BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For The Year Ended
December 31, 2024

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INTRODUCTORY SECTION

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BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
ORGANIZATION
December 31, 2024

	Term	
	From	To
Board of Trustees:		
Elected members:		
Bradford Brennan	March 2024	March 2027
John Bayard	March 2024	March 2027
Dennis Zwaschka	March 2023	March 2026
Chris Morrison	March 2023	March 2026
Paul Goodwin	March 2022	March 2025
Dave Matlon	March 2022	March 2025

Municipal trustees:
Councilmember
Dwayne Lowman
City Chief Financial Officer
Lori Economy-Scholler
Chief of Fire Department
Ulysses Seal

Officers:
President
Paul Goodwin
Vice President
Dennis Zwaschka
Secretary
Chris Morrison
Treasurer
Dave Matlon

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Bloomington Fire Department Relief Association
Bloomington, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Bloomington Fire Department Relief Association, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Bloomington Fire Department Relief 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 fiduciary net position of the Bloomington Fire Department Relief Association as of December 31, 2024, and the respective changes in fiduciary net 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bloomington Fire Department Relief 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 Bloomington Fire Department Relief 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.

Auditor's 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 auditor's 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 generally accepted 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 generally accepted 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 Bloomington Fire Department Relief 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 Bloomington Fire Department Relief 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 management's discussion and analysis, the schedule of changes in net pension asset and related ratios, the schedule of employer contributions, the schedule of investment returns, and related disclosures 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 auditor's 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.

Redpath and Company, LLC

REDPATH AND COMPANY, LLC
St. Paul, Minnesota

March 4, 2025
(except for the matter described in Note 6,
as to which the date is April 1, 2025)

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MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024
(Unaudited)

This discussion and analysis of the Bloomington Fire Department Relief Association's (BFDRA) financial performance provides an overview of the BFDRA's financial activities for the fiscal year ended December 31, 2024. Please read it in conjunction with the basic financial statements, which follow this discussion. Prior year data have not been included in the basic financial statements or in the notes to the basic financial statements.

FINANCIAL HIGHLIGHTS

The BFDRA's funding objective is to meet benefit obligations through contributions and investment income. As of December 31, 2024, the funded ratio was 119.2%. Minnesota statutes previously required full funding by the year 2010.

The fiduciary net position of the pension fund administered by the BFDRA increased by $15.9 million during the 2024 fiscal year.

Additions to the fund for the year were $24.0 million, comprised of contributions of $2.2 million and a net investment income of $21.8 million. Fund additions decreased 4.5 million from the prior fiscal year.

Deductions from the fund increased over the prior year from $7.6 million to $8.1 million, or 6.6%.

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

This annual financial report consists of two financial statements: the Statement of Fiduciary Net Position (Statement 1) and the Statement of Changes in Fiduciary Net Position (Statement 2). These financial statements report information about the BFDRA as a whole and about its financial condition that should help answer the question: Is the BFDRA better off or worse off as a result of this year's activities? These statements include all assets and liabilities using the accrual basis of accounting, as is required by generally accepted accounting principles laid out in statements issued by the Governmental Accounting Standards Board (GASB).

The Statement of Fiduciary Net Position presents all the BFDRA's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position measure whether the BFDRA's financial condition is improving or deteriorating. The Statement of Changes in Fiduciary Net Position presents how net position changed during the most recent fiscal year. These two statements should be reviewed along with the accompanying notes to the financial statements and the Schedule of Changes in Net Pension Asset and Related

Ratios, the Schedule of Employer Contributions, and the Schedule of Investment Returns, which are presented as required supplementary information, to determine whether the BFDRA is becoming financially stronger or weaker and to understand changes over time in the funded status of the BFDRA.

FINANCIAL ANALYSIS

BFDRA total assets as of December 31, 2024, were $234.3 million and mostly comprised investments. Total assets increased $15.9 million, or 7.3%, from fiscal year 2023. This increase represents the amount that "earnings" (contributions and net investment income) exceeding "expenses" (benefits and administration costs).

Total liabilities as of December 31, 2024, represent December benefits and investment fees paid in January 2025.

BFDRA assets exceeded liabilities at the close of fiscal year 2024 by $233.6 million. Total net position increased $15.9 million, or 7.3%, between fiscal years 2023 and 2024.

