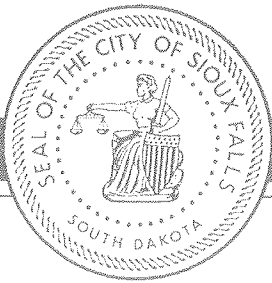


**City of Sioux Falls, South Dakota
Employee's
Retirement System**



**2001 Annual
Financial Report**

**For the Fiscal Year Ended December 31, 2001
Prepared by the Accounting Division**



CITY OF SIOUX FALLS

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May 15, 2002

Board of Trustees
City of Sioux Falls
Employee's Retirement System

The annual financial report of the City of Sioux Falls Employee's Retirement System for the year ended December 31, 2001, is hereby submitted for review and approval. To the best of our knowledge, the information presented accurately defines the System's current financial position and the results from operations.

The fiscal staff has prepared this report for the Board of Trustees following the guidelines established by City Ordinance, Chapter 35. It is prepared in conjunction with the annual reconciliation of trust and financial statements conducted by the audit firm Eide Bailly LLP.

City Charter Section 2.10 provides for an independent audit to be performed annually on all City accounts, including the Employee's Retirement System. No audit comments or recommendations regarding the System for the year-ended December 31, 2001, were noted within this audit.

Sincerely,

Thomas J. Huber
Accounting Manager
City of Sioux Falls

Attachments

**City of Sioux Falls
Employee's Retirement System**

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City of Sioux Falls Employee's Retirement System

Definition of Funds

Annuity Savings Fund (Ordinance Section 35-43)

The Annuity Savings Fund is the Fund which receives member (employee) contributions and interest. An account is maintained for each employee and is credited with regular interest of 5 percent per annum, compounded quarterly. Added to the beginning balance are interest and member contributions. Subtracted are refunds to separated members and transfers to the Retirement Reserve Fund for retired members.

Employer Reserve Fund (Ordinance Section 35-45)

The Employer Reserve Fund is the Fund which receives the City's contributions. Contributions are made as a percentage of payroll as determined by the actuary and adopted by the Board during the annual actuarial valuation. Added to the beginning balance is the City's contribution and interest earned from the Income Fund. Subtracted from the balance are the transfers to the Expense Fund for plan expenses and transfers to the Retirement Reserve Fund for retirements as determined by the actuary. The interest is calculated based upon the mean balance and the assumed interest rate, currently 8 percent.

Retirement Reserve Fund (Ordinance Section 35-44)

The Retirement Reserve Fund is the Fund from which is paid all annuities, pensions, and retirement allowances. Added to the beginning balance are transfers from the Annuity Savings Fund (employee contribution and interest) and Employer Reserve Fund (employer contributions and interest). Also added is interest from the Income Fund. The interest is calculated by the mean balance at the assumed rate of interest, currently 8 percent.

Upon retirement, a member's balance, including contribution and interest, is transferred from the Annuity Savings Fund to the Retirement Reserve Fund. Transferred from the Employer Reserve Fund to the Retirement Reserve Fund is an amount determined by the actuary to fund the member's lifetime benefit payments. Deducted from the Employer Reserve Fund are benefit payments.

Income Fund (Ordinance Section 35-52)

