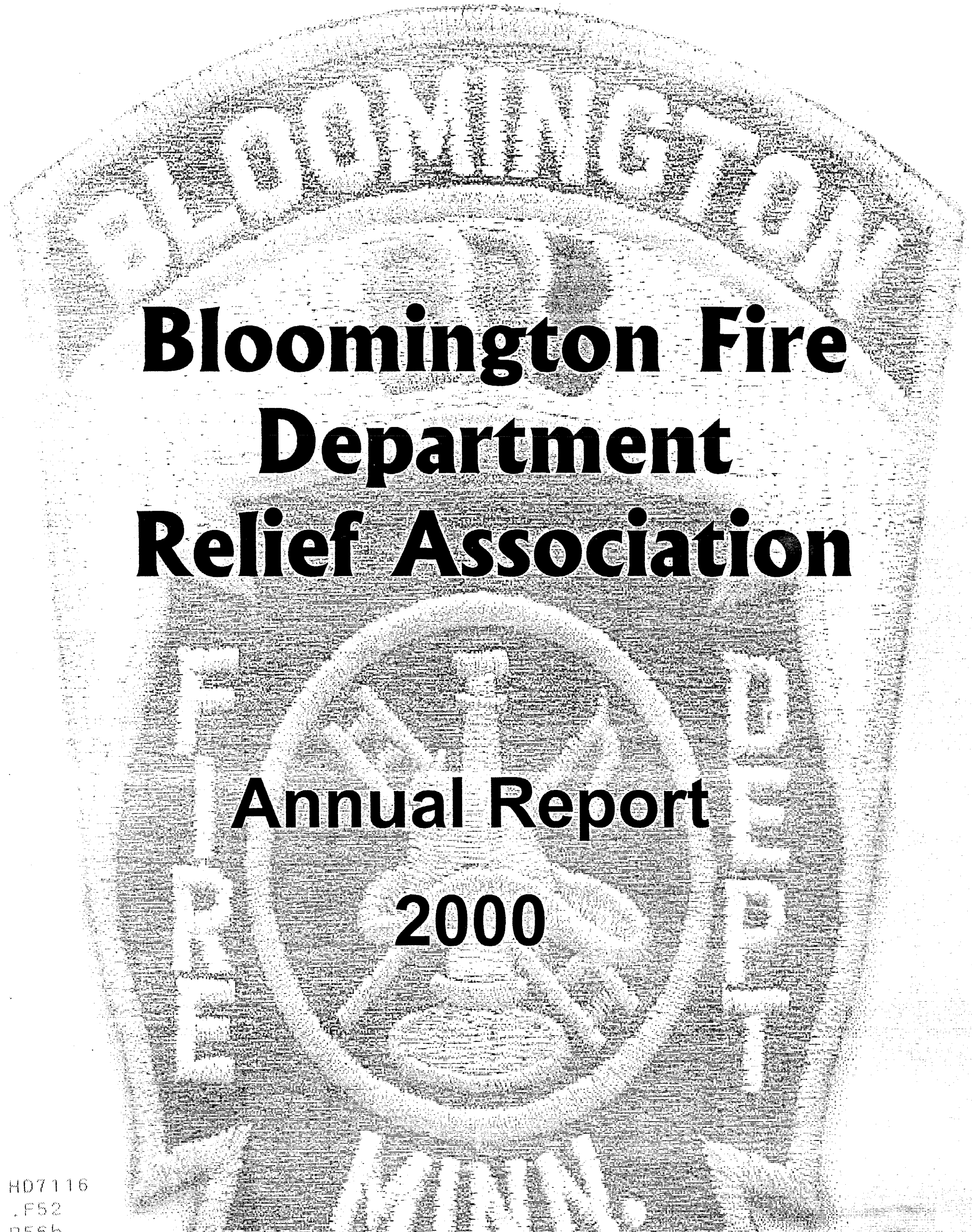

Bloomington Fire Department Relief Association

Annual Report

2000

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION

BLOOMINGTON, MINNESOTA

For the Year Ended December 31, 2000

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President's letter

March 2001

Dear BFDRA Members,

With the exception of turbulence caused by the financial markets, 2000 was an uneventful year for the BFDRA. This is the result of previously laid groundwork.

Former President Jeff Judy oversaw the transition in the Presidency and did not seek re-election to the board last year in anticipation of his retirement from the BFD this year. The vacant trustee position that this created was filled with Reed Nelson's election to the board.

The increased length of service for the trustees has resulted in a knowledgeable board and efficient day-to-day operations. Record-keeping procedures implemented in recent years have resulted in a favorable annual audit again this year.

Despite a difficult investment year, the Special Fund remains in a strong funding position. Our most difficult challenges for 2001 may again be investment related, but whatever the challenges, we are committed to steering the BFDRA in the right direction.

