED)

| | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|--|-----------------------|-----------------------|-----------------------|
| Total Pension Liability | | | |
| Service Cost | \$ 80,644 | \$ 96,594 | \$ 79,740 |
| Interest Cost | 127,999 | 109,591 | 91,327 |
| Gain or Loss | - | (46,387) | - |
| Changes in Assumptions | - | (71,281) | - |
| Changes in Benefit Plans | - | - | 215,447 |
| Benefit Payments, Including Member Contribution Refunds | (185,942) | (76,200) | - |
| Net Change in Total Pension Liability | <u>22,701</u> | <u>12,317</u> | <u>386,514</u> |
| Total Pension Liability - Beginning of Year | <u>2,145,637</u> | <u>2,133,320</u> | <u>1,746,806</u> |
| Total Pension Liability - End of Year (a) | <u>2,168,338</u> | <u>2,145,637</u> | <u>2,133,320</u> |
| Fiduciary Net Position | | | |
| Employer Contributions | 153,629 | 137,077 | 148,391 |
| Net Investment Income | 193,109 | (456,962) | 347,398 |
| Benefit Payments, Including Member Contribution Refunds | (185,942) | (76,200) | - |
| Administrative Expenses | (12,886) | (10,406) | (12,532) |
| Gain or Loss | 116,917 | - | - |
| Net Change in Fiduciary Net Position | <u>264,827</u> | <u>(406,491)</u> | <u>483,257</u> |
| Fiduciary Net Position - Beginning of Year | <u>3,241,079</u> | <u>3,647,570</u> | <u>3,164,313</u> |
| Fiduciary Net Position - End of Year (b) | <u>3,505,906</u> | <u>3,241,079</u> | <u>3,647,570</u> |
| Association's Net Position Liability/(Asset) - End of Year (a) - (b) | <u>\$ (1,337,568)</u> | <u>\$ (1,095,442)</u> | <u>\$ (1,514,250)</u> |
| Fiduciary Net Position as a Percentage of the Total Pension Liability | 161.69% | 151.05% | 170.98% |

GRAND RAPIDS FIRE RELIEF ASSOCIATION
SCHEDULE OF CAHNGES IN THE ASSOCIATION'S NET PENSION LIABILITY (CONTINUED)
LAST TEN FISCAL YEARS
(UNAUDITED)

| <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|-----------------------|-----------------------|---------------------|-----------------------|---------------------|---------------------|
| \$ 75,628 | \$ 73,783 | \$ 71,473 | \$ 63,391 | \$ 72,757 | \$ 75,241 |
| 88,668 | 79,734 | 81,962 | 72,102 | 68,376 | 66,133 |
| 69,157 | - | (21,899) | - | (40,925) | - |
| 46,936 | - | 26,796 | - | (11,420) | - |
| - | - | - | 99,530 | - | - |
| - | - | (170,700) | - | (130,773) | (222,729) |
| <u>280,389</u> | <u>153,517</u> | <u>(12,368)</u> | <u>235,023</u> | <u>(41,985)</u> | <u>(81,355)</u> |
| <u>1,466,417</u> | <u>1,312,900</u> | <u>1,325,268</u> | <u>1,090,245</u> | <u>1,132,230</u> | <u>1,213,585</u> |
| <u>1,746,806</u> | <u>1,466,417</u> | <u>1,312,900</u> | <u>1,325,268</u> | <u>1,090,245</u> | <u>1,132,230</u> |
| 142,585 | 136,658 | 136,511 | 133,622 | 135,759 | 136,098 |
| 242,051 | 133,639 | 153,082 | 312,604 | 138,089 | (98,329) |
| - | - | (170,700) | - | (130,773) | (222,729) |
| (12,022) | (11,439) | (11,317) | (11,676) | (10,672) | (11,540) |
| - | 271,292 | (318,100) | - | - | - |
| <u>372,614</u> | <u>530,150</u> | <u>(210,524)</u> | <u>434,550</u> | <u>132,403</u> | <u>(196,500)</u> |
| <u>2,791,699</u> | <u>2,261,549</u> | <u>2,472,073</u> | <u>2,037,523</u> | <u>1,905,120</u> | <u>2,101,620</u> |
| <u>3,164,313</u> | <u>2,791,699</u> | <u>2,261,549</u> | <u>2,472,073</u> | <u>2,037,523</u> | <u>1,905,120</u> |
| <u>\$ (1,417,507)</u> | <u>\$ (1,325,282)</u> | <u>\$ (948,649)</u> | <u>\$ (1,146,805)</u> | <u>\$ (947,278)</u> | <u>\$ (772,890)</u> |
| 181.15% | 190.38% | 172.26% | 186.53% | 186.89% | 168.26% |

