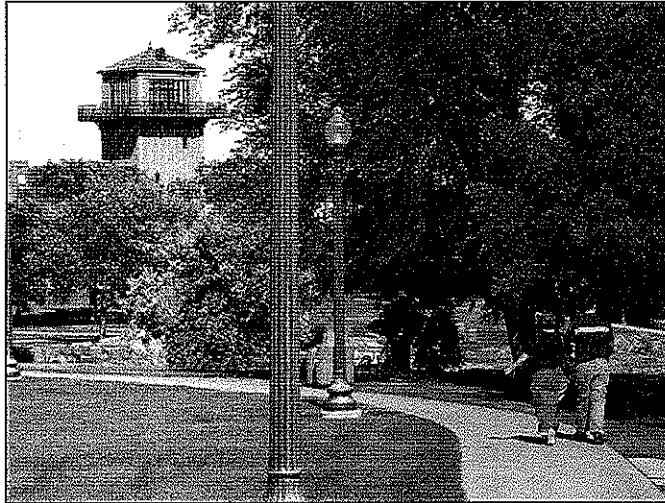


**City of Sioux Falls, South Dakota
Employee's
Retirement System**



**2007 Annual
Financial Report**

**For the Fiscal Year Ended December 31, 2007
Prepared by the Accounting Division**

City of
Sioux Falls



Finance

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May 1, 2008

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, 2007, 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, 2007, were brought to our attention within the audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Eugene Rowenhorst".

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.

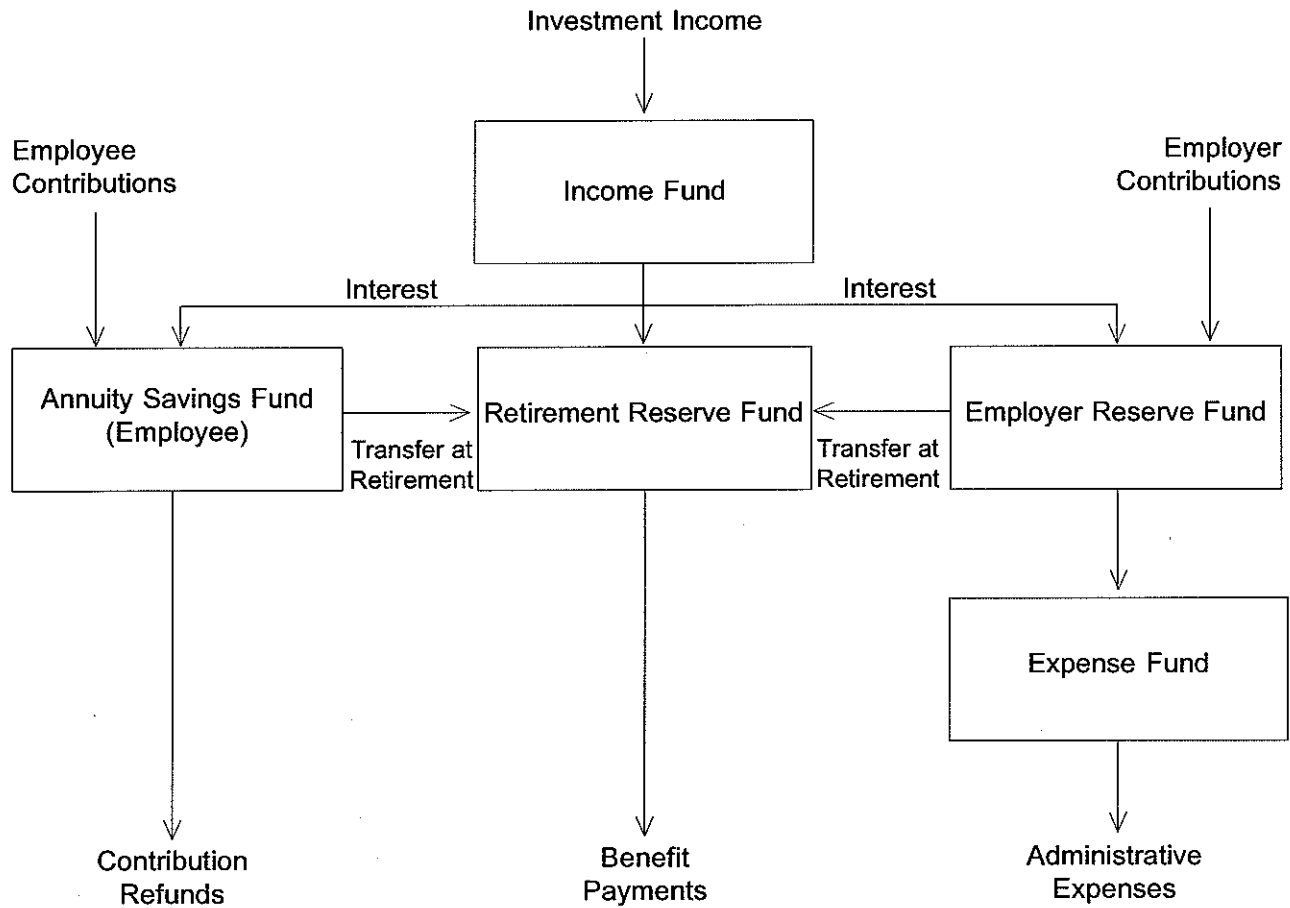
Revenue remaining in the Fund after the allocation of interest to the Pension Savings and Retirement Reserve Funds is transferred to the Pension Reserve Fund leaving a zero balance in the Income Fund per Board directive on May 19, 2004.