Sincerely,

John Bayard

John Bayard
President, BFDRA

Investment Officer's Overview

THIS TOO SHALL PASS

What a difference a year can make! Twelve months ago, we had survived Y2K and the outlook for the stock market, although not as bright as in the past few years, was for high single digit returns at works and for low double-digit returns at best. The forecast was wrong and the stock market experienced its first negative return for a full year since 1990. By any measure, 2000 will go down in the record books as a bear market for stocks. What brought the party to an end was certainly not what anyone had expected. The Feds concern over economic growth and inflation was evident by keeping its foot on the brakes to slow the economy. They let the air out of the stock market's spectacular bubble while, at the same time, slowing the economy in what earlier in the year looked to be a "soft landing." The Fed did not factor in rising energy prices and the effect that a near tripling of energy prices would have on economic growth. The biggest contributor to the bear market of 2000 was the bursting of the Internet bubble. The NASDAQ lost over half of its value since April 2000. When all was said and done, the premium that investors have had to pay for was erased. The negative psychology of the consumer's worry of a slowing economy and the elongated presidential election didn't help matters either. By the time the election was settled, the market had shifted its worry to the slowing economy and the poor turnout of holiday shoppers.

It is quite possible that 2001 will not be a rewarding year either. With the shift in its focus from inflation to weakness in economic growth, the Fed appears ready to cut rates further, if necessary. These cuts should help the economy land softly and continue the expansion at a much slower pace. Fiscal policy, led by a new administration, is likely to provide an economic stimulus through both tax cuts and increased spending. This should help sustain economic growth and steer the economy away from a recession.

SUMMARY OF CURRENT PLAN PROVISIONS

1. Basic Benefit	One-third of the final average salary of a policeman of the highest grade, not including officers of the City of Bloomington. Final average earnings is the average of the monthly pay for such a policeman over the past three years. All benefits under the plan increase each time a pay increase is granted to the Bloomington Police Department.
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	On termination or 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. After attainment of age 50, a normal retirement benefit is payable. 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 member contributes \$144.00 per year.

Disability Benefits Procedures

Payments to members of the Relief Association due to their being disabled are governed by applicable laws and by the Bylaws of the Relief Association.

Please note the requirements of the Bylaws, currently provided in Section 12.1, that to be eligible for a disability benefit:

The applicant must be current in Relief Association dues.
The disability must have lasted at least seven days.
And, the disability must result in the firefighter being unable to perform the essential functions of a firefighter as determined by the Fire Department.

In addition, the following rules will govern the Relief Association's consideration of applications for disability benefits.

1. Payments will be made following, not prior to, the month of disability.

2. Application for disability payments should be made on the official Relief Association application form, which can be obtained from any Trustee. Applications must include a doctor's statement regarding the medical condition causing the request, current medical intervention, and a prognosis for resolution.

3. From time to time, the Trustees may require an examination of the firefighter by a doctor they select. If the report of the firefighter's own doctor differs from the report of the Relief Association's doctor, then a third, mutually acceptable doctor may be consulted.

4. There are presently considered to be temporary and permanent types of disability, based on the report of the doctor(s). Temporary disability involves short-term absences, due for example to surgeries or broken bones. Permanent disabilities are those in which there is no foreseeable return to performing the essential functions of a firefighter without endangering the firefighter's own health or the safety of others. The Trustees will review cases of temporary disability monthly; they will review cases of permanent disability annually.

5. Changes in condition from temporary to permanent, permanent to temporary, or disabled to fit for duty require a doctor's supporting report. In addition, the Trustees may require an examination of the firefighter by a doctor they select. If the report of the firefighter's own doctor differs from the report of the Relief Association's doctor, then a third, mutually acceptable doctor may be consulted.

6. The amount of disability benefit depends on whether the disability is duty-related or non duty-related, and if it is non duty-related, on how long the firefighter has been a member of the Bloomington Fire Department. See the Bylaws of the Relief Association for more information on how disability amounts are computed.

7. Any Firefighter who disagrees with a decision that the Board of Trustees has rendered in connection with that firefighter's eligibility for a disability benefit must submit a written grievance to the Trustees within ten days of the date of the Trustees action that is the subject of the complaint. The grievance should detail the action taken, the reasons the firefighter believes the action is incorrect, and the remedy that the firefighter is seeking.

8. The Trustees of the Relief Association retain sole discretion to administer disability benefits consistently with the Bylaws of the Relief Association and applicable law. Their actions are subject to review only if they are arbitrary or capricious.

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:

- Total Portfolio Benchmark
- 50/50 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 March 27, 2000.
Signed copy available in Relief Association Office Public Files.

Appendix A

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

ORGANIZATION
DECEMBER 31, 2000

	Term	
	From	To
Board of Trustees		
Elected members		
George Hayden	January 1998	March 2001
Reed Nelson	March 2000	March 2003
John Bayard	March 2000	March 2003
Chris Morrison	March 1999	March 2002
David Ellings	March 1999	March 2002
Dave Matlon	January 1998	March 2001

Ex officio members
Mayor
Gene Winstead
City Chief Financial Officer
Terri Heaton
Chief of Fire Department
Ulysses Seal

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

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR
SUITE 400
525 PARK STREET
SAINT PAUL, MN 55103-2139

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STATE AUDITOR

(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, 2000, 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, 2000, 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.

