Bloomington Fire Department Relief Association

2015 Annual Report

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION

BLOOMINGTON, MINNESOTA

ANNUAL REPORT

For the Year Ended December 31, 2015

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President's Letter

March 2016

Dear BFDRA Members,

Overall, our fund remains in a strong, sustainable position. Investment returns for 2015 were basically flat, with a return for the year of -.42%. This is in line with a -.44% return for the benchmark index that most closely reflects our asset allocation. When combined with our pension payments, the resulting decrease in the fund value brings our funding ratio down 2% to 111%. This offsets a 2% increase in the funding ratio from the previous year.

To maximize our investment performance, we began a search late last year for an independent pension investment consultant. Last month we finalized our selection of The Meketa Group, based in Chicago. In the coming months they will be evaluating all aspects of our investments and making appropriate recommendations.

Our annual audit was just completed and went well once again. There are added rules and regulations every year, and our board officers are doing a great job of keeping up with what is required.

The only change in board members was the addition of Jason Rich at the 2015 annual meeting. Jason was elected by the membership to replace Steve Oberaigner, who served for many years on the board but chose to not seek re-election. Thanks again Steve for your contributions, and thanks to all of you for your continued support of the board.

Sincerely,

John Bayard

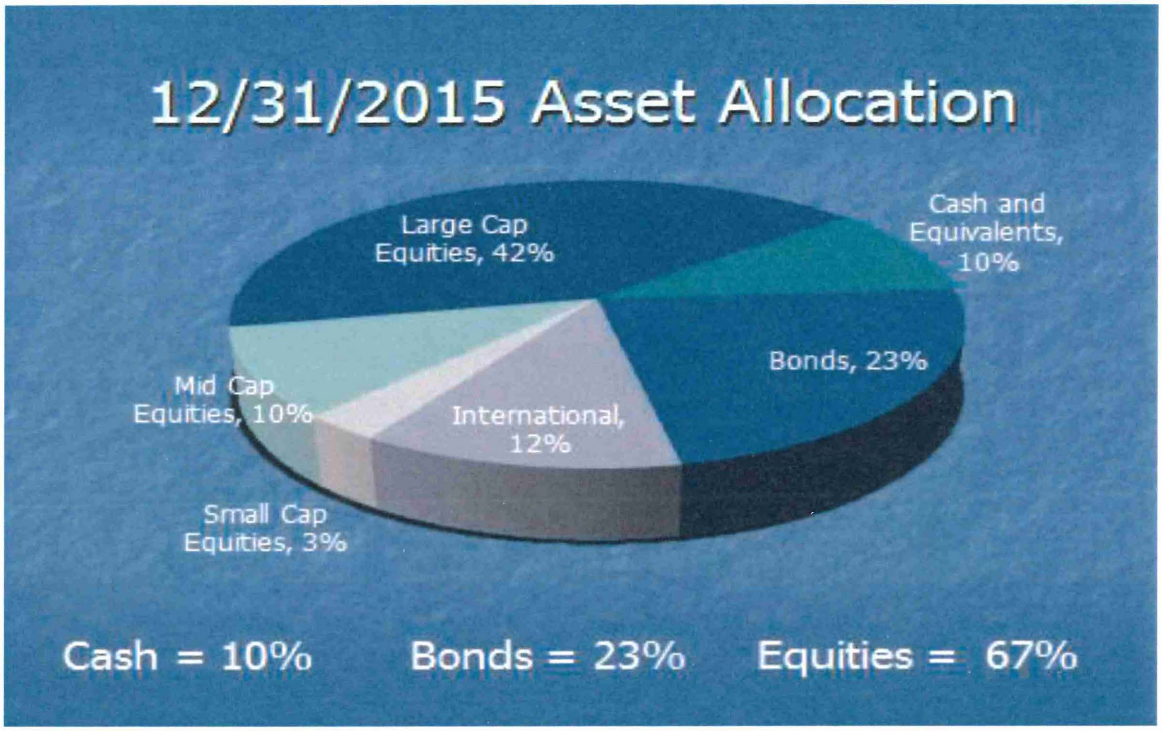
John Bayard
President, BFDRA

Bloomington Fire Department Relief Association

SUMMARY OF CURRENT PLAN PROVISIONS

1. Basic Benefit	One-third of the final average salary of a City of Bloomington police officer of the highest grade, not including officer rank. The final average earning is the average of the monthly pay for such a police officer over the past three years. All benefits under the plan are adjusted annually to reflect changes in police officer salaries.
2. Normal Retirement Benefit	Basic benefit is payable at retirement after attainment of the age of 50 and completion of 20 years of service.
3. Deferred Vested Benefit	After completion of 20 years of service, the basic benefit is payable after attainment of age 50.
4. Disability Benefit	The basic benefit is payable while the member remains disabled. Non-Duty related disability payments are pro-rated based on credited full year(s) of service. Disability is defined as inability to perform the duties of a firefighter.
5. Surviving Spouse Benefit:	On the death of any active or inactive member, 75% of the basic benefit is payable to the surviving spouse for the spouse's remaining lifetime, or until remarriage. For non-duty related deaths, this benefit is pro-rated based on full years of credited service.
6. Children's Benefit	On the death of an active member, 25% of the basic benefit is payable to all surviving children, divided equally, until attainment of age 18. Maximum family benefit is 100% of the basic benefit.
7. Lump Sum Death Benefit	On the death of any active or inactive member, $500 is payable from the Special Fund, and $2000 is payable from the General Fund.
