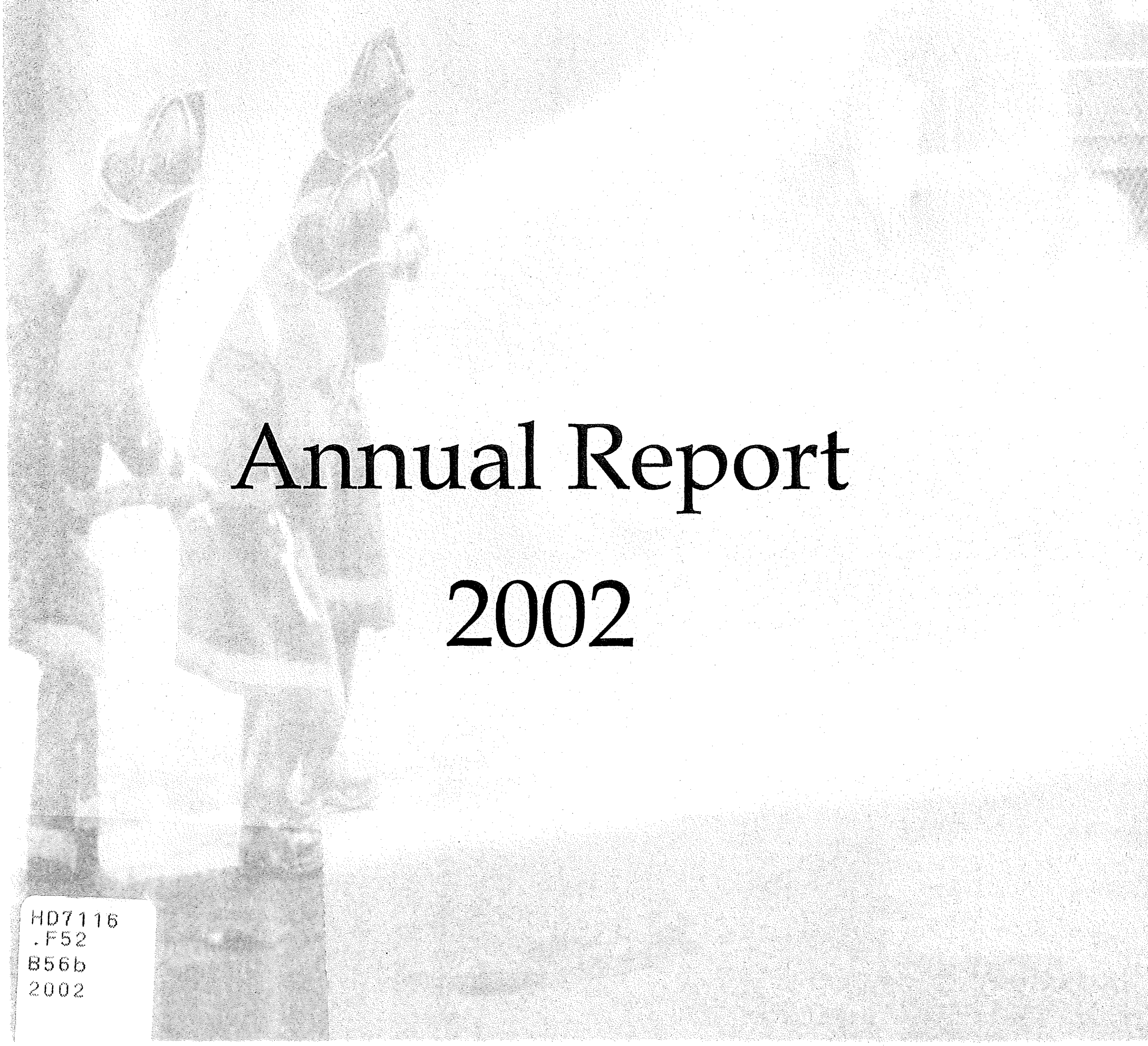
Bloomington Fire Department Relief Association



Annual Report 2002

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION

BLOOMINGTON, MINNESOTA

For the Year Ended December 31, 2002

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President's Letter

March 2003

Dear BFDRA Members,

The biggest news for the BFDRA in 2002 has been the equity markets. The rare third consecutive year of declining stock values has resulted in disappointing negative returns for the special fund.

