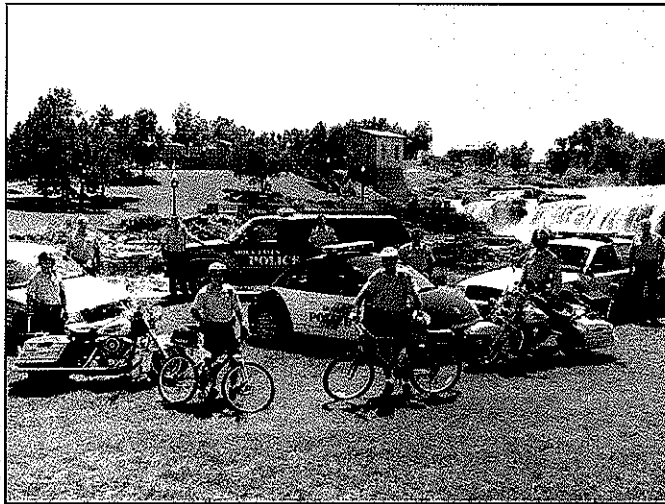
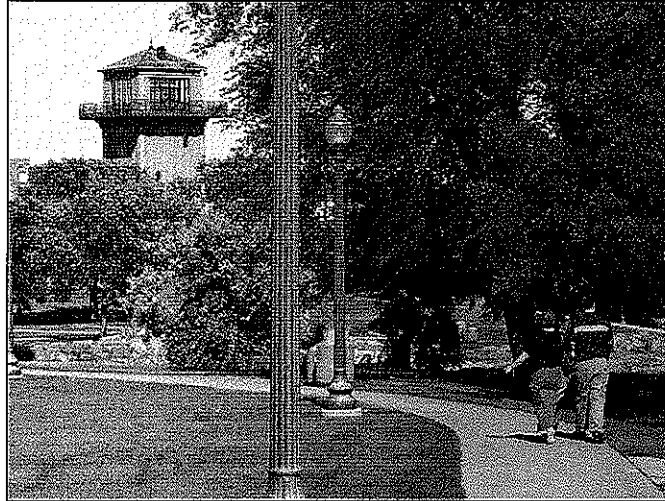
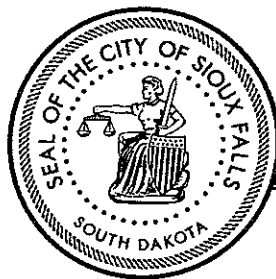


City of Sioux Falls, South Dakota
Employee's
Retirement System



2006 Annual
Financial Report

For the Fiscal Year Ended December 31, 2006
Prepared by the Accounting Division



CITY OF SIOUX FALLS

FINANCE

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April 27, 2007

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, 2006, 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 as an appendix to this 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, 2006, were brought to our attention within the audit.

Respectfully submitted,

Eugene Rowenhorst
Director of Finance
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 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.

