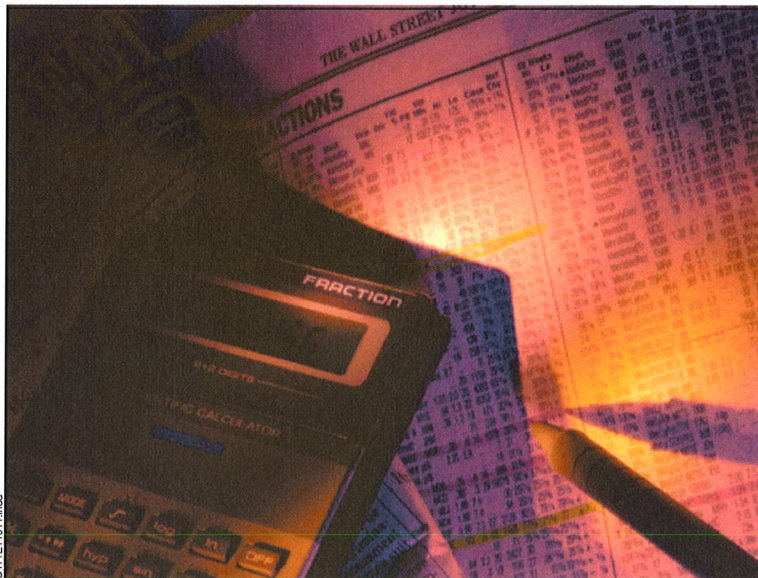
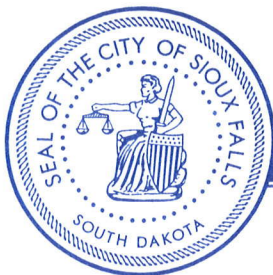


**City of Sioux Falls, South Dakota
Firefighters'
Pension Fund**



**2005 Annual
Financial Report**

**For the Fiscal Year Ended December 31, 2005
Prepared by the Accounting Division**



CITY OF SIOUX FALLS FINANCE

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FAX (605) 367-7700
Website: www.siouxfalls.org

May 17, 2006

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, 2005, 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. 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 Firefighters' Pension Fund. No conditions, comments or recommendations regarding the Fund for the year-ended December 31, 2005, were brought to our attention within the audit.

Sincerely,

Eugene Rowenhorst
Director of Finance
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**

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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

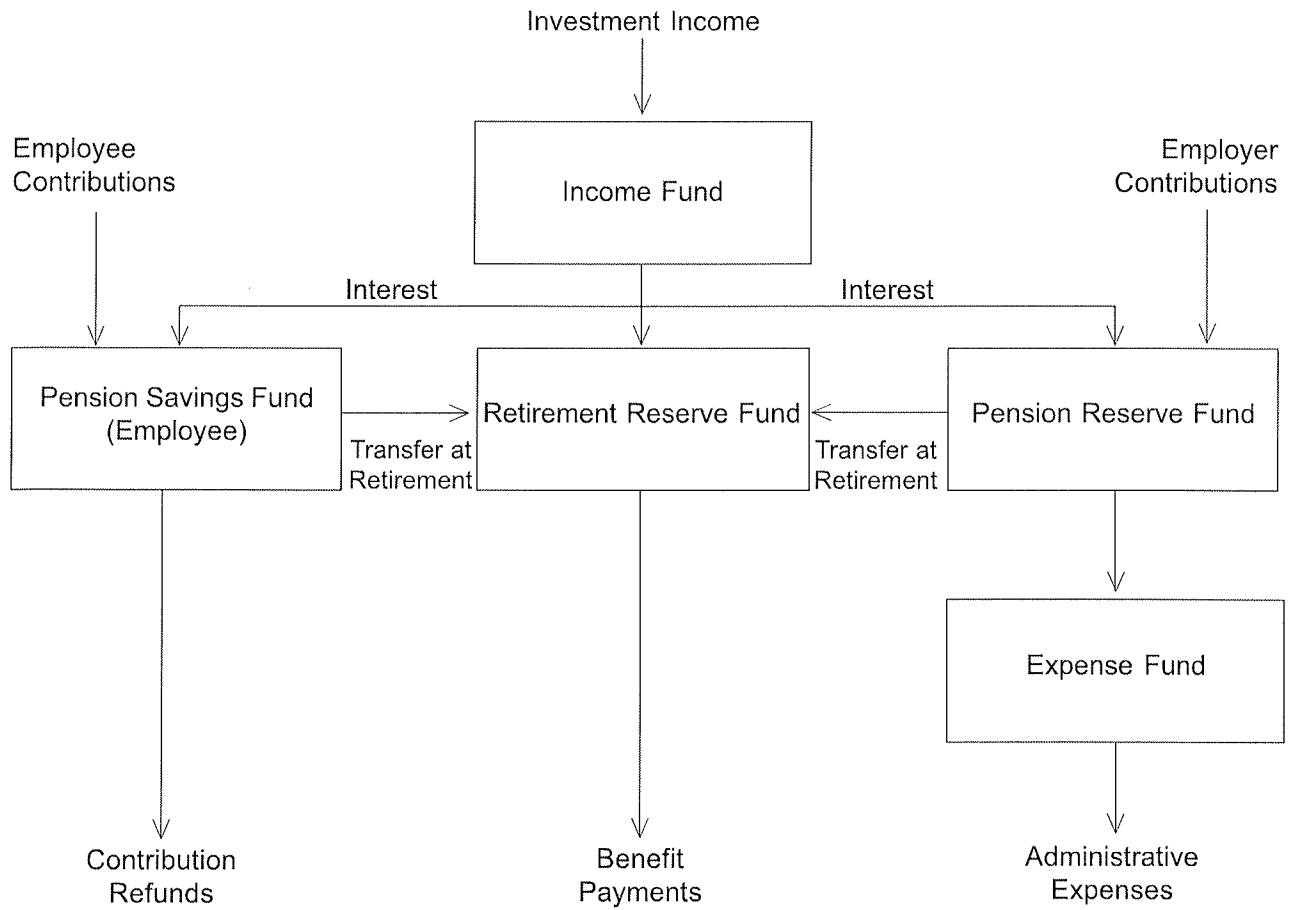
The Income Fund is credited with all revenues earned on investments held by the City and funding agents including increases/decreases in unrealized market values. Subtracted from the Income Fund are transfers to the Pension Savings, Pension Reserve, and Retirement Reserve Funds as well as funding agent 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 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, 2004 and 2005