The decreased fund value at year end, combined with our increased actuarial liability, has dropped us below a 100% funding ratio for the first time in several years. It is the board's intention and duty to monitor both the equity market outlook and our asset allocation in order to balance the goals of preserving equity and maximizing return.

Once again, our annual audit went well. Highly publicized accounting scandals in recent years have resulted in increased scrutiny of our procedures by our auditor, the Office of the State Auditor. The favorable outcome of this audit can be attributed to the procedures in place and the diligent record keeping of our trustees.

This year, as always, we will continue to strive for improvements. On behalf of the board, I would like to thank you for the opportunity to serve.

Sincerely,

John Bayard

John Bayard
President, BFDRA

Investment Officer's Overview

THE TICKING CLOCK

Consumer confidence is flagging, investors are worried about market volatility and integrity, businesses are reluctant to ramp up investment and everyone is on edge about a possible war with Iraq. The business sector seems unfit to take over driving responsibilities. Without profits, the purse strings of capital spending and inventory rebuilding remain tightly closed. The consumer is the center of attention. How long can this single handedly drive the economy? The unemployment rate is now up to six percent and layoff announcements continue unabated. Unless mortgage rates move still lower, refinancing opportunities will dry up this year. With heavy debt load, no job creation, and lack of pent-up demand, many now fear a final capitulation.

As we enter 2003, all economic policies are fully stimulated. The Fed continues with its accommodative stance, but now has the added support of $20 billion in deficit spending, a decline in the trade weighted US dollar index, and a 10-year treasury yield which has fallen below four percent. They think this all-out and more robust policy response will produce a much more healthy economic result this year.

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 Benefits	The basic benefit is payable while the member remains disabled. Non-Duty related disability payments are pro-rated based on credited year(s) of service. Disability is defined as inability to perform the duties of a firefighter.
5. Spouse's 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. Benefits cease on remarriage of the surviving spouse.
6. Children's Benefits	On the death of an active member, 12% of the basic benefit is payable to each surviving child until attainment of age 18. Maximum family benefit is 100% of the basic benefit. On the remarriage or death of a spouse, surviving children may receive benefits which total more than 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 \$144.00 per year.

CITY OF BLOOMINGTON FIRE RELIEF ASSOCIATION
("FIRE RELIEF")
Investment Policies

I. Objectives

It is the objective of the Board of Trustees to attain a favorable absolute and relative rate of return for the assets of the Fire Relief, consistent with the preservation of capital.

A. Safety - Safety of principal is of critical importance to the investment program. Investments of the Fire Relief shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio. To attain this objective, diversification is required in order that potential losses on the individual securities do not exceed the income generated from the remainder of the portfolio.

B. Liquidity - The Fire Relief's investment portfolio will remain sufficiently liquid to enable the Fire Relief to meet all operating requirements which might reasonable be anticipated.

C. Return on Investment - The Fire Relief's investment portfolio shall be designed with the objective of attaining a market rate of return.

II. Prudence

Investments shall be made with judgment and are, under circumstances existing at the time the investment is made, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, considering probable safety of their capital as well as interest yield to be derived.

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse situations.

III. Authority

Authority to manage the Fire Relief's investment program is derived from the following:

- Minnesota Statutes 356A, Public Pension Plan Fiduciary Responsibility

- Minnesota Statutes Section 356A, Section 356A.06, Subdivision 7 (permissible securities)
- Minnesota Statutes Section 69.77, Subdivision 2g; (mutual fund authority)
- Minnesota Statutes Section 356.71 (additional real estate investment authority)

Under Minnesota law, the Board of Trustees is required to manage the affairs of the Fire Relief. It may engage the services of an investment manager or managers and performance evaluators to assist it in attainment of it goals and objectives.