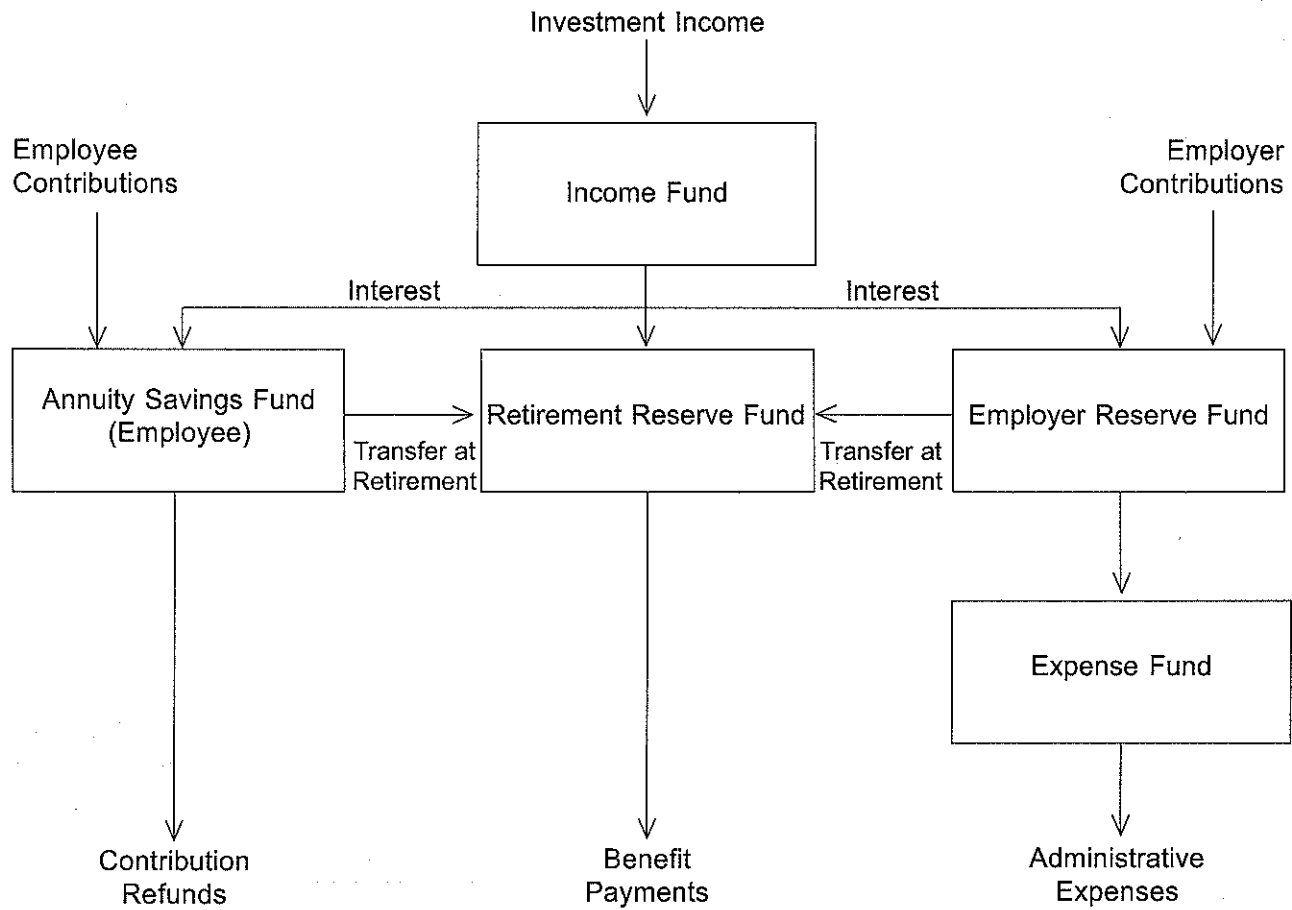
Revenue remaining in the Fund after the allocation of interest to the Pension Savings and Retirement Reserve Funds is transferred to the Pension Reserve Fund leaving a zero balance in the Income Fund per Board directive on May 19, 2004.

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, 2005 and 2006

ASSETS

	<u>2005</u>	<u>2006</u>
Cash in bank	\$ 114,956	\$ 533,483
Prepaid expenses	-	-
Accounts receivable	212,693	290,453
Accrued Interest and dividends	402,161	525,700
Investments held by funding agents (at market value):	<u>209,901,024</u>	<u>240,099,087</u>
Total Assets	\$ <u>210,630,834</u>	\$ <u>241,448,723</u>

LIABILITIES AND EQUITY

Accounts payable	\$ 7,752	\$ 17,117
Funded reserves:		
Annuity savings fund	26,809,022	28,511,127
Employer reserve fund	102,873,264	126,830,062
Retirement reserve fund	80,784,849	85,930,784
Income fund	-	-
Expense fund	<u>155,947</u>	<u>159,633</u>
Total Liabilities & Equity	\$ <u>210,630,834</u>	\$ <u>241,448,723</u>

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

STATEMENT OF CHANGES IN RESERVE ACCOUNTS

December 31, 2006

	<u>General Division</u>	<u>Police Division</u>	<u>Total</u>
<u>Annuity Savings Fund</u>			
Balance 1-1	\$ 17,644,049	\$ 9,164,973	\$ 26,809,022
Interest earned-individual accounts	867,976	474,481	1,342,457
Member contributions	924,088	983,863	1,907,951
Recovery of prior years refunds			
Contribution refunds	(104,220)	(85,118)	(189,338)
Transfer to retirement reserve fund	(1,092,539)	(266,426)	(1,358,965)
Balance 12-31	\$ 18,239,354	\$ 10,271,773	\$ 28,511,127
 <u>Employer Reserve Fund</u>			
Balance 1-1	\$ 73,305,136	\$ 29,568,128	\$ 102,873,264
Unallocated interest	17,699,709	7,139,299	24,839,008
Prior period adjustment			
City contributions	3,698,294	2,277,031	5,975,325
Transfers to:			
Expense fund	(104,172)	(42,019)	(146,191)
Retirement reserve fund	(5,340,432)	(1,370,912)	(6,711,344)
Balance 12-31	\$ 89,258,535	\$ 37,571,527	\$ 126,830,062
 <u>Retirement Reserve Fund</u>			
Balance 1-1	\$ 43,036,711	\$ 37,748,138	\$ 80,784,849
Transfers from:			
Employer reserve fund	5,340,432	1,370,912	6,711,344
Income fund-interest	3,459,356	2,952,784	6,412,140
Annuity savings fund	1,092,539	266,426	1,358,965
Pension payments	(5,575,897)	(3,086,853)	(8,662,750)
Group health insurance payment	(446,611)	(227,153)	(673,764)
Balance 12-31	\$ 46,906,530	\$ 39,024,254	\$ 85,930,784

