FARGO FIREFIGHTER'S PENSION ASSOCIATION

FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

WITH INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Fargo Firefighter's Pension Association
Fargo, North Dakota

We have audited the accompanying financial statements of the **Fargo Firefighter's Pension Association**, which comprise the statements of fiduciary net position as of December 31, 2019 and 2018 and the related statements of changes in fiduciary net position for the years then ended and the related notes to the financial statements.

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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 entity'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 entity'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 opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Fargo Firefighter's Pension Association** as of December 31, 2019 and 2018, and the changes in net position restricted for pension benefits for the years then ended in conformity 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 Schedules of Changes in the Employer’s Net Pension Liability and Related Ratios, Funding Progress, Employer Contributions, and, Investment Returns on pages 17-20 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 audits of the 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
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of investments on page 21, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued a report dated November 11, 2020, on our consideration of **Fargo Firefighter's Pension Association’s** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Fargo Firefighter's Pension Association’s** internal control over financial reporting and compliance.

Widmer Roel PC

Fargo, North Dakota
November 11, 2020

FARGO FIREFIGHTER'S PENSION ASSOCIATION

STATEMENTS OF FIDUCIARY NET POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash	$ 624,614	$ 204,077
Investments, at fair value		
Mutual funds	37,589,870	30,471,461
Receivables	38,951	9,586
Total assets	38,253,435	30,685,124
LIABILITIES		
Accrued payroll liabilities	26,732	21,724
Net position restricted for pensions	$ 38,226,703	$ 30,663,400

FARGO FIREFIGHTER'S PENSION ASSOCIATION

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
ADDITIONS		
Contributions		
City	$ 2,465,168	$ 2,486,861
Employees	860,908	825,550
Total contributions	3,326,076	3,312,411
Investment income (loss)		
Net appreciation (depreciation) in fair value of investments	7,056,019	(1,515,217)
Dividends and interest	977	841
Total investment income (loss)	7,056,996	(1,514,376)
Investment management fees	(135,605)	(132,384)
Net investment income (loss)	6,921,391	(1,646,760)
Total additions	10,247,467	1,665,651
DEDUCTIONS		
Benefit payments	2,634,931	2,722,482
Administration expenses	49,233	60,285
Total deductions	2,684,164	2,782,767
NET INCREASE (DECREASE) IN NET POSITION	7,563,303	(1,117,116)
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of year	30,663,400	31,780,516
End of year	$ 38,226,703	$ 30,663,400

NOTE 1 – DESCRIPTION OF THE PLAN

The Fargo Firefighter's Pension Association Plan (“Plan”) is governed by Section 18-11 of the North Dakota Century Code. The following description of the Plan is provided for general information purposes only. Participants should refer to the Plan document for a more complete description of the Plan’s provisions.

General

The Plan is a single-employer defined benefit pension plan covering substantially all members of the Fargo Firefighter's Pension Association (“Association”).

Membership

Membership in the Association is generally limited to active employees of the Fargo Fire Department who are engaged in the hazards of firefighting. Members must be current on payment of dues and assessments to the Association and otherwise meet requirements under the Constitution and By-Laws.

Contributions

Contributions to the Association are authorized by section 18-11-12 of the North Dakota Century Code. Contribution rates are determined by two-thirds of the Association’s membership and approved by the City of Fargo (“City”), as described in the Association’s by-laws.

Service Pension Benefits

The Board of Trustees of the Fargo Firefighters Pension Association sets benefits for the Plan, and can amend the bylaws of the Association. Effective May 1, 1998, the benefit formula was improved to provide 2.33% of average final compensation times years of service. Before August 1, 2001, benefits were as follows:

Service	Percent of First Class Firefighter's Salary on January 1 of Year of Retirement
20	46.60%
21	48.93%
22	51.26%
23	53.59%
24	55.92%
25	58.25%
26	60.58%
27	62.91%
28	65.24%
29	67.57%
30 & Over	70.00%

(Continued)

Effective August 1, 2001, the benefit formula was improved to provide 2.50% of average final compensation times years of service. Under the new formula, benefits are as follows:

Service	Percent of Final Salary
20	50.00%
21	52.50%
22	55.00%
23	57.50%
24	60.00%
25	62.50%
26	65.00%
27	67.50%
28	70.00%
29	72.50%
30 & Over	75.00%

The normal form of monthly benefit for a member at the rank of firefighter married at retirement is the monthly salary of a top paid firefighter as of January 1 multiplied by the applicable percentage from the tables above. For any member above the rank of firefighter, the normal form of monthly benefit is the average of the final five years' monthly salary multiplied by the applicable percentage from the tables above. Upon death of the member, the surviving spouse is eligible for 50% of this benefit.