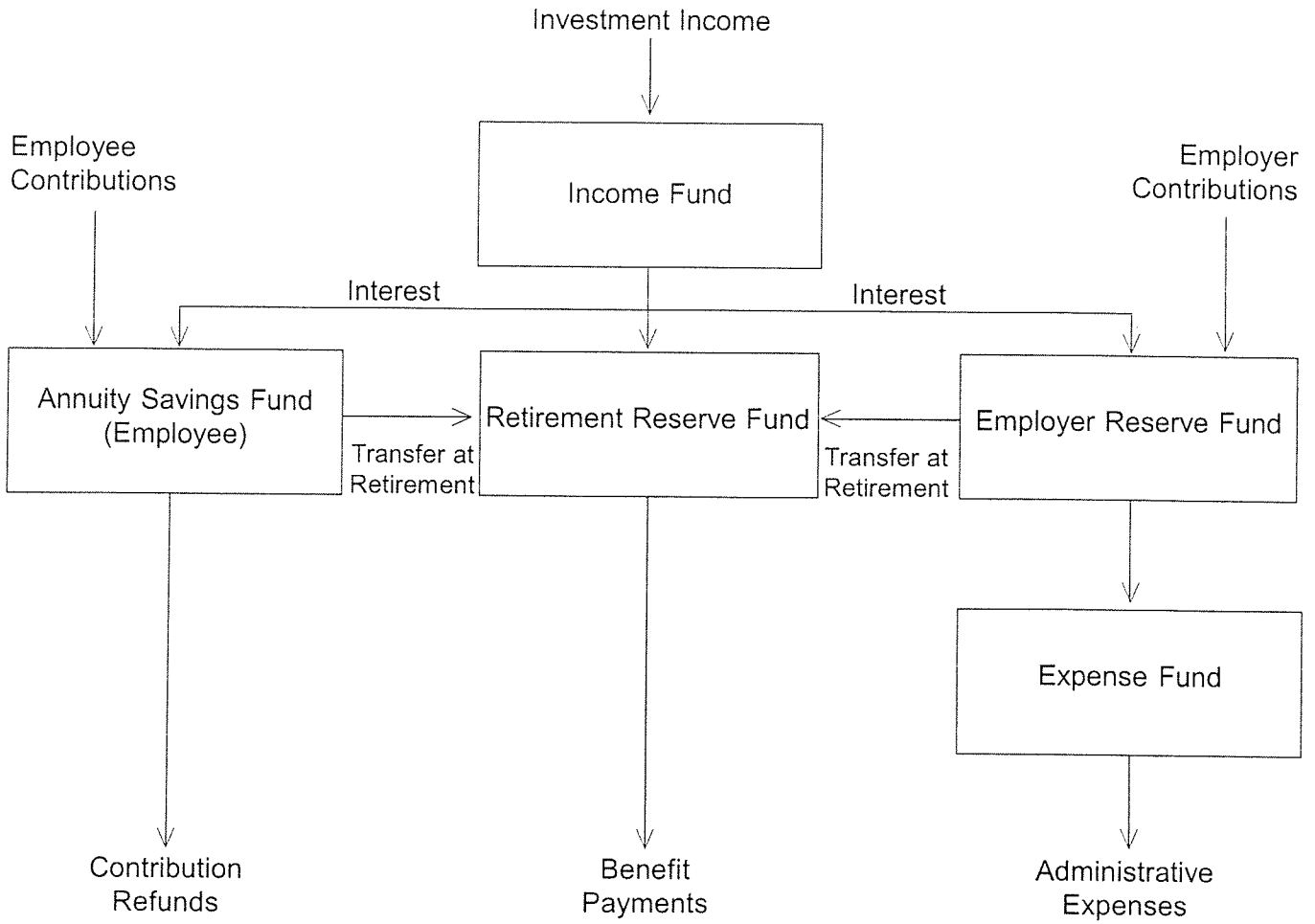
The Income Fund is credited with all revenues earned on investments held by the City and the System's funding agents including increases/decreases in unrealized market values. Subtracted from the Income Fund are transfers to the Annuity Savings, Employer Reserve, and Retirement Reserve Funds as well as funding agent and custodial fees.

Expense Fund (Ordinance Section 35-49)

The Expense Fund is the Fund in which is placed all amounts authorized for expenditures by the Board. This amount is transferred from the Employer Reserve Fund at the time the annual report is adopted. Deducted from this balance are the expenses to administer the system.

City of Sioux Falls Employee's Retirement System

Flow Chart of Fund Transfers



**CITY OF SIOUX FALLS
EMPLOYEE'S RETIREMENT SYSTEM**

BALANCE SHEET

December 31, 2000 and 2001

ASSETS

	<u>2000</u>	<u>2001</u>
Cash in bank	\$ 218,076	\$ 783,965
Cash in trust		
Accounts receivable	67,469	81,880
Accrued Interest and dividends	436,392	352,852
Investments held by funding agents (at market value):	<u>157,498,053</u>	<u>153,400,129</u>
Total Assets	\$ <u>158,219,990</u>	\$ <u>154,618,826</u>

