



May 1, 2008

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, 2007, 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 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, 2007, were brought to our attention within the audit.

Sincerely,

A handwritten signature in cursive script that reads "Eugene Rowenhorst".

Eugene Rowenhorst
Director of Finance
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

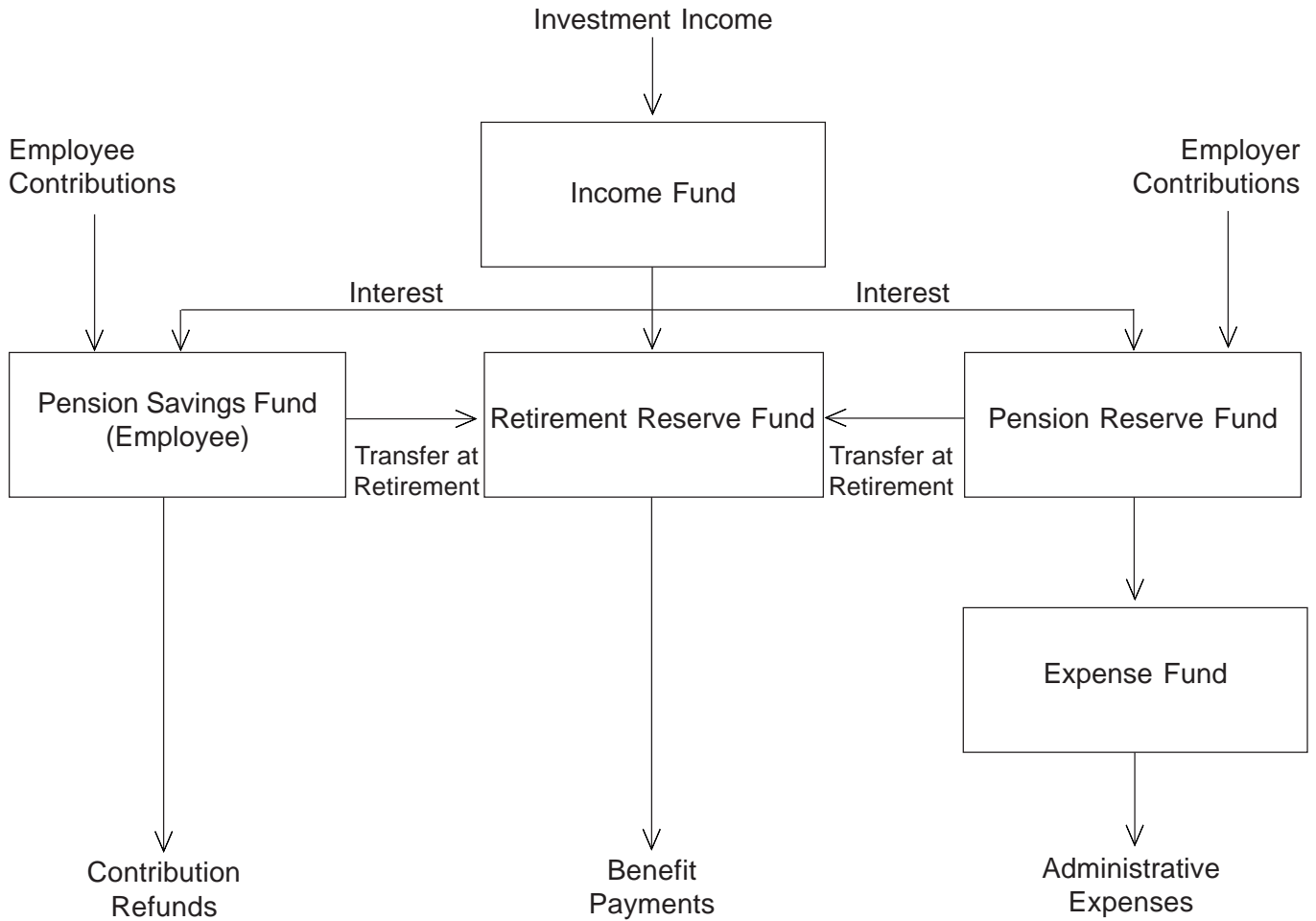
The Income Fund is credited with all revenues earned on investments held by the City and funding agents including increases/decreases in unrealized market values. Subtracted from the Income Fund are transfers to the Pension Savings, Pension Reserve, and Retirement Reserve Funds as well as funding agent 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 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, 2006 and 2007