Members may choose the following optional forms of benefit payment in lieu of the normal benefit:

<u>Life annuity</u> – a monthly benefit payable only for member's lifetime, with no survivor benefit. This benefit amount is equal to the normal benefit payment multiplied by 1.043.

<u>Certain and life annuity</u> – a monthly benefit payable for the member's lifetime, with a minimum of 120 payments guaranteed. The benefit amount is equal to the normal benefit payment multiplied by 1.03.

<u>Joint and survivor annuity</u> – a monthly benefit payable for the member's lifetime, plus payments equal to 75% or 100% of the benefit amount to the member's spouse following the member's death. The benefit amount is the normal benefit payment multiplied by 0.98 for the joint and 75% survivor option and .96 for the joint and 100% survivor option, if the member and spouse are the same age. If there is an age difference between the member and spouse, the multiplier is adjusted accordingly.

If employees terminate before rendering 10 years of services, they forfeit the right to receive the portion of their accumulated plan benefits attributable to the City's contributions. The benefit will be limited to a refund of employee contributions without interest.

Disability Benefits

Active employees who become disabled, prior to their normal retirement age, shall receive a monthly disability pension equal to 10% times the member's number of credited service, up to a maximum of 50% of the monthly salary of a first-class firefighter for the year that the first benefit is paid, unless such member is eligible for a larger service pension. In this case, the member shall draw a monthly amount equal to the service pension. There is no age or service requirement for qualifying for a disability pension. If, in any year, a disabled pensioner's disability payments, earned income, and/or other disability insurance payments exceed a first-class firefighter's annual salary, the disability pension will be reduced one dollar for each excess dollar earned.

(Continued)

Surviving Spouse and Children Benefits

Monthly pensions shall be allowed when a service pensioner, disability pensioner, deferred pensioner, or an active vested member of the pension Association dies, leaving a surviving spouse to whom he was married while an active member; or children who are living while, or born within nine months after, the deceased was on the payroll, or both such surviving spouse and children.

Amount of such pensions:

Surviving spouse of retirees; the normal benefit is 50% of benefit level earned by years of service computation by retiree. The benefit percentage may be higher or lower if the member chooses one of the optional forms of benefit payment.

Surviving spouse of vested active or vested deferred employees; greater of 50% of earned pension benefit or 25% of adjusted first-class firefighters' salary at the time of employee's death.

One or more children under age 18 of vested active or vested deferred member with surviving parent; 20% of adjusted first-class firefighters' salary at the time of death. This is in addition to the amount payable to the surviving spouse.

One child with no surviving parent; 40% of adjusted first-class firefighters' salary at the time of death. If there is more than one child with no surviving parent, the percentage is 60%.

Beneficiaries of nonvested active members, in addition to the funeral payment, also receive a return of the member's contributions, without interest.

Funeral Payment

A single sum payment that is equal to the unadjusted monthly first-class firefighters' salary at the time of the member's death. As of December 31, 2019, the first-class firefighter's monthly salary was $5,681.

Deferred Pension

Members who terminate with 10 or more years of service are entitled to receive their service retirement benefit, commencing at age 55 or later.

Termination Benefit

Members terminating employment prior to completing 10 years of service are eligible to a refund of the member's contributions to the Association, without interest.

Decrease in Benefits if Funds not Sufficient

If, at any time, the Association actuary certifies that the balance of the Association fund, together with future contributions by active members and contributions by the City of Fargo, will be inadequate to provide future prescribed benefits for active and inactive members and their beneficiaries, the benefits provided for shall be proportionately decreased, but in no case shall the benefits be decreased more than two percent (2%) in any one year, or more than twenty percent (20%) in total. When the balance of the Association fund is again sufficient to provide future prescribed benefits, then the benefits shall again be paid as prescribed.

