STATE OF MINNESOTA
Office of the State Auditor

Patricia Anderson
State Auditor

BLOOMINGTON FIRE DEPARTMENT
RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2005

Description of the Office of the State Auditor

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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

The State Auditor performs approximately 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

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

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

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

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BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION BLOOMINGTON, MINNESOTA

For the Year Ended December 31, 2005

Audit Practice Division
Office of the State Auditor
State of Minnesota

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BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

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BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

ORGANIZATION
DECEMBER 31, 2005

	Term From	Term To
Board of Trustees		
Elected members		
George Hayden	March 2004	March 2007
Steve Oberaigner	March 2003	March 2006
John Bayard	March 2003	March 2006
Chris Morrison	March 2005	March 2007
David Ellings	March 2005	March 2007
Dave Matlon	March 2004	March 2007

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

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Financial Section

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PATRICIA ANDERSON
STATE AUDITOR

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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, 2005, 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 plan net assets of the Bloomington Fire Department Relief Association as of December 31, 2005, and the changes in plan net assets 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 Management's Discussion and Analysis and other required supplementary information referred to in the table of contents are not required parts of the basic financial statements but are 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/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: March 1, 2006

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MANAGEMENT’S DISCUSSION AND ANALYSIS

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BLOOMINGTON FIRE DEPARTMENT
RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005
(Unaudited)

This discussion and analysis of the Bloomington Fire Department Relief Association's (Association) financial performance provides an overview of the Association's financial activities for the fiscal year ended December 31, 2005. Please read it in conjunction with the basic financial statements, which follow this discussion. Prior year data have not been included in the basic financial statements or in the notes to the basic financial statements.

FINANCIAL HIGHLIGHTS

The Association's funding objective is to meet benefit obligations through contributions and investment income. As of December 31, 2005, the funded ratio was 124.16 percent. Minnesota statutes previously required full funding by the year 2010. The amortization period was changed in 2005 from a level dollar amortization amount of the unfunded actuarial accrued liability to 2010 to a 20-year rolling end date.

The plan net assets of the pension fund administered by the Association increased by $3.8 million during the 2005 fiscal year.

Additions to the fund for the year were $6.8 million, comprised of contributions of $2.2 million and investment gains of $4.6 million. Fund additions decreased $5.5 million from the prior fiscal year.

Deductions to the fund increased over the prior year from $2.9 million to $3.0 million or six percent.

The Statement of Plan Net Assets and The Statement of Changes in Plan Net Assets

This annual financial report consists of two financial statements: The Statement of Plan Net Assets (page 6) and the Statement of Changes in Plan Net Assets (page 7). These financial statements report information about the Association, as a whole, and about its financial condition that should help answer the question: Is the Association, as a whole, better off or worse off as a result of this year's activities? These statements include all assets and liabilities using the accrual basis of accounting. Under the accrual basis of accounting, all additions and deductions are taken into account regardless of when cash is received or paid.

The Statement of Plan Net Assets presents all of the Association's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets measure whether the Association's financial position is improving or deteriorating. The Statement of Changes in Plan Net Assets presents how the Association's net assets changed during the most recent fiscal year. These two statements should be reviewed along with the Schedule of Funding Progress and Schedule of Contributions from the Plan Sponsor and Other Contributing Entities to determine whether the Association is becoming financially stronger or weaker and to understand changes over time in the funded status of the Association.

FINANCIAL ANALYSIS

Association total assets as of December 31, 2005, were $105.5 million and mostly comprised investments and accrued investment income. Total assets increased $3.8 million or four percent from fiscal year 2004 primarily due to investment earnings and contributions.

Total liabilities as of December 31, 2005, represent December benefits and investment fees paid in January 2006.

Association assets exceeded liabilities at the close of fiscal year 2005 by $105.3 million. Total net assets held in trust for pension benefits increased $3.8 million or four percent between fiscal years 2004 and 2005, primarily due to favorable market conditions and contributions.

Plan Net Assets
(In Thousands)

	Year Ended December 31	
	2005	2004
Assets		
Cash	$ 5	$ 9
Receivables	157	45
Investments	105,349	101,642
Total Assets	$ 105,511	$ 101,696
Total Liabilities	258	246
Plan Net Assets	$ 105,253	$ 101,450

Additions to Plan Net Assets

The reserves needed to finance pension benefits are accumulated through the collection of employer contributions and through earnings on investments. Contributions and net investment income for the fiscal year 2005 totaled $6.9 million.