ASSETS

	<u>2006</u>	<u>2007</u>
Cash in bank	\$ 202,701	\$ 850,485
Prepaid expenses	-	-
Accounts receivable	107,439	115,528
Accrued Interest and dividends	191,383	226,787
Investments held by funding agents (at market value):	<u>92,244,117</u>	<u>97,871,652</u>
Total Assets	\$ <u>92,745,640</u>	\$ <u>99,064,453</u>

LIABILITIES AND EQUITY

Accounts payable	\$ 7,643	\$ 2,238
Funded reserves:		
Pension savings fund	8,506,098	8,827,539
Pension reserve fund	47,289,705	49,221,408
Retirement reserve fund	36,848,324	40,898,479
Expense fund	<u>93,870</u>	<u>114,789</u>
Total Liabilities & Equity	\$ <u>92,745,640</u>	\$ <u>99,064,453</u>

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

STATEMENT OF CHANGES IN RESERVE ACCOUNTS

December 31, 2006 and 2007

	<u>2006</u>	<u>2007</u>
<u>Pension Savings Fund</u>		
Balance 1-1	\$ 8,277,160	\$ 8,506,098
Interest earned-individual accounts	388,394	397,660
Member contributions	804,140	832,892
Contribution refunds	(133,085)	(42,932)
Transfer to retirement reserve fund	(830,511)	(866,179)
Balance 12-31	\$ <u>8,506,098</u>	\$ <u>8,827,539</u>
<u>Pension Reserve Fund</u>		
Balance 1-1	\$ 40,123,480	\$ 47,289,705
Unallocated interest	9,558,314	4,005,004
City contributions	2,096,083	2,716,461
Transfers to:		
Expense fund	(73,969)	(105,328)
Retirement reserve fund	(4,414,203)	(4,684,434)
Balance 12-31	\$ <u>47,289,705</u>	\$ <u>49,221,408</u>
<u>Retirement Reserve Fund</u>		
Balance 1-1	\$ 32,958,951	\$ 36,848,324
Transfers from:		
Pension reserve fund	4,414,203	4,684,434
Income fund-interest	2,684,895	2,990,262
Pension savings fund	830,511	866,179
Pension payments	(3,755,563)	(4,173,282)
Group health insurance payment	(284,673)	(317,438)
Balance 12-31	\$ <u>36,848,324</u>	\$ <u>40,898,479</u>

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

INCOME AND EXPENSE FUNDS

December 31, 2006 and 2007

<u>Income Fund</u>	<u>2006</u>	<u>2007</u>
Balance 1-1	\$ -	\$ -
Revenue:		
Interest earned-City	9,432	26,586
Other income	-	95
Investment earnings-funding agents	6,638,440	6,905,046
Increase (decrease) in unrealized market value	<u>6,166,060</u>	<u>670,607</u>
Total balance and revenue	<u>12,813,932</u>	<u>7,602,334</u>
Expenditures:		
Transfers to:		
Pension savings fund-interest	388,394	397,660
Pension reserve fund-interest	9,558,314	4,005,004
Retirement reserve fund-interest	2,684,895	2,990,262
Funding agent, trustee, and consultant fees	<u>182,329</u>	<u>209,408</u>
Total expenditures	<u>12,813,932</u>	<u>7,602,334</u>
Balance 12-31	<u>\$ -</u>	<u>\$ -</u>
 <u>Expense Fund</u>		
Balance 1-1	\$ 92,847	\$ 93,870
Revenue:		
Transfer from pension reserve fund	<u>73,969</u>	<u>105,328</u>
Funds available	<u>166,816</u>	<u>199,198</u>
Expenditures:		
Actuary fees	16,312	24,402
Audit fees	2,250	1,150
Wages and benefits	52,063	57,626
Supplies & materials	-	490
Travel and education	397	438
Disability exams	300	-
Other expenses	<u>1,624</u>	<u>303</u>
Total expenditures	<u>72,946</u>	<u>84,409</u>
Balance 12-31	<u>\$ 93,870</u>	<u>\$ 114,789</u>