ASSETS

	<u>2004</u>	<u>2005</u>
Cash in bank	\$ 482,296	\$ 147,530
Prepaid expenses	9,000	0
Accounts receivable	55,864	72,134
Accrued Interest and dividends	103,341	136,336
Investments held by funding agents (at market value):	<u>75,896,132</u>	<u>81,099,340</u>
Total Assets	<u>\$ 76,546,633</u>	<u>\$ 81,455,340</u>

LIABILITIES AND EQUITY

Accounts payable	\$ 13,884	\$ 2,902
Funded reserves:		
Pension savings fund	7,514,763	8,277,160
Pension reserve fund	36,689,005	40,123,480
Retirement reserve fund	32,240,584	32,958,951
Expense fund	<u>88,397</u>	<u>92,847</u>
Total Liabilities & Equity	<u>\$ 76,546,633</u>	<u>\$ 81,455,340</u>

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

STATEMENT OF CHANGES IN RESERVE ACCOUNTS

December 31, 2004 and 2005

	<u>2004</u>	<u>2005</u>
<u>Pension Savings Fund</u>		
Balance 1-1	\$ 7,782,562	\$ 7,514,763
Interest earned-individual accounts	352,052	376,846
Member contributions	729,784	733,442
Contribution refunds	(27,170)	(1,038)
Transfer to retirement reserve fund	<u>(1,322,465)</u>	<u>(346,853)</u>
Balance 12-31	<u>\$ 7,514,763</u>	<u>\$ 8,277,160</u>
<u>Pension Reserve Fund</u>		
Balance 1-1	\$ 36,221,224	\$ 36,689,005
Unallocated interest	6,976,033	3,888,427
City contributions	1,269,502	1,448,282
Transfers to:		
Expense fund	(112,682)	(74,366)
Retirement reserve fund	<u>(7,665,072)</u>	<u>(1,827,868)</u>
Balance 12-31	<u>\$ 36,689,005</u>	<u>\$ 40,123,480</u>
<u>Retirement Reserve Fund</u>		
Balance 1-1	\$ 24,162,680	\$ 32,240,584
Transfers from:		
Pension reserve fund	7,665,072	1,827,868
Income fund-interest	2,425,939	2,251,092
Pension savings fund	1,322,465	346,853
Pension payments	(3,130,455)	(3,460,068)
Group health insurance payment	<u>(205,117)</u>	<u>(247,378)</u>
Balance 12-31	<u>\$ 32,240,584</u>	<u>\$ 32,958,951</u>

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

INCOME AND EXPENSE FUNDS

December 31, 2004 and 2005

<u>Income Fund</u>	<u>2004</u>	<u>2005</u>
Balance 1-1	\$ 0	\$ 0
Revenue:		
Interest earned-City	3,606	5,109
Other income		
Investment earnings-funding agents	6,510,683	4,820,787
Increase (decrease) in unrealized market value	<u>3,342,032</u>	<u>1,840,253</u>
Total balance and revenue	<u>9,856,321</u>	<u>6,666,149</u>
Expenditures:		
Transfers to:		
Pension savings fund-interest	352,052	376,846
Pension reserve fund-interest	6,976,033	3,888,427
Retirement reserve fund-interest	2,425,939	2,251,092
Funding agent, trustee, and consultant fees	<u>102,297</u>	<u>149,784</u>
Total expenditures	<u>9,856,321</u>	<u>6,666,149</u>
Balance 12-31	<u>\$ 0</u>	<u>\$ 0</u>
 <u>Expense Fund</u>		
Balance 1-1	\$ 34,582	\$ 88,397
Revenue:		
Transfer from pension reserve fund	<u>112,682</u>	<u>74,366</u>
Funds available	<u>147,264</u>	<u>162,763</u>
Expenditures:		
Actuary fees	30,417	27,562
Audit fees	2,250	2,250
Wages and benefits	24,293	37,545
Supplies & materials	23	9
Travel and education	837	635
Disability exams	742	1,817
Other expenses	<u>305</u>	<u>98</u>
Total expenditures	<u>58,867</u>	<u>69,916</u>
Balance 12-31	<u>\$ 88,397</u>	<u>\$ 92,847</u>