Total contributions and net investment income decreased $5.5 million from those of fiscal year 2004, due primarily to market conditions. Total contributions from the City of Bloomington and the State of Minnesota decreased between fiscal years 2004 and 2005 by $1.5 million. This decrease is primarily due to a decrease in the contribution rate. Investment income decreased from fiscal year 2004 by $4.0 million.

Deductions from Plan Net Assets

The primary deductions of the Association include the payment of pension benefits and the cost of administering the fund. Total deductions for fiscal year 2005 were $3.0 million, an increase of six percent over fiscal year 2004 expenses. The increase in pension benefit expenses resulted from an increase in participants and an increased benefit rate. Administrative expenses increased by $620 between fiscal years 2004 and 2005.

Changes in Plan Net Assets
(In Thousands)

	Year Ended December 31	
	2005	2004
Additions		
Contributions	$ 2,184	$ 3,631
Net investment income	4,642	8,665
Total Additions	$ 6,826	$ 12,296
Deductions		
Benefits and refunds paid to participants	$ 2,942	$ 2,775
Administrative expenses	81	80
Total Deductions	$ 3,023	$ 2,855
Net Increase	$ 3,803	$ 9,441

THE ASSOCIATION AS A WHOLE

For the third year, the Association's net assets have experienced an increase following decreases in the previous years. This increase is a result of a moderate national economic upturn that resulted in investment income earnings. The Board of Trustees believes, and actuarial studies agree, that the Association is in a financial position to meet its current obligations. The Board believes the current financial position has improved, in part, due to a prudent investment program and strategic planning.

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BASIC FINANCIAL STATEMENTS

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BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

EXHIBIT A

STATEMENT OF PLAN NET ASSETS
DECEMBER 31, 2005

Assets		
Cash and deposits		
Cash - special account	$	4,521
Receivables		
Accrued interest and dividends receivable	$	147,920
Other receivables - general account		9,614
Total receivables	**$**	**157,534**
Investments, at fair value		
U.S. government obligations	$	1,693,855
Corporate obligations		995,530
Corporate stock		6,751,752
Commingled investment pools		
State Board of Investment		83,097,410
Mutual funds - special account		12,705,958
Mutual fund - general account		104,495
Total investments, at fair value	**$**	**105,349,000**
Total Assets	**$**	**105,511,055**
Liabilities		
Accounts payable	$	14,608
Benefits payable		243,198
Total Liabilities	**$**	**257,806**
Net Assets		
Net Assets Held in Trust for Pension Benefits		
(A Schedule of Funding Progress is presented on page 15.)	$	105,139,140
Net Assets Restricted for General Account		114,109
Total Net Assets	**$**	**105,253,249**

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

BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

EXHIBIT B

STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005

Additions		
Contributions		
City of Bloomington	$	1,576,139
State of Minnesota		585,966
Other - general account		22,029
Total contributions	**$**	**2,184,134**
Investment income (loss)		
Net appreciation (depreciation) in fair value of investments	$	3,948,144
Interest and dividends		779,933
Total investment income (loss)	**$**	**4,728,077**
Less: direct investment expense		(86,305)
Net investment income (loss)	**$**	**4,641,772**
Total Additions	**$**	**6,825,906**
Deductions		
Benefits and refunds paid to participants	$	2,941,783
Administrative expenses		64,844
Other - general account		16,000
Total Deductions	**$**	**3,022,627**
Net Increase (Decrease)	**$**	**3,803,279**
Net Assets - January 1		**101,449,970**
Net Assets - December 31	**$**	**105,253,249**

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

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, 2005, the membership of the Association consisted of:

Retirees and beneficiaries currently receiving benefits	149
Terminated employees entitled to benefits but not yet receiving them	5
Active plan participants - vested	8
Active plan participants - non-vested	127
Total	289

B. Pension Benefits

Authority for payment of pension benefits is established in Minn. Stat. § 69.77 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 account to the designated beneficiary or estate to defray funeral costs. The general account will pay the beneficiary $2,000.

3. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and with Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, as amended.