8. Membership Dues	Each active member contributes $144. per year.

Financials



Account	Percent of Total Invested	End Balance 12/31/2015	YTD Return
Union Bank Account	1.33%	$1,972,326	.04%
ACIO Account	2.96%	$4,390,638	-4.09%
DSIP Account	2.39%	$3,543,865	-1.55%
MPMG Account	1.78%	$2,645,414	-7.18%
GTR Account	1.67%	$2,475,593	-1.23%
International	.89%	$1,325,395	-11.64%
MLCD Account	2.05%	$3,037,500	-.86%
SBI Bond Market Fund	22.81%	$33,801,133	.54%
SBI Common Index Fund	29.94%	$44,372,693	1.17%
SBI International Fund	11.11%	$16,454,418	-3.99%
SBI Growth Fund	15.28%	$22,648,046	.13%
SBI Money Market Fund	7.79%	$11,545,832	.14%
Total	**100%**	**$148,212,853**	**-.42%**

STATE OF MINNESOTA
Office of the State Auditor

Rebecca Otto
State Auditor

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION BLOOMINGTON, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2015

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 700 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: www.auditor.state.mn.us.

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION BLOOMINGTON, MINNESOTA

For the Year Ended December 31, 2015

Audit Practice Division
Office of the State Auditor
State of Minnesota

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BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

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Introductory Section

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

ORGANIZATION
DECEMBER 31, 2015

	Term	
	From	To
Board of Trustees		
Elected members		
Dave Matlon	March 2013	March 2016
Paul Goodwin	March 2013	March 2016
Chris Morrison	March 2014	March 2017
Jason Rich	March 2015	March 2018
John Bayard	March 2015	March 2018
Dennis Zwaschka	March 2014	March 2017

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

Officers
President
John Bayard
Vice President
Paul Goodwin
Secretary
Chris Morrison
Treasurer
Dave Matlon

Financial Section

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

REBECCA OTTO
STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Bloomington Fire Department Relief Association
Bloomington, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the Bloomington Fire Department Relief Association as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, as listed in the table of contents.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2015, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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.

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

March 14, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015
(Unaudited)

This discussion and analysis of the Bloomington Fire Department Relief Association's (Association) financial performance provides an overview of the Association's financial activities for the fiscal year ended December 31, 2015. 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 Association's funding objective is to meet benefit obligations through contributions and investment income. As of December 31, 2015, the funded ratio was 111.29 percent. Minnesota statutes previously required full funding by the year 2010. The amortization period was changed in 2005 from a level dollar amortization amount of the unfunded actuarial accrued liability to a 20-year rolling end date. The mortality assumptions were changed for the January 1, 2013, annual actuarial valuation.

