

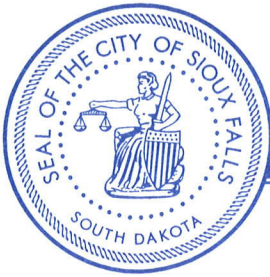
City of Sioux Falls, South Dakota Firefighters' Pension Fund



DT/PE11002.P65

2004 Annual Financial Report

For the Fiscal Year Ended December 31, 2004
Prepared by the Accounting Division



CITY OF SIOUX FALLS

FINANCE

224 West Ninth Street, Sioux Falls, SD 57104-6407
TTY/Hearing Impaired (605) 367-7039
FAX (605) 367-7700
Website: www.siouxfalls.org

May 18, 2005

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, 2004, 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 finance 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.

City Charter Section 2.10 provides for an independent audit to be performed annually on all City accounts, including the Firefighters' Pension Fund. The auditor provides additional testing procedures as agreed upon from time to time and such report is included at the end of these financial statements. No comments or recommendations regarding the Fund for the year-ended December 31, 2004, were brought to our attention within the audit.

Sincerely,

Thomas J. Huber
Accounting Manager
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
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
Comprehensive Annual Financial Report (GAAP) Statements	
Statement of Fiduciary Net Assets	7
Statement of Changes in Fiduciary Net Assets	8
Auditor's Report	

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

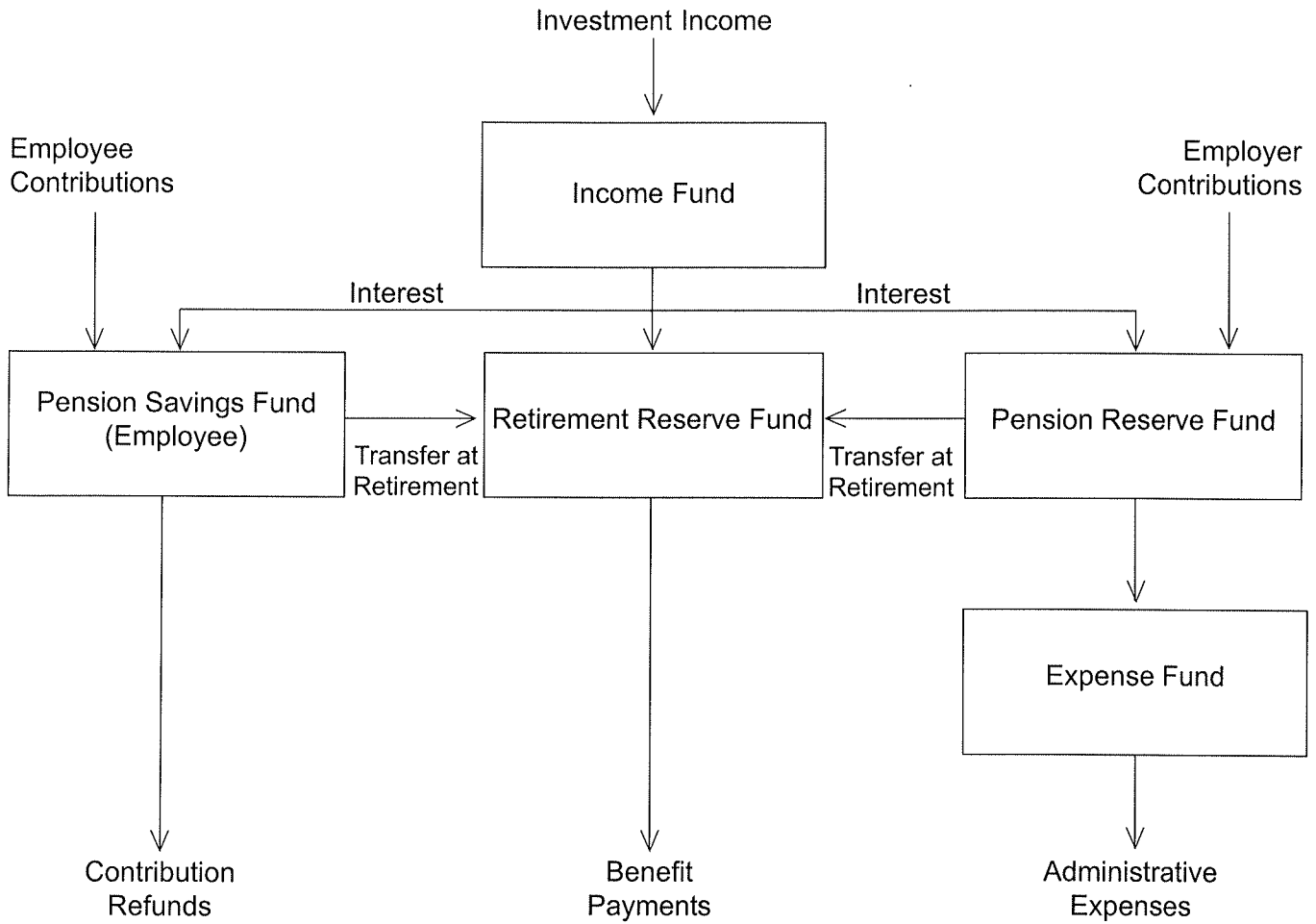
The Income Fund is credited with all revenues earned on investments held by the City and funding agents including increases/decreases in unrealized market values. Subtracted from the Income Fund are transfers to the Pension Savings, Pension Reserve, and Retirement Reserve Funds as well as funding agent 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 operating expenditures by the Board other than benefit payments and investment fees. This amount is transferred from the Pension Reserve Fund each year as authorized by the Board on May 19, 2004. 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, 2003 and 2004