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, 2006 and 2007

ASSETS

	<u>2006</u>	<u>2007</u>
Cash in bank	\$ 533,483	\$ 1,005,046
Prepaid expenses	-	-
Accounts receivable	290,453	313,193
Accrued Interest and dividends	525,700	565,826
Investments held by funding agents (at market value):	<u>240,099,087</u>	<u>258,508,313</u>
Total Assets	\$ <u>241,448,723</u>	\$ <u>260,392,377</u>

LIABILITIES AND EQUITY

Accounts payable	\$ 17,117	\$ 4,248
Funded reserves:		
Annuity savings fund	28,511,127	30,724,926
Employer reserve fund	126,830,062	140,287,222
Retirement reserve fund	85,930,784	89,182,535
Income fund	-	-
Expense fund	<u>159,633</u>	<u>193,446</u>
Total Liabilities & Equity	\$ <u>241,448,723</u>	\$ <u>260,392,377</u>

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

STATEMENT OF CHANGES IN RESERVE ACCOUNTS

December 31, 2007

	<u>General Division</u>	<u>Police Division</u>	<u>Total</u>
<u>Annuity Savings Fund</u>			
Balance 1-1	\$ 18,239,354	10,271,773	\$ 28,511,127
Interest earned-individual accounts	904,163	526,481	1,430,644
Member contributions	987,731	1,013,559	2,001,290
Recovery of prior years refunds	-	-	-
Contribution refunds	(139,465)	(60,314)	(199,779)
Transfer to retirement reserve fund	(689,089)	(329,267)	(1,018,356)
Balance 12-31	\$ <u>19,302,694</u>	\$ <u>11,422,232</u>	\$ <u>30,724,926</u>
 <u>Employer Reserve Fund</u>			
Balance 1-1	\$ 89,258,535	37,571,527	\$ 126,830,062
Unallocated interest	7,922,100	3,334,643	11,256,743
Prior period adjustment	-	-	-
City contributions	5,093,985	2,802,504	7,896,489
Transfers to:			
Expense fund	(137,227)	(57,763)	(194,990)
Retirement reserve fund	(4,281,235)	(1,219,847)	(5,501,082)
Balance 12-31	\$ <u>97,856,158</u>	\$ <u>42,431,064</u>	\$ <u>140,287,222</u>
 <u>Retirement Reserve Fund</u>			
Balance 1-1	\$ 46,906,530	39,024,254	\$ 85,930,784
Transfers from:			
Employer reserve fund	4,281,235	1,219,847	5,501,082
Income fund-interest	3,692,715	3,042,413	6,735,128
Annuity savings fund	689,089	329,267	1,018,356
Pension payments	(5,977,841)	(3,284,950)	(9,262,791)
Group health insurance payment	(487,680)	(252,344)	(740,024)
Balance 12-31	\$ <u>49,104,048</u>	\$ <u>40,078,487</u>	\$ <u>89,182,535</u>

