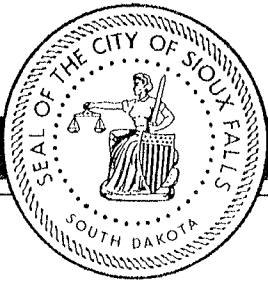


City of Sioux Falls, South Dakota Firefighters' Pension Fund



2002 Annual Financial Report

For the Fiscal Year Ended December 31, 2002
Prepared by the Accounting Division



CITY OF SIOUX FALLS

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May 28, 2003

Board of Trustees
City of Sioux Falls
Firefighters' Pension Fund

The annual financial report of the City of Sioux Falls Firefighters' Pension Fund for the year ended December 31, 2002, is hereby submitted for review and approval. To the best of our knowledge, the information presented accurately defines the Fund'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.

In addition, City Charter Section 2.10 provides for an independent audit to be performed annually on all City accounts, including the Firefighters' Pension Fund. No audit comments or recommendations regarding the System for the year-ended December 31, 2002, were noted within this audit.

Sincerely,

Thomas J. Huber
Accounting Manager
City of Sioux Falls

Attachments

**City of Sioux Falls
Firefighters' Pension Fund**

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City of Sioux Falls Firefighters' Pension Fund

Definition of Funds

Pension Savings Fund (Ordinance Section 35-106)

The Pension 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.

Pension Reserve Fund (Ordinance Section 35-107)

The Pension 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 35-108)

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 Pension 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 Pension 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

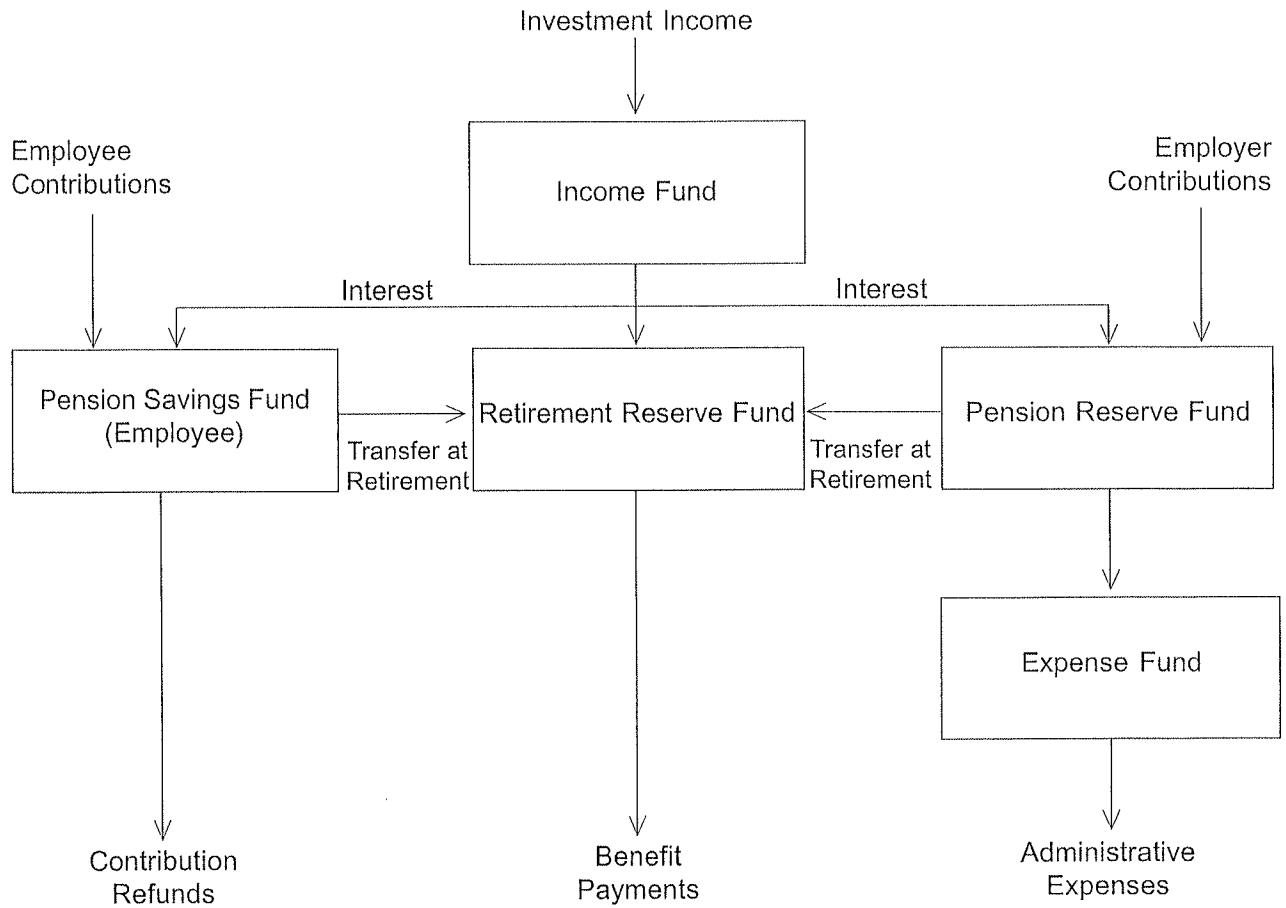
The Income Fund is credited with all revenues earned on investments held by the City and funding agents including increases/decreases in unrealized market values. Subtracted from the Income Fund are transfers to the Pension Savings, Pension Reserve, and Retirement Reserve Funds as well as funding agent 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. The Income Fund maintains a zero balance at year end (Ordinance Section 35-115).