Fiduciary Net Position
(in Thousands)

	December 31	
	2024	2023
Assets		
Cash	$61	$38
Receivables	16	10
Investments	234,212	218,344
Totals Assets	234,289	218,392
Totals Liabilities	663	630
Fiduciary Net Position	$233,626	$217,762

Additions to Fiduciary Net Position

The reserves needed to finance pension benefits are accumulated through the collection of employer contributions and through earnings on investments. Contributions and net investment income for fiscal year 2024 totaled $24.0 million. Total contributions and net investment income decreased $4.5 million from those of fiscal year 2023, due primarily to lower investment gains. During 2024, the State of Minnesota and the City of Bloomington contributed $.9 million and $1.3 million, respectively. Investment income decreased from fiscal year 2023 by $5.9 million.

Deductions from Fiduciary Net Position

The primary deductions include the payment of pension benefits and the cost of administering the fund. Total deductions for fiscal year 2024 were $8.1 million, an increase of 6.6% over fiscal year 2023 deductions. The increase in pension benefit expenses resulted from an increased benefit rate. Administrative and other expenses increased by $2,000 between fiscal years 2023 and 2024.

Changes in Fiduciary Net Position
(in Thousands)

	December 31	
	2024	2023
Additions		
Contributions	$2,177	$820
Net investment income (loss)	21,821	27,706
Total Additions	23,998	28,526
Deductions		
Benefits paid to participants	7,973	7,490
Administrative expenses	161	163
Total Deductions	8,134	7,653
Change in Net Position	$15,864	$20,873

BFDRA AS A WHOLE

The BFDRA's fiduciary net position experienced a $15.9 million increase. This increase mostly resulted from an annual investment return of 10.2%. Considering the December 31, 2024 funded ratio of 119.2%, the Board believes that, with gradual but steady market upturn, the BFDRA is in a financial position to meet its current obligations. Although municipal contributions may be required, the Board will continue to maintain a prudent investment and strategic plan to maintain a fully funded level.

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BASIC FINANCIAL STATEMENTS

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
STATEMENT OF FIDUCIARY NET POSITION **Statement 1**
December 31, 2024

Assets:	
Cash and deposits:	
Cash - special account	$60,973
Receivables:	
Accrued interest receivable - special account	15,188
Accrued interest receivable - general account	726
Total receivables	15,914
Investments, at fair value:	
State Board of Investment (SBI) bond and equity funds - special account	194,021,529
Emerging markets equity fund - special account	9,595,545
Private equity funds - special account	15,687,001
Real estate mutual fund - special account	10,313,244
Negotiable certificates of deposit - general account	104,405
Short-term cash equivalents - special account	4,395,159
Short-term cash equivalents - general account	95,387
Total investments, at fair value	234,212,270
Total assets	234,289,157
Liabilities:	
Accounts payable	8,123
Benefits payable	654,641
Total liabilities	662,764
Net position:	
Net position restricted for pensions	233,425,875
Net position unrestricted - general account	200,518
Total net position	$233,626,393

The accompanying notes are an integral part of these financial statements.

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION **Statement 2**
For the year ended December 31, 2024

Additions:	
Contributions:	
City of Bloomington	$1,279,208
State of Minnesota	884,039
Other – general account	13,704
Total contributions	$2,176,951
Investment income:	
Net appreciation in fair value of investments	21,774,972
Interest and dividends	621,383
Total investment income	22,396,355
Less: Direct investment expense	(574,931)
Net investment income	21,821,424
Total additions	23,998,375
Deductions:	
Benefit payments	7,973,234
Administrative expenses	140,829
Other - general account	19,717
Total deductions	8,133,780
Change in net position	15,864,595
Net position – January 1	217,761,798
Net position – December 31	$233,626,393

The accompanying notes are an integral part of these financial statements.

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Note 1 PLAN DESCRIPTION

A. ORGANIZATION

Reporting Entity
The Bloomington Fire Department Relief Association (BFDRA) was established April 1, 1947. It is governed by a Board of Trustees made up of six members elected by the members of the BFDRA for three-year terms, and three members who serve as ex-officio voting members of the Board, drawn from the City of Bloomington, and shall include one elected City official, one elected or appointed City official designated by the City Council, and the Fire Chief. The BFDRA is not a component unit of the City.