(Continued)

Plan Amendments

The Plan may be amended at any regular meeting or special meeting called for that purpose by a (2/3) vote of the members present. At least 30 days' notice must be given of any proposed amendment.

Plan Termination

If the Plan is terminated, the accrued benefits of each member shall immediately become 100% vested and nonforfeitable to the extent funded.

Current Membership

Membership of the plan consisted of the following at December 31, 2019, the date of the latest actuarial valuation:

Retired and disabled members currently receiving benefits	65
Beneficiaries currently receiving benefits	25
Terminated plan members entitled to but not yet receiving benefits	7
Active plan members	119
Total	216

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Association uses the accrual method for financial reporting purposes.

Reporting Entity

The Association is a defined benefit retirement plan for the Fargo, North Dakota Fire Department. These financial statements include only the assets, liabilities, revenues, and expenses of the Association.

Valuation of Investments

Investments in mutual funds are valued at fair value, which is based on quoted market prices. Market values have been supplied by Raymond James, the Plan's agent, at December 31, 2019 and 2018.

Cash and Cash Equivalents

The Association considers all short-term investments with original maturities of three months or less to be cash equivalents. From time to time, the Association has assets on deposit in financial institutions in excess of federally insured limits. At December 31, 2019 cash deposits exceeded Federal Deposit Insurance Corporation limits by $124,614. The Association has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk in cash.

(Continued)

Estimates

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

Actuarial Valuation and Analysis of Accumulated Plan Benefits

An actuarial valuation and analysis of accumulated plan benefits at December 31, 2019 was performed by Van Iwaarden Associates, independent consulting actuaries.

The assumptions used in this Actuarial Valuation are as follows:

Annual investment returns, net of investment expenses were assumed to be 7.25% per annum. The discount rate used is also 7.25%.

The actuarial value of assets was changed in January 1, 2012 to the market value of assets less contributions receivable. Previously the actuarial value of assets was the prior year’s actuarial value of assets plus smoothed gains/losses for the previous five years.

Annual rates of death, disability, terminations, and service retirement can be found in the actuarial valuation report.

Salaries are assumed to increase 3.00% and 4.50% per annum, for first class firefighters and officers, respectively. Inflation is assumed to be 2.50% per annum.

Normal retirement is assumed to occur from age 55 to age 65 with higher concentrations assumed at ages 55, 60, 62, 63, 64 and 65. A complete table of the assumed retirement rates can be found in the actuarial valuation report.

No increase over the social security contribution rate of 7.9% was assumed.

Subsequent Events

The Association has evaluated subsequent events through the date of the independent auditor’s report, which is the date the financial statements were available to be issued. The Association believes that there have been subsequent events where disclosures are required.

NOTE 3 – FUNDING POLICY

As a condition of participation, employees are required to pay monthly to the Association an amount at least equal to a sum of ¼ of 1% greater than the current employee contribution rate for social security and Medicare. Depending on the member’s hire date, the City of Fargo contributes 14.20% or 15.91% of total fire department payroll. Employees contribute 10.40% of salary. The employees’ contributions totaled $860,908 and $825,550 for the years ended December 31, 2019 and 2018, respectively. The City of Fargo contributions totaled $2,465,168 and $2,486,861 for the years ended December 31, 2019 and 2018, respectively. Administrative costs are financed through investment earnings.

NOTE 4 – DEPOSITS

Custodial credit risk is the risk that, in the event of a financial institution failure, the Association's cash deposits may not be returned to it. The Association's policies do not specifically address custodial credit risk. As of December 31, 2019 and 2018, the Association had deposits totaling $624,614 and $204,077, respectively. At December 31, 2019, $124,614 in deposits were not covered by federal depository insurance. At December 31, 2018, all deposits were covered by federal depository insurance.

NOTE 5 – INVESTMENTS

Investment Policy

The investment policy of the Fargo Firefighter's Pension Association is governed by Section 18-11-13 of the North Dakota Century Code as well as the Association's investment policy. The Board of Trustees of the Association is responsible for establishing the investment policy for Plan assets, which includes setting investment goals and specifying the percentage of assets to be invested in various types of investments. The Association is authorized to invest in bonds of the United States of America, the state of North Dakota or any other state, certificates of indebtedness of the State of North Dakota, any general obligation bonds or certificates of indebtedness of any political subdivision of the State of North Dakota, or the Bank of North Dakota or any other bank or savings and loan association which is insured by the United States of America. The Association may also invest in other investments by selecting a funding agent or agents. The following is the asset allocation ranges the Association has authorized in its investment policy:

Asset Class	Minimum	Maximum	Preferred
Equities	25%	75%	60%
Fixed Income	25%	75%	30%
Alternative investments	0%	40%	10%
Cash and cash equivalents	0%	100%	0%

The Association has a contract with Raymond James who must follow the investment requirements outlined in the Association's investment policy.

