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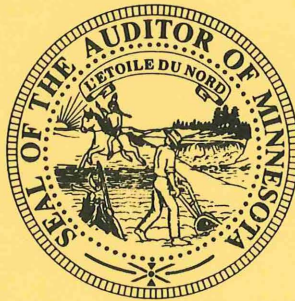


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OFFICE OF THE STATE AUDITOR
FINANCIAL REPORTING
FOR
MINNESOTA POLICE AND FIRE RELIEF ASSOCIATIONS



Prepared and Issued by the

Office of the State Auditor
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St. Paul, Minnesota 55103
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Laws ch. 359

Pursuant to 1986 Laws, ch 359

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INTRODUCTION

Pursuant to Minn. Laws 1986, chapter 359, the Office of the State Auditor was assigned certain duties with respect to the salaried firefighters relief associations, police relief associations, and the volunteer firefighters relief associations. The duties include the following:

- 1) Establish and maintain a database of all fire and police relief associations.
- 2) Develop criteria for the frequency of auditing relief associations.
- 3) Prescribe a suitable system of accounts.
- 4) Develop financial statement and disclosure forms for use by external auditors.
- 5) Prescribe forms for the Annual Financial Report to be completed by all relief associations.
- 6) Prepare and certify or review the Annual Financial Reports with the Commissioner of Revenue, prior to the payment of state aids.

This booklet contains the system of accounts that is required under the law and the format for the preparation of financial statements in accordance with generally accepted accounting principles.

In addition to filling out the Annual Financial Report, which will be mailed to all relief associations every January, the law also provides for audits of certain relief associations. Included are the police relief associations, salaried firefighters relief associations and all volunteer firefighters relief associations with assets or liabilities over \$200,000, according to the most recent actuarial survey or financial report. The form and style of these financial statements are shown on pages eight through fifteen.

ORDER

Pursuant to Minn. Stat. Sec. 6.495, subd. 1, I hereby prescribe a system of accounts for all relief associations and is herein incorporated in its entirety as

Police and Fire Relief Associations Pension Funds -
Chart of Accounts

of the publication Financial Reporting for Minnesota Police and Fire Relief Associations.

Pursuant to Minn. Stat. Sec. 69.051, subd. 1, I hereby prescribe the form and style of the financial statements to be prepared by Minnesota salaried firefighters and police relief associations and each volunteer firefighters relief association with assets of at least \$200,000 or liabilities of at least \$200,000 according to the most recent actuarial valuation or financial statement. The following group of statements and notes is hereby incorporated in its entirety as

(Fire)(Police) Relief Association - Combined Balance Sheet


(Fire)(Police) Relief Association - Special Pension Trust Fund
- Statement of Revenues, Expenses and Changes in Fund Balance

(Fire)(Police) Relief Association - Special Pension Trust Fund
- Statement of Changes in Financial Position

(Fire)(Police) Relief Association - General Fund -
Statement of Revenues, Expenditures and Changes in Fund Balance

Notes to the Financial Statements

of the publication Financial Reporting for Minnesota Police and Fire Relief Associations and constitutes the relief associations' minimum financial report.



Arne H. Carlson
State Auditor

Dated at St. Paul, Minnesota
this 14th day of December 1986.

POLICE AND FIRE RELIEF ASSOCIATION PENSION FUNDS

CHART OF ACCOUNTS

This chart of accounts lists accounts that pertain to both the Special Fund and the General Fund. A number of the accounts are common to both funds, such as cash and interest revenue. However, most accounts are restricted by the nature of their activity to either the Special Fund or the General Fund; e.g., account number 451 - Donations expense is restricted to the General Fund.

This is not an all-inclusive listing of possible accounts, but is to serve as a guide to relief associations. Additional accounts may be required. Please refer to the Uniform Chart of Accounts for Cities for guidance in establishing appropriate account titles and numbers.