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

STATEMENT OF REVENUES AND EXPENSES

December 31, 2005 and 2006

	<u>2006</u>	<u>2007</u>
Operating revenues:		
Investment earnings:		
City	\$ 9,432	\$ 26,586
Funding agents	6,638,440	6,905,046
Member contributions	804,140	832,892
City contributions	2,096,083	2,716,461
Other income	-	95
Total operating revenues	<u>9,548,095</u>	<u>10,481,080</u>
 Operating expenses:		
Benefit payments	3,755,563	4,173,282
Group health insurance payments	284,673	317,438
Contribution refunds	133,085	42,932
Funding agent fees	151,656	170,012
Trustee fees	12,673	14,397
Consultant fees	18,000	25,000
Actuary fees	16,312	24,402
Audit Fees	2,250	1,150
Other operating expenses	54,384	58,857
Total operating expenses	<u>4,428,596</u>	<u>4,827,469</u>
Operating income	<u>5,119,500</u>	<u>5,653,611</u>
 Increase (decrease) in unrealized market value	<u>6,166,060</u>	<u>670,607</u>
 Net income (loss)	11,285,560	6,324,217
 Fund balance 1-1	<u>81,452,438</u>	<u>92,737,998</u>
 Fund balance 12-31	<u>\$ 92,737,998</u>	<u>\$ 99,062,215</u>

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

EXPENSE FUND BALANCE

2008 Budget

2008 Approved Expense Fund Budget:	
Wages & Benefits	\$ 62,531
Insurance	303
Actuarial Services	29,400
Legal and Audit Services	14,700
Health Services (Disability Exams)	5,000
Professional Training Services	1,000
Supplies & Materials	700
Travel and Education	1,155
Other Expenses	
Total	<u>\$ 114,789</u>

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	\$ 2,542,479	\$ 1,361,260	\$ 3,903,739
Receivables:			
Accounts	313,192	115,528	428,720
Interest	565,826	226,787	792,613
Total Receivables	<u>879,018</u>	<u>342,315</u>	<u>1,221,333</u>
Investments at Fair Value:			
US Government	559,830	1,393,997	1,953,827
Corporate Obligations	28,270,197	11,473,469	39,743,666
Foreign Obligations	9,884,991	1,868,313	11,753,304
Domestic Stocks	50,444,137	19,453,542	69,897,679
Foreign Stocks	4,362,412	1,730,722	6,093,134
Index Funds:			
Equity	45,862,829	17,411,047	63,273,876
Government / Corporate Bonds	25,888,702	9,811,931	35,700,633
Mutual Funds:			
Foreign Equity	54,826,449	20,206,760	75,033,209
Domestic Equity	24,020,552	9,052,236	33,072,788
Real Estate	12,850,781	4,958,861	17,809,642
Total Investments	<u>256,970,880</u>	<u>97,360,878</u>	<u>354,331,758</u>
Total Assets	<u>260,392,377</u>	<u>99,064,453</u>	<u>359,456,830</u>
Liabilities			
Accrued Wages	<u>4,248</u>	<u>2,238</u>	<u>6,486</u>
Total Liabilities	<u>4,248</u>	<u>2,238</u>	<u>6,486</u>
Net Assets			
Held in Trust for Pension and Health Benefits	<u>\$ 260,388,129</u>	<u>\$ 99,062,215</u>	<u>\$ 359,450,344</u>

City of Sioux Falls
 Comprehensive Annual Financial Report
 Year Ended December 31, 2007

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	\$ 7,896,489	\$ 2,716,461	\$ 10,612,950
Plan Members	2,001,290	832,891	2,834,181
Total Contributions	<u>9,897,779</u>	<u>3,549,352</u>	<u>13,447,131</u>
Investment Income (Loss)	19,937,351	7,602,334	27,539,685
Less Investment Expense	514,836	209,408	724,244
Net Investment Income (Loss)	<u>19,422,515</u>	<u>7,392,926</u>	<u>26,815,441</u>
Total Additions	<u>29,320,294</u>	<u>10,942,278</u>	<u>40,262,572</u>
Deductions			
Benefit Payments			
Pension	9,262,791	4,173,282	13,436,073
Health Premiums	740,024	317,438	1,057,462
Total Benefit Payments	<u>10,002,815</u>	<u>4,490,720</u>	<u>14,493,535</u>
Refunds	199,779	42,932	242,711
Administrative Expense	161,177	84,409	245,586
Total Deductions	<u>10,363,771</u>	<u>4,618,061</u>	<u>14,981,832</u>
Net Increase (Decrease)	18,956,523	6,324,217	25,280,740
Net Assets - Beginning	<u>241,431,606</u>	<u>92,737,998</u>	<u>334,169,604</u>
Net Assets - Ending	<u>\$ 260,388,129</u>	<u>\$ 99,062,215</u>	<u>\$ 359,450,344</u>