Plan Administration
The BFDRA is the administrator of a single-employer defined benefit pension plan available to firefighters, retired and active, of the City of Bloomington, Minnesota. The plan operates under the provisions of 2013 Minnesota Laws, Ch. 111, art. 5, §§ 31 to 42 as amended by 2014 Minnesota Laws, Ch. 275, art. 2, § 23; Minnesota Statute Ch. 424 (2000) (to the extent applicable) see 2002 Minnesota Laws, Ch. 392, art. 1, § 7; 1965 Minnesota Laws, Ch. 446, as amended; and Minnesota Statute § 424A.001, subd. 4. The assets of the fund are dedicated to providing pension benefits to plan members.

B. PLAN MEMBERSHIP AND BENEFICIARIES

As of December 31, 2024, BFDRA participants consisted of:

Retirees and beneficiaries currently receiving benefits	233
Terminated employees entitled to benefits but not yet receiving	8
Active plan participants – vested	4
Active plan participants – non-vested	86
Total	331

C. BENEFIT PROVISIONS

Authority for payment of pension benefits was established in Minnesota Statute § 69.77 and may be amended only by the Minnesota State Legislature. See 2013 Minnesota Laws, Ch. 111, art. 5, §§ 31 to 42 and 80.

Twenty-Year Service Pension – Each member who is at least 50 years of age, has retained membership in the BFDRA for ten years, and has 20 years of service with the Bloomington Fire Department, is eligible to receive a full service monthly pension for the remainder of his or her life. Benefits are based on the most recent three-year average salary rates of the highest paid non-officer police officer in the City of Bloomington.

Disability Benefits – Whenever a member becomes disabled, the member shall receive a monthly pension based on the most recent three-year average salary rates of the highest paid non-officer police officer in the City of Bloomington. If the period of disability continues to the time when the member would qualify for a service pension, the member will be placed on the service pension rolls, and disability benefits shall terminate. No benefits shall be paid for any disability of less than seven days duration.

Death Benefits – Upon the death of a member, the sum of $500 shall be appropriated from the special account to the designated beneficiary or estate to defray funeral costs. The general account will pay the beneficiary $2,000.

D. CONTRIBUTIONS

During 2024, the State of Minnesota provided contributions in the amount of $884,039, which were passed through from the City of Bloomington. The City provided an additional contribution to the BFDRA in the amount of $1,279,208. There are no employee contributions. The actuary compares the actual statutory contribution rate to a "required" contribution rate. The required contribution rate consists of: (a) normal costs based on entry age normal cost methods, (b) a supplemental contribution for amortizing any unfunded actuarial accrued liability, and (c) an allowance for administrative expenses.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION AND BASIS OF ACCOUNTING

The accompanying financial statements were prepared and are presented to conform with accounting principles generally accepted in the United States of America (GAAP) set forth by the Governmental Accounting Standards Board (GASB).

The basis of accounting is the method by which additions and deductions to fiduciary net position are recognized in the accounts and reported in the financial statements. The BFDRA uses the full accrual basis of accounting. Under the full accrual basis of accounting, additions are recognized when they are earned, and deductions are recognized when the liability is incurred, regardless of the timing of related cash flows.

B. INVESTMENTS

BFDRA's investment policy is established and may be amended by its Board with a majority vote of its members.

Investments are reported at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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. Investment income is recognized as earned.

Asset Allocation – It is the policy of the BFDRA to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following is the Board's asset allocation policy as of December 31, 2024.

Asset Class	Target Allocation
Domestic equity	35%
Developed international equity	10%
Emerging markets equity	5%
Private equity	5%
Real estate	5%
Investment grade bonds	38%
Cash	2%

Concentration – BFDRA's investment policy limits investments in any one issuer to not more than 5% unless the manager has received prior approval, or the increase is a result of a market price increase. U.S. Treasuries and agencies along with commingled investment pools are exempt. As of December 31, 2024, the BFDRA's investments 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, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.2%.

C. CAPITAL ASSETS

BFDRA follows a policy of expensing purchases of capital assets. Capital asset purchases are considered insignificant to the operation of the BFDRA as a whole and are not shown on the Statement of Fiduciary Net Position.