Investments for the Association consist of mutual funds reported at fair market value. Investments consist of the following at December 31:

	Fair Market Value	
Investment Type	2019	2018
Mutual funds - equities	$ 30,080,115	$ 23,688,322
Mutual funds - bonds	7,509,755	6,783,139
	$ 37,589,870	$ 30,471,461

(Continued)

Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested. The annual money-weighted rate of return on Plan investments, net of Plan investment expenses, is as follows for the years ended December 31:

	2019	2018
Annual Money-Weighted Rate of Return, Net of Investment Expenses	22.31%	5.06%

Sensitivity of Net Pension Liability

The following presents the net pension liability of the Plan as of December 31, 2019, calculated using a discount rate of 7.25%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is a 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
1% decrease in discount rate (6.25%)	61,149,678	38,226,703	22,922,975
Current discount rate (7.25%)	54,074,875	38,226,703	15,848,172
1% increase in discount rate (8.25%)	48,486,860	38,226,703	10,260,157

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The market value of bond mutual funds typically moves in the opposite direction of the change in interest rates. The Association does not have a formal investment policy to address interest rate risk.

At December 31, 2019 and 2018, maturities of the Association's bonds were as follows:

Investment Type	Fair Market Value	1-5 years	6-10 years	11-15 years
Mutual funds - bonds - 2019	$ 7,509,755	$ 3,707,985	$ 3,801,770	$ -
Mutual funds - bonds - 2018	$ 6,783,139	$ 3,452,971	$ 3,330,168	$ -

(Continued)

The bond mutual funds' weighted average maturities were 6.69 years and 6.65 years on December 31, 2019 and 2018, respectively.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Association does not have a formal policy to limit exposure to credit risk. The Association's investments in bond mutual funds had the following average credit ratings by Standard and Poor's at December 31, 2019 and 2018:

	2019	2018
BB	$ 3,707,985	$ 3,452,971
Not rated	3,801,770	3,330,168
	$ 7,509,755	$ 6,783,139

The current ratings of this fund's underlying investments are not disclosed by the fund company.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Association's investment in a single issuer (mutual funds and pooled investment funds are exempt). The Association's investment policy states that no more than 5% of the Association's assets may be invested in securities of any one company, and no more than 20% of the Association's investments may be concentrated in any one industry. At December 31, 2019 and 2018, the Association's investment portfolio was not exposed to concentration of credit risk.

NOTE 6 – FAIR VALUE MEASUREMENTS

Professional accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under professional standards are described below:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 — Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2019:

	Fair Value	Level 1	Level 2	Level 3
Mutual funds				
Large cap blend	$ 7,989,020	$ 7,989,020	$ -	$ -
Large cap growth	8,509,333	8,509,333	-	-
Intermediate term bonds	7,509,755	7,509,755	-	-
World stock	6,477,508	6,477,508	-	-
Other	7,104,254	7,104,254	-	-
Total assets at fair value	$ 37,589,870	$ 37,589,870	$ -	$ -

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2018:

	Fair Value	Level 1	Level 2	Level 3
Mutual funds				
Large cap blend	$ 5,662,633	$ 5,662,633	$ -	$ -
Large cap growth	6,628,704	6,628,704	-	-
Intermediate term bonds	6,783,139	6,783,139	-	-
World stock	5,075,201	5,075,201	-	-
Other	6,321,784	6,321,784	-	-
Total assets at fair value	$ 30,471,461	$ 30,471,461	$ -	$ -

NOTE 7 – TAX STATUS

The Association is exempt from taxation under Internal Revenue Code Section 501(c)(4).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability (or asset) if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken by the Association, and has concluded that as of December 31, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. With few exceptions, the Association is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2016.

NOTE 8 – RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of fiduciary net position.