Judith H. Dutcher

JUDITH H. DUTCHER
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

February 15, 2001

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

EXHIBIT A

STATMENT OF PLAN NET ASSETS
SPECIAL PENSION TRUST FUND
DECEMBER 31, 2000

Assets		
Investments, at fair value		
U.S. government obligations	$	5,793,775
Corporate obligations		2,943,539
Corporate stock		18,224,412
Foreign securities		99,328
Commingled investment pools		
Mutual funds		51,501,103
State Board of Investments		25,156,953
Total investments, at fair value	**$**	**103,719,110**
Accrued interest and dividends receivable		176,362
Due from the State of Minnesota		370,100
Total Assets	**$**	**104,265,572**
Liabilities		
Benefits payable		177,291
Net Assets Held in Trust for Pension Benefits (A Schedule of Funding Progress is presented on page 13)	**$**	**104,088,281**

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, 2000

Assets		
Investments, at fair value - mutual fund	$	48,570
Accrued interest and dividends receivable		245
Total Assets	**$**	**48,815**
Fund Balance		
Unreserved, undesignated	**$**	**48,815**

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, 2000

Additions		
Investment income		
Interest and dividends	$	6,644,230
Net appreciation (depreciation) in fair value of investments		(10,674,956)
Total investment income	**$**	**(4,030,726)**
Less: direct investment expense		(175,100)
Net investment income	**$**	**(4,205,826)**
Contributions		
State of Minnesota		370,100
Total Additions	**$**	**(3,835,726)**
Deductions		
Benefits and refunds paid to participants	$	2,130,596
Administrative expenses		75,547
Total Deductions	**$**	**2,206,143**
Net Increase (Decrease)	**$**	**(6,041,869)**
Net Assets Held in Trust for Pension Benefits - January 1		110,130,150
Net Assets Held in Trust for Pension Benefits - December 31	**$**	**104,088,281**

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, 2000

Revenues		
Investment revenue		
Interest and dividends	$	2,230
Membership contributions		21,696
Total Revenues	**$**	**23,926**
Expenditures		
Professional services		5,308
Excess of Revenues Over (Under) Expenditures	**$**	**18,618**
Fund Balance - January 1		**30,197**
Fund Balance - December 31	**$**	**48,815**

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

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2000

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

As of December 31, 2000, membership data related to the Association were:

Retirees and beneficiaries currently receiving benefits	129
Terminated employees entitled to benefits but not yet receiving them	12
Active plan participants	
Vested	150
Total	291

B. Pension Benefits

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, revenues are recognized when they are earned and expenses 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.

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, 2000, the Association had equipment on hand costing $3,283.

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, 2000.

	Category			Carrying and
	1	2	3	Fair Value
Investments				
U.S. government obligations	$ 5,793,775	$ -	$ -	$ 5,793,775
Corporate obligations	2,943,539	-	-	2,943,539
Corporate stock	18,224,412	-	-	18,224,412
Foreign securities	99,328	-	-	99,328
Total	$ 27,061,054	$ -	$ -	$ 27,061,054
Commingled investment pools				
Mutual funds				51,549,673
State Board of Investments				25,156,953
Total Investments				$ 103,767,680
Special Pension Trust Fund				$ 103,719,110
General Fund				48,570
Total Investments				$ 103,767,680

5. Contributions

Authority for contributions to the pension plan is established by Minn. Stat. § 69.77. Employer and employee contributions are no longer required for the accumulation of assets to pay benefits as the pension plan is fully funded. Statutory contributions from the State of Minnesota are the only remaining funding source. 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 sufficiency.

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.

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

Schedule 1

SCHEDULE OF FUNDING PROGRESS
(Unaudited)

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)
1995	$ 66,622,700	$ 56,410,500	$ (10,212,200)	118.10%	$ 6,945,936	(147.02%)
1996	74,763,000	58,807,600	(15,955,400)	127.13%	6,620,388	(241.00%)
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%)

* 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
(Unaudited)

Fiscal Year	Annual Required Contributions	City Contributions	City Percentage Contributed	State Contribution	State Percentage Contributed
1995	$ 1,477,357	$ 463,023	31.34%	$ 267,134	18.08%
1996	720,327	1,249,500	173.46%	349,562	48.53%
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%)

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, 2000
(Unaudited)

Actuarial Methods and Assumptions

The actuarial accrued liability is determined as part of an annual actuarial valuation on January 1, 2001. Significant methods are as follows:

- The most recent actuarial valuation date is January 1, 2001.
- Actuarial cost is determined using the Entry Age Normal Cost Method.
- Actuarial value of assets is market value.
- Any changes in the unfunded accrued liability are amortized as a level dollar amount over a new 30-year period.

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.
- 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.