ASSETS

	2003	2004
Cash in bank	\$ 183,717	\$ 482,296
Prepaid expenses		9,000
Accounts receivable	40,272	55,864
Accrued Interest and dividends	65,437	103,341
Investments held by funding agents (at market value):	67,934,490	75,896,132
Total Assets	\$ 68,223,916	\$ 76,546,633

LIABILITIES AND EQUITY

Accounts payable	\$ 22,868	\$ 13,884
Funded reserves:		
Pension savings fund	7,782,562	7,514,763
Pension reserve fund	36,221,224	36,689,005
Retirement reserve fund	24,162,680	32,240,584
Expense fund	34,582	88,397
Total Liabilities & Equity	\$ 68,223,916	\$ 76,546,633

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

STATEMENT OF CHANGES IN RESERVE ACCOUNTS

December 31, 2003 and 2004

	<u>2003</u>	<u>2004</u>
<u>Pension Savings Fund</u>		
Balance 1-1	\$ 7,178,308	\$ 7,782,562
Interest earned-individual accounts	359,439	352,052
Member contributions	694,919	729,784
Contribution refunds	(12,667)	(27,170)
Transfer to retirement reserve fund	(437,437)	(1,322,465)
Balance 12-31	\$ <u>7,782,562</u>	\$ <u>7,514,763</u>
<u>Pension Reserve Fund</u>		
Balance 1-1	\$ 25,595,970	\$ 36,221,224
Unallocated interest	12,166,953	6,976,033
City contributions	964,605	1,269,502
Transfers to:		
Expense fund	(53,199)	(112,682)
Retirement reserve fund	(2,453,105)	(7,665,072)
Balance 12-31	\$ <u>36,221,224</u>	\$ <u>36,689,005</u>
<u>Retirement Reserve Fund</u>		
Balance 1-1	\$ 22,306,554	\$ 24,162,680
Transfers from:		
Pension reserve fund	2,453,105	7,665,072
Income fund-interest	1,788,925	2,425,939
Pension savings fund	437,437	1,322,465
Pension payments	(2,646,885)	(3,130,455)
Group health insurance payment	(176,456)	(205,117)
Balance 12-31	\$ <u>24,162,680</u>	\$ <u>32,240,584</u>

→ (266,846)

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

INCOME AND EXPENSE FUNDS

December 31, 2003 and 2004

<u>Income Fund</u>	<u>2003</u>	<u>2004</u>
Balance 1-1	\$ 0	\$ 0
Revenue:		
Interest earned-City	(2,885)	3,606
Other income		
Investment earnings-funding agents	601,889	6,510,683
Increase (decrease) in unrealized market value	13,906,733	3,342,032
Total balance and revenue	<u>14,505,737</u>	<u>9,856,321</u>
Expenditures:		
Transfers to:		
Pension savings fund-interest	359,439	352,052
Pension reserve fund-interest	12,166,953	6,976,033
Retirement reserve fund-interest	1,788,925	2,425,939
Funding agent, trustee, and consultant fees	190,420	102,297
Total expenditures	<u>14,505,737</u>	<u>9,856,321</u>
Balance 12-31	<u>\$ 0</u>	<u>\$ 0</u>
 <u>Expense Fund</u>		
Balance 1-1	\$ 15,731	\$ 34,582
Revenue:		
Transfer from pension reserve fund	53,199	112,682
Funds available	<u>68,930</u>	<u>147,264</u>
Expenditures:		
Actuary fees	8,639	30,417
Audit fees		2,250
Wages and benefits	22,465	24,293
Supplies & materials	42	23
Travel and education	612	837
Disability exams	800	742
Other expenses	1,790	305
Total expenditures	<u>34,348</u>	<u>58,867</u>
Balance 12-31	<u>\$ 34,582</u>	<u>\$ 88,397</u>