The fiduciary net position of the pension fund administered by the Association decreased by $4.3 million during the 2015 fiscal year.

Additions to the fund for the year were $0.7 million, comprised of contributions of $1.7 million and net investment loss of $1.0 million. Fund additions decreased $12.5 million from the prior fiscal year.

Deductions to the fund increased over the prior year from $4.7 million to $5.0 million, or 6.4 percent.

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 (page 7) and the Statement of Changes in Fiduciary Net Position (page 8). These financial statements report information about the Association as a whole and about its financial condition that should help answer the question: Is the Association 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), including the accounting and financial reporting requirements found in GASB Statement 67.

The Statement of Fiduciary Net Position presents all of the Association'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 Association's financial position is improving or deteriorating. The Statement of Changes in Fiduciary Net Position presents how the Association's net position changed during the most recent fiscal year. These two statements should be reviewed along with accompanying notes to the financial statements and the Schedule of Changes in Net Pension Asset and Related Ratio, the Schedule of Employer Contributions, and the Schedule of Investment Returns, which are presented as required supplementary information, to determine whether the Association is becoming financially stronger or weaker and to understand changes over time in the funded status of the Association.

FINANCIAL ANALYSIS

Association total assets as of December 31, 2015, were $148.4 million and mostly comprised investments. Total assets decreased $4.3 million, or (2.8) percent, from fiscal year 2014. This decrease represents "expenses" (benefits and administration costs) exceeding "earnings" (contributions and investment income).

Total liabilities as of December 31, 2015, represent December benefits and investment fees paid in January 2016.

Association assets exceeded liabilities at the close of fiscal year 2015 by $148.0 million. Total net position restricted for pensions decreased $4.3 million, or (2.8) percent, between fiscal years 2014 and 2015.

Fiduciary Net Position
(in Thousands)

	December 31	
	2015	2014
Assets		
Cash	$ 22	$ 17
Receivables	1	-
Investments	148,405	152,677
Total Assets	$ 148,428	$ 152,694
Total Liabilities	406	389
Fiduciary Net Position	$ 148,022	$ 152,305

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 losses for fiscal year 2015 totaled $0.7 million. Total contributions and net investment income decreased $12.5 million from those of fiscal year 2014, due primarily to decreased net investment gains. The City of Bloomington contributed $1.7 million during 2015. Investment income decreased from fiscal year 2014 by $11.0 million.

Deductions from Fiduciary Net Position

The primary deductions of the Association include the payment of pension benefits and the cost of administering the fund. Total deductions for fiscal year 2015 were $5.0 million, an increase of 6.4 percent over fiscal year 2014 deductions. The increase in pension benefit expenses resulted from an increase in participants and an increased benefit rate. Administrative and other expenses increased by $3,000 between fiscal years 2014 and 2015.

Changes in Fiduciary Net Position
(in Thousands)

	Year Ended December 31	
	2015	2014
Additions		
Contributions	$ 1,733	$ 3,189
Net investment income (loss)	(1,025)	9,994
Total Additions	$ 708	$ 13,183
Deductions		
Benefits and refunds paid to participants	$ 4,884	$ 4,567
Administrative expenses	107	104
Total Deductions	$ 4,991	$ 4,671
Change in Net Position	$ (4,283)	$ 8,512

THE ASSOCIATION AS A WHOLE

The Association's fiduciary net position has experienced a $4.3 million decrease. This decrease is a result of benefits and expenses exceeding market earnings. Considering the January 1, 2015, funded ratio of 113.69 percent, the Board believes that, with a gradual but steady market upturn, the Association 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.