NOTE 9 – CONCENTRATIONS

The Association holds investment securities at the brokerage firm of Raymond James. These funds are covered by the Securities Investor Protection Corporation ("SIPC"). When a brokerage firm is closed due to bankruptcy or other financial difficulties, the SIPC will attempt to within certain limits to return customers cash, stock and other securities. Market loss is not covered by the SIPC.

NOTE 10 – RELATED PARTIES

The members of the Board of Trustees are also members of the Association and are participants in the Plan.

NOTE 11 – NET PENSION LIABILITY OF THE PLAN

The funded status of the Association as of December 31, 2019, the date of the most recent actuarial valuation, is as follows:

		2019	2018
Total pension liability	$	54,074,875	51,385,413
Plan fiduciary net position		38,226,703	30,663,400
Net pension liability	$	15,848,172	20,722,013
Plan fiduciary net position as a percentage of the total pension liability		70.69%	59.67%

(Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the values of Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedule of employer contributions included as required supplementary information presents trend information about the amounts contributed to the Association by the employer in comparison to the Annual Required Contribution ("ARC"), an amount that is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over an 8 year amortization period for the initial unfunded actuarial accrued liability and 5 years for future gains and losses. The amortization period was changed to the 8 and 5 year amortization periods for the December 31, 2015 valuation.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation includes:

Valuation Date		December 31, 2019
Actuarial Cost Method		Entry Age Normal
Amortization Method		Straight-line amortization over a closed 5-year period.
Remaining Amortization Period		5 Years
Actuarial Value of Assets		Market value of assets
Actuarial Assumptions		
	Discount Rate	7.25% compounded annually, net of expense
	Investment Rate of Return	7.25% compounded annually, net of expense
	Projected Salary Increases	3.00% (First class firefighter) and 4.50% (Officer)
	Inflation Rate	2.50%
	Mortality	The base RP-2014 blue-collar table adjusted to 2006. Generational projection using scale MP-2018 was applied to these base rates after 2006.

The following changes were made in the actuarial methods and assumptions since the previous valuation dated December 31, 2017:

- The inflation rate was updated from 2.75% to 2.50% to properly reflect inflation rates in 2019.

NOTE 12: SUBSEQUENT EVENTS

As of the date through which the Association has evaluated events occurring subsequent to the statement of fiduciary net position date December 31, 2019, the Association believes it understands the risk associated with COVID-19. The Association is in the process of implementing risk mitigation tactics for the Association as to the risk of the impact, if any, of COVID-19 related to all aspects of the Association's business transactions with customers and vendors and human interaction within and outside of the Association.

FARGO FIREFIGHTER'S PENSION ASSOCIATION

REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019 AND 2018

FARGO FIREFIGHTER'S PENSION ASSOCIATION

SCHEDULES OF CHANGES IN THE EMPOYER'S NET POSITION
LIABILITY AND RELATED RATIOS
FOR THE YEARS DECEMBER 31, 2019, 2018, 2017, 2016, 2015, AND 2014

	2019	2018	2017
TOTAL PENSION LIABILITY			
Service cost	$ 1,153,327	$ 1,139,344	$ 1,065,668
Interest	3,713,542	3,552,233	3,285,670
Differences between expected and actual experience	457,524	244,951	2,074,434
Changes of assumptions and methods	-	(46,847)	(133,772)
Benefit payments, including refunds of member contributions	(2,634,931)	(2,722,482)	(2,655,413)
Net change in total pension liability	2,689,462	2,167,199	3,636,587
TOTAL PENSION LIABILITY, BEGINNING OF YEAR	51,385,413	49,218,214	45,581,627
TOTAL PENSION LIABILITY, END OF YEAR	$ 54,074,875	$ 51,385,413	$ 49,218,214
PLAN FIDUCIARY NET POSITION			
Contributions - city	$ 2,465,168	$ 2,486,861	$ 2,139,154
Contributions - employees	860,908	825,550	779,473
Net investment income (loss)	6,921,391	(1,646,760)	4,665,106
Benefit payments, including refunds of member contributions	(2,634,931)	(2,722,482)	(2,655,413)
Administration expenses	(49,233)	(60,285)	(60,855)
Net change in plan fiduciary net position	7,563,303	(1,117,116)	4,867,465
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	30,663,400	31,780,516	26,913,051
PLAN FIDUCIARY NET POSITION, END OF YEAR	$ 38,226,703	$ 30,663,400	$ 31,780,516
EMPLOYER'S NET PENSION LIABILITY	$ 15,848,172	$ 20,722,013	$ 17,437,698
Plan fiduciary net position as a percentage of the total pension liability	70.69%	59.67%	64.57%
Covered - employee payroll	$ 8,118,061	$ 7,966,082	$ 7,487,808
Employer's net pension liability as a percentage of covered-employee payroll	195.22%	260.13%	232.88%