B. Basis of Accounting

The basis of accounting is the method by which additions and deductions to plan net assets are recognized in the accounts and reported in the financial statements. The Association uses the accrual basis of accounting. Under the accrual basis of accounting, additions are recognized when they are earned, and deductions are recognized when the liability is incurred.

3. Summary of Significant Accounting Policies (Continued)

C. Net Assets

Net assets consist of:

- Net Assets Held in Trust for Pension Benefits represents the portion of net assets to be used to provide benefits for retirement, death, and disability payments of appropriate amounts and at appropriate times in the future.

- Net Assets Restricted for General Account represents the portion of net assets, derived from membership contributions and certain investment income, to be used for the good and benefit of the Association as determined by Association bylaws.

D. Investments

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

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.

E. Capital Assets

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

At December 31, 2005, the Association had equipment on hand costing $8,414.

4. Deposits and Investments

A. Deposits

Authority

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

Custodial Credit Risk

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Association's deposits may not be recovered. The Association's policy for custodial credit risk is to maintain compliance with Minnesota statutes that require all the Association's deposits be protected by insurance, surety bond, or pledged collateral. The Association's deposits at December 31, 2005, are completely protected and, therefore, there is no custodial credit risk for deposits.

B. Investments

Authority

Minn. Stat. §§ 69.775 and 356A.06 authorize and define the types of securities available to the Association for investment. Permissible investments include, but are not limited to: government and corporate bonds, foreign and domestic common stock, real property, venture capital investments, and notes. The Association invests primarily in commingled investment pools through the State Board of Investment and mutual funds.

Custodial Credit Risk

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

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

The Association has no custodial credit risk for investments at December 31, 2005.

4. Deposits and Investments

B. Investments (Continued)

Interest Rate Risk

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

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

At December 31, 2005, the Association had the following investments:

Investment Type	Fair Value	Less Than 2 Years	2 - 5 Years	Greater Than 5 Years
U.S. Treasury Obligations	$ 107,190	$ -	$ -	$ 107,190
U.S. Government Agencies	1,275,395	97,750	1,077,871	99,774
GNMA	77,593	-	-	77,593
Mortgage Backed Securities	233,677	-	-	233,677
Corporate Bonds	995,530	347,204	210,267	438,060
Totals	$ 2,689,385	$ 444,954	$ 1,288,138	$ 956,294

The Association has $70,308,612 in an SBI Corporate Bond Mutual Fund and $5,230,828 in an American Funds Balanced Mutual Fund at December 31, 2005. The average years to maturity for mutual funds in SBI's supplement fund is 5.72. Investments in the American Funds mutual funds have varying maturity dates.

Credit Risk

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

The strategy of the Association's Board of Directors is to purchase intermediate- to long-term investment grade bonds with a "buy and hold" emphasis. The Board's emphasis is consistent regardless of the current interest rate. Bonds are typically redeemed only at maturity.

4. Deposits and Investments

B. Investments

Credit Risk (Continued)

The following table shows the Association's investments by type and credit quality rating at December 31, 2005.

		Quality Ratings					
Debt Investment Type	Fair Value	AAA	AA	A	BBB	Below Grade	Unrated
U.S. Treasury obligations	$ 107,190	$ 107,190	$ -	$ -	$ -	$ -	$ -
U.S. government agencies	1,275,395	1,275,395	-	-	-	-	-
GNMA	77,593	77,593	-	-	-	-	-
Mortgage-backed securities	233,677	233,677	-	-	-	-	-
Corporate bonds	995,530	-	102,506	246,540	438,060	208,424	-
SBI Corporate Bond Mutual Fund	70,308,612	-	-	-	-	-	70,308,612
American Funds Balanced Mutual Fund	5,230,828	-	-	-	-	-	5,230,828
Totals	$ 78,228,825	$ 1,693,855	$ 102,506	$ 246,540	$ 438,060	$ 208,424	$ 75,539,440

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates of foreign currencies relative to the U. S. dollar adversely affect the fair value of an investment or a deposit. The Association limits this risk in several ways. Minnesota statutes limit certain investments to a total portfolio limit of no more than 35 percent of the market value of the portfolio. Both international equities and international bonds are in this category. Other items include venture capital, real estate, and partnerships.

Risk of loss arises from changes in currency exchange rates. The Association's exposure to foreign currency risk at December 31, 2005, is presented in the following table.