If the Board of Trustees employs persons or firms to perform such services, it shall conduct studies to ascertain that such employees possess the necessary specialized research facilities and skilled personnel to meet these investment objectives and guidelines. The Board of Trustees shall require a fund manager, if employed, to adhere to the "prudent person" rule under such federal and state laws which now apply, or may in the future apply to investments of the Fire Relief.

IV. Ethics and Conflicts of Interests

Officers and employees involved in the investment process shall refrain from conducting personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Board of Trustees any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Fire Relief's portfolio. Employees and officers shall subordinate their personal investment transactions to those of the Fire Relief's, particularly with regard to the time of purchases and sales.

V. Investment Committee

The Board will serve as the Investment Committee and shall meet at regular intervals to review the following:

- Investment Policy
- Investment strategy in current and prospective economic climate
- Examine the current risk levels of the securities represented in the Portfolio

VI. Authorized & Suitable Investments

The Fire Relief is empowered by statute to invest in the following types of securities:

- Securities generally. The Fire Relief is authorized to purchase, sell, lend or exchange the securities specified below, including puts and call options and future contracts traded on a contract market regulated by a governmental agency or by a financial institution regulated by a governmental agency.

- Governmental bonds, notes, bills, mortgages or other securities which have direct obligations (or guaranteed or insured issues) of the United States, its agencies, its instrumentalities, or organizations created by of Congress, and its provinces, the principal and interest is payable in United States dollars; the states and their municipalities, political subdivisions, agencies, or instrumentalities; the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank; or any other United States government-sponsored organization of which the United States is a member, provided the principal and interest is payable in United States dollars.

- Investment-grade corporate companies organized under the laws of United States and Canada, including bond notes and debentures, providing the securities are investment-grade and are payable in United State dollars, and the obligations must be rated among the top four quality categories by a nationally recognized rating agency.

- Bankers Acceptances and deposit notes of United States banks are limited to those issued by banks rated in the highest four quality categories by a nationally recognized rating agency.

- Certificates of deposit are limited to those issued by United States banks and savings institutions that are rated in the highest four quality categories by a nationally recognized rating agency or whose certificates of deposit are fully insured by federal agencies; or credit unions in amounts up to the limit of insurance coverage provided by the National Credit Union Administration.

- Commercial Paper is limited to those issued by United States corporations or their Canadian subsidiaries and rated in the highest two quality categories by a nationally recognized rating agency.

- Mortgage participation certificates and pools or pass through certificates evidencing interest in pools of first mortgages or trust deed on improved real estate; located in the United States where the loan-to-value ratio for each loan as calculated in accordance with Section 61A.28, Subdivision 3, does not exceed 80% for fully amortizable residential properties and in all other respects meet the requirement of Section 61A.28, Subdivision 3.

- Asset-backed securities must be rated in the top four categories by a national recognized rating agency.

- Repurchase agreements and reverse repurchase agreements. The collateral for repurchase agreements and reverse repurchase agreements is limited to letters of credit and securities authorized.

- Savings accounts are limited to those fully insured by federal agencies.

- Guaranty fund certificates investment contracts are limited to those issued by insurance companies or banks rated in the top four quality categories by a nationally recognized rating agency or to alternative guaranteed investment contracts where the underlying assets comply.

- Surplus notes and debentures of domestic mutual insurance companies.

- Corporate stocks. Any stocks or convertible issues of any cooperation organized under the laws of the United States or the states thereof, the Dominion of Canada or its provinces, or any corporation listed on the New York Stock Exchange or the American Stock Exchange, if they conform to the following provisions: the aggregate value of corporate stock investments, as adjusted for realized profits and losses, must not exceed 85% of the market or book value, whichever is less, of a fund, less the aggregate value of investment according to Section 356A.06 Subdivision 6. The investment must not exceed 5% of the total outstanding shares of any one corporation.

