

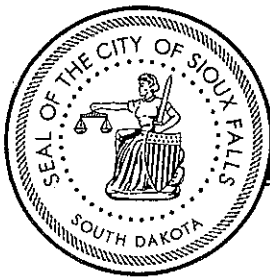
**City of Sioux Falls, South Dakota  
Employee's  
Retirement System**



**2005 Annual  
Financial Report**

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**For the Fiscal Year Ended December 31, 2005  
Prepared by the Accounting Division**



# CITY OF SIOUX FALLS

## FINANCE

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May 17, 2006

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, 2005, is hereby submitted. To the best of our knowledge, the information presented accurately defines the Fund's current financial position and the results from operations.

The separately stated financials for the Fund have been prepared according to the guidelines established by City Ordinance, Chapter 35. We have also included a copy the annual financial statements contained within the City's Comprehensive Annual Financial Report. These statements have been prepared on a basis consistent with Generally Accepted Accounting Principles (GAAP).

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 conditions, comments or recommendations regarding the Fund for the year-ended December 31, 2005, were brought to our attention within the audit.

Respectfully submitted,

Eugene Rowenhorst  
Director of Finance  
City of Sioux Falls

Attachments

Finance Officer (605) 367-8270 • Purchasing (605) 367-8013  
Budget (605) 367-8873 • Accounting (605) 367-8860

**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 Retirement Reserve Fund are benefit payments.

### **Income Fund (Ordinance Section 35-52)**

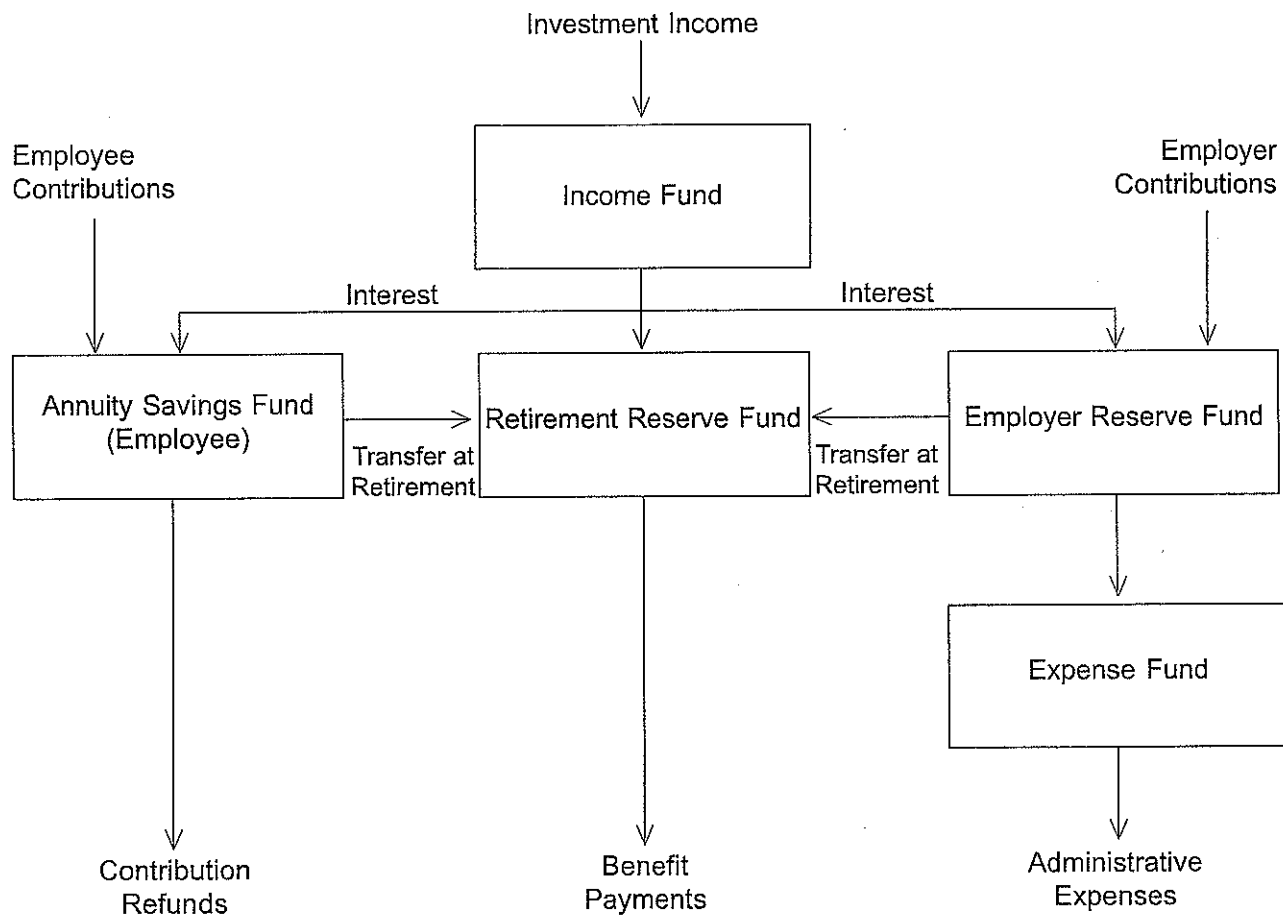
The Income Fund is credited with all revenues earned on investments held by the City and the System's funding agents including increases/decreases in unrealized market values. Subtracted from the Income Fund are transfers to the Annuity Savings, Employer Reserve, and Retirement Reserve Funds as well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