LIABILITIES AND EQUITY

Accounts payable	\$ 60,563	\$ 66,907
Funded reserves:		
Annuity savings fund	20,069,994	21,268,824
Employer reserve fund	(10,569,805)	(11,571,129)
Retirement reserve fund	57,785,355	61,334,213
Income fund	90,786,760	83,497,007
Expense fund	<u>87,123</u>	<u>23,004</u>
Total Liabilities & Equity	\$ <u>158,219,990</u>	\$ <u>154,618,826</u>

CITY OF SIOUX FALLS
EMPLOYEE'S RETIREMENT SYSTEM

STATEMENT OF CHANGES IN RESERVE ACCOUNTS

December 31, 2001

	<u>General Division</u>	<u>Police Division</u>	<u>Total</u>
<u>Annuity Savings Fund</u>			
Balance 1-1	\$ 14,410,443	\$ 5,659,551	\$ 20,069,994
Interest earned-individual accounts	714,662	289,842	1,004,504
Member contributions	722,688	637,137	1,359,825
Recovery of prior years refunds			
Contribution refunds	(155,847)	(81,223)	(237,070)
Transfer to retirement reserve fund	(738,792)	(189,637)	(928,429)
Balance 12-31	\$ <u>14,953,154</u>	\$ <u>6,315,670</u>	\$ <u>21,268,824</u>
<u>Employer Reserve Fund</u>			
Balance 1-1	\$ (1,153,558)	\$ (9,416,247)	\$ (10,569,805)
Interest earned-income fund			
Prior period adjustment			
City contributions	2,276,674	1,260,517	3,537,191
Transfers to:			
Expense fund	0	0	0
Retirement reserve fund	(3,624,823)	(913,692)	(4,538,515)
Balance 12-31	\$ <u>(2,501,707)</u>	\$ <u>(9,069,422)</u>	\$ <u>(11,571,129)</u>
<u>Retirement Reserve Fund</u>			
Balance 1-1	\$ 29,991,229	\$ 27,794,126	\$ 57,785,355
Transfers from:			
Employer reserve fund	3,624,823	913,692	4,538,515
Income fund-interest	2,411,665	2,169,857	4,581,522
Annuity savings fund	738,792	189,637	928,429
Pension payments	(3,878,510)	(2,311,901)	(6,190,411)
Group health insurance payment	(175,947)	(133,250)	(309,197)
Balance 12-31	\$ <u>32,712,052</u>	\$ <u>28,622,161</u>	\$ <u>61,334,213</u>

**CITY OF SIOUX FALLS
EMPLOYEE'S RETIREMENT SYSTEM**

**STATEMENT OF CHANGES IN RESERVE ACCOUNTS
GENERAL EMPLOYEE'S DIVISION**

December 31, 2000 and 2001

	2000	2001
<u>Annuity Savings Fund</u>		
Balance 1-1	\$ 13,769,386	\$ 14,410,443
Interest earned-individual accounts	683,040	714,662
Member contributions	662,833	722,688
Recovery of prior years refunds		
Contribution refunds	(128,679)	(155,847)
Transfer to retirement reserve fund	(576,137)	(738,792)
Balance 12-31	\$ 14,410,443	\$ 14,953,154
 <u>Employer Reserve Fund</u>		
Balance 1-1	\$ (627,362)	\$ (1,153,558)
Interest earned-income fund		
Prior period adjustment		
City contributions	2,306,599	2,276,674
Transfers to:		
Expense fund	(62,909)	0
Retirement reserve fund	(2,769,886)	(3,624,823)
Balance 12-31	\$ (1,153,558)	\$ (2,501,707)
 <u>Retirement Reserve Fund</u>		
Balance 1-1	\$ 28,163,111	\$ 29,991,229
Transfers from:		
Employer reserve fund	2,769,886	3,624,823
Income fund-interest	2,236,705	2,411,665
Annuity savings fund	576,137	738,792
Pension payments	(3,626,429)	(3,878,510)
Group health insurance payment	(128,181)	(175,947)
Balance 12-31	\$ 29,991,229	\$ 32,712,052