- Venture capital investment businesses through participation in limited partnerships and corporation.

- Regional and mutual funds through bank-sponsored collective funds and up to 75% of the market value of the fund may be invested in open-end investment companies registered under the Federal Investment Company Act of 1940, if the portfolio investment of the investment companies comply with the type of securities authorized for investment under Section 356A.06 Subdivision 7.

- Real Estate ownership interests or loans secured by mortgages or deeds trust through investment in limited partnerships, bank sponsored collective funds, trusts and insurance company commingled accounts, including separate accounts. Real Estate investments may not exceed 35% of the market value of the fund and there must be at least four unrelated owners of the investment other than the state board for investments.

- Preferred shares will be classified as bonds when determining asset allocation.

VII. Prohibited Investments

The following investments are imposed by the Board of Trustees:

Short sales
Letter Stock
Commodities
Foreign Securities (other than those listed on the New York Stock Exchange)

VIII. Safekeeping and Custody

All security transactions including collateral for repurchase agreements, entered into by the Fire Relief, shall be conducted on a delivery-versus-payment (DVP) basis.

Securities will be held by a third party custodian designated by the Board and evidenced by safekeeping receipts.

IX. Diversification

The Fire Relief will diversify its investments by security type and institution and, with the exception of U.S. Treasury securities and authorized pools, no more than 50% of the entity's total investment portfolio will be invested in a single security type or with a single financial institution with the exception of authorized mutual funds.

X. Performance Standards\Market Yield (Benchmark)

One or more from the Universe Cross Reference list.

The following benchmark should be defined:

- State Board of Investment Balanced Fund
- 70/30 Wilshire 5000/Lehman Bond Aggregate

XI. Reporting

Annually the Fire Relief's investment policy will be sent to each investment manager, brokers and consultants who will be providing services to the fund. These investment professionals must acknowledge receipt of the statement and agree to abide by all applicable investment laws and restrictions.

Annually the Fire Relief's investment policy will be kept on file at the State Auditor's Office.

Annually an update of the financial condition of the Fire Relief should be made to the City of Bloomington's City Council.

XII. Investment Policy Adoption

The Fire Relief's Investment Policy shall be adopted by resolution by the Fire Relief Trustees.

Adopted by Fire Relief Board of Trustees on December 18, 2001.
Signed copy available in Relief Association Office Public Files.

BLOOMINGTON FIRE DEPARTMENT
RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

For the Year Ended December 31, 2002

Audit Practice Division
Office of the State Auditor
State of Minnesota

525 Park Street, Suite 400, St. Paul, MN 55103
auditpractice@osa.state.mn.us
www.osa.state.mn.us

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 OSA web site: www.osa.state.mn.us.

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

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BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

ORGANIZATION
DECEMBER 31, 2002

	Term	
	From	To
Board of Trustees		
Elected members		
George Hayden	March 2001	March 2004
Steve Oberaigner	March 2000	March 2003
John Bayard	March 2000	March 2003
Chris Morrison	March 2002	March 2005
David Ellings	March 2002	March 2005
Dave Matlon	March 2001	March 2004

Ex officio members
Mayor
Gene Winstead
City Chief Financial Officer
Lori Economy-Scholler
Chief of Fire Department
Ulysses Seal

Officers
President
John Bayard
Vice President
David Ellings
Secretary
Chris Morrison
Treasurer
Dave Matlon
Investments
George Hayden

PATRICIA AWADA
STATE AUDITOR

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

SUITE 400
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
stateauditor@osa.state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Bloomington Fire Department
Relief Association

We have audited the basic financial statements of the Bloomington Fire Department Relief Association as of and for the year ended December 31, 2002, as listed in the table of contents. These basic financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the net assets and changes in net assets of the Special Pension Trust Fund and the financial position and results of operations of the General Fund of the Bloomington Fire Department Relief Association as of December 31, 2002, and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplementary information referred to in the table of contents is not a required part of the basic financial statements but is required by the Governmental Accounting Standards Board. We have applied certain limited procedures to this information, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

