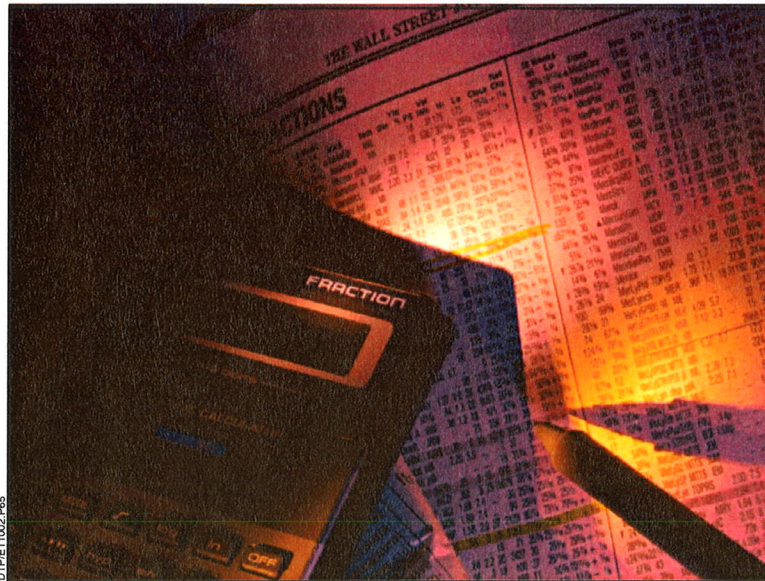


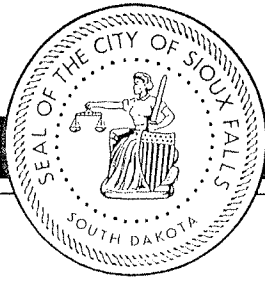
City of Sioux Falls, South Dakota Firefighters' Pension Fund



DTP/E11002.F66

2003 Annual Financial Report

For the Fiscal Year Ended December 31, 2003
Prepared by the Accounting Division



CITY OF SIOUX FALLS

FISCAL MANAGEMENT

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May 19, 2004

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, 2003, 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. Although the audit is not complete, no audit comments or recommendations regarding the Fund for the year-ended December 31, 2003, were brought to our attention during the fieldwork portion of the audit.

Sincerely,

Thomas J. Huber
Accounting Manager
City of Sioux Falls

Attachments

City of Sioux Falls Firefighters' Pension Fund

Index

	Page
Letter of Transmittal	i
Index	ii
Definition of Funds	1
Flow Chart of Fund Transfers	2
Balance Sheet	3
Statement of Changes in Reserve Accounts	4
Income and Expense Funds	5
Statement of Revenue and Expenses	6
Expense Fund Transfer Request	7
Comprehensive Annual Financial Report (GAAP) Statements	
Statement of Fiduciary Net Assets	8
Statement of Changes in Fiduciary Net Assets	9