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

STATEMENT OF REVENUES AND EXPENSES

December 31, 2003 and 2004

	2003	2004
Operating revenues:		
Investment earnings:		
City	\$ (2,885)	\$ 3,606
Funding agents	601,889	6,510,683
Member contributions	694,919	729,784
City contributions	964,605	1,269,502
Other income		
Total operating revenues	2,258,528	8,513,575
 Operating expenses:		
Benefit payments	2,646,885	3,130,455
Group health insurance payments	176,456	205,117
Contribution refunds	12,667	27,170
Funding agent fees	145,420	66,428
Trustee fees	21,000	14,369
Actuary fees	8,639	30,417
Consultant fees	24,000	21,500
Other operating expenses	25,709	28,450
Total operating expenses	3,060,776	3,523,906
Operating income	(802,248)	4,989,669
 Increase (decrease) in unrealized market value	13,906,733	3,342,032
 Net income (loss)	13,104,485	8,331,701
 Fund balance 1-1	55,096,563	68,201,048
 Fund balance 12-31	\$ 68,201,048	\$ 76,532,749

City of Sioux Falls
 Comprehensive Annual Financial Report
 December 31, 2004

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	\$ 5,172,539	\$ 2,066,692	\$ 7,239,231
Receivables:			
Accounts	185,957	55,864	241,821
Interest	267,192	103,341	370,533
Total Receivables	<u>453,149</u>	<u>159,205</u>	<u>612,354</u>
Prepaid Items	11,000	9,000	20,000
Investments at Fair Value:			
US Government	22,486,723	8,805,405	31,292,128
State & Local Obligations	4,261,587	1,668,707	5,930,294
Domestic Stocks	-	7,291,533	7,291,533
Foreign Stocks	-	206,475	206,475
Index Funds:			
Equity	54,248,272	13,997,798	68,246,070
Government / Corporate Bonds	17,227,423	6,826,103	24,053,526
Mutual Funds:			
Foreign Equity	43,235,254	16,617,963	59,853,217
Domestic Equity	43,026,328	16,898,184	59,924,512
Real Estate	5,126,730	1,999,568	7,126,298
Total Investments	<u>189,612,317</u>	<u>74,311,736</u>	<u>263,924,053</u>
Total Assets	<u>195,249,005</u>	<u>76,546,633</u>	<u>271,795,638</u>
Liabilities			
Accounts Payable	-	11,522	11,522
Accrued Wages	1,868	828	2,696
Accrued Vacation	4,951	1,534	6,485
Total Liabilities	<u>6,819</u>	<u>13,884</u>	<u>20,703</u>
Net Assets			
Held in Trust for Pension Benefits	<u>\$ 195,242,186</u>	<u>\$ 76,532,749</u>	<u>\$ 271,774,935</u>

City of Sioux Falls
 Comprehensive Annual Financial Report
 Year Ended December 31, 2004

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	\$ 5,261,202	\$ 1,269,502	\$ 6,530,704
Plan Members	1,718,969	729,784	2,448,753
Total Contributions	<u>6,980,171</u>	<u>1,999,286</u>	<u>8,979,457</u>
Investment Income (Loss)	24,644,820	9,856,321	34,501,141
Less Investment Expense	151,849	102,297	254,146
Net Investment Income (Loss)	<u>24,492,971</u>	<u>9,754,024</u>	<u>34,246,995</u>
Total Additions	<u>31,473,142</u>	<u>11,753,310</u>	<u>43,226,452</u>
Deductions			
Benefit Payments			
Pension	7,403,924	3,130,455	10,534,379
Helath Premiums	490,656	205,117	695,773
Total Benefit Payments	<u>7,894,580</u>	<u>3,335,572</u>	<u>11,230,152</u>
Refunds	188,094	27,170	215,264
Administrative Expense	116,162	58,867	175,029
Total Deductions	<u>8,198,836</u>	<u>3,421,609</u>	<u>11,620,445</u>
Net Increase (Decrease)	23,274,306	8,331,701	31,606,007
Net Assets - Beginning	171,967,880	68,201,048	240,168,928
Net Assets - Ending	<u>\$ 195,242,186</u>	<u>\$ 76,532,749</u>	<u>\$ 271,774,935</u>