D. USE OF ESTIMATES

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

Note 3 DEPOSITS AND INVESTMENTS

A. DEPOSITS

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

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of the collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Securities pledged as collateral are required to be held in safekeeping by the BFDRA or in a financial institution other than that furnishing the collateral. Minnesota Statute 118A.03 identifies allowable forms of collateral.

Custodial Credit Risk – Deposits – is the risk that in the event of a bank failure, an entity's deposits may not be returned to it. As of December 31, 2024, the bank balance of the BFDRA's deposits was $66,439 and the carrying amount was $60,973. The entire bank balance was insured by the Federal Deposit Insurance Corporation.

B. INVESTMENTS

The types of securities available for investment are authorized and defined by 2013 Minnesota Laws, Ch. 111, art. 5, § 38, and Minnesota Statute § 356A.06. Permissible investments include, but are not limited to government and corporate bonds, foreign and domestic common stock, real property, venture capital investments, and notes. The BFDRA invests primarily in commingled investment pools through the State Board of Investment (SBI) and mutual funds; participants own a proportionate share of the investment pools.

As of December 31, 2024, the BFDRA had the following investments:

Investment Type	Rating	Maturity	Fair Value
SBI corporate bond fund	Not rated	n/a	$86,965,342
SBI domestic equity fund	Not rated	n/a	83,962,900
SBI international equity fund	Not rated	n/a	23,093,286
Emerging markets equity fund	Not rated	n/a	9,595,545
Private equity fund	Not rated	n/a	15,687,001
Real estate mutual fund	Not rated	n/a	10,313,244
Corporate bond fund	Not rated	n/a	104,405
Money market fund	Not rated	n/a	4,490,547
Total investments			$234,212,270

The BFDRA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy has three levels. Level 1 investments are valued using inputs that are based on quoted prices in active markets for identical assets; Level 2 investments are valued using inputs that are based on quoted prices for similar assets or inputs that are observable, either directly or indirectly; Level 3 investments are valued using inputs that are unobservable. Mutual funds, money market funds and exchange traded funds are not required to be categorized.

The fair value of investments in entities that calculate a net asset value (NAV) per share are determined using that NAV in lieu of the leveling methodology described above.

The BFDRA has the following recurring fair value measurements as of December 31, 2024:

		Fair Value Measurement Using		
Investment Type	12/31/2024	Level 1	Level 2	Level 3
Investments at fair value:				
Private equity fund	$15,687,001	$ -	$ -	$15,687,001
		$0	$ -	$15,687,001
Investments not categorized:				
SBI bond and equity funds	194,021,528			
Emerging markets equity fund	9,595,545			
Real estate mutual fund	10,313,244			
Corporate bond fund	104,405			
Money market fund	4,490,547			
Total investments	$234,212,270			

Private Equity Fund
Private equity funds are pooled investment funds offered by limited partnerships.

State Board of Investment (SBI) Funds
The BFDRA holds $194,021,528 in the Supplemental Investment Fund with the SBI, an external investment pool. The fair value of the investment is the fair value per share of the underlying portfolio. The BFDRA invests in this pool due to the increased investment authority and historically high rate of return on investment.

Emerging Markets Equity Fund
The investment strategy is to establish and maintain a broadly diversified emerging market equity portfolio composed of investments that provide diversification among countries in varying development or growth phases. These investments may be redeemed monthly with a written notice of the withdrawal request on or before the 15th calendar day prior to the month-end at which the withdrawal will be effective without restriction or limitation. Fund investments are measured at a net asset value (NAV) per share amount.

Real Estate Mutual Fund
The real estate investment strategy calls for the establishment and maintenance of a diversified real estate portfolio composed of investments that provide overall diversification by property type and location. The BFDRA has no related unfunded commitment for the real estate mutual fund. These investments may be redeemed monthly with 90 days' notice without restriction or limitation. Fund investments are measured at a net asset value (NAV) per share amount.

Corporate Bond Fund
The investment strategy is to provide current income while maintaining limited price volatility. The fund maintains exposure to high-quality and medium-quality fixed income securities which will be short and intermediate-term investment-grade securities. These investments may be redeemed daily with a written notice of the withdrawal request before the end of a business day, at which the withdrawal will be effective without restriction or limitation. Fund investments are measured at a net asset value (NAV) per share amount.

