

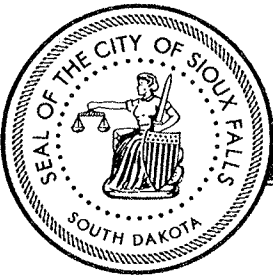
**City of Sioux Falls, South Dakota
Firefighters'
Pension Fund**



DTPRE11011.1666

**2006 Annual
Financial Report**

**For the Fiscal Year Ended December 31, 2006
Prepared by the Accounting Division**



CITY OF SIOUX FALLS

FINANCE

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April 27, 2007

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, 2006, 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 of 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 Firefighters' Pension Fund. No conditions, comments or recommendations regarding the Fund for the year-ended December 31, 2006, 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

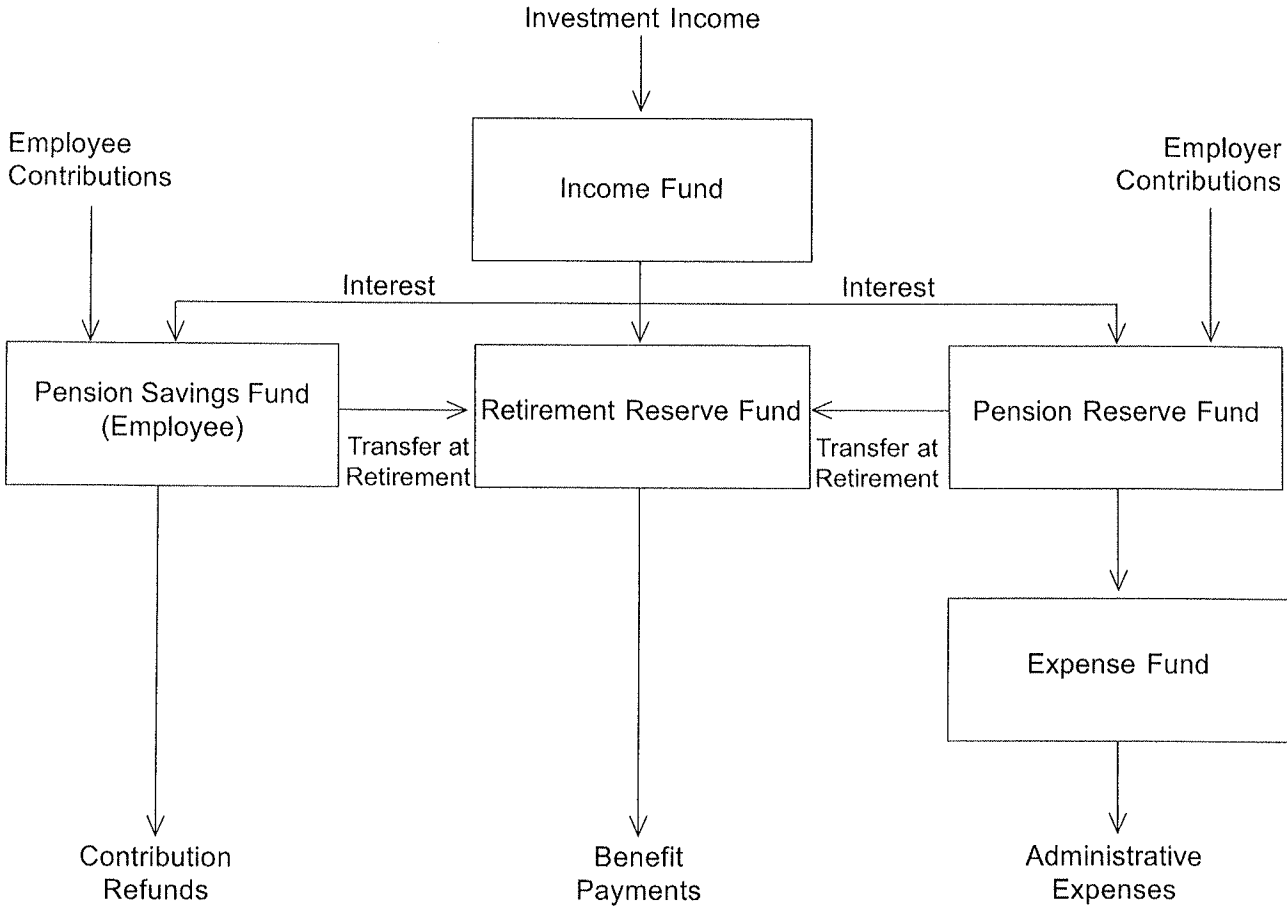
The Income Fund is credited with all revenues earned on investments held by the City and funding agents including increases/decreases in unrealized market values. Subtracted from the Income Fund are transfers to the Pension Savings, Pension Reserve, and Retirement Reserve Funds as well as funding agent 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, 2005 and 2006