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

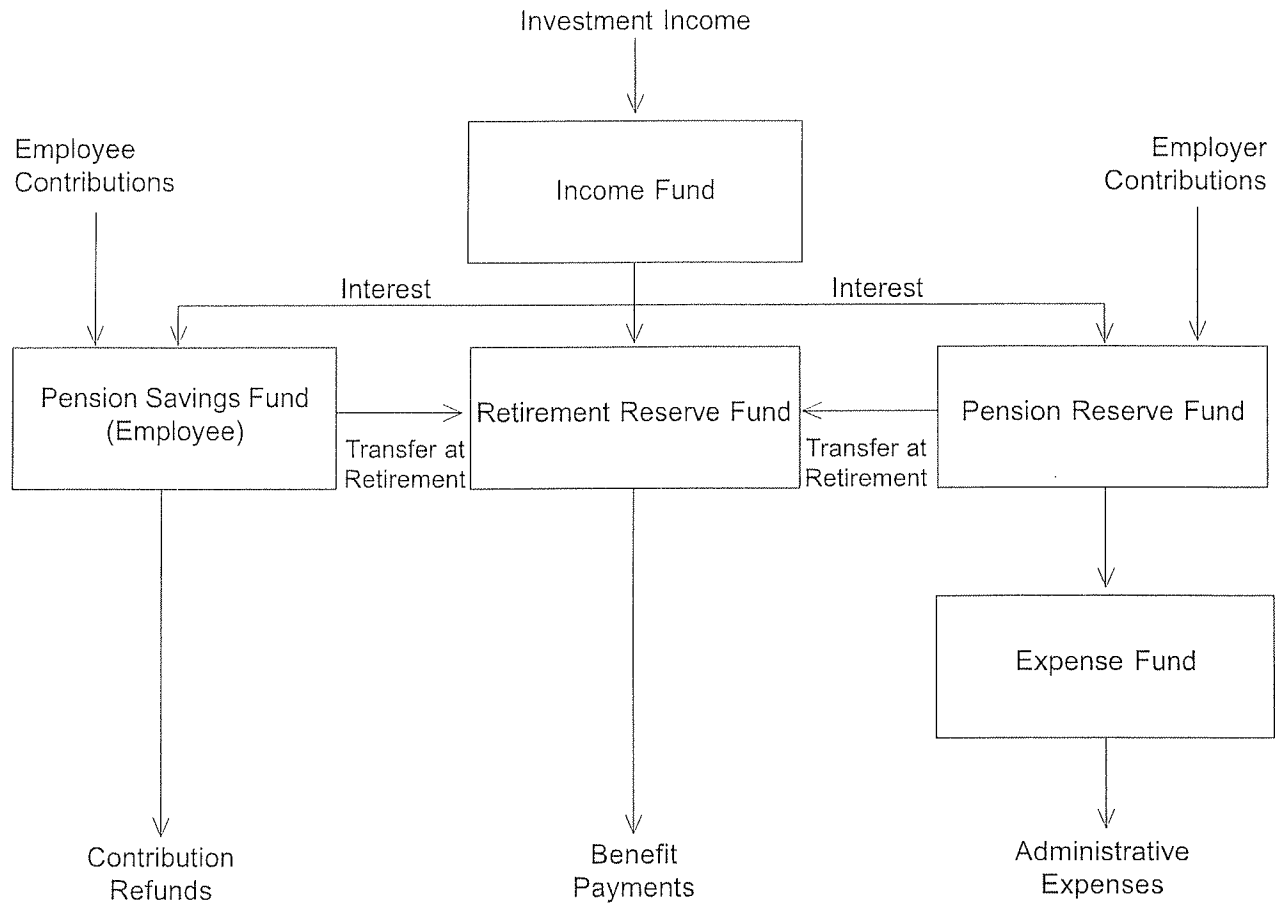
The Income Fund is credited with all revenues earned on investments held by the City and funding agents including increases/decreases in unrealized market values. Subtracted from the Income Fund are transfers to the Pension Savings, Pension Reserve, and Retirement Reserve Funds as well as funding agent 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, 2002 and 2003

ASSETS

	<u>2002</u>	<u>2003</u>
Cash in bank	\$ 260,436	\$ 183,717
Cash in trust		
Accounts receivable	25,358	40,272
Accrued Interest and dividends	117,410	65,437
Investments held by funding agents (at market value):	<u>54,720,072</u>	<u>67,934,490</u>
Total Assets	<u>\$ 55,123,276</u>	<u>\$ 68,223,916</u>

LIABILITIES AND EQUITY

Accounts payable	\$ 26,713	\$ 22,868
Funded reserves:		
Pension savings fund	7,178,308	7,782,562
Pension reserve fund	25,595,970	36,221,224
Retirement reserve fund	22,306,554	24,162,680
Expense fund	<u>15,731</u>	<u>34,582</u>
Total Liabilities & Equity	<u>\$ 55,123,276</u>	<u>\$ 68,223,916</u>