Money Market Fund
The BFDRA holds funds in a Goldman Sachs money market fund. The fund is an external investment pool and the fair value of the position in the pool is the same as the value of pool shares. The fund seeks to maintain a stable net asset value (NAV) of $1.00 per share. The pool measures its investments at amortized cost in accordance with Government Accounting Standards Board Statement No. 79. The money market funds are highly liquid assets, which in addition to cash holdings, enable adequate cash flow for operating activities, such as benefit payments.

C. INVESTMENT RISKS

Credit Risk – is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligation to the holder of the investment. The BFDRA's policy does not address credit risk beyond the requirement to follow Minnesota statutes. However, Minnesota statutes provide for the types of fixed income investments that a pension plan can make. In addition, the BFDRA establishes other restrictions that are set forth in the investment guidelines for the management of the BFDRA's fixed income assets.

This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. While the majority of the holdings in the SBI's Supplemental Investment Fund Bond Market Account will be top-rated "investment-grade" issues, some managers are authorized to hold a small proportion of higher yielding or "below investment-grade" debt issues as well. The aggregate holdings in "below investment-grade" debt are expected to be no more than 10% of the account at any point in time.

Custodial Credit Risk - Investments – is the risk that, in the event of a failure of the counterparty, an entity will not be able to recover the value of the investment or the collateral securities in the possession of an outside party. According to BFDRA policy, all investments shall be held either in the name of the BFDRA or a third-party custodian.

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 BFDRA's policy does not address interest rate risk; however, BFDRA manages its exposure to fair value loss arising from changing interest rates by having fixed income investments with varying maturity dates.

As of December 31, 2024, the BFDRA held $86,965,342 in the SBI's Supplemental Investment Fund Bond Market Account. This account invests the large majority of its assets in high-quality government and corporate bonds and mortgage securities that have intermediate to long-term maturities, usually three to 20 years. The managers of this account also may attempt to earn returns by anticipating changes in interest rates and adjusting holdings accordingly. This account is invested entirely in fixed income securities.

The strategy of the BFDRA's Board of Trustees is to purchase intermediate to long-term investment-grade bonds with a "buy and hold" emphasis. The Board's emphasis is consistent regardless of the current interest rate. Bonds are typically redeemed only at maturity.

Foreign Currency Risk – is the risk that changes in exchange rates of foreign currencies relative to the U.S. dollar will adversely affect the fair value of an investment or a deposit. Minnesota statutes limit certain investments to a total portfolio limit of no more than 35% of the market value of the portfolio. Both international equities and international bonds are in this category. Other items include venture capital, real estate, and partnerships. Although the BFDRA's policy does not specifically address foreign currency risk, the policy does include permissible asset classes and asset allocation targets that reduce this risk beyond what is required by Minnesota statutes.

Risk of loss arises from changes in currency exchange rates. The BFDRA has minimal exposure to foreign currency risk as of December 31, 2024. However, holdings in SBI's International Share Account and an emerging markets equity fund, which had a fair value of $23,093,286 and $9,595,545 as of December 31, 2024, respectively, contain foreign investments.

In addition, while the managers of SBI's Supplemental Investment Fund Bond Market Account invest primarily in the U.S. bond market, some are authorized to invest a small portion of their portfolios in non-U.S. bonds. The aggregate holdings in non-U.S. debt are expected to be no more than 10% of the account at any point in time.

Note 4 NET PENSION ASSET

The components of the net pension asset of the City of Bloomington as of December 31, 2024, were as follows:

(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(b-a) Net Pension Asset	(b/a) Plan Fiduciary Net Positio as a Percentage of the Total Pension Liability
$195,805,192	$233,425,875	$37,620,683	119.2%

A. ACTUARIAL METHODS AND ASSUMPTIONS

The information presented in Note 4 is based on an actuarial valuation for purposes of determining the net pension asset. The methods and assumptions used for this actuarial valuation were recommended by the actuary and adopted by the Board of Trustees.