CITY OF SIOUX FALLS
EMPLOYEE'S RETIREMENT SYSTEM

STATEMENT OF CHANGES IN RESERVE ACCOUNTS
POLICE DIVISION

December 31, 2000 and 2001

	2000	2001
<u>Annuity Savings Fund</u>		
Balance 1-1	\$ 5,227,989	\$ 5,659,551
Interest earned-individual accounts	257,454	289,842
Member contributions	587,110	637,137
Recovery of prior years refunds		
Contribution refunds	(49,092)	(81,223)
Transfer to retirement reserve fund	(363,910)	(189,637)
Balance 12-31	\$ 5,659,551	\$ 6,315,670
 <u>Employer Reserve Fund</u>		
Balance 1-1	\$ (8,551,097)	\$ (9,416,247)
Interest earned-income fund		
Prior period adjustments		
City contributions	1,360,567	1,260,517
Transfers to:		
Expense fund	(37,107)	0
Retirement reserve fund	(2,188,610)	(913,692)
Balance 12-31	\$ (9,416,247)	\$ (9,069,422)
 <u>Retirement Reserve Fund</u>		
Balance 1-1	\$ 25,518,915	\$ 27,794,126
Transfers from:		
Employer reserve fund	2,188,610	913,692
Income fund-interest	2,050,502	2,169,857
Annuity savings fund	363,910	189,637
Pension payments	(2,221,095)	(2,311,901)
Group health insurance payment	(106,716)	(133,250)
Balance 12-31	\$ 27,794,126	\$ 28,622,161

**CITY OF SIOUX FALLS
EMPLOYEE'S RETIREMENT SYSTEM**

INCOME AND EXPENSE FUNDS

December 31, 2000 and 2001

<u>Income Fund</u>	<u>2000</u>	<u>2001</u>
Balance 1-1	\$ 96,721,784	\$ 90,786,760
Revenue:		
Interest earned-City	21,941	58,307
Other income		
Investment earnings-funding agents	10,668,480	6,608,419
Increase (decrease) in unrealized market value	(11,230,031)	(8,202,251)
Total balance and revenue	<u>96,182,174</u>	<u>89,251,235</u>
Expenditures:		
Transfers to:		
Annuity savings fund-interest	940,494	1,004,504
Employer reserve fund-interest		
Retirement reserve fund-interest	4,287,207	4,581,522
Funding agent, trustee, & consultant fees	167,713	168,202
Total expenditures	<u>5,395,414</u>	<u>5,754,228</u>
Prior Period Adjustment		
Balance 12-31	<u>\$ 90,786,760</u>	<u>\$ 83,497,007</u>
 <u>Expense Fund</u>		
Balance 1-1	\$ 22,716	\$ 87,123
Revenue:		
Transfer from employer reserve fund	100,016	0
Funds available	<u>122,732</u>	<u>87,123</u>
Expenditures:		
Actuary fees	14,900	46,970
Administrative fees	19,123	12,008
Supplies & Materials	10	6
Travel and Education	319	532
Health Related Fees	1,125	4,515
Other expenses	132	88
Total expenditures	<u>35,609</u>	<u>64,119</u>
Balance 12-31	<u>\$ 87,123</u>	<u>\$ 23,004</u>

**CITY OF SIOUX FALLS
EMPLOYEE'S RETIREMENT SYSTEM**

STATEMENT OF REVENUES AND EXPENSES

December 31, 2000 and 2001

	<u>2000</u>	<u>2001</u>
Operating revenues:		
Investment earnings:		
City	\$ 21,941	\$ 58,307
Funding agents	10,668,480	6,608,419
Member contributions	1,249,943	1,359,825
City contributions	3,667,166	3,537,191
Other revenue	0	0
Total operating revenues	<u>15,607,530</u>	<u>11,563,742</u>
Operating expenses:		
Benefit payments	5,847,524	6,190,412
Group health insurance payments	234,896	309,197
Contribution refunds	177,771	237,070
Funding agent fees	92,463	92,952
Trustee fees	53,250	53,250
Actuary fees	14,900	46,970
Consultant fees	22,000	22,000
Other operating expenses	20,709	17,149
Total operating expenses	<u>6,463,513</u>	<u>6,969,000</u>
Operating income	9,144,017	4,594,742
Nonoperating revenue:		
Increase (decrease) in unrealized market value	<u>(11,230,031)</u>	<u>(8,202,251)</u>
Net income (loss)	(2,086,014)	(3,607,509)
Fund balance 1-1	<u>160,245,442</u>	<u>158,159,428</u>
Fund balance 12-31	<u>\$ 158,159,428</u>	<u>\$ 154,551,919</u>