Revenue remaining in the Fund after the allocation of interest to the Pension Savings and Retirement Reserve Funds is transferred to the Pension Reserve Fund leaving a zero balance in the Income Fund per Board directive on May 19, 2004.

### **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 each year as authorized by the Board on May 19, 2004. 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, 2004 and 2005**

**ASSETS**

	<b>2004</b>	<b>2005</b>
Cash in bank	\$ 665,483	\$ 114,956
Prepaid expenses	11,000	-
Accounts receivable	185,956	212,693
Accrued Interest and dividends	267,192	402,161
Investments held by funding agents (at market value):	194,119,374	209,901,024
<b>Total Assets</b>	<b>\$ 195,249,005</b>	<b>\$ 210,630,834</b>

**LIABILITIES AND EQUITY**

Accounts payable	\$ 6,819	\$ 7,752
Funded reserves:		
Annuity savings fund	25,465,627	26,809,022
Employer reserve fund	95,093,306	102,873,264
Retirement reserve fund	74,534,691	80,784,849
Income fund	0	0
Expense fund	148,562	155,947
<b>Total Liabilities &amp; Equity</b>	<b>\$ 195,249,005</b>	<b>\$ 210,630,834</b>

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

**STATEMENT OF CHANGES IN RESERVE ACCOUNTS**

December 31, 2005

	<u>General Division</u>	<u>Police Division</u>	<u>Total</u>
<b><u>Annuity Savings Fund</u></b>			
Balance 1-1	\$ 17,213,514	\$ 8,252,113	\$ 25,465,627
Interest earned-individual accounts	850,006	425,886	1,275,892
Member contributions	890,766	938,883	1,829,649
Recovery of prior years refunds			
Contribution refunds	(96,996)	(86,003)	(182,999)
Transfer to retirement reserve fund	(1,213,241)	(365,906)	(1,579,147)
Balance 12-31	<u>\$ 17,644,049</u>	<u>\$ 9,164,973</u>	<u>\$ 26,809,022</u>
<b><u>Employer Reserve Fund</u></b>			
Balance 1-1	\$ 68,441,873	\$ 26,651,433	\$ 95,093,306
Unallocated interest	7,058,349	2,748,538	9,806,887
Prior period adjustment			
City contributions	3,575,666	2,193,493	5,769,159
Transfers to:			
Expense fund	(96,292)	(37,497)	(133,789)
Retirement reserve fund	(5,674,460)	(1,987,839)	(7,662,299)
Balance 12-31	<u>\$ 73,305,136</u>	<u>\$ 29,568,128</u>	<u>\$ 102,873,264</u>
<b><u>Retirement Reserve Fund</u></b>			
Balance 1-1	\$ 38,809,863	\$ 35,724,828	\$ 74,534,691
Transfers from:			
Employer reserve fund	5,674,460	1,987,839	7,662,299
Income fund-interest	2,792,276	2,825,883	5,618,159
Annuity savings fund	1,213,241	365,906	1,579,147
Pension payments	(5,099,345)	(2,914,824)	(8,014,169)
Group health insurance payment	(353,784)	(241,494)	(595,278)
Balance 12-31	<u>\$ 43,036,711</u>	<u>\$ 37,748,138</u>	<u>\$ 80,784,849</u>