/s/Patricia Awada

PATRICIA AWADA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: February 24, 2003

BASIC FINANCIAL STATEMENTS

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

EXHIBIT A

STATEMENT OF PLAN NET ASSETS
SPECIAL PENSION TRUST FUND
DECEMBER 31, 2002

Assets		
Investments, at fair value		
U.S. government obligations	$	177,322
Corporate obligations		1,625,218
Corporate stock		2,781,700
Commingled investment pools		
Mutual funds		14,163,753
State Board of Investment		59,859,405
Total investments, at fair value	**$**	**78,607,398**
Accrued interest and dividends receivable		47,995
Total Assets	**$**	**78,655,393**
Liabilities		
Benefits payable		207,983
Net Assets Held in Trust for Pension Benefits (A Schedule of Funding Progress is presented on page 13)	**$**	**78,447,410**

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

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

EXHIBIT B

BALANCE SHEET
GENERAL FUND
DECEMBER 31, 2002

Assets		
Investments at fair value - mutual fund	$	68,028
Accrued interest and dividends receivable		49
Due from City of Bloomington		22,308
Total Assets	**$**	**90,385**
Fund Balance		
Unreserved, undesignated	**$**	**90,385**

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

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

EXHIBIT C

STATEMENT OF CHANGES IN PLAN NET ASSETS
SPECIAL PENSION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

Additions		
Investment income (loss)		
Interest and dividends	$	1,434,039
Net appreciation (depreciation) in fair value of investments		(14,668,515)
Total investment income (loss)	**$**	**(13,234,476)**
Less: direct investment expense		(161,551)
Net investment income (loss)	**$**	**(13,396,027)**
Contributions		
State of Minnesota		411,764
Total Additions	**$**	**(12,984,263)**
Deductions		
Benefits and refunds paid to participants	$	2,445,360
Administrative expenses		83,631
Total Deductions	**$**	**2,528,991**
Net Increase (Decrease)	**$**	**(15,513,254)**
Net Assets Held in Trust for Pension Benefits - January 1		**93,960,664**
Net Assets Held in Trust for Pension Benefits - December 31	**$**	**78,447,410**

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

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

EXHIBIT D

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

Revenues		
Investment revenue		
Interest and dividends	$	729
Membership contributions		23,028
Total Revenues	**$**	**23,757**
Expenditures		
Death benefits		4,000
Excess of Revenues Over (Under) Expenditures	**$**	**19,757**
Fund Balance - January 1		**70,628**
Fund Balance - December 31	**$**	**90,385**

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2002

1. Reporting Entity

Firefighters, retired and active, of the City of Bloomington are members of the Bloomington Fire Department Relief Association. The Association is the administrator of a single-employer defined benefit pension plan available to firefighters. The Association was established April 1, 1947, and operates under the provisions of Minn. Laws 1965, ch. 446, as amended, and the applicable provisions of Minn. Stat. chs. 69, 424, and 424A. 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 the Mayor, City Treasurer, and Fire Chief, who serve as ex officio voting members of the Board.

2. Plan Description

A. Membership Information

At December 31, 2002, the membership of the Association consisted of:

Retirees and beneficiaries currently receiving benefits	141
Terminated employees entitled to benefits but not yet receiving them	9
Active plan participants - vested	152
Total	302

B. Pension Benefits

Authority for payment of pension benefits is established in Minn. Stat. § 69.77 and ch. 424 to the extent applicable and may be amended only by the Minnesota State Legislature.

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

2. Plan Description

B. Pension Benefits (Continued)

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.

Funeral Benefits - Upon the death of an Association member, the sum of $500 shall be appropriated from the Special Fund to the designated beneficiary or estate to defray funeral costs. The General Fund will pay the beneficiary $2,000.