POLICE AND FIRE RELIEF ASSOCIATION PENSION FUNDS

CHART OF ACCOUNTS

Account
Number

Assets

101 Cash - Checking Account
102 Cash - Savings Accounts/Saving Certificates
103 Cash - Minnesota Supplemental Retirement Fund
104 Cash - Trust with Attorney

111 Investments - Stocks (at cost)
112 Investments - Bonds (at cost)
113 Investments - Money Markets (at cost)
114 Investments - Mutual Funds (at cost)
115-119 Investments - Other (identify)

121 Accrued Interest Receivable
122 Accrued Dividends Receivable

131 Due from City of _____ (tax levy or city contribution)
132 Due from the State of Minnesota (state aid)

141 Accounts Receivable
142 Members' Salary Deductions (Contributions) Receivable

151 Fixed Assets - Office Equipment and Furnishings

Liabilities

211 Accounts Payable
221 Salaries Payable
231 Pension Benefits Payable
241 Due to Other Governments (unremitted withholdings)

Fund Balance

251 Required Reserves
261 Unreserved - Unfunded Accrued Liability
262 Unreserved - Undesignated

POLICE AND FIRE RELIEF ASSOCIATION PENSION FUNDS

CHART OF ACCOUNTS

Account
Number

Revenues

301	City of _____ Contribution (tax levy)
302	State Amortization Aid
303	State Two Percent Insurance Premium Tax
304	Members' Salary Deductions (Contributions)
306	Members' Dues
307	Fund Raisers
308	Contributions
311	Interest on Checking Account
312	Interest on Savings Certificates
313	Interest on Corporate Bonds
314	Interest on Bonds/Securities of Federal Government/Agencies
315	Interest on Money Market Accounts
316-319	Interest on Other Type of Investments (identify)
321	Dividends
331	Other (identify)
361	Sale of Property
371	Unrealized Appreciation of Market Value of Investments
381	Sale of Investments
382	Withdrawal - State Supplemental Retirement Fund
383	Gain on Sale of Investments
391	Transfers In

POLICE AND FIRE RELIEF ASSOCIATION PENSION FUNDS

CHART OF ACCOUNTS

Account
Number

Expenses

401	Service Pensions
402	Survivor Pensions
403	Permanent Disability
406	Illness or Temporary Disability
407	Death or Funeral
408	Medical Services/Aid
411	Salaries
412	Unemployment Compensation
413	Employer's Share of Payroll Taxes
421	Board of Directors Fees/Expenses
422	Conventions and Meetings
423	Membership Dues/Subscriptions
424	Gifts and Flowers
431	Actuarial Fees
432	Audit Fees
433	Legal Fees
434	Faithful Performance Bonds
435	Insurance
436	Consultant Fees
437	Investment Advisor Fees
439	Other (identify)
441	Office Supplies
451	Donations
452	Fund Raiser Expenses
453	Party/Picnic Expenses
461	Capital Outlay (identify)
471	Unrealized Depreciation of Market Value of Investments
481	Purchase of Investments
482	Deposit - State Supplemental Retirement Fund
483	Loss on Sale of Investments
491	Transfers Out

POLICE AND FIRE RELIEF ASSOCIATION PENSION FUNDS

FINANCIAL STATEMENTS

These financial statements and disclosures are to present the financial condition and results of operations of the special and general funds of the relief associations. The form is in conformity with generally accepted accounting principles and in compliance with the regulatory, financing and funding provisions of the 1986 laws.

For police relief associations, salaried firefighters relief associations and the volunteer firefighters relief associations with at least \$200,000 in assets or liabilities, financial statements must be attested to by a certified public accountant, public accountant or the state auditor within 180 days after the end of the fiscal year, which will be prior to June 30 of each year.

It is important for police and firefighters relief associations and their auditors to remember that for financial statements issued for fiscal years beginning after December 15, 1986, Statement No. 5 of the Governmental Accounting Standards Board will apply.