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

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

December 31, 2006 and 2007

	<u>2006</u>	<u>2007</u>
<u>Annuity Savings Fund</u>		
Balance 1-1	\$ 17,644,049	\$ 18,239,354
Interest earned-individual accounts	867,976	904,163
Member contributions	924,088	987,731
Recovery of prior years refunds	-	-
Contribution refunds	(104,220)	(139,465)
Transfer to retirement reserve fund	(1,092,539)	(689,089)
Balance 12-31	<u>\$ 18,239,354</u>	<u>\$ 19,302,694</u>
<u>Employer Reserve Fund</u>		
Balance 1-1	\$ 73,305,136	\$ 89,258,535
Unallocated interest	17,699,709	7,922,100
Prior period adjustment	-	-
City contributions	3,698,294	5,093,985
Transfers to:		
Expense fund	(104,172)	(137,227)
Retirement reserve fund	(5,340,432)	(4,281,235)
Balance 12-31	<u>\$ 89,258,535</u>	<u>\$ 97,856,158</u>
<u>Retirement Reserve Fund</u>		
Balance 1-1	\$ 43,036,711	\$ 46,906,530
Transfers from:		
Employer reserve fund	5,340,432	4,281,235
Income fund-interest	3,459,356	3,692,715
Annuity savings fund	1,092,539	689,089
Pension payments	(5,575,897)	(5,977,841)
Group health insurance payment	(446,611)	(487,680)
Balance 12-31	<u>\$ 46,906,530</u>	<u>\$ 49,104,048</u>

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

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

December 31, 2006 and 2007

	<u>2006</u>	<u>2007</u>
<u>Annuity Savings Fund</u>		
Balance 1-1	\$ 9,164,973	\$ 10,271,773
Interest earned-individual accounts	474,481	526,481
Member contributions	983,863	1,013,559
Recovery of prior years refunds	-	-
Contribution refunds	(85,118)	(60,314)
Transfer to retirement reserve fund	(266,426)	(329,267)
Balance 12-31	<u>\$ 10,271,773</u>	<u>\$ 11,422,232</u>
<u>Employer Reserve Fund</u>		
Balance 1-1	\$ 29,568,128	\$ 37,571,527
Unallocated interest	7,139,299	3,334,643
Prior period adjustments	-	-
City contributions	2,277,031	2,802,504
Transfers to:		
Expense fund	(42,019)	(57,763)
Retirement reserve fund	(1,370,912)	(1,219,847)
Balance 12-31	<u>\$ 37,571,527</u>	<u>\$ 42,431,064</u>
<u>Retirement Reserve Fund</u>		
Balance 1-1	\$ 37,748,138	\$ 39,024,254
Transfers from:		
Employer reserve fund	1,370,912	1,219,847
Income fund-interest	2,952,784	3,042,413
Annuity savings fund	266,426	329,267
Pension payments	(3,086,853)	(3,284,950)
Group health insurance payment	(227,153)	(252,344)
Balance 12-31	<u>\$ 39,024,254</u>	<u>\$ 40,078,487</u>

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

INCOME AND EXPENSE FUNDS

December 31, 2006 and 2007

<u>Income Fund</u>	<u>2006</u>	<u>2007</u>
Balance 1-1	\$ -	\$ -
Revenue:		
Interest earned-City	20,207	42,938
Other income	-	981
Investment earnings-funding agents	16,250,866	17,078,702
Increase (decrease) in unrealized market value	<u>16,759,778</u>	<u>2,814,730</u>
Total balance and revenue	<u>33,030,851</u>	<u>19,937,351</u>
Expenditures:		
Transfers to:		
Annuity savings fund-interest	1,342,457	1,430,644
Employer reserve fund-interest	24,839,008	11,256,743
Retirement reserve fund-interest	6,412,140	6,735,128
Funding agent, trustee, & consultant fees	<u>437,246</u>	<u>514,836</u>
Total expenditures	<u>33,030,851</u>	<u>19,937,351</u>
Balance 12-31	<u>\$ -</u>	<u>\$ -</u>
 <u>Expense Fund</u>		
Balance 1-1	\$ 155,947	\$ 159,633
Revenue:		
Transfer from employer reserve fund	<u>146,191</u>	<u>194,990</u>
Funds available	<u>302,138</u>	<u>354,623</u>
Expenditures:		
Actuary fees	36,680	48,239
Audit fees	2,250	1,150
Wages & benefits	96,810	109,347
Supplies & materials	-	489
Travel and education	430	438
Disability exams	1,547	900
Other expenses	<u>4,788</u>	<u>614</u>
Total expenditures	<u>142,505</u>	<u>161,177</u>
Balance 12-31	<u>\$ 159,633</u>	<u>\$ 193,446</u>