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

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

December 31, 2005 and 2006

	2005	2006
<u>Annuity Savings Fund</u>		
Balance 1-1	\$ 17,213,514	\$ 17,644,049
Interest earned-individual accounts	850,006	867,976
Member contributions	890,766	924,088
Recovery of prior years refunds		
Contribution refunds	(96,996)	(104,220)
Transfer to retirement reserve fund	(1,213,241)	(1,092,539)
Balance 12-31	\$ 17,644,049	\$ 18,239,354
 <u>Employer Reserve Fund</u>		
Balance 1-1	\$ 68,441,873	\$ 73,305,136
Unallocated interest	7,058,349	17,699,709
Prior period adjustment		
City contributions	3,575,666	3,698,294
Transfers to:		
Expense fund	(96,292)	(104,172)
Retirement reserve fund	(5,674,460)	(5,340,432)
Balance 12-31	\$ 73,305,136	\$ 89,258,535
 <u>Retirement Reserve Fund</u>		
Balance 1-1	\$ 38,809,863	\$ 43,036,711
Transfers from:		
Employer reserve fund	5,674,460	5,340,432
Income fund-interest	2,792,276	3,459,356
Annuity savings fund	1,213,241	1,092,539
Pension payments	(5,099,345)	(5,575,897)
Group health insurance payment	(353,784)	(446,611)
Balance 12-31	\$ 43,036,711	\$ 46,906,530

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

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

December 31, 2005 and 2006

	<u>2005</u>	<u>2006</u>
<u>Annuity Savings Fund</u>		
Balance 1-1	\$ 8,252,113	\$ 9,164,973
Interest earned-individual accounts	425,886	474,481
Member contributions	938,883	983,863
Recovery of prior years refunds		
Contribution refunds	(86,003)	(85,118)
Transfer to retirement reserve fund	(365,906)	(266,426)
Balance 12-31	<u>\$ 9,164,973</u>	<u>\$ 10,271,773</u>
<u>Employer Reserve Fund</u>		
Balance 1-1	\$ 26,651,433	\$ 29,568,128
Unallocated interest	2,748,538	7,139,299
Prior period adjustments		
City contributions	2,193,493	2,277,031
Transfers to:		
Expense fund	(37,497)	(42,019)
Retirement reserve fund	(1,987,839)	(1,370,912)
Balance 12-31	<u>\$ 29,568,128</u>	<u>\$ 37,571,527</u>
<u>Retirement Reserve Fund</u>		
Balance 1-1	\$ 35,724,828	\$ 37,748,138
Transfers from:		
Employer reserve fund	1,987,839	1,370,912
Income fund-interest	2,825,883	2,952,784
Annuity savings fund	365,906	266,426
Pension payments	(2,914,824)	(3,086,853)
Group health insurance payment	(241,494)	(227,153)
Balance 12-31	<u>\$ 37,748,138</u>	<u>\$ 39,024,254</u>

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

INCOME AND EXPENSE FUNDS

December 31, 2005 and 2006

<u>Income Fund</u>	<u>2005</u>	<u>2006</u>
Balance 1-1	\$ -	\$ -
Revenue:		
Interest earned-City	8,264	20,207
Other income		
Investment earnings-funding agents	10,642,113	16,250,866
Increase (decrease) in unrealized market value	<u>6,384,697</u>	<u>16,759,778</u>
Total balance and revenue	<u>17,035,074</u>	<u>33,030,851</u>
Expenditures:		
Transfers to:		
Annuity savings fund-interest	1,275,892	1,342,457
Employer reserve fund-interest	9,806,887	24,839,008
Retirement reserve fund-interest	5,618,159	6,412,140
Funding agent, trustee, & consultant fees	<u>334,136</u>	<u>437,246</u>
Total expenditures	<u>17,035,074</u>	<u>33,030,851</u>
Balance 12-31	<u>\$ -</u>	<u>\$ -</u>
 <u>Expense Fund</u>		
Balance 1-1	\$ 148,562	\$ 155,947
Revenue:		
Transfer from employer reserve fund	<u>133,789</u>	<u>146,191</u>
Funds available	<u>282,351</u>	<u>302,138</u>
Expenditures:		
Actuary fees	40,681	36,680
Audit fees	2,250	2,250
Wages & benefits	76,913	96,810
Supplies & materials	9	-
Travel and education	2,092	430
Disability exams	4,240	1,547
Other expenses	<u>219</u>	<u>4,788</u>
Total expenditures	<u>126,404</u>	<u>142,505</u>
Balance 12-31	<u>\$ 155,947</u>	<u>\$ 159,633</u>