(FIRE) (POLICE) RELIEF ASSOCIATION
COMBINED BALANCE SHEET
DECEMBER 31, 19__

	FUND TYPE		Total (Memorandum Only)
	Fiduciary	Governmental	
	Special Pension Trust	General	

Assets			

Cash	XXX,XXX	XXX,XXX	XXX,XXX
Investments	XXX,XXX	XXX,XXX	XXX,XXX
Receivables			
Accounts	XXX,XXX		XXX,XXX
Accrued interest	XXX,XXX	XXX,XXX	XXX,XXX
Accrued dividends	XXX,XXX	XXX,XXX	XXX,XXX
Due From Other Governments			
City of _____ (tax levy)	XXX,XXX		XXX,XXX
State of Minnesota (state aid)	XXX,XXX		XXX,XXX
	-----	-----	-----
TOTAL ASSETS	XXX,XXX	XXX,XXX	XXX,XXX
	=====	=====	=====
Liabilities and Fund Balance			

Liabilities:			
Accounts payable	XXX,XXX	XXX,XXX	XXX,XXX
Salaries payable	XXX,XXX	XXX,XXX	XXX,XXX
Pension benefits payable	XXX,XXX		XXX,XXX
Due to other governments	XXX,XXX		XXX,XXX
	-----	-----	-----
Total Liabilities	XXX,XXX	XXX,XXX	XXX,XXX
	=====	=====	=====
Fund Balance:			
Required Reserves	XXX,XXX		XXX,XXX
Unreserved			
Unfunded accrued liability	(XXX,XXX)		(XXX,XXX)
Undesignated		XXX,XXX	XXX,XXX
	-----	-----	-----
Total Fund Balance	XXX,XXX	XXX,XXX	XXX,XXX
	-----	-----	-----
TOTAL LIABILITIES AND FUND BALANCE	XXX,XXX	XXX,XXX	XXX,XXX
	=====	=====	=====

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

(FIRE) (POLICE) RELIEF ASSOCIATION
SPECIAL PENSION TRUST FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 19 _____

	Total	Required Reserves	Unfunded Accrued Liability
Operating Revenues:			
Contributions			
City of _____	XXX,XXX	XXX,XXX	....
State of Minnesota	XXX,XXX	XXX,XXX	....
Members	XXX,XXX	XXX,XXX	....
Investment Income			
Interest	XXX,XXX	XXX,XXX	....
Dividends	XXX,XXX	XXX,XXX	....
Net realized gains (losses) on sale of investments	XXX,XXX	XXX,XXX	....
Net appreciation (depreciation) in market value of investments	XXX,XXX	XXX,XXX	....
Total Operating Revenues	XXX,XXX	XXX,XXX	....
Operating Expenses:			
Benefit Payments			
Service pensions	XXX,XXX	XXX,XXX	....
Survivor pensions	XXX,XXX	XXX,XXX	....
Permanent disability	XXX,XXX	XXX,XXX	....
Illness or temporary disability	XXX,XXX	XXX,XXX	....
Death or funeral	XXX,XXX	XXX,XXX	....
Medical services/aid	XXX,XXX	XXX,XXX	....
Salaries	XXX,XXX	XXX,XXX	....
Unemployment compensation	XXX,XXX	XXX,XXX	....
Employer's share of payroll taxes	XXX,XXX	XXX,XXX	....
Board of directors fees & expenses	XXX,XXX	XXX,XXX	....
Conventions and meetings	XXX,XXX	XXX,XXX	....
Membership dues and subscriptions	XXX,XXX	XXX,XXX	....
Actuarial fees	XXX,XXX	XXX,XXX	....
Audit fees	XXX,XXX	XXX,XXX	....
Legal fees	XXX,XXX	XXX,XXX	....
Faithful performance bonds	XXX,XXX	XXX,XXX	....
Insurance	XXX,XXX	XXX,XXX	....
Consultant	XXX,XXX	XXX,XXX	....
Investment advisor fees	XXX,XXX	XXX,XXX	....
Other	XXX,XXX	XXX,XXX	....
Office supplies	XXX,XXX	XXX,XXX	....
Capital outlay	XXX,XXX	XXX,XXX	....
Total Operating Expenses	XXX,XXX	XXX,XXX	....
Income Before Operating Transfers	XXX,XXX	XXX,XXX	....
Operating Transfers In (Out)	XXX,XXX	XXX,XXX	....
Net Income	XXX,XXX	XXX,XXX	....
Changes in Unfunded Accrued Liability *	....	XXX,XXX	XXX,XXX
Fund Balance - January 1	XXX,XXX	XXX,XXX	XXX,XXX
Fund Balance - December 31	XXX,XXX	XXX,XXX	XXX,XXX

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

* If the net change in the required reserve is an addition then the offset is a reduction in the unfunded accrued liability. Conversely, if the net change in the required reserve is a reduction then the offset is an addition to the unfunded accrued liability.