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

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

December 31, 2004 and 2005

	<u>2004</u>	<u>2005</u>
<b><u>Annuity Savings Fund</u></b>		
Balance 1-1	\$ 16,684,203	\$ 17,213,514
Interest earned-individual accounts	828,971	850,006
Member contributions	851,875	890,766
Recovery of prior years refunds		
Contribution refunds	(121,074)	(96,996)
Transfer to retirement reserve fund	(1,030,461)	(1,213,241)
Balance 12-31	<u>\$ 17,213,514</u>	<u>\$ 17,644,049</u>
<b><u>Employer Reserve Fund</u></b>		
Balance 1-1	\$ (2,729,098)	\$ 68,441,873
Unallocated interest	72,431,413	7,058,349
Prior period adjustment		
City contributions	3,119,821	3,575,666
Transfers to:		
Expense fund	(117,558)	(96,292)
Retirement reserve fund	(4,262,705)	(5,674,460)
Balance 12-31	<u>\$ 68,441,873</u>	<u>\$ 73,305,136</u>
<b><u>Retirement Reserve Fund</u></b>		
Balance 1-1	\$ 35,219,101	\$ 38,809,863
Transfers from:		
Employer reserve fund	4,262,705	5,674,460
Income fund-interest	3,202,937	2,792,276
Annuity savings fund	1,030,461	1,213,241
Pension payments	(4,623,698)	(5,099,345)
Group health insurance payment	(281,643)	(353,784)
Balance 12-31	<u>\$ 38,809,863</u>	<u>\$ 43,036,711</u>



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

**STATEMENT OF CHANGES IN RESERVE ACCOUNTS  
POLICE DIVISION**

December 31, 2004 and 2005

	<u>2004</u>	<u>2005</u>
<b><u>Annuity Savings Fund</u></b>		
Balance 1-1	\$ 7,618,779	\$ 8,252,113
Interest earned-individual accounts	378,502	425,886
Member contributions	867,094	938,883
Recovery of prior years refunds		
Contribution refunds	(67,020)	(86,003)
Transfer to retirement reserve fund	(545,242)	(365,906)
Balance 12-31	\$ <u>8,252,113</u>	\$ <u>9,164,973</u>
<b><u>Employer Reserve Fund</u></b>		
Balance 1-1	\$ (9,658,819)	\$ 26,651,433
Unallocated interest	37,429,671	2,748,538
Prior period adjustments		
City contributions	2,141,381	2,193,493
Transfers to:		
Expense fund	(80,690)	(37,497)
Retirement reserve fund	(3,180,110)	(1,987,839)
Balance 12-31	\$ <u>26,651,433</u>	\$ <u>29,568,128</u>
<b><u>Retirement Reserve Fund</u></b>		
Balance 1-1	\$ 32,369,695	\$ 35,724,828
Transfers from:		
Employer reserve fund	3,180,110	1,987,839
Income fund-interest	2,619,020	2,825,883
Annuity savings fund	545,242	365,906
Pension payments	(2,780,226)	(2,914,824)
Group health insurance payment	(209,013)	(241,494)
Balance 12-31	\$ <u>35,724,828</u>	\$ <u>37,748,138</u>

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

**INCOME AND EXPENSE FUNDS**

December 31, 2004 and 2005

<u>Income Fund</u>	<u>2004</u>	<u>2005</u>
Balance 1-1	\$ 92,397,543	\$ 0
Revenue:		
Interest earned-City	8,964	8,264
Other income		
Investment earnings-funding agents	8,826,128	10,642,113
Increase (decrease) in unrealized market value	15,809,728	6,384,697
Total balance and revenue	<u>117,042,363</u>	<u>17,035,074</u>
Expenditures:		
Transfers to:		
Annuity savings fund-interest	1,207,473	1,275,892
Employer reserve fund-interest	109,861,084	9,806,887
Retirement reserve fund-interest	5,821,957	5,618,159
Funding agent, trustee, & consultant fees	151,849	334,136
Total expenditures	<u>117,042,363</u>	<u>17,035,074</u>
Balance 12-31	<u>\$ 0</u>	<u>\$ 0</u>
 <u>Expense Fund</u>		
Balance 1-1	\$ 66,476	\$ 148,562
Revenue:		
Transfer from employer reserve fund	198,248	133,789
Funds available	<u>264,724</u>	<u>282,351</u>
Expenditures:		
Actuary fees	51,429	40,681
Audit fees	2,250	2,250
Wages & benefits	56,212	76,913
Supplies & materials	15	9
Travel and education	1,367	2,092
Disability exams	4,474	4,240
Other expenses	415	219
Total expenditures	<u>116,162</u>	<u>126,404</u>
Balance 12-31	<u>\$ 148,562</u>	<u>\$ 155,947</u>