BASIC FINANCIAL STATEMENTS

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

EXHIBIT 1

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2015

Assets		
Cash and deposits		
Cash - special account	**$**	**22,320**
Receivables		
Accrued interest and dividends receivable	$	36
Other receivables - general account		616
Total receivables	**$**	**652**
Investments, at fair value		
Corporate stock	$	6,020,228
Commingled investment pools		
State Board of Investment (SBI) accounts		128,822,122
Mutual funds - special account		8,360,676
Market linked certificates of deposit		3,037,500
Short-term cash equivalents - special account		1,972,327
Short-term cash equivalents - general account		191,969
Total investments, at fair value	**$**	**148,404,822**
Total Assets	**$**	**148,427,794**
Liabilities		
Accounts payable	$	1,300
Benefits payable		405,283
Total Liabilities	**$**	**406,583**
Net Position		
Net position restricted for pensions	$	147,828,626
Net position restricted for general account		192,585
Total Net Position	**$**	**148,021,211**

The notes to the financial statements are an integral part of this statement.

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

EXHIBIT 2

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

Additions		
Contributions		
City of Bloomington	$	1,715,281
Other - general account		17,811
Total contributions	**$**	**1,733,092**
Investment income (loss)		
Net appreciation (depreciation) in fair value of investments	$	(1,345,301)
Interest and dividends		457,129
Total investment income (loss)	**$**	**(888,172)**
Less: direct investment expense		(137,153)
Net investment income (loss)	**$**	**(1,025,325)**
Total Additions	**$**	**707,767**
Deductions		
Benefit payments	$	4,883,583
Administrative expenses		93,226
Other - general account		14,275
Total Deductions	**$**	**4,991,084**
Net Increase (Decrease) in Net Position	**$**	**(4,283,317)**
Net Position - January 1		**152,304,528**
Net Position - December 31	**$**	**148,021,211**

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

1. Plan Description

A. Organization

Plan Administration

The Association is the administrator of a single-employer defined benefit pension plan available to firefighters, retired and active, of the City of Bloomington. The plan operates under the provisions of Minn. Stat. §§ 69.051 and 69.80; 2013 Minn. Laws, ch. 111, art. 5, §§ 31 to 42; Minn. Stat. ch. 424 (2000) (to the extent applicable) *see* 2002 Minn. Laws, ch. 392, art. 1, § 7; and 1965 Minn. Laws, ch. 446, as amended. The assets of the fund are dedicated to providing pension benefits to the plan members.

Reporting Entity

The Association was established April 1, 1947. It is governed by a Board of Trustees made up of six members elected by the members of the Association 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 Association is not a component unit of the city.

B. Plan Membership

At December 31, 2015, the membership of the Association consisted of:

Retirees and beneficiaries currently receiving benefits	188
Terminated employees entitled to benefits but not yet receiving them	16
Active plan participants - vested	6
Active plan participants - non-vested	112
Total	322

1. Plan Description (Continued)

C. Benefit Provisions

Authority for payment of pension benefits is established in Minn. Stat. § 69.77 and may be amended only by the Minnesota State Legislature. *See* 2013 Minn. 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 Association for 10 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 3-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 an Association 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

Authority for contributions to the pension plan is established by Minn. Stat. § 69.77 and may be amended only by the Minnesota State Legislature. *See* 2013 Minn. Laws, ch. 111, art. 5, §§ 31 to 42 and 80. There are no employee contributions. The City of Bloomington provided statutory contributions in 2015. 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.

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 the principles of governmental accounting and reporting set forth by the Governmental Accounting Standards Board.

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 Association uses the accrual basis of accounting. Under the accrual basis of accounting, additions are recognized when they are earned, and deductions are recognized when the liability is incurred.

B. Investments

The Association's investment policy is established and may be amended by its Board with a majority vote of its members. There were no changes to the investment policy during 2015.

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

The Association invests in an external investment pool, the State Board of Investment (SBI), which is governed by Minn. Stat. ch. 356A, as well as other standards. All securities are valued at fair value, except for U.S. Government short-term securities and commercial paper, which are valued at fair value, less accrued interest.