ASSETS

	<u>2005</u>	<u>2006</u>
Cash in bank	\$ 147,530	\$ 202,701
Prepaid expenses	-	-
Accounts receivable	72,134	107,439
Accrued Interest and dividends	136,336	191,383
Investments held by funding agents (at market value):	<u>81,099,340</u>	<u>92,244,117</u>
Total Assets	\$ <u>81,455,340</u>	\$ <u>92,745,640</u>

LIABILITIES AND EQUITY

Accounts payable	\$ 2,902	\$ 7,643
Funded reserves:		
Pension savings fund	8,277,160	8,506,098
Pension reserve fund	40,123,480	47,289,705
Retirement reserve fund	32,958,951	36,848,324
Expense fund	<u>92,847</u>	<u>93,870</u>
Total Liabilities & Equity	\$ <u>81,455,340</u>	\$ <u>92,745,640</u>

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

STATEMENT OF CHANGES IN RESERVE ACCOUNTS

December 31, 2005 and 2006

	<u>2005</u>	<u>2006</u>
<u>Pension Savings Fund</u>		
Balance 1-1	\$ 7,514,763	\$ 8,277,160
Interest earned-individual accounts	376,846	388,394
Member contributions	733,442	804,140
Contribution refunds	(1,038)	(133,085)
Transfer to retirement reserve fund	(346,853)	(830,511)
Balance 12-31	<u>\$ 8,277,160</u>	<u>\$ 8,506,098</u>
<u>Pension Reserve Fund</u>		
Balance 1-1	\$ 36,689,005	\$ 40,123,480
Unallocated interest	3,888,427	9,558,314
City contributions	1,448,282	2,096,083
Transfers to:		
Expense fund	(74,366)	(73,969)
Retirement reserve fund	(1,827,868)	(4,414,203)
Balance 12-31	<u>\$ 40,123,480</u>	<u>\$ 47,289,705</u>
<u>Retirement Reserve Fund</u>		
Balance 1-1	\$ 32,240,584	\$ 32,958,951
Transfers from:		
Pension reserve fund	1,827,868	4,414,203
Income fund-interest	2,251,092	2,684,895
Pension savings fund	346,853	830,511
Pension payments	(3,460,068)	(3,755,563)
Group health insurance payment	(247,378)	(284,673)
Balance 12-31	<u>\$ 32,958,951</u>	<u>\$ 36,848,324</u>

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

INCOME AND EXPENSE FUNDS

December 31, 2005 and 2006

<u>Income Fund</u>	<u>2005</u>	<u>2006</u>
Balance 1-1	\$ -	\$ -
Revenue:		
Interest earned-City	5,109	9,432
Other income		
Investment earnings-funding agents	4,820,787	6,638,440
Increase (decrease) in unrealized market value	<u>1,840,253</u>	<u>6,166,060</u>
Total balance and revenue	<u>6,666,149</u>	<u>12,813,932</u>
Expenditures:		
Transfers to:		
Pension savings fund-interest	376,846	388,394
Pension reserve fund-interest	3,888,427	9,558,314
Retirement reserve fund-interest	2,251,092	2,684,895
Funding agent, trustee, and consultant fees	<u>149,784</u>	<u>182,329</u>
Total expenditures	<u>6,666,149</u>	<u>12,813,932</u>
Balance 12-31	<u>\$ -</u>	<u>\$ -</u>
 <u>Expense Fund</u>		
Balance 1-1	\$ 88,397	\$ 92,847
Revenue:		
Transfer from pension reserve fund	<u>74,366</u>	<u>73,969</u>
Funds available	<u>162,763</u>	<u>166,816</u>
Expenditures:		
Actuary fees	27,562	16,312
Audit fees	2,250	2,250
Wages and benefits	37,545	52,063
Supplies & materials	9	-
Travel and education	635	397
Disability exams	1,817	300
Other expenses	<u>98</u>	<u>1,624</u>
Total expenditures	<u>69,916</u>	<u>72,946</u>
Balance 12-31	<u>\$ 92,847</u>	<u>\$ 93,870</u>