3. Summary of Significant Accounting Policies

A. Basis of Accounting and Presentation

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

The Special Fund is a pension trust fund for the accumulation of resources to be used for retirement, dependency, and disability annuity payments of appropriate amounts and at appropriate times in the future. The accompanying Special Pension Trust Fund financial statements were prepared using the accrual basis of accounting and presented in accordance with Governmental Accounting Standards Board Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.* Under the accrual basis of accounting, additions are recognized when they are earned, and deductions are recognized when the liability is incurred. Resources are derived from investment income and contributions by the State of Minnesota and are recognized when earned. Benefits and refunds are recognized when they are due and payable in accordance with the terms of the plan.

3. Summary of Significant Accounting Policies

A. Basis of Accounting and Presentation (Continued)

The General Fund is a governmental fund which accounts for the resources other than those in the Special Pension Trust Fund. It is used for the good and benefit of the Association as determined by Association bylaws. The accompanying General Fund financial statements were prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Expenditures are recorded when the related fund liability is incurred. Resources are derived from membership contributions and investment income. Revenues susceptible to accrual include interest and contributions.

B. Investments

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

Net appreciation (depreciation) in fair value of investments includes net unrealized and realized gains and losses. Purchases and sales of securities are recorded on a trade-date basis.

No investment in any one organization represents five percent or more of the net assets available for pension benefits. There are no investments in, loans to, or leases with parties related to the pension plan.

C. Fixed Assets

The Association follows a policy of expensing purchases of fixed assets. Fixed asset purchases are considered insignificant to the operation of the Association as a whole and are not shown on the Statement of Plan Net Assets or the General Fund Balance Sheet (Exhibits A and B).

At December 31, 2002, the Association had equipment on hand costing $8,242.

4. Investments

Minn. Stat. §§ 69.775 and 356A.06 authorize and define the types of securities available to the Association for investment. Generally accepted accounting principles have determined three levels of custodial credit risk for investments:

(1) investments that are insured or registered, or for which the investments are held by the Association or its agent in the Association's name;

(2) investments that are uninsured and unregistered and are held by the counterparty's trust department or agent in the Association's name; and

(3) investments that are uninsured and unregistered and are held by the counterparty's trust department or agent, but not in the Association's name.

Following is a summary of the fair value of the Association's investments, categorized into the aforementioned levels of risk at December 31, 2002.

	Category			Carrying and
	1	2	3	Fair Value
Investments				
U.S. government obligations	$ 177,322	$ -	$ -	$ 177,322
Corporate obligations	1,625,218	-	-	1,625,218
Corporate stock	2,781,700	-	-	2,781,700
Total	$ 4,584,240	$ -	$ -	$ 4,584,240
Commingled investment pools				
Mutual funds				14,231,781
State Board of Investment				59,859,405
Total Investments				$ 78,675,426
Special Pension Trust Fund				$ 78,607,398
General Fund				68,028
Total Investments				$ 78,675,426

5. 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. For several years, employer and employee contributions had not been required for the accumulation of assets to pay benefits as the pension plan had been fully funded. Statutory contributions from the State of Minnesota were the only funding source in 2002. The actuary compares the actual 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. The current year has a contribution deficiency. Minnesota statutes require full funding of the Association's unfunded accrued liability by the year 2010.

6. 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

Schedule 1

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date - December 31	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll* (Previous Fiscal Year) (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1997	$ 87,829,787	$ 59,322,179	$ (28,507,608)	148.06%	$ 7,122,960	(400.22%)
1998	98,908,878	64,855,595	(34,053,283)	152.51%	7,523,040	(452.65%)
1999	110,084,568	66,819,827	(43,264,741)	164.75%	7,197,420	(601.11%)
2000	103,718,180	71,967,391	(31,750,789)	144.12%	8,262,000	(384.30%)
2001	93,960,664	76,035,748	(17,924,916)	123.57%	9,329,280	(192.14%)
2002	78,447,409	81,361,778	2,914,369	96.42%	9,172,896	31.77%

*Annual covered payroll is based on the assumption that each active plan member earns the most recent three-year average salary rates 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.