2016	2015	2014
$ 1,033,817	$ 942,970	$ 882,740
3,107,060	3,020,513	2,656,719
1,380,692	164,724	(114,152)
(537,815)	783,502	3,642,866
(2,448,614)	(2,391,530)	(2,164,096)
2,535,140	2,520,179	4,904,077
43,046,487	40,526,308	35,622,231
$ 45,581,627	$ 43,046,487	$ 40,526,308
$ 1,916,012	$ 1,889,722	$ 1,661,219
769,779	744,739	723,023
1,711,824	(43,277)	1,406,050
(2,448,614)	(2,391,023)	(2,164,096)
(45,801)	(52,707)	(64,290)
1,903,200	147,454	1,561,906
25,009,851	24,862,397	23,300,491
$ 26,913,051	$ 25,009,851	$ 24,862,397
$ 18,668,576	$ 18,036,636	$ 15,663,911
59.04%	58.10%	61.35%
$ 7,362,577	$ 7,129,995	$ 6,813,000
253.56%	252.97%	229.91%

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as are available.

FARGO FIREFIGHTER'S PENSION ASSOCIATION

SCHEDULES OF FUNDING PROGRESS
FOR THE LAST TEN FISCAL YEARS

Actuarial Valuation Date	Plan Fiduciary Net Position	Total Pension Liability	Employer's Net Pension Liability	Funded Ratio	Covered Payroll	Employers Net Pension Liability As A Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c
7/1/2008	$ 18,415,293	$ 27,376,868	$ 8,961,575	67.3%	$ 5,244,943	170.9%
1/1/2010	19,639,494	28,865,604	9,226,110	68.0%	6,016,656	153.3%
1/1/2012	16,697,278	32,824,700	16,127,422	50.9%	6,182,954	260.8%
1/1/2014	23,300,491	35,622,231	12,321,740	65.4%	6,813,000	180.9%
12/31/2015	25,029,890	43,046,487	18,016,597	58.1%	7,129,995	252.7%
12/31/2016	26,913,051	45,581,627	18,668,576	59.0%	7,362,577	253.6%
12/31/2017	31,780,515	49,218,214	17,437,699	64.6%	7,487,808	232.9%
12/31/2018	30,663,400	51,385,413	20,722,013	59.7%	7,966,082	260.1%
12/31/2019	38,226,703	54,074,875	15,848,172	70.7%	8,118,061	195.2%

FARGO FIREFIGHTER'S PENSION ASSOCIATION

SCHEDULES OF EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2019 AND 2018
LAST TEN FISCAL YEARS

Year Ending		Annual Required Contribution	Contributions	Percentage Contributed
6/30/2009		$ 742,754	$ 710,046	96%
12/31/2009	(1)	430,761	667,472	100%
12/31/2010		861,521	762,050	88%
12/31/2011		861,521	767,345	89%
12/31/2012		1,978,776	1,385,143	70%
12/31/2013		1,814,747	1,524,387	84%
12/31/2014		1,542,399	1,661,219	100%
12/31/2015		1,995,062	1,889,722	95%
12/31/2016		2,312,759	1,916,012	83%
12/31/2017		2,466,528	2,139,153	87%
12/31/2018		2,484,690	2,486,861	100%
12/31/2019		2,934,543	2,465,168	84%

(1) Adjusted for six-month period ending December 31, 2009

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

Valuation date: 12/31/2019

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry age normal in accordance with the requirements of GASB 67/68
Amortization method	Straight-line over a closed 5-year period
Remaining amortization period	5 years
Asset valuation method	Market value of assets
Inflation	2.5%
Salary increases	3% annually for first class firefighter pay rate 4.5% annually for officers
Investment rate of return	7.25%
Retirement age	55
Mortality	The base RP-2014 blue-collar tabled adjusted to 2006. Generational projection using scale MP-2017 was applied to these base rates after 2006.