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

STATEMENT OF REVENUES AND EXPENSES

December 31, 2005 and 2006

	2005	2006
Operating revenues:		
Investment earnings:		
City	\$ 5,109	\$ 9,432
Funding agents	4,820,787	6,638,440
Member contributions	733,442	804,140
City contributions	1,448,282	2,096,083
Other income		
Total operating revenues	7,007,620	9,548,095
Operating expenses:		
Benefit payments	3,460,068	3,755,563
Group health insurance payments	247,378	284,673
Contribution refunds	1,038	133,085
Funding agent fees	120,266	151,656
Trustee fees	11,518	12,673
Consultant fees	18,000	18,000
Actuary fees	27,562	16,312
Audit Fees	2,250	2,250
Other operating expenses	40,104	54,384
Total operating expenses	3,928,184	4,428,596
Operating income	3,079,436	5,119,500
 Increase (decrease) in unrealized market value	 1,840,253	 6,166,060
 Net income (loss)	 4,919,689	 11,285,560
 Fund balance 1-1	 76,532,749	 81,452,438
 Fund balance 12-31	 \$ 81,452,438	 \$ 92,737,998

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

EXPENSE FUND BALANCE

2007 Budget

2007 Approved Expense Fund Budget:	
Wages & Benefits	\$ 56,212
Insurance	303
Actuarial Services	22,900
Legal Services	6,600
Health Services (Disability Exams)	5,000
Professional Training Services	1,000
Supplies & Materials	700
Travel and Education	1,155
Other Expenses	-
Total	<u>\$ 93,870</u>

**City of Sioux Falls
Comprehensive Annual Financial Report
December 31, 2006**

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	\$ 2,676,759	\$ 975,038	\$ 3,651,797
Receivables:			
Accounts	290,453	107,439	397,892
Interest	525,700	191,383	717,083
Total Receivables	<u>816,153</u>	<u>298,822</u>	<u>1,114,975</u>
Investments at Fair Value:			
US Government	33,927,247	13,097,396	47,024,643
Foreign Obligations	676,417	265,735	942,152
Domestic Stocks	46,452,485	18,183,106	64,635,591
Foreign Stocks	4,204,379	1,680,644	5,885,023
Index Funds:			
Equity	42,656,293	16,408,507	59,064,800
Government / Corporate Bonds	23,073,072	8,870,122	31,943,194
Mutual Funds:			
Foreign Equity	51,050,108	19,326,104	70,376,212
Domestic Equity	23,133,290	8,717,577	31,850,867
Real Estate	12,782,520	4,922,590	17,705,110
Total Investments	<u>237,955,811</u>	<u>91,471,781</u>	<u>329,427,592</u>
Total Assets	<u>241,448,723</u>	<u>92,745,641</u>	<u>334,194,364</u>
Liabilities			
Accounts Payable	13,045	5,494	18,539
Accrued Wages	4,072	2,149	6,221
Total Liabilities	<u>17,117</u>	<u>7,643</u>	<u>24,760</u>
Net Assets			
Held in Trust for Pension and Health Benefits	<u>\$ 241,431,606</u>	<u>\$ 92,737,998</u>	<u>\$ 334,169,604</u>

**City of Sioux Falls
Comprehensive Annual Financial Report
Year Ended December 31, 2006**

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	\$ 5,975,325	\$ 2,096,083	\$ 8,071,408
Plan Members	1,907,951	804,140	2,712,091
Total Contributions	<u>7,883,276</u>	<u>2,900,223</u>	<u>10,783,499</u>
Investment Income (Loss)	33,030,851	12,813,932	45,844,783
Less Investment Expense	<u>437,246</u>	<u>182,329</u>	<u>619,575</u>
Net Investment Income (Loss)	<u>32,593,605</u>	<u>12,631,603</u>	<u>45,225,208</u>
Total Additions	<u>40,476,881</u>	<u>15,531,826</u>	<u>56,008,707</u>
Deductions			
Benefit Payments			
Pension	8,662,750	3,755,563	12,418,313
Health Premiums	<u>673,764</u>	<u>284,672</u>	<u>958,436</u>
Total Benefit Payments	<u>9,336,514</u>	<u>4,040,235</u>	<u>13,376,749</u>
Refunds	189,338	133,085	322,423
Administrative Expense	<u>142,505</u>	<u>72,946</u>	<u>215,451</u>
Total Deductions	<u>9,668,357</u>	<u>4,246,266</u>	<u>13,914,623</u>
Net Increase (Decrease)	30,808,524	11,285,560	42,094,084
Net Assets - Beginning	<u>210,623,082</u>	<u>81,452,438</u>	<u>292,075,520</u>
Net Assets - Ending	<u>\$ 241,431,606</u>	<u>\$ 92,737,998</u>	<u>\$ 334,169,604</u>