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.

2. Summary of Significant Accounting Policies

B. Investments (Continued)

Asset Allocation - It is the policy of the Association 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 was the Board's adopted asset allocation policy as of December 31, 2015.

Asset Class	Target Allocation
Domestic Equity	50%
International Equity	10
Fixed Income	35
Cash	5

Concentration - The Association's investment policy limits investments in any one issuer to not more than five percent unless the manager has received prior approval, or the increase is a result of market price increase. U.S. Treasuries and agencies along with commingled investment pools are exempted. The Association's investments as of December 31, 2015, 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, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (0.42) percent.

C. Capital Assets

The Association follows a policy of expensing purchases of capital assets. Capital asset purchases are considered insignificant to the operation of the Association as a whole and are not shown on the Statement of Fiduciary Net Position (Exhibit 1).

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.

3. Deposits and Investments

A. Deposits

Authority

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

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Association's deposits may not be recovered. The Association's policy for custodial credit risk is to maintain compliance with Minnesota statutes that require all the Association's deposits be protected by insurance, surety bond, or pledged collateral. The Association's deposits at December 31, 2015, are completely protected and, therefore, there is no custodial credit risk for deposits.

B. Investments

Authority

The types of securities available to the Association for investment are authorized and defined by 2013 Minn. Laws, ch. 111, art. 5, § 38 and Minn. Stat. § 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 Association invests primarily in commingled investment pools through the SBI and mutual funds.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Association will not be able to recover the value of the investment or the collateral securities in the possession of an outside party.

According to Association policy, all securities purchased by the Association are held by a third-party safekeeping agent appointed as custodian.

The Association has no custodial credit risk for investments at December 31, 2015.

3. Deposits and Investments

B. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates of debt investments will adversely affect the fair value of an investment.

The Association manages its exposure to fair value of loss arising from changing interest rates by having fixed income investments with varying maturity dates.

At December 31, 2015, the Association had $33,801,133 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 3 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.

Credit Risk

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

This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The strategy of the Association'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.

3. Deposits and Investments

B. Investments

Credit Risk (Continued)

The following table shows the Association's investments by type and credit quality rating at December 31, 2015.

Debt Investment Type	Fair Value	Unrated
Mutual funds	$ 3,407,243	$ 3,407,243
SBI Bond Market Account	33,801,133	33,801,133
Totals	$ 37,208,376	$ 37,208,376

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 ten percent of the account at any point in time.

Foreign Currency Risk

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. The Association limits this risk in several ways. Minnesota statutes limit certain investments to a total portfolio limit of no more than 35 percent 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.

3. Deposits and Investments

B. Investments

Foreign Currency Risk (Continued)

Risk of loss arises from changes in currency exchange rates. The Association's exposure to foreign currency risk at December 31, 2015, is presented in the following table.

Country - Currency	Total	Stocks in American Depository Receipt	Stocks
Canada - Canadian Dollar	$ 149,378	$ -	$ 149,378
Germany – Euro	106,273	106,273	-
Ireland – Euro	65,519	-	65,519
Israel - Israeli Shekel	119,137	119,137	-
Japan - Japanese Yen	194,084	194,084	-
Switzerland - Swiss Franc	65,907	65,907	-
Totals	$ 700,298	$ 485,401	$ 214,897

In addition, of the Association's holdings in mutual funds and the SBI's Supplemental Investment Fund Accounts totaling $137,182,798, the following are international equity funds:

Fund	Fair Value
SBI International Share Account	$ 16,454,418
Parr Financial Group (various funds within account)	2,197,541
Total	$ 18,651,959

While the managers of the 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 ten percent of the account at any point in time.

4. Net Pension Asset

The components of the net pension asset of the City of Bloomington at December 31, 2015, were as follows:

Net Pension Asset			
(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a-b) Net Pension Asset	(b/a) Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
$ 132,836,377	$ 147,828,626	$ (14,992,249)	111.29%

A. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2016, based on the measurement date of December 31, 2015, and using the following actuarial assumptions. The plan has not had a formal actuarial experience study performed.