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

STATEMENT OF REVENUES AND EXPENSES

December 31, 2004 and 2005

	2004	2005
Operating revenues:		
Investment earnings:		
City	\$ 3,606	\$ 5,109
Funding agents	6,510,683	4,820,787
Member contributions	729,784	733,442
City contributions	1,269,502	1,448,282
Other income		
Total operating revenues	8,513,575	7,007,620
Operating expenses:		
Benefit payments	3,130,455	3,460,068
Group health insurance payments	205,117	247,378
Contribution refunds	27,170	1,038
Funding agent fees	66,428	120,266
Trustee fees	14,369	11,518
Consultant fees	21,500	18,000
Actuary fees	30,417	27,562
Audit Fees		2,250
Other operating expenses	28,450	40,104
Total operating expenses	3,523,906	3,928,184
Operating income	4,989,669	3,079,436
 Increase (decrease) in unrealized market value	 3,342,032	 1,840,253
 Net income (loss)	 8,331,701	 4,919,689
 Fund balance 1-1	 68,201,048	 76,532,749
 Fund balance 12-31	 \$ 76,532,749	 \$ 81,452,438

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

EXPENSE FUND BALANCE

2006 Budget

2006 Approved Expense Fund Budget:	
Wages & Benefits	\$ 53,663
Insurance	129
Actuarial Services	22,100
Legal Services	6,600
Health Services (Disability Exams)	5,000
Professional Training Services	1,000
Supplies & Materials	700
Travel and Education	3,655
Other Expenses	-
Total	<u>\$ 92,847</u>

City of Sioux Falls
 Comprehensive Annual Financial Report
 December 31, 2005

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	\$ 2,218,010	\$ 747,770	\$ 2,965,780
Receivables:			
Accounts	212,693	72,134	284,827
Interest	402,161	136,336	538,497
Total Receivables	<u>614,854</u>	<u>208,470</u>	<u>823,324</u>
Investments at Fair Value:			
US Government	23,758,291	8,979,408	32,737,699
State & Local Obligations	5,290,749	2,083,556	7,374,305
Foreign Obligations	1,028,885	401,755	1,430,640
Domestic Stocks	40,850,625	16,120,345	56,970,970
Foreign Stocks	2,509,683	1,022,908	3,532,591
Index Funds:			
Equity	37,865,861	14,511,183	52,377,044
Government / Corporate Bonds	20,100,204	7,860,635	27,960,839
Mutual Funds:			
Foreign Equity	43,850,037	17,147,476	60,997,513
Domestic Equity	21,733,914	8,196,974	29,930,888
Real Estate	10,809,721	4,174,860	14,984,581
Total Investments	<u>207,797,970</u>	<u>80,499,100</u>	<u>288,297,070</u>
Total Assets	<u>210,630,834</u>	<u>81,455,340</u>	<u>292,086,174</u>
Liabilities			
Accrued Wages	2,801	1,367	4,168
Accrued Vacation	4,951	1,535	6,486
Total Liabilities	<u>7,752</u>	<u>2,902</u>	<u>10,654</u>
Net Assets			
Held in Trust for Pension and Health Benefits	<u>\$ 210,623,082</u>	<u>\$ 81,452,438</u>	<u>\$ 292,075,520</u>

City of Sioux Falls
 Comprehensive Annual Financial Report
 Year Ended December 31, 2005

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	\$ 5,769,159	\$ 1,448,282	\$ 7,217,441
Plan Members	1,829,649	733,442	2,563,091
Total Contributions	<u>7,598,808</u>	<u>2,181,724</u>	<u>9,780,532</u>
Investment Income (Loss)	17,035,074	6,666,149	23,701,223
Less Investment Expense	334,136	149,784	483,920
Net Investment Income (Loss)	<u>16,700,938</u>	<u>6,516,365</u>	<u>23,217,303</u>
Total Additions	<u>24,299,746</u>	<u>8,698,089</u>	<u>32,997,835</u>
Deductions			
Benefit Payments			
Pension	8,014,169	3,460,068	11,474,237
Health Premiums	595,278	247,378	842,656
Total Benefit Payments	<u>8,609,447</u>	<u>3,707,446</u>	<u>12,316,893</u>
Refunds	182,999	1,038	184,037
Administrative Expense	126,404	69,916	196,320
Total Deductions	<u>8,918,850</u>	<u>3,778,400</u>	<u>12,697,250</u>
Net Increase (Decrease)	15,380,896	4,919,689	20,300,585
Net Assets - Beginning	<u>195,242,186</u>	<u>76,532,749</u>	<u>271,774,935</u>
Net Assets - Ending	<u>\$ 210,623,082</u>	<u>\$ 81,452,438</u>	<u>\$ 292,075,520</u>