The total pension liability was determined by an actuarial valuation as of January 1, 2025, based on the measurement date of December 31, 2024, and using the following actuarial assumptions. The plan has not had a formal actuarial experience study performed.

Investment rate of return	6.00%
Inflation	2.75%
Index salary increases	4.00%
Cost of living increases	Based on increases in index salary
Retirement age	50 with 20 years of service
Actuarial cost method	Entry age normal
Mortality	RP-2014 employee and healthy annuitant mortality tables projected back to 2006 base year using Projection Scale MP-2014, and then projected forward generationally using Projection Scale MP-2017. Post-retirement male rates are adjusted by a factor of 0.96.

B. LONG-TERM EXPECTED RATE OF RETURN

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per the actuary's investment consulting practice as of January 1, 2025.

Asset Class	Long-Term Expected Geometric Real Rate of Return
Cash	0.92%
Investment grade bonds	2.21%
Domestic equity	3.70%
Developed international equity	5.12%
Emerging markets equity	6.15%
Real estate	4.51%
Private equity	6.16%

C. DISCOUNT RATE

The discount rate used to measure the total pension liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at the actual statutory contribution rate. Based on those assumptions, the BFDRA's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

D. SENSITIVITY ANALYSIS

The following presents the net pension asset calculated using the discount rate of 6.00%, as well as what the net pension asset 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:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net pension asset (liability)	$4,617,147	$37,620,683	$63,531,709

E. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

As of December 31, 2024, deferred outflows and inflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$1,351,228	$289,677
Net difference between projected and actual earnings	-	1,783,346
Total	$1,351,228	$2,073,023

F. PENSION EXPENSE

A summary of pension expense for the year ending December 31, 2024, is as follows:

Service cost	$3,533,302
Interest on total pension liability	11,192,231
Administrative expenses	140,828
Expected investment return net of investment expenses	(12,881,141)
Recognition of deferred outflows and deferred inflows related to:	
Economic/demographic gains or losses	59,175
Assumption changes or inputs	-
Investment gains or losses	(1,946,306)
Total pension expense	$98,089

Note 5 RISK MANAGEMENT

The BFDRA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors; and omissions. The BFDRA manages its risk of loss through the purchase of commercial insurance. There were no significant reductions in insurance from the previous year, nor have there been settlements in excess of insurance coverage for any of the past three fiscal years.

Note 6 REVISED NOTE TO THE FINANCIAL STATEMENTS

BFDRA's previously issued financial statements for the year ended December 31, 2024 have been revised to correct an error in Note 4E – Deferred Outflows and Inflows of Resources. Amounts previously reported as deferred outflows of resources were presented as deferred inflows of resources and vice versa. Correcting the disclosure had no effect on any amounts presented in the statement of fiduciary net position (Statement 1) or the statement of changes in fiduciary net position (Statement 2).

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REQUIRED SUPPLEMENTARY INFORMATION

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS
For The Last Ten Years

Fiscal year ending and measurement date - December 31,	2024	2023	2022	2021
Total pension liability:				
Service cost	$3,533,302	$3,397,404	$3,400,875	$3,670,982
Interest on the total pension liability	11,192,231	10,821,661	10,581,920	10,094,430
Economic/demographic gains or losses	2,062,400	(392,643)	(2,685,152)	1,531,903
Assumption changes	-	-	-	-
Benefit payments	(7,973,234)	(7,489,990)	(7,112,465)	(6,698,326)
Net change in total pension liability	8,814,699	6,336,432	4,185,178	8,598,989
Total pension liability – beginning	186,990,493	180,654,061	176,468,883	167,869,894
Total pension liability – ending (a)	$195,805,192	$186,990,493	$180,654,061	$176,468,883
Plan fiduciary net position:				
State of Minnesota and employer contributions	$2,163,247	$804,969	$719,546	$1,379,113
Net investment income	21,812,066	27,695,712	(28,973,296)	23,024,350
Benefit payments	(7,973,234)	(7,489,990)	(7,112,465)	(6,698,326)
Pension plan administrative expense	(140,828)	(134,163)	(118,301)	(107,450)
Net change in plan fiduciary net position	15,861,251	20,876,528	(35,484,516)	17,597,687
Plan fiduciary net position – beginning	217,564,624	196,688,096	232,172,612	214,574,925
Plan fiduciary net position – ending (b)	$233,425,875	$217,564,624	$196,688,096	$232,172,612
Net pension asset – ending (b) - (a)	$37,620,683	$30,574,131	$16,034,035	$55,703,729
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	119.2%	116.4%	108.9%	131.6%
Covered Payroll*	$10,724,400	$11,012,464	$11,243,892	$12,201,192

*Covered payroll is based on the assumption that each active plan member earns the most recent salary rate of the highest paid non-officer police officer in the City of Bloomington. Because active plan members are not full-time salaried employees, there is no actual payroll.