CITY OF SIOUX FALLS
FIREFIGHTERS' PENSION FUND

STATEMENT OF CHANGES IN RESERVE ACCOUNTS

December 31, 2002 and 2003

	<u>2002</u>	<u>2003</u>
<u>Pension Savings Fund</u>		
Balance 1-1	\$ 6,824,793	\$ 7,178,308
Interest earned-individual accounts	336,793	359,439
Member contributions	612,637	694,919
Contribution refunds	(11,921)	(12,667)
Transfer to retirement reserve fund	<u>(583,994)</u>	<u>(437,437)</u>
Balance 12-31	<u>\$ 7,178,308</u>	<u>\$ 7,782,562</u>
<u>Pension Reserve Fund</u>		
Balance 1-1	\$ 36,490,127	\$ 25,595,970
Unallocated interest	(8,500,613)	12,166,953
City contributions	837,636	964,605
Transfers to:		
Expense fund	(24,448)	(53,199)
Retirement reserve fund	<u>(3,206,732)</u>	<u>(2,453,105)</u>
Balance 12-31	<u>\$ 25,595,970</u>	<u>\$ 36,221,224</u>
<u>Retirement Reserve Fund</u>		
Balance 1-1	\$ 19,524,824	\$ 22,306,554
Transfers from:		
Pension reserve fund	3,206,732	2,453,105
Income fund-interest	1,602,393	1,788,925
Pension savings fund	583,994	437,437
Pension payments	(2,454,162)	(2,646,885)
Group health insurance payment	<u>(157,227)</u>	<u>(176,456)</u>
Balance 12-31	<u>\$ 22,306,554</u>	<u>\$ 24,162,680</u>

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

INCOME AND EXPENSE FUNDS

December 31, 2002 and 2003

<u>Income Fund</u>	<u>2002</u>	<u>2003</u>
Balance 1-1	\$ 0	\$ 0
Revenue:		
Interest earned-City	11,521	(2,885)
Other income	-	
Investment earnings-funding agents	2,555,725	601,889
Increase (decrease) in unrealized market value	<u>(8,992,716)</u>	<u>13,906,733</u>
Total balance and revenue	<u>(6,425,470)</u>	<u>14,505,737</u>
Expenditures:		
Transfers to:		
Pension savings fund-interest	336,793	359,439
Pension reserve fund-interest	(8,500,613)	12,166,953
Retirement reserve fund-interest	1,602,393	1,788,925
Funding agent, trustee, and consultant fees	<u>135,957</u>	<u>190,420</u>
Total expenditures	<u>(6,425,470)</u>	<u>14,505,737</u>
Balance 12-31	<u>\$ 0</u>	<u>\$ 0</u>
 <u>Expense Fund</u>		
Balance 1-1	\$ 35,083	\$ 15,731
Revenue:		
Transfer from pension reserve fund	<u>24,448</u>	<u>53,199</u>
Funds available	<u>59,531</u>	<u>68,930</u>
Expenditures:		
Actuary fees	17,420	8,639
Wages and benefits	20,972	22,465
Supplies & materials	202	42
Travel and education	2,906	612
Disability exams	1,563	800
Other expenses	<u>737</u>	<u>1,790</u>
Total expenditures	<u>43,800</u>	<u>34,348</u>
Balance 12-31	<u>\$ 15,731</u>	<u>\$ 34,582</u>

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

STATEMENT OF REVENUES AND EXPENSES

December 31, 2002 and 2003

	2002	2003
Operating revenues:		
Investment earnings:		
City	\$ 11,521	\$ (2,885)
Funding agents	2,555,725	601,889
Member contributions	612,637	694,919
City contributions	837,636	964,605
Other income	-	
Total operating revenues	4,017,519	2,258,528
 Operating expenses:		
Benefit payments	2,454,162	2,646,885
Group health insurance payments	157,227	176,456
Contribution refunds	11,921	12,667
Funding agent fees	91,357	145,420
Trustee fees	21,600	21,000
Actuary fees	17,420	8,639
Consultant fees	23,000	24,000
Other operating expenses	26,380	25,709
Total operating expenses	2,803,067	3,060,776
Operating income	1,214,452	(802,248)
 Increase (decrease) in unrealized market value	(8,992,716)	13,906,733
 Net income (loss)	(7,778,264)	13,104,485
 Fund balance 1-1	62,874,827	55,096,563
 Fund balance 12-31	\$ 55,096,563	\$ 68,201,048