Expense Fund (Ordinance Section 35-112)

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

**City of Sioux Falls
Firefighters' Pension Fund
Flow Chart of Fund Transfers**



**CITY OF SIOUX FALLS
FIREFIGHTERS' PENSION FUND**

BALANCE SHEET

December 31, 2001 and 2002

ASSETS

	<u>2001</u>	<u>2002</u>
Cash in bank	\$ 272,198	\$ 260,436
Cash in trust		
Accounts receivable	20,287	25,358
Accrued Interest and dividends	121,843	117,410
Investments held by funding agents (at market value):	<u>62,494,676</u>	<u>54,720,072</u>
Total Assets	\$ <u>62,909,004</u>	\$ <u>55,123,276</u>

LIABILITIES AND EQUITY

Accounts payable	\$ 34,177	\$ 26,713
Funded reserves:		
Pension savings fund	6,824,793	7,178,308
Pension reserve fund	36,490,127	25,595,970
Retirement reserve fund	19,524,824	22,306,554
Expense fund	<u>35,083</u>	<u>15,731</u>
Total Liabilities & Equity	\$ <u>62,909,004</u>	\$ <u>55,123,276</u>

**CITY OF SIOUX FALLS
FIREFIGHTERS' PENSION FUND**

STATEMENT OF CHANGES IN RESERVE ACCOUNTS

December 31, 2001 and 2002

	<u>2001</u>	<u>2002</u>
<u>Pension Savings Fund</u>		
Balance 1-1	\$ 6,278,959	\$ 6,824,793
Interest earned-individual accounts	313,796	336,793
Member contributions	549,024	612,637
Contribution refunds	0	(11,921)
Transfer to retirement reserve fund	(316,986)	(583,994)
Balance 12-31	\$ <u>6,824,793</u>	\$ <u>7,178,308</u>
<u>Pension Reserve Fund</u>		
Balance 1-1	\$ 40,308,924	\$ 36,490,127
Unallocated interest	(2,791,144)	(8,500,613)
City contributions	878,260	837,636
Transfers to:		
Expense fund	0	(24,448)
Retirement reserve fund	(1,905,913)	(3,206,732)
Balance 12-31	\$ <u>36,490,127</u>	\$ <u>25,595,970</u>
<u>Retirement Reserve Fund</u>		
Balance 1-1	\$ 18,237,737	\$ 19,524,824
Transfers from:		
Pension reserve fund	1,905,913	3,206,732
Income fund-interest	1,452,406	1,602,393
Pension savings fund	316,986	583,994
Pension payments	(2,275,493)	(2,454,162)
Group health insurance payment	(112,725)	(157,227)
Balance 12-31	\$ <u>19,524,824</u>	\$ <u>22,306,554</u>

**CITY OF SIOUX FALLS
FIREFIGHTERS' PENSION FUND**

INCOME AND EXPENSE FUNDS

December 31, 2001 and 2002

<u>Income Fund</u>	2001	2002
Balance 1-1	\$ 0	\$ 0
Revenue:		
Interest earned-City	22,384	11,521
Other income	-	-
Investment earnings-funding agents	2,209,410	2,555,725
Increase (decrease) in unrealized market value	<u>(3,145,389)</u>	<u>(8,992,716)</u>
Total balance and revenue	<u>(913,595)</u>	<u>(6,425,470)</u>
Expenditures:		
Transfers to:		
Pension savings fund-interest	313,796	336,793
Pension reserve fund-interest	(2,791,144)	(8,500,613)
Retirement reserve fund-interest	1,452,406	1,602,393
Funding agent, trustee, and consultant fees	<u>111,347</u>	<u>135,957</u>
Total expenditures	<u>(913,595)</u>	<u>(6,425,470)</u>
Balance 12-31	<u>\$ 0</u>	<u>\$ 0</u>
 <u>Expense Fund</u>		
Balance 1-1	\$ 74,437	\$ 35,083
Revenue:		
Transfer from pension reserve fund	<u>0</u>	<u>24,448</u>
Funds available	<u>74,437</u>	<u>59,531</u>
Expenditures:		
Investment consulting	0	0
Actuary fees	32,650	17,420
Administrative Fees	5,009	20,972
Supplies & Materials	13	202
Travel and education	519	2,906
Health related fees	1,125	1,563
Other expenses	<u>38</u>	<u>737</u>
Total expenditures	<u>39,354</u>	<u>43,800</u>
Balance 12-31	<u>\$ 35,083</u>	<u>\$ 15,731</u>