**GRAND RAPIDS FIRE RELIEF ASSOCIATION
 SCHEDULE OF INVESTMENT RETURNS
 LAST TEN FISCAL YEARS
 (UNAUDITED)**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-------|---------|--------|--------|--------|--------|--------|-------|--------|-------|
| Annual Money-Weighted Rate of Return Net of Investment Expense | 9.60% | -12.64% | 10.92% | 11.74% | 15.97% | -6.30% | 13.62% | 1.96% | -6.90% | 9.68% |

OTHER REQUIRED REPORTS



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

Board of Trustees
Grand Rapids Fire Relief Association
Grand Rapids, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the general fund, and the special pension trust fund of the Grand Rapids Fire Relief Association, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated May 22, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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 opinions 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

We identified certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations as items 2023-001 to 2023-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

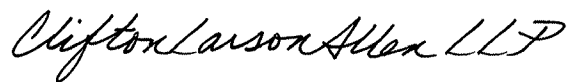
As part of obtaining reasonable assurance about whether the Association’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

The Association’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Association’s response to the findings identified in our audit and described in the accompanying schedule of findings and recommendations. The Association’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Brainerd, Minnesota
May 22, 2024



**INDEPENDENT AUDITORS' REPORT ON
*MINNESOTA LEGAL COMPLIANCE***

Board of Trustees
Grand Rapids Fire Relief Association
Grand Rapids, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the general fund, and the pension trust fund of Grand Rapids Fire Relief Association (the Association), as of and for the year ended December 31, 2023, and the related notes to the financial statements which collectively comprise the Associations' basic financial statements and have issued our report thereon dated May 22, 2024.

In connection with our audit, nothing came to our attention that caused us to believe that the Association failed to comply with the provisions of the depositories of public funds and public 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 report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
May 22, 2024

**GRAND RAPIDS FIRE RELIEF ASSOCIATION
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2023**

A. FINDINGS – INTERNAL CONTROL OVER FINANCIAL REPORTING

Finding 2023-001 – Segregation of Duties

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Criteria: There is a lack of segregation of duties within the Association’s record keeping system. Most of the Association’s bookkeeping functions, including receipting and recording of receipts, disbursing and recording of expenses, and reconciliation of bank accounts, are handled by one person, the treasurer or president.

Condition: The Association already has in place some controls to help mitigate the lack of segregation of duties such as: requiring two signatures on all checks and approving the checking accounts and their balances at meetings. These are important internal controls in a small organization and the Association board and members need to continue these oversight practices.

Cause: Lack of appropriate resources.

Possible Effect: The design of the internal controls over financial reporting could adversely affect the Association’s ability to initiate, authorize, record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. This could include the lack of the ability to prevent or detect errors, fraud, or misappropriation of assets in a timely manner.

Repeat Finding: Yes.

Recommendation: We encourage the Association to segregate its accounting functions to the greatest extent possible and financially feasible.

View of Responsible Official: Management is aware of the finding and will continue to monitor and review financial information on a monthly basis.

**GRAND RAPIDS FIRE RELIEF ASSOCIATION
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2023**

A. FINDINGS – INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

Finding 2023-002 – Financial Statement Preparation

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

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

Condition: The Board and management share the ultimate responsibility for the Association's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced.

The Association engages CLA to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the Association's internal control system. As part of its internal control over the preparation of its financial statements, including disclosures, the Association has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of U.S. generally accepted accounting principles, and knowledge of the Association's activities and operations.

Cause: The Association's personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the Association's financial statements and related disclosures. However, management has reviewed and approved the financial statements and related disclosures.

Possible Effect: The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the Association's internal controls in the normal course of business.

Repeat Finding: No.

Recommendation: Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

View of Responsible Official: There is no disagreement with the finding.



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