CITY OF SIOUX FALLS
FIREFIGHTERS' PENSION FUND

EXPENSE FUND TRANSFER

2004 Budget

Balance 12-31-03		\$ 34,582
2004 Approved Expense Fund Budget:		
Actuarial	\$ 18,500	
Audit/Legal	\$ 8,850	
Wages and Benefits	\$ 23,598	
Disability Exams	\$ 5,000	
Supplies & Materials	\$ 600	
Travel and Education	\$ 4,605	
Other Expenses	\$ 87	<u>\$ 61,240</u>
Expense Fund Deficit/(Excess)		<u><u>\$ 26,658</u></u>
Required Transfer		\$ 26,658

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

Combining Statement of Net Assets - Fiduciary Funds

	<u>Employee's Retirement</u>	<u>Firefighters' Pension</u>	<u>Total Pension Trust Funds</u>
Assets			
Cash and Cash Equivalents	\$ 429,078	\$ 222,145	\$ 651,223
Receivables:			
Accounts	137,821	40,272	178,093
Interest	176,984	65,438	242,422
Total Receivables	<u>314,805</u>	<u>105,710</u>	<u>420,515</u>
Investments at Fair Value:			
Corporate Obligations	3,092,763	988,342	4,081,105
State & Local Obligations	2,330,595	964,682	3,295,277
US Government	18,409,087	7,373,877	25,782,964
Index Funds:			
Equity	49,550,926	12,514,235	62,065,161
Government / Corporate Bonds	14,767,606	5,864,451	20,632,057
Mutual Funds:			
Foreign Equity	36,493,005	14,963,758	51,456,763
Domestic Equity	37,783,551	21,813,137	59,596,688
Real Estate	8,854,637	3,413,579	12,268,216
Total Investments	<u>171,282,170</u>	<u>67,896,061</u>	<u>239,178,231</u>
Total Assets	<u>172,026,053</u>	<u>68,223,916</u>	<u>240,249,969</u>
Liabilities			
Accounts Payable	54,000	21,000	75,000
Accrued Wages	635	294	929
Accrued Vacation	3,538	1,574	5,112
Total Liabilities	<u>58,173</u>	<u>22,868</u>	<u>81,041</u>
Net Assets			
Held in Trust for Pension Benefits	<u>\$ 171,967,880</u>	<u>\$ 68,201,048</u>	<u>\$ 240,168,928</u>

Combining Statement of Changes in Net Assets - Fiduciary Funds

	Employee's Retirement	Firefighters' Pension	Total Pension Trust Funds
Additions			
Contributions			
Employer	\$ 4,373,347	\$ 964,605	\$ 5,337,952
Plan Members	1,593,939	694,919	2,288,858
Total Contributions	<u>5,967,286</u>	<u>1,659,524</u>	<u>7,626,810</u>
Investment Income (Loss)	36,238,184	14,505,737	50,743,921
Less Investment Expense	178,759	190,420	369,179
Net Investment Income (Loss)	<u>36,059,425</u>	<u>14,315,317</u>	<u>50,374,742</u>
Total Additions	<u>42,026,711</u>	<u>15,974,841</u>	<u>58,001,552</u>
Deductions			
Benefit Payments	7,366,362	2,823,341	10,189,703
Refunds	132,505	12,667	145,172
Administrative Expense	74,032	34,348	108,380
Total Deductions	<u>7,572,899</u>	<u>2,870,356</u>	<u>10,443,255</u>
Net Increase (Decrease)	34,453,812	13,104,485	47,558,297
Net Assets - Beginning	<u>137,514,068</u>	<u>55,096,563</u>	<u>192,610,631</u>
Net Assets - Ending	<u>\$ 171,967,880</u>	<u>\$ 68,201,048</u>	<u>\$ 240,168,928</u>