_____ (FIRE) (POLICE) RELIEF ASSOCIATION
 SPECIAL PENSION TRUST FUND
 STATEMENT OF CHANGES IN FINANCIAL POSITION
 YEAR ENDED DECEMBER 31, 19 _____

Sources of Working Capital
Operations:

Net fund balance additions (reductions)	XXX,XXX -----
Net increase (reduction) in working capital	XXX,XXX =====

Elements of Net Increase (Decrease) in Working Capital:

Cash	XXX,XXX
Investments	XXX,XXX
Accrued interest on investments	XXX,XXX
Receivables	XXX,XXX
Payables	XXX,XXX -----
Net increase (decrease) in working capital	XXX,XXX =====

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

_____ (FIRE) (POLICE) RELIEF ASSOCIATION
 GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 YEAR ENDED DECEMBER 31, 19____

Revenues:	
Membership dues	XXX,XXX
Investment income interest	XXX,XXX
Net realized gains (losses) on sale of investments	XXX,XXX
Fund raisers	XXX,XXX
Contributions	XXX,XXX
Other (identify)	XXX,XXX
TOTAL REVENUES	----- XXX,XXX -----
Expenditures:	
Board of directors fees/expenses	XXX,XXX
Conventions and meetings	XXX,XXX
Gifts and flowers	XXX,XXX
Donations	XXX,XXX
Fund raiser expenses	XXX,XXX
Party/picnic expenses	XXX,XXX
Capital outlay (identify)	XXX,XXX
TOTAL EXPENDITURES	----- XXX,XXX -----
Excess of Revenues Over (Under) Expenditures	XXX,XXX
Fund Balance - January 1	----- XXX,XXX -----
Fund Balance - December 31	----- XXX,XXX =====

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 19____

1. Form of Government

The _____ (Fire)(Police) Department Relief Association was incorporated on _____ (date) . It operates under the provisions of (Minn. Laws _____ ch. _____) (Minn. Stat. sec. _____), as amended. It is governed by a board of _____ (number) members (and a board of examiners). _____ (number) of the board members are elected by the members of the association for _____-year terms and _____ (list members) _____ are appointed by the city as members of the board. The _____, _____, and _____ are ex-officio non-voting members of the board of trustees.

2. Financial Reporting Entity

The _____ (Fire)(Police) Department Relief Association has implemented the Governmental Accounting Standards Board's Codification Section 2100 (GASB Cod. sec.2100), Defining the Governmental Reporting Entity. For financial reporting purposes the Association's financial statements include all funds, account groups, departments, agencies, boards, commissions, and other organizations over which the Association's officials exercise oversight responsibility.

3. Summary of Significant Accounting Policies

a. Fund Accounting

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. Resources are contributed by association members (employees) at rates fixed by law, by the City of _____ at amounts determined by law, and from the two-percent insurance premium tax and amortization aid from the State of Minnesota.

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 by-laws. Its resources consist of membership dues, fund-raiser proceeds, investment earnings and miscellaneous sources.

b. Basis of Accounting

The accounting policies of the _____ (Fire)(Police) Department Relief Association conform to generally accepted accounting principles. The accrual basis of accounting is used for the Special Fund, and the modified accrual basis of accounting is used for the General Fund.

c. Investments

(List types of investments shown at amortized cost.)

(List types of investments shown at cost.)

(List types of investments shown at market value.)

(List types of investments shown at maturity value.)

Interest income is recognized when earned and dividend income is recognized when received.

d. Total Column on Combined Balance Sheet/Combined Statements

The total column(s) on the (combined balance sheet)(combined statements) (is)(are) captioned "memorandum only" to indicate that (it is)(they are) presented only to facilitate financial analysis. Data in (this)(these) column(s) do not present financial position (and results of operations) in conformity with generally accepted accounting principles.

e. General Fixed Assets

The Association follows a policy of expensing office equipment at the time of purchase. At December 31, 19____, the Association owned office equipment costing \$_____. This amount is not shown on the combined balance sheet.