- Investment rate of return is six percent;
- index salary increase is four percent;
- cost of living adjustment increase is based on increases in index salary;
- inflation rate assumption is built in to other rate assumptions;
- Entry Age Normal actuarial cost method; and
- mortality assumptions for pre-retirement, post-retirement, and post-disability are:

Pre-retirement: RP 2000 Non-annuitant Mortality Table with white collar adjustment, generationally projected using Scale AA, and set back two years for males and females.

Post-retirement: RP 2000 Annuitant Mortality Table with white collar adjustment, generationally projected using Scale AA for males and females.

Post-disability: RP 2000 Non-annuitant Mortality Table with white collar adjustment, set forward eight years for males and females.

4. Net Pension Asset (Continued)

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, 2016.

Asset Class	Long-Term Expected Geometric Real Rate of Return
Cash	0.59%
Core Fixed Income	1.97
Broad U.S. Equities	3.88
Large Cap U.S. Equities	3.78
Developed Foreign Equities	4.30

C. Discount Rate

The discount rate used to measure the total pension liability was 6.00 percent. 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 Association'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 percent, as well as what the net pension (asset) liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net Pension (Asset) Liability	$ 7,637,386	$ (14,992,249)	$ (32,810,462)

5. Risk Management

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors; and omissions. The Association 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.

REQUIRED SUPPLEMENTARY INFORMATION

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

EXHIBIT A-1

SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIO

Fiscal Year	2015	2014
Total Pension Liability		
Service cost	$ 3,141,630	$ 3,047,649
Interest on the total pension liability	8,072,050	7,443,533
Economic/demographic gains or losses	(7,292,468)	(1,567,433)
Benefit payments	(4,883,583)	(4,566,912)
Net change in total pension liability	**$ (962,371)**	**$ 4,356,837**
Total Pension Liability - Beginning	**133,798,748**	**129,441,911**
Total Pension Liability - Ending (a)	**$ 132,836,377**	**$ 133,798,748**
Plan Fiduciary Net Position		
Employer contributions	$ 1,715,281	$ 3,170,255
Net investment income	(1,023,994)	9,982,524
Benefit payments	(4,883,583)	(4,566,912)
Pension plan administrative expense	(93,226)	(83,410)
Net change in plan fiduciary net position	**$ (4,285,522)**	**$ 8,502,457**
Plan Fiduciary Net Position - Beginning	**152,114,148**	**143,611,691**
Plan Fiduciary Net Position - Ending (b)	**$ 147,828,626**	**$ 152,114,148**
Net Pension Asset - Ending (a)-(b)	**$ (14,992,249)**	**$ (18,315,400)**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**111.29%**	**113.69%**
Covered Payroll*	**$ 10,773,375**	**$ 10,110,384**

Notes:

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

*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 all active plan members are volunteers, there is no actual payroll.

(Unaudited)

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

EXHIBIT A-2

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contributions	Contribution Deficiency (Excess)	Covered Payroll*
2006	$ 361,942	$ 1,447,592	$ (1,085,650)	$ 8,721,504
2007	(520,335)	517,023	(1,037,358)	8,672,256
2008	(150,559)	439,902	(590,461)	9,970,800
2009	3,451,507	372,096	3,079,411	10,235,736
2010	3,316,111	3,625,942	(309,831)	9,790,704
2011	2,105,542	3,486,392	(1,380,850)	10,059,924
2012	2,199,801	2,214,206	(14,405)	9,069,840
2013	3,016,121	2,312,826	703,295	9,668,988
2014	1,630,173	3,170,255	(1,540,082)	10,110,384
2015	1,396,485	1,715,281	(318,796)	10,773,375

*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 all active plan members are volunteers, there is no actual payroll.

(Unaudited)

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

EXHIBIT A-3

SCHEDULE OF INVESTMENT RETURNS

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

Fiscal Year	Annual Return
2014	7.01%
2015	(0.42)

Note:
This schedule is built prospectively until it contains ten years of data.