Schedule 1

2020	2019	2018	2017	2016	2015
$3,516,374	$3,869,840	$3,529,986	$3,482,212	$2,955,252	$3,141,630
9,824,558	9,212,131	8,791,865	8,421,504	7,998,295	8,072,050
(2,505,138)	(3,358,770)	257,010	(152,691)	831,346	(7,292,468)
-	7,007,900	-	-	-	-
(6,292,678)	(6,051,864)	(5,780,618)	(5,476,046)	(5,046,951)	(4,883,583)
4,543,116	10,679,237	6,798,243	6,274,979	6,737,942	(962,371)
163,326,778	152,647,541	145,849,298	139,574,319	132,836,377	133,798,748
$167,869,894	$163,326,778	$152,647,541	$145,849,298	$139,574,319	$132,836,377
$2,541,359	$609,799	$2,130,346	$1,633,873	$1,469,482	$1,715,281
28,386,105	30,774,778	(7,266,532)	24,503,859	11,133,373	(1,023,994)
(6,292,678)	(6,051,864)	(5,780,618)	(5,476,046)	(5,046,951)	(4,883,583)
(109,326)	(108,058)	(100,782)	(94,692)	(109,128)	(93,226)
24,525,460	25,224,655	(11,017,586)	20,566,994	7,446,776	(4,285,522)
190,049,465	164,824,810	175,842,396	155,275,402	147,828,626	152,114,148
$214,574,925	$190,049,465	$164,824,810	$175,842,396	$155,275,402	$147,828,626
$46,705,031	$26,722,687	$12,177,269	$29,993,098	$15,701,083	$14,992,249
127.8%	116.4%	108.0%	120.6%	111.2%	111.3%
$11,526,144	$12,348,216	$11,486,832	$10,513,294	$11,003,580	$10,773,375

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

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS **Schedule 2**
For The Last Ten Years

Fiscal Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution*	Contribution Deficiency (Excess)	Covered Payroll**	Employer Contributions as a Percentage of Covered Payroll
2015	$1,630,173	$1,715,281	($85,108)	$10,773,375	15.9%
2016	1,396,485	1,469,482	(72,997)	11,003,580	13.4%
2017	1,552,692	1,633,873	(81,181)	10,513,294	15.5%
2018	2,024,948	2,130,346	105,398	11,486,832	18.5%
2019	446,855	609,799	162,944	12,348,216	4.9%
2020	2,416,691	2,541,359	124,668	11,526,144	22.0%
2021	1,309,527	1,379,113	69,586	12,201,192	11.3%
2022	(1,040,867)	719,546	(1,760,413)	11,243,892	6.4%
2023	(1,641,341)	804,969	(2,446,310)	11,012,464	7.3%
2024	2,055,950	2,163,247	(107,297)	10,724,400	20.2%

*Includes both City of Bloomington and State of Minnesota contributions

**Covered payroll is based on the assumption that each active plan member earns the most recent salary rate of the highest paid non-officer police officer in the City of Bloomington. Because active plan members are not full-time salaried employees, there is no actual payroll.

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

Annual money-weighted rate of return net of investment expense.

Fiscal Year	Annual Return
2015	(0.4%)
2016	7.5%
2017	16.1%
2018	(4.2%)
2019	19.0%
2020	15.4%
2021	11.8%
2022	(12.6%)
2023	14.2%
2024	10.2%

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

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Significant Plan Provisions and Actuarial Methods and Assumption Changes

From 2015 to 2024, there were no significant changes to plan provisions or actuarial methods and assumptions, with the following exceptions:

2020

Mortality assumptions were updated:

Pre-retirement:
RP-2014 Employee Mortality table projected back to 2006 base year using Projection Scale MP-2014, and then projected forward using Projection Scale MP-2017.