4. Investments

The following is a summary of the Association's investments at December 31, 19____:

Special Fund

(Detailed list by type of investment.)

General Fund

(Detailed list by type of investment.)

(Example of detailed investments)

	<u>Fund</u>	
	<u>Special</u>	<u>General</u>
Certificate of Deposit	XXX,XXX	XXX,XXX
Corporate Bonds	XXX,XXX	....
Corporate Stock	XXX,XXX	....
Money Market	XXX,XXX	....
Minnesota Supplemental Retirement Income Fund	XXX,XXX	....
Mutual Funds	XXX,XXX	....
Wisconsin Limited Partnership	<u>XXX,XXX</u>	<u>....</u>
Total	XXX,XXX =====	XXX,XXX =====

5. Unfunded Accrued Liability

(WHEN AN ACTUARIAL SURVEY FOR THE YEAR HAS BEEN MADE.)

An actuarial survey was made as of December 31, 19x2. The accrued liability as of that date was \$_____. The actuarial reserve deficiency on December 31, 19X2 was \$_____. This is a (decrease) (increase) of \$_____ from the December 31, 19X1, actuarial reserve deficiency of \$_____.

(WHEN AN ACTUARIAL SURVEY FOR THE YEAR HAS NOT BEEN MADE.)

The estimated accrued liability of \$_____ on December 31, 19X2 was determined by multiplying the 19X1 actuarial survey accrued liability and the updated normal costs by 1.05. The unfunded accrued liability is \$_____ as of December 31, 19X2.

6. Funding of Retirement Plans

Prior to 1971, contributions from the City of _____ were made without regard to actuarial requirements, resulting in a substantial deficiency in the accumulation of reserves on an actuarial basis. This unfunded accrued liability is a deferred obligation of the City.

Tax levies for the Association's retirement plan are made pursuant to Minn. Stat. Sec. 69.77, subd. 2(2). Full funding is required by the year 2010. This section also provides that the minimum employee contribution shall be eight percent of the maximum salary from which retirement and survivorship credits and amounts of benefits are determined. (Applies only to retirement plans of salaried employees)

The actuarial assumptions presented in Minn. Stat. Sec. 356.215 provide for an assumption rate of three and one-half percent for salary increases and for five percent from investment earnings on an annual basis.

7. Minnesota Public Employees Retirement Association

Pursuant to Minn. Stat. Sec. 423A.01, subd. 1, all eligible employees hired after June 15, 1980, or _____ become members of Minnesota Public Employees Retirement Association (PERA) Police and Fire Fund. These new employees are not members of the _____ (Fire)(Police) Department Relief Association.

REQUEST FOR EXAMINATION BY
THE OFFICE OF THE STATE AUDITOR
OR AN ACCOUNTING FIRM

OFFICE OF THE STATE AUDITOR
SUITE 400
555 PARK STREET
STATE OF MINNESOTA
ST. PAUL, MINNESOTA 55103

REQUEST BY THE GOVERNING BODY OF THE RELIEF ASSOCIATION
FOR EXAMINATION OF ACCOUNTS AND AFFAIRS

We, the undersigned members of the governing body of

_____ situated in the City of _____

County of _____ Minnesota,

do hereby request the Accounting Firm of _____,

pursuant to law, to audit the books, records, accounts and affairs

of said _____

for the period from _____, 19 ____ to _____, 19 ____

- | | |
|----------|-----------|
| 1. _____ | 6. _____ |
| 2. _____ | 7. _____ |
| 3. _____ | 8. _____ |
| 4. _____ | 9. _____ |
| 5. _____ | 10. _____ |

I hereby certify that an appropriate resolution has been passed, that the above request has been presented to me, and that the names appearing thereon are the names and signatures of a majority of the board of trustees of the governing body of said relief association as required by law.

(date)

(Secretary)

When properly executed this request should be forwarded to:

OFFICE OF THE STATE AUDITOR
SUITE 400
555 PARK STREET
ST. PAUL, MINNESOTA 55103