**CITY OF SIOUX FALLS
FIREFIGHTERS' PENSION FUND**

STATEMENT OF REVENUES AND EXPENSES

December 31, 2001 and 2002

	2001	2002
Operating revenues:		
Investment earnings:		
City	\$ 22,384	\$ 11,521
Funding agents	2,209,410	2,555,725
Member contributions	549,024	612,637
City contributions	878,260	837,636
Other income	-	-
Total operating revenues	3,659,078	4,017,519
Operating expenses:		
Benefit payments	2,275,493	2,454,162
Group health insurance payments	112,725	157,227
Contribution refunds	0	11,921
Funding agent fees	71,597	91,357
Trustee fees	21,750	21,600
Actuary fees	32,650	17,420
Consultant fees	18,000	23,000
Other operating expenses	6,704	26,380
Total operating expenses	2,538,919	2,803,067
Operating income	1,120,159	1,214,452
 Increase (decrease) in unrealized market value	 (3,145,389)	 (8,992,716)
 Net income (loss)	 (2,025,230)	 (7,778,264)
Fund balance 1-1	64,900,057	62,874,827
Fund balance 12-31	\$ 62,874,827	\$ 55,096,563

**CITY OF SIOUX FALLS
FIREFIGHTERS' PENSION FUND**

EXPENSE FUND TRANSFER

2003 Budget

Balance 12-31-02		\$ 15,731
2003 Approved Budget:		
Wages & Benefits	\$ 23,155	
Professional Services		
Actuarial	\$ 20,550	
Administrative	\$ 6,020	
Benefit Study	\$ 15,000	
Office Supplies & Materials	\$ 600	
Travel, Education & Training	\$ 3,605	<u>\$ 68,930</u>
Expense Fund Deficit/(Excess)		<u>\$ 53,199</u>
Required Transfer		\$ 53,199

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

CITY OF SIOUX FALLS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2002

	EMPLOYEE'S RETIREMENT	FIREFIGHTERS' PENSION	TOTAL PENSION TRUST FUNDS
ASSETS			
Cash and cash equivalents	\$ 808,843	\$ 684,417	\$ 1,493,260
Receivables:			
Accounts	101,279	25,359	126,638
Interest	362,178	117,410	479,588
Total receivables	463,457	142,769	606,226
Investments at fair value:			
Corporate Obligations	17,429,138	6,742,718	24,171,856
State & Local Obligations	2,903,271	1,028,583	3,931,854
US Government	1,225,971	412,017	1,637,988
Index Funds:			
Equity	38,485,076	9,663,099	48,148,175
Government / Corporate Bonds	14,093,272	5,596,684	19,689,956
Mutual Funds:			
Foreign Equity	26,231,084	10,753,718	36,984,802
Domestic Equity	28,772,141	17,206,313	45,978,454
Real Estate	7,162,151	2,892,958	10,055,109
Total investments	136,302,104	54,296,090	190,598,194
Total assets	137,574,404	55,123,276	192,697,680
LIABILITIES			
Accounts payable	58,900	26,100	85,000
Accrued wages	1,214	539	1,753
Accrued vacation	222	74	296
Total liabilities	60,336	26,713	87,049
NET ASSETS			
Held in trust for pension benefits	\$ 137,514,068	\$ 55,096,563	\$ 192,610,631

**CITY OF SIOUX FALLS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>EMPLOYEE'S RETIREMENT</u>	<u>FIREFIGHTERS' PENSION</u>	<u>TOTAL PENSION TRUST FUNDS</u>
ADDITIONS			
Contributions			
Employer	\$ 3,896,795	\$ 837,636	\$ 4,734,431
Plan members	1,442,154	612,637	2,054,791
Total contributions	<u>5,338,949</u>	<u>1,450,273</u>	<u>6,789,222</u>
Investment income (loss)	(14,929,084)	(6,425,469)	(21,354,553)
Less investment expense	198,284	135,957	334,241
Net investment income (loss)	<u>(15,127,368)</u>	<u>(6,561,426)</u>	<u>(21,688,794)</u>
Total additions	<u>(9,788,419)</u>	<u>(5,111,153)</u>	<u>(14,899,572)</u>
DEDUCTIONS			
Benefit payments	6,982,370	2,611,389	9,593,759
Refunds	182,350	11,921	194,271
Administrative expense	<u>84,713</u>	<u>43,801</u>	<u>128,514</u>
Total deductions	<u>7,249,433</u>	<u>2,667,111</u>	<u>9,916,544</u>
Net increase (decrease)	(17,037,852)	(7,778,264)	(24,816,116)
NET ASSETS-BEGINNING	<u>154,551,920</u>	<u>62,874,827</u>	<u>217,426,747</u>
NET ASSETS-ENDING	<u>\$ 137,514,068</u>	<u>\$ 55,096,563</u>	<u>\$ 192,610,631</u>