CITY OF SIOUX FALLS
EMPLOYEE'S RETIREMENT SYSTEM

EXPENSE FUND TRANSFER

2002 Budget

Balance 12-31-01			\$ 23,004
2002 Approved Budget:			
Wages & Benefits	\$ 48,864		
Professional Services:			
Actuarial	\$ 37,400		
Administrative	\$ 11,337		
Office Supplies & Materials	\$ 850		
Travel, Education & Training	\$ 12,705	<u>\$ 111,156</u>	
Expense Fund Deficit			<u><u>\$ 88,152</u></u>
Required Transfer			\$ 88,152

Motion to transfer funds from the Employer Reserve Fund to the Expense Fund

CITY OF SIOUX FALLS
PENSION TRUST FUNDS
COMBINING STATEMENT OF PLAN NET ASSETS
DECEMBER 31, 2001

ASSETS	EMPLOYEE'S RETIREMENT	FIREFIGHTERS' PENSION	TOTAL
Cash and cash equivalents	\$ 927,731	\$ 961,663	\$ 1,889,394
Receivables:			
Accounts	81,881	20,287	102,168
Interest	352,852	121,843	474,695
Investments at fair value:			
Corporate Obligations	12,456,052	5,098,635	17,554,687
State & Local Obligations	3,639,698	1,840,955	5,680,653
Foreign Obligations	5,814,190	1,766,405	7,580,595
Index Funds:			
Equity	42,722,709	10,809,825	53,532,534
Government / Corporate Bonds	16,356,023	6,704,542	23,060,565
Mutual Funds:			
Foreign Equity	30,223,312	12,087,440	42,310,752
Domestic Equity	33,384,074	20,032,862	53,416,936
Real Estate	8,460,305	3,464,548	11,924,853
Total assets	<u>154,618,827</u>	<u>62,909,005</u>	<u>217,527,832</u>
LIABILITIES			
Accounts payable	66,563	34,063	100,626
Accrued wages	122	41	163
Accrued vacation	222	74	296
Total liabilities	<u>66,907</u>	<u>34,178</u>	<u>101,085</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (A schedule of funding progress for each plan is presented on page 4-12.)	<u>\$ 154,551,920</u>	<u>\$ 62,874,827</u>	<u>\$ 217,426,747</u>

CITY OF SIOUX FALLS
PENSION TRUST FUNDS
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2001

	EMPLOYEE'S RETIREMENT	FIREFIGHTERS' PENSION	TOTAL
ADDITIONS:			
Contributions			
Employer	\$ 3,537,192	\$ 878,260	\$ 4,415,452
Plan members	1,359,825	549,024	1,908,849
Total contributions	<u>4,897,017</u>	<u>1,427,284</u>	<u>6,324,301</u>
Investment income (loss)	(1,535,525)	(913,595)	(2,449,120)
Less investment expense	168,202	111,347	279,549
Net investment income (loss)	<u>(1,703,727)</u>	<u>(1,024,942)</u>	<u>(2,728,669)</u>
Total additions	<u>3,193,290</u>	<u>402,342</u>	<u>3,595,632</u>
DEDUCTIONS:			
Benefit payments	6,499,609	2,388,218	8,887,827
Refunds	237,070	-	237,070
Administrative expense	64,120	39,354	103,474
Total deductions	<u>6,800,799</u>	<u>2,427,572</u>	<u>9,228,371</u>
Net increase (decrease)	<u>(3,607,509)</u>	<u>(2,025,230)</u>	<u>(5,632,739)</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
January 1	158,159,429	64,900,057	223,059,486
December 31	<u>\$ 154,551,920</u>	<u>\$ 62,874,827</u>	<u>\$ 217,426,747</u>