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

STATEMENT OF REVENUES AND EXPENSES

December 31, 2006 and 2007

	<u>2006</u>	<u>2007</u>
Operating revenues:		
Investment earnings:		
City	\$ 20,207	\$ 42,938
Funding agents	16,250,866	17,078,702
Member contributions	1,907,951	2,001,290
City contributions	5,975,325	7,896,489
Other revenue	-	981
Total operating revenues	<u>24,154,349</u>	<u>27,020,400</u>
Operating expenses:		
Benefit payments	8,662,750	9,262,791
Group health insurance payments	673,764	740,024
Contribution refunds	189,338	199,779
Funding agent fees	382,393	447,204
Trustee fees	32,853	37,632
Consultant fees	22,000	30,000
Actuary fees	36,680	48,239
Audit fees	2,250	1,150
Other operating expenses	103,575	111,788
Total operating expenses	<u>10,105,603</u>	<u>10,878,607</u>
Operating income	<u>14,048,746</u>	<u>16,141,793</u>
Nonoperating revenue:		
Increase (decrease) in unrealized market value	<u>16,759,778</u>	<u>2,814,730</u>
Net income (loss)	30,808,524	18,956,523
Fund balance 1-1	<u>210,623,082</u>	<u>241,431,606</u>
Fund balance 12-31	<u>\$ 241,431,606</u>	<u>\$ 260,388,129</u>

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

EXPENSE FUND BALANCE

2008 Budget

2008 Approved Expense Fund Budget:	
Wages & Benefits	\$ 115,927
Insurance	614
Actuarial Services	45,700
Legal & Audit Services	19,100
Health Services (Disability Exams)	10,000
Supplies & Materials	950
Travel and Education	1,155
Other Expenses	-
Total	<u>\$ 193,446</u>

City of Sioux Falls
 Comprehensive Annual Financial Report
 December 31, 2007

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	\$ 2,542,479	\$ 1,361,260	\$ 3,903,739
Receivables:			
Accounts	313,192	115,528	428,720
Interest	565,826	226,787	792,613
Total Receivables	<u>879,018</u>	<u>342,315</u>	<u>1,221,333</u>
Investments at Fair Value:			
US Government	559,830	1,393,997	1,953,827
Corporate Obligations	28,270,197	11,473,469	39,743,666
Foreign Obligations	9,884,991	1,868,313	11,753,304
Domestic Stocks	50,444,137	19,453,542	69,897,679
Foreign Stocks	4,362,412	1,730,722	6,093,134
Index Funds:			
Equity	45,862,829	17,411,047	63,273,876
Government / Corporate Bonds	25,888,702	9,811,931	35,700,633
Mutual Funds:			
Foreign Equity	54,826,449	20,206,760	75,033,209
Domestic Equity	24,020,552	9,052,236	33,072,788
Real Estate	12,850,781	4,958,861	17,809,642
Total Investments	<u>256,970,880</u>	<u>97,360,878</u>	<u>354,331,758</u>
Total Assets	<u>260,392,377</u>	<u>99,064,453</u>	<u>359,456,830</u>
Liabilities			
Accrued Wages	<u>4,248</u>	<u>2,238</u>	<u>6,486</u>
Total Liabilities	<u>4,248</u>	<u>2,238</u>	<u>6,486</u>
Net Assets			
Held in Trust for Pension and Health Benefits	<u>\$ 260,388,129</u>	<u>\$ 99,062,215</u>	<u>\$ 359,450,344</u>

City of Sioux Falls
 Comprehensive Annual Financial Report
 Year Ended December 31, 2007

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	\$ 7,896,489	\$ 2,716,461	\$ 10,612,950
Plan Members	2,001,290	832,891	2,834,181
Total Contributions	<u>9,897,779</u>	<u>3,549,352</u>	<u>13,447,131</u>
Investment Income (Loss)	19,937,351	7,602,334	27,539,685
Less Investment Expense	514,836	209,408	724,244
Net Investment Income (Loss)	<u>19,422,515</u>	<u>7,392,926</u>	<u>26,815,441</u>
Total Additions	<u>29,320,294</u>	<u>10,942,278</u>	<u>40,262,572</u>
Deductions			
Benefit Payments			
Pension	9,262,791	4,173,282	13,436,073
Health Premiums	740,024	317,438	1,057,462
Total Benefit Payments	<u>10,002,815</u>	<u>4,490,720</u>	<u>14,493,535</u>
Refunds	199,779	42,932	242,711
Administrative Expense	161,177	84,409	245,586
Total Deductions	<u>10,363,771</u>	<u>4,618,061</u>	<u>14,981,832</u>
Net Increase (Decrease)	18,956,523	6,324,217	25,280,740
Net Assets - Beginning	<u>241,431,606</u>	<u>92,737,998</u>	<u>334,169,604</u>
Net Assets - Ending	<u>\$ 260,388,129</u>	<u>\$ 99,062,215</u>	<u>\$ 359,450,344</u>