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

**STATEMENT OF REVENUES AND EXPENSES**

December 31, 2004 and 2005

	<b>2004</b>	<b>2005</b>
<b>Operating revenues:</b>		
Investment earnings:		
City	\$ 8,964	\$ 8,264
Funding agents	8,826,128	10,642,113
Member contributions	1,718,969	1,829,649
City contributions	5,261,202	5,769,159
Other revenue		
Total operating revenues	15,815,263	18,249,185
<b>Operating expenses:</b>		
Benefit payments	7,403,924	8,014,169
Group health insurance payments	490,656	595,278
Contribution refunds	188,094	182,999
Funding agent fees	91,632	282,582
Trustee fees	34,717	29,554
Consultant fees	25,500	22,000
Actuary fees	51,429	40,681
Audit fees		2,250
Other operating expenses	64,733	83,473
Total operating expenses	8,350,685	9,252,986
Operating income	7,464,578	8,996,199
<b>Nonoperating revenue:</b>		
Increase (decrease) in unrealized market value	15,809,728	6,384,697
Net income (loss)	23,274,306	15,380,896
<b>Fund balance 1-1</b>	<b>171,967,880</b>	<b>195,242,186</b>
<b>Fund balance 12-31</b>	<b>\$ 195,242,186</b>	<b>\$ 210,623,082</b>

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

**EXPENSE FUND BALANCE**

**2006 Budget**

2006 Approved Expense Fund Budget:	
Wages & Benefits	\$ 101,889
Insurance	303
Actuarial Services	32,200
Legal Services	6,600
Health Services (Disability Exams)	10,000
Supplies & Materials	950
Travel and Education	4,005
Other Expenses	-
Total	<u>\$ 155,947</u>

**Notes to Financial Statements - Fiduciary Funds Statement of Net Assets**

	<u>Employee's Retirement</u>	<u>Firefighters' Pension</u>	<u>Total Pension Trust Funds</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 2,218,010	\$ 747,770	\$ 2,965,780
Receivables:			
Accounts	212,693	72,134	284,827
Interest	402,161	136,336	538,497
Total Receivables	<u>614,854</u>	<u>208,470</u>	<u>823,324</u>
Investments at Fair Value:			
US Government	23,758,291	8,979,408	32,737,699
State & Local Obligations	5,290,749	2,083,556	7,374,305
Foreign Obligations	1,028,885	401,755	1,430,640
Domestic Stocks	40,850,625	16,120,345	56,970,970
Foreign Stocks	2,509,683	1,022,908	3,532,591
Index Funds:			
Equity	37,865,861	14,511,183	52,377,044
Government / Corporate Bonds	20,100,204	7,860,635	27,960,839
Mutual Funds:			
Foreign Equity	43,850,037	17,147,476	60,997,513
Domestic Equity	21,733,914	8,196,974	29,930,888
Real Estate	10,809,721	4,174,860	14,984,581
Total Investments	<u>207,797,970</u>	<u>80,499,100</u>	<u>288,297,070</u>
Total Assets	<u>210,630,834</u>	<u>81,455,340</u>	<u>292,086,174</u>
<b>Liabilities</b>			
Accrued Wages	2,801	1,367	4,168
Accrued Vacation	4,951	1,535	6,486
Total Liabilities	<u>7,752</u>	<u>2,902</u>	<u>10,654</u>
<b>Net Assets</b>			
Held in Trust for Pension and Health Benefits	<u>\$ 210,623,082</u>	<u>\$ 81,452,438</u>	<u>\$ 292,075,520</u>

City of Sioux Falls  
 Comprehensive Annual Financial Report  
 Year Ended December 31, 2005

**Notes to Financial Statements - Fiduciary Funds Changes in Net Assets**

	<u>Employee's Retirement</u>	<u>Firefighters' Pension</u>	<u>Total Pension Trust Funds</u>
<b>Additions</b>			
Contributions			
Employer	\$ 5,769,159	\$ 1,448,282	\$ 7,217,441
Plan Members	1,829,649	733,442	2,563,091
Total Contributions	<u>7,598,808</u>	<u>2,181,724</u>	<u>9,780,532</u>
Investment Income (Loss)	17,035,074	6,666,149	23,701,223
Less Investment Expense	334,136	149,784	483,920
Net Investment Income (Loss)	<u>16,700,938</u>	<u>6,516,365</u>	<u>23,217,303</u>
Total Additions	<u>24,299,746</u>	<u>8,698,089</u>	<u>32,997,835</u>
<b>Deductions</b>			
Benefit Payments			
Pension	8,014,169	3,460,068	11,474,237
Health Premiums	595,278	247,378	842,656
Total Benefit Payments	<u>8,609,447</u>	<u>3,707,446</u>	<u>12,316,893</u>
Refunds	182,999	1,038	184,037
Administrative Expense	126,404	69,916	196,320
Total Deductions	<u>8,918,850</u>	<u>3,778,400</u>	<u>12,697,250</u>
Net Increase (Decrease)	15,380,896	4,919,689	20,300,585
<b>Net Assets - Beginning</b>	<u>195,242,186</u>	<u>76,532,749</u>	<u>271,774,935</u>
<b>Net Assets - Ending</b>	<u>\$ 210,623,082</u>	<u>\$ 81,452,438</u>	<u>\$ 292,075,520</u>