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

Schedule 2

SCHEDULE OF CONTRIBUTIONS FROM THE PLAN SPONSOR AND OTHER CONTRIBUTING ENTITIES

Fiscal Year	Annual Required Contributions	City Contributions	City Percentage Contributed	State Contribution	State Percentage Contributed
1997	$ 99,152	$ 480,900	485.01%	$ 340,683	343.60%
1998	(472,900)	NA	NA	355,234	(75.12%)
1999	(954,674)	NA	NA	360,549	(37.77%)
2000	(1,910,915)	NA	NA	370,100	(19.37%)
2001	(467,629)	NA	NA	363,938	(77.83%)
2002	1,235,197	NA	NA	411,764	33.34%

Note:
The annual required contributions are actuarially determined. The City and state are required by statute to make contributions, all of which have been made.

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2002
(Unaudited)

Actuarial Methods and Assumptions

The actuarial accrued liability is determined as part of an annual actuarial valuation on January 1, 2003. Significant methods are as follows:

- The most recent actuarial valuation date is January 1, 2003.
- Actuarial cost is determined using the Entry Age Normal Cost Method expressed as a level percentage of earnings.
- The actuarial value of assets is market value.
- The unfunded accrued liability is amortized as a level dollar amount to December 31, 2010.
- The remaining amortization period is seven years using the closed amortization approach.

Significant actuarial assumptions are as follows:

- Investment rate of return is five percent per annum.
- Payroll increase is 3.5 percent per annum.
- COLA increase is 3.5 percent per annum.
- The inflation rate assumption is built in to other rate assumptions.
- Mortality assumptions for pre-retirement, post-retirement, and post-disability are:

  Male: 1971 Group Annuity Mortality Table, without margins, projected to 1976 by Scale E.
  Female: 1971 Group Annuity Mortality Table, without margins, projected to 1976 by Scale E set back seven years.

There have been no significant changes to plan provisions and actuarial methods and assumptions in the last six years, except the following:

- Effective for 1998, the City of Bloomington is no longer required to make additional contributions to the Fund. Remaining sources of funding from the State of Minnesota statutory contributions are projected to provide sufficient funds to meet emerging benefit liabilities.

REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Trustees
Bloomington Fire Department
Relief Association

We have audited the basic financial statements of the Bloomington Fire Department Relief Association as of and for the year ended December 31, 2002, and have issued our report thereon dated February 24, 2003.

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains three main categories of compliance to be tested in audits of relief associations: deposits and investments, conflicts of interest, and relief associations. Our study included all of these categories.

The results of our tests indicate that for the items tested, the Bloomington Fire Department Relief Association complied with the material terms and conditions of applicable legal provisions.

PREVIOUSLY REPORTED ITEM RESOLVED

Benefit Payroll Reconciliation (01-1)

During 2001, there were several overpayments of benefits.

Resolution

During 2002, the Association began reconciling its payments of benefits each month. Incorrect payments were handled in a timely manner, and previous overpayments were recovered.

OTHER ITEM FOR CONSIDERATION

In June 1999, the Governmental Accounting Standards Board issued Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, which will change financial statement reporting and disclosure requirements in the future. Based on the Bloomington Fire Department Relief Association's fiscal year 1999 total additions of $12,791,302 as reported on the Statement of Changes in Plan Net Assets, the new financial reporting requirements will be effective for the Association for the fiscal year ending December 31, 2003. The Association should become knowledgeable on how this accounting pronouncement will affect its annual financial reporting.

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This report is intended for the use of the Association and is not intended to be, and should not be, used by anyone other than that specified party.

We would like to express our appreciation to the Board of Trustees for its cooperation and assistance during the audit.

PATRICIA AWADA STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

End of Fieldwork: February 24, 2003