(Unaudited)

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

Significant Plan Provision and Actuarial Methods and Assumption Changes

From 2006 to 2015, there were no significant changes to plan provisions or actuarial methods and assumptions, with the following exception:

2012

The index salary increases (salary increases) were reduced from four percent per annum to two percent per annum one year, 2013, and resume at four percent per annum thereafter.

The cost of living adjustment (COLA) increases, previously four percent per annum, are now based on increases in index salary.

Mortality assumptions were changed:

> Previously, pre-retirement, post-retirement, and post-disability mortality assumptions were based on the 1971 Group Annuity Mortality Table, without margins, projected to 1976 by Scale E for males, set back seven years for females.

Currently, the assumptions are:

Pre-retirement:	RP 2000 Non-annuitant Mortality Table with white collar adjustment, generationally projected using Scale AA, and set back two years for males and females.
Post-retirement:	RP 2000 Annuitant Mortality Table with white collar adjustment, generationally projected using Scale AA for males and females.
Post-disability:	RP 2000 Non-annuitant Mortality Table with white collar adjustment, set forward eight years for males and females.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The Association is funded with contributions from the City of Bloomington. 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 most recent actuarial valuation date is January 1, 2015.
- 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.
- Investment rate of return is six percent.
- Index salary increase is four percent.
- COLA increase is based on increases in index salary (four percent).
- The inflation rate assumption is built in to other rate assumptions.
- Mortality assumptions for pre-retirement, post-retirement, and post-disability are:

Pre-retirement:	RP 2000 Non-annuitant Mortality Table with white collar adjustment, generationally projected using Scale AA, and set back two years for males and females.
Post-retirement:	RP 2000 Annuitant Mortality Table with white collar adjustment, generationally projected using Scale AA for males and females.
Post-disability:	RP 2000 Non-annuitant Mortality Table with white collar adjustment, set forward eight years for males and females.

Other Pension Information Section

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Bloomington Fire Department Relief Association
Bloomington, Minnesota

Report on the Schedule

We have audited the total of the columns titled net pension (asset) liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) included in the accompanying schedule of pension amounts of the Bloomington Fire Department Relief Association as of and for the year ended December 31, 2015, and the related notes.

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

Auditor's Responsibility
Our responsibility is to express an opinion on the specified column totals included in the schedule of pension amounts based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the specified column totals included in the schedule of pension amounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the specified column totals included in the schedule of pension amounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the specified column totals included in the schedule of pension amounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the specified column totals included in the schedule of pension amounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the specified column totals included in the schedule of pension amounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the schedule referred to above presents fairly, in all material respects, the net pension asset, total deferred outflows of resources, total deferred inflows of resources, and total pension expense of the Bloomington Fire Department Relief Association as of and for the year ended December 31, 2015, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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, 2015, and our report thereon dated March 14, 2016, expressed an unmodified opinion on those financial statements.

Restriction on Use

This report is intended solely for the information and use of management, the Board of Trustees, Bloomington Fire Department Relief Association's employer, and its auditor, and is not intended to be, and should not be, used by anyone other than those specified parties.

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

March 14, 2016

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

SCHEDULE OF PENSION AMOUNTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

		Deferred Outflows of Resources		
Employer	Net Pension (Asset) Liability	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions
City of Bloomington	$ (14,992,249)	$ -	$ 8,043,538	$ -

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

EXHIBIT B-1

	Deferred Inflows of Resources				Pension Expense
Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Total Deferred Inflows of Resources	Total Pension Expense
$ 8,043,538	$ 5,422,604	$ -	$ -	$ 5,422,604	$ 2,417,498

NOTES TO THE REQUIRED SCHEDULE
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

Summary

The Bloomington Fire Department Relief Association is the administrator of a single-employer defined benefit pension plan. As specified in Governmental Accounting Standards Board Statement 68, the City of Bloomington is required to recognize the net pension (asset) liability, deferred outflows of resources related to pensions, deferred inflows of resources related to pensions, and pension expense for all benefits provided through the Fund.