Post-retirement:
RP-2014 Annuitant Mortality table projected back to 2006 base year using Projection Scale MP-2014, and then projected forward using Projection Scale MP-2017. Male rates adjusted by a factor of 0.96.

Post-disability:
RP-2014 Annuitant Mortality table projected back to 2006 base year using Projection Scale MP-2014, and then projected forward using Projection Scale MP-2017. Male rates adjusted by a factor of 0.96.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The BFDRA is funded with contributions from the City of Bloomington and State of Minnesota. The actuarially determined contributions in the Schedule of Employer Contributions are calculated as of the beginning of the fiscal year in which contributions were reported.

The following methods and assumptions were used to calculate the actuarially determined contributions reported in the most recent fiscal year-end.

- The actuarial valuation date used is January 1, 2025, based on a measurement date of December 31, 2024.
- Actuarial cost is determined using the Entry Age Normal Cost Method.
- The actuarial value of assets is market value.
- The unfunded accrued liability is amortized using a 20-year rolling end date.
- The investment rate of return is 6.00%.
- The salary increase is 4.00%.
- The inflation rate assumption is built into other rate assumptions.
- Mortality assumptions for pre-retirement, post-retirement, and post-disability are the mortality assumptions stated above which were updated in 2020.

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OTHER REQUIRED REPORTS

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REDPATH AND COMPANY

REPORT ON INTERNAL CONTROL

To the Board of Trustees
Bloomington Fire Department Relief Association
Bloomington, Minnesota

In planning and performing our audit of the financial statements of the Bloomington Fire Department Relief Association as of and for the year ended December 31, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the Bloomington Fire Department Relief Association's system of 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 Bloomington Fire Department Relief Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bloomington Fire Department Relief 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 a deficiency in internal control that we consider to be a significant deficiency.

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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency in internal control described in the schedule of findings and responses as item 2024-01 to be a significant deficiency.

The Bloomington Fire Department Relief Association's response to the finding identified in our audit is described in the schedule of findings and responses. The response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

400 Robert Street North, Suite 1600, St. Paul, MN, 55101 651.426.7000 www.redpathcpas.com

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

Redpath and Company, LLC

REDPATH AND COMPANY, LLC
St. Paul, Minnesota

March 4, 2025

2024-1 Segregation of Duties

Criteria: Generally, a system of internal control contemplates segregation of duties such that no individual has responsibility to execute a transaction, has physical access to the related assets, and has responsibility or authority to record the transaction.

Condition: The Bloomington Fire Department Relief Association (BFDRA) uses an outside party to make payments and transfers. The BFDRA has one individual who has the ability to authorize these transactions without the approval of any other member of the Board of Trustees. Additionally, only one individual is involved in the journal entry process.

Cause: This condition is common to organizations of this size due to the limited number of staff.

Effect: The lack of an ideal segregation of duties subjects the BFDRA to a higher risk that errors or fraud could occur and not be detected in a timely manner.

Recommendation: We recommend the Board of Trustees remain aware of this situation and review the BFDRA's financial activity on a monthly basis. Any modification of internal controls in this area must be viewed from a cost/benefit perspective.

Management Response: The Bloomington Fire Department Relief Association Board of Trustees acknowledges the auditor's concern over internal controls resulting from the limited size of our board. To address this, we have an additional level of oversight in our daily operations through Union Bank & Trust as our financial custodian and through oversight by our accountant, Sharyn North. Both have good knowledge of our daily operations and provide a process of checks and balances.

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MINNESOTA LEGAL COMPLIANCE REPORT

To the Board of Trustees
Bloomington Fire Department Relief Association
Bloomington, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Bloomington Fire Department Relief Association as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Bloomington Fire Department Relief Association's basic financial statements, and have issued our report thereon dated March 4, 2025.

In connection with our audit, nothing came to our attention that caused us to believe that the Bloomington Fire Department Relief 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 Minnesota Statute § 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 Bloomington Fire Department Relief 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 the Bloomington 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.

Redpath and Company, LLC

REDPATH AND COMPANY, LLC
St. Paul, Minnesota

March 4, 2025

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