FARGO FIREFIGHTER'S PENSION ASSOCIATION

SCHEDULES OF INVESTMENT RETURNS
DECEMBER 31, 2019, 2018, 2017, 2016, 2015 AND 2014

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

2014	6.00%
2015	0.20%
2016	6.80%
2017	17.30%
2018	5.06%
2019	22.31%

FARGO FIREFIGHTER'S PENSION ASSOCIATION

SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019 AND 2018

FARGO FIREFIGHTER'S PENSION ASSOCIATION

SCHEDULES OF INVESTMENTS
DECEMBER 31, 2019 AND 2018

	2019		2018	
Security	Cost	Fair Market Value	Cost	Fair Market Value
Mutual funds	$ 22,603,160	$ 37,589,870	$ 22,188,439	$ 30,471,461

SUMMARY

2019 Aggregate FMV	$ 37,589,870
2019 Aggregate cost	22,603,160
Net appreciation	$ 14,986,710
2018 Aggregate FMV	$ 30,471,461
2018 Aggregate cost	22,188,439
Net appreciation	$ 8,283,022

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

To the Board of Trustees
Fargo Firefighter's Pension Association
Fargo, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **Fargo Firefighter's Pension Association** which comprise as of statements of fiduciary net position as of December 31, 2019 and 2018, and the related statements of changes in fiduciary net position for the years then ended and the related notes to the financial statements and have issued our report thereon dated November 11, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the **Fargo Firefighter's Pension Association** internal control over financial reporting (internal control) to determine the 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 **Fargo Firefighter's Pension Association** internal control. Accordingly, we do not express an opinion on the effectiveness of the **Fargo Firefighter's Pension Association** internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying schedule of findings as items 2019-001 and 2019-002 that we consider to be significant deficiencies.

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

Fargo Firefighter's Pension Association's Response to Findings
Fargo Firefighter's Pension Association's response to the findings identified in our audits is described in the accompanying schedule of findings. **Fargo Firefighter's Pension Association's** response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Fargo, North Dakota
November 11, 2020

FARGO FIREFIGHTER'S PENSION ASSOCIATION

SCHEDULES OF FINDINGS
DECEMBER 31, 2019 AND 2018

FINANCIAL STATEMENT FINDINGS

FINDING 2019-001 – SIGNIFICANT DEFICIENCY – PREPARATION OF FINANCIAL STATEMENTS - Noted In Prior Years

Condition

Widmer Roel PC assists management in preparing financial statements that are presented, including note disclosures, in conformity with accounting principles generally accepted in the United States of America.

Criteria

As a matter of internal control, management should be responsible and capable of preparing financial statements in conformity with generally accepted accounting principles.

Effect

Without the assistance of the auditors, the financial statements could be materially misstated or omit material financial statement disclosures.

Cause

The Association does not have the management resources to obtain an understanding of the financial statement and disclosure requirements sufficient to prepare complete financial statements.

Recommendation

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We also recommend that management consider utilizing the assistance of its accountant when reviewing and approving the financial statement amounts and disclosures.

Views of Responsible Officials

The Pension Board is currently working with the City of Fargo to provide current accounting and bookkeeping duties and review of the audit will be performed through the City Finance Department.

FINDING 2019-002 – SIGNIFICANT DEFICIENCY – LIMITED STAFF SIZE – Noted In Prior Years

Condition

We believe the limited number of personnel prevents a proper segregation of duties to ensure adequate internal control. One individual is responsible for writing, signing and issuing checks for operating expenses.

Criteria

To ensure adequate internal control over financial reporting and prevent material misstatements due to errors or fraud, there should be a segregation of the functions of approval, custody of assets, posting, and reconciliation.

Effect

The financial statements are susceptible to misstatements due to errors or fraud.

Cause

Due to the size of the Association, it is not practical to have sufficient staff to ensure adequate segregation of approval, custody of assets, posting and reconciliation.

Recommendation

We recommend that management be constantly aware of the lack of segregation of duties and implement controls wherever possible to mitigate the associated risks.

Views of Responsible Officials

The Pension Board is currently working with the City of Fargo Human Resources Department and Finance Department to aid with our clerical duties into the future.