Actuarial Methods and Assumptions

The information presented in the schedule of pension amounts was based on the actuarial valuation for purposes of determining the net pension (asset) liability. The assumptions and methods used for this actuarial valuation were recommended by the actuary and adopted by the Board. Additional information as of the latest actuarial valuation follows.

Valuation Date:	January 1, 2016
Measurement Date of the Net Pension Liability:	December 31, 2015
Methods and Assumptions used to Determine Net Pension (Asset) Liability:	
Actuarial Cost Method	Entry Age Normal
Salary Increases	4.00 percent
Cost of Living Adjustments	4.00 percent
Investment Rate of Return	6.00 percent per annum
Pre-Retirement Mortality	RP-2000 Non-Annuitant Mortality Table, with white collar adjustment, generationally projected using Scale AA, and set back two years for males and females.
Post-Retirement Mortality	RP-2000 Annuitant Mortality Table, with white collar adjustment, generationally projected using Scale AA for males and females.
Disabled Mortality	RP-2000 Non-Annuitant Mortality Table with white collar adjustment, and set forward eight years for males and females.

Inflation rate assumption is built in to other rate assumptions.

Management and Compliance Section

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

INTERNAL CONTROL OVER FINANCIAL REPORTING

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2007-001

Internal Control/Segregation of Duties

Criteria: Management is responsible for establishing and maintaining internal control. This responsibility includes the internal control over the various accounting cycles, the fair presentation of the financial statements and related notes, and the accuracy and completeness of all financial records and related information. Adequate segregation of duties is a key internal control in an organization's accounting system.

Condition: The Association uses an organization to make payments and transfers. The Association has one individual who has the ability to authorize these transactions without the approval of any other Board of Trustees member.

Context: It is not unusual for an organization the size of the Bloomington Fire Department Relief Association to be limited in the internal control that management can design and implement into the organization.

Effect: The Association is relying on controls of entities outside of the organization.

Cause: The size of the Bloomington Fire Department Relief Association and its staffing limits the internal control that management can design and implement into the organization.

Recommendation: The Board of Trustees should be aware that segregation of duties is not adequate from an internal control point of view. We recommend the Board of Trustees be mindful that limited staffing causes inherent risks in safeguarding the Association's assets and the proper reporting of its financial activity. We recommend the Board of Trustees continue to implement oversight procedures and monitor those procedures to determine if they are still effective internal controls.

Client's Response:

The Bloomington Fire Department Relief Association Board of Trustees acknowledges the segregation of duties as an inadequate internal control. To counter this, we collaborate with Union Bank & Trust as our financial custodian and our accountant Sharyn North, to provide an additional level of oversight in our daily operations through a consistent process of checks and balances.

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COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND/OR MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER MATTERS

Board of Trustees
Bloomington Fire Department Relief Association
Bloomington, Minnesota

We have audited, in accordance with the 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, 2015, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated March 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the Bloomington Fire Department Relief Association's basic 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected, on a timely basis.

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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. Our audit was also not designed to identify deficiencies in internal control that might be significant deficiencies. A significant deficiency is a deficiency, or 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. The significant deficiency is reported in the Schedule of Findings and Recommendations as item 2007-001.

Bloomington Fire Department Relief Association's Response to the Finding

The Bloomington Fire Department Relief Association's written response to the internal control finding identified in our audit has been included in the Schedule of Findings and Recommendations. We did not audit the Association's response and, accordingly, we express no opinion on it.

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

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

March 14, 2016

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

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, 2015, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements and have issued our report thereon dated March 14, 2016.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains three categories of compliance to be tested in connection with the audit of the Association's financial statements: deposits and investments, conflicts of interest, and relief associations. Our audit considered all of the listed categories.

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 *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Association's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of the Board of Trustees 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 those specified parties.

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

March 14, 2016