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

STATEMENT OF REVENUES AND EXPENSES

December 31, 2005 and 2006

	2005	2006
Operating revenues:		
Investment earnings:		
City	\$ 8,264	\$ 20,207
Funding agents	10,642,113	16,250,866
Member contributions	1,829,649	1,907,951
City contributions	5,769,159	5,975,325
Other revenue		
Total operating revenues	18,249,185	24,154,349
Operating expenses:		
Benefit payments	8,014,169	8,662,750
Group health insurance payments	595,278	673,764
Contribution refunds	182,999	189,338
Funding agent fees	282,582	382,393
Trustee fees	29,554	32,853
Consultant fees	22,000	22,000
Actuary fees	40,681	36,680
Audit fees	2,250	2,250
Other operating expenses	83,473	103,575
Total operating expenses	9,252,986	10,105,603
Operating income	8,996,199	14,048,746
Nonoperating revenue:		
Increase (decrease) in unrealized market value	6,384,697	16,759,778
Net income (loss)	15,380,896	30,808,524
Fund balance 1-1	195,242,186	210,623,082
Fund balance 12-31	\$ 210,623,082	\$ 241,431,606

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

EXPENSE FUND BALANCE

2007 Budget

2007 Approved Expense Fund Budget:

Wages & Benefits	\$ 106,814
Insurance	614
Actuarial Services	33,500
Legal Services	6,600
Health Services (Disability Exams)	10,000
Supplies & Materials	950
Travel and Education	1,155
Other Expenses	-
Total	<u>\$ 159,633</u>

**City of Sioux Falls
Comprehensive Annual Financial Report
December 31, 2006**

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>
Assets			
Cash and Cash Equivalents	\$ 2,676,759	\$ 975,038	\$ 3,651,797
Receivables:			
Accounts	290,453	107,439	397,892
Interest	525,700	191,383	717,083
Total Receivables	<u>816,153</u>	<u>298,822</u>	<u>1,114,975</u>
Investments at Fair Value:			
US Government	33,927,247	13,097,396	47,024,643
Foreign Obligations	676,417	265,735	942,152
Domestic Stocks	46,452,485	18,183,106	64,635,591
Foreign Stocks	4,204,379	1,680,644	5,885,023
Index Funds:			
Equity	42,656,293	16,408,507	59,064,800
Government / Corporate Bonds	23,073,072	8,870,122	31,943,194
Mutual Funds:			
Foreign Equity	51,050,108	19,326,104	70,376,212
Domestic Equity	23,133,290	8,717,577	31,850,867
Real Estate	12,782,520	4,922,590	17,705,110
Total Investments	<u>237,955,811</u>	<u>91,471,781</u>	<u>329,427,592</u>
Total Assets	<u>241,448,723</u>	<u>92,745,641</u>	<u>334,194,364</u>
Liabilities			
Accounts Payable	13,045	5,494	18,539
Accrued Wages	4,072	2,149	6,221
Total Liabilities	<u>17,117</u>	<u>7,643</u>	<u>24,760</u>
Net Assets			
Held in Trust for Pension and Health Benefits	<u>\$ 241,431,606</u>	<u>\$ 92,737,998</u>	<u>\$ 334,169,604</u>

**City of Sioux Falls
 Comprehensive Annual Financial Report
 Year Ended December 31, 2006**

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>
Additions			
Contributions			
Employer	\$ 5,975,325	\$ 2,096,083	\$ 8,071,408
Plan Members	1,907,951	804,140	2,712,091
Total Contributions	<u>7,883,276</u>	<u>2,900,223</u>	<u>10,783,499</u>
Investment Income (Loss)	33,030,851	12,813,932	45,844,783
Less Investment Expense	437,246	182,329	619,575
Net Investment Income (Loss)	<u>32,593,605</u>	<u>12,631,603</u>	<u>45,225,208</u>
Total Additions	<u>40,476,881</u>	<u>15,531,826</u>	<u>56,008,707</u>
Deductions			
Benefit Payments			
Pension	8,662,750	3,755,563	12,418,313
Health Premiums	673,764	284,672	958,436
Total Benefit Payments	<u>9,336,514</u>	<u>4,040,235</u>	<u>13,376,749</u>
Refunds	189,338	133,085	322,423
Administrative Expense	<u>142,505</u>	<u>72,946</u>	<u>215,451</u>
Total Deductions	<u>9,668,357</u>	<u>4,246,266</u>	<u>13,914,623</u>
Net Increase (Decrease)	30,808,524	11,285,560	42,094,084
Net Assets - Beginning	<u>210,623,082</u>	<u>81,452,438</u>	<u>292,075,520</u>
Net Assets - Ending	<u>\$ 241,431,606</u>	<u>\$ 92,737,998</u>	<u>\$ 334,169,604</u>