Currency	Total	Equity
British Pound Sterling	$ 121,188	$ 121,188
Canadian Dollar	258,100	258,100
Israeli Shekel	206,448	206,448
Totals	$ 585,736	$ 585,736

4. Deposits and Investments

B. Investments (Continued)

Concentration of Credit Risk

The Association's investment policy limits investments in any one issuer to not more than five percent unless the manager has received prior approval, or the increase is a result of market price increase. U. S. Treasuries and agencies along with commingled investment pools are exempted. The Association's investments as of December 31, 2005, were below these limits.

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. There are no employer and employee contributions. The pension plan is fully funded. The City of Bloomington and the State of Minnesota provided statutory contributions in 2005. The actuary compares the actual statutory contribution rate to a "required" contribution rate. The required contribution rate consists of: (a) normal costs based on entry age normal cost methods, (b) a supplemental contribution for amortizing any unfunded actuarial accrued liability, and (c) an allowance for administrative expenses. The current year has a contribution deficiency of 3.44 percent of payroll.

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.

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REQUIRED SUPPLEMENTARY INFORMATION

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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)
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%
2003	91,904,999	83,388,410	(8,516,589)	110.21%	8,792,640	(96.86%)
2004	101,341,890	88,034,799	(13,307,091)	115.12%	8,517,612	(156.23%)
2005	105,139,140	84,681,811	(20,457,329)	124.16%	9,465,706	(216.12%)

*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
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%
2003	3,436,167	742,343	21.60%	495,967	14.43%
2004	2,046,927	2,986,280	145.89%	625,566	30.56%
2005	1,376,446	1,576,139	114.51%	585,966	42.57%

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

Actuarial Methods and Assumptions

The actuarial accrued liability is determined as part of an annual actuarial valuation on January 1, 2006. Significant methods are as follows:

- The most recent actuarial valuation date is January 1, 2006.
- 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 using a 20-year rolling end date.

Significant actuarial assumptions are as follows:

- Investment rate of return is six percent per annum.
- Payroll increase is 4 percent per annum.
- COLA increase is 4 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:

- In 2003, the City of Bloomington was required to make additional contributions to the Fund due to a funded ratio which fell below 100 percent for 2002. These are the first city contributions needed since 1997. Remaining sources of funding from the State of Minnesota statutory contributions are projected to provide sufficient funds to meet emerging benefit liabilities.

- In 2004, the City of Bloomington made further contributions to the Fund due to a funded ratio of less than 100 percent in 2002. This is the second city contribution needed since 1997.

Actuarial Methods and Assumptions (Continued)

- In 2005, the interest rate of return assumption was changed from 5 to 6 percent per annum. In addition, the payroll increase and the COLA increase assumptions were changed from 3.5 to 4 percent per annum.

- In 2005, the unfunded accrued liability amortization method and period changed from a level dollar amount to December 31, 2010, and a closed amortization approach to a 20-year rolling end date. Under the 20-year rolling end date approach, whenever the actuarial accrued liability initially exceeds current assets, the initial unfunded actuarial accrued liability is amortized as a level dollar amount over 20 years. Subsequent changes in the unfunded actuarial accrued liability that results from actuarial gains and losses, assumption changes, and plan amendments will generate a base that shall be amortized as a level amount over 20 years form the date of the establishment of the base. Otherwise, 10 percent of the excess of current assets over the actuarial accrued liability is treated as a supplemental credit and any amortization bases that existed prior to the plan's current assets exceeding the actuarial accrued liabilities are considered fully amortized.

Management and Compliance Section

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BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION
BLOOMINGTON, MINNESOTA

Schedule 3

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2005

I. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM RESOLVED

Economic Interest Statements (04-1)

Minn. Stat. § 356A.06, subd. 4, requires that all members of the governing board of a covered pension plan and the chief administrative officer of the plan shall file with the plan a statement of economic interest. The Association Board and officers did not file these required statements during the 2004 audit year.

Resolution

For the 2005 audit year, the Association Board and officers filed economic interest statements.

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PATRICIA ANDERSON
STATE AUDITOR

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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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, 2005, and have issued our report thereon dated March 1, 2006.

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 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 the listed 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.

This report is intended solely for the information and use of the Bloomington Fire Department Relief 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.

/s/Pat Anderson	*/s/Greg Hierlinger*
PATRICIA ANDERSON STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

End of Fieldwork: March 1, 2006