



Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6 FIREFIGHTERS' RELIEF AND RETIREMENT FUND

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2016 AND 2015

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

TABLE OF CONTENTS

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-4
Statements of Fiduciary Net Position	5
Statements of Changes in Fiduciary Net Position	6
Notes to the Financial Statements	7-17
Supplementary Information:	
Schedule of Changes in Net Pension Liability and Related Ratios	18
Schedule of Investment Returns	19



Montemayor Britton Bender PC
CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees

Travis County Emergency Services District No. 6 Firefighters' Relief and Retirement Fund

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of fiduciary net position of the Travis County Emergency Services District No. 6 Firefighters' Relief and Retirement Fund (the Fund) as of December 31, 2016 and 2015, the related statements of changes in fiduciary net position for the years then ended, which collectively comprise the Fund's financial statements, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial status of the Fund as of December 31, 2016 and 2015, and the changes in its financial status for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 and 4 and the supplemental schedules on page 18 and 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Montemayor Britton Bender PC

18 July 2017
Austin, Texas

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Travis County Emergency Services District No. 6 Firefighters' Relief and Retirement Fund (the Fund) financial report presents our discussion and analysis of the Fund's financial performance during calendar year 2016. We encourage readers to consider the information presented here in conjunction with our financial statements that follow.

Financial Highlights

- The net position of the Fund increased from \$12,260,151 as of December 31, 2015 to \$15,043,500 as of December 31, 2016. This increase of \$2,783,349 or 23% is a result of ongoing contributions to the plan, an increase in the fair value of the plan's investments, and increased contribution rates.
- Contributions were \$1,911,491 in 2015 and \$2,199,237 in 2016.
- The Fund did not pay benefits during 2015 and 2016.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Fund's financial statements, which are comprised of the following:

- **Statement of Fiduciary Net Position** - presents the Fund's assets and liabilities and the resulting net position, which is restricted for pension benefits. This statement reflects a year-end snapshot of the Fund's investments at fair value, along with cash and short-term investments, receivables and other assets and liabilities.
- **Statement of Changes in Fiduciary Net Position** - provides a view of current year additions to and deductions from the Fund.
- **Notes to the Financial Statements** - provide additional information that is essential to a full understanding of the data provided in the financial statements.

The two financial statements report the Fund's net position restricted for pension benefits (net position) – the difference between assets and liabilities; which is one way to measure the Fund's financial position. Over time, increases and decreases in net position are one indicator of whether its financial health is improving or deteriorating. Collectively, this information presents the net position restricted for pension benefits as of the end of each year, and summarizes the changes in net position restricted for pension benefits for the year.

Financial Analysis

Summary of Fiduciary Net Position

	<u>Assets</u>	<u>12/31/2016</u>	<u>12/31/2015</u>
Investments, at fair value		\$14,911,230	\$12,144,209
Interest and dividend receivable		43,057	32,873
Participant contributions receivable		<u>89,213</u>	<u>83,069</u>
Total assets		15,043,500	12,260,151
	<u>Liabilities</u>		
Total liabilities		<u>0</u>	<u>0</u>
Net position restricted for pension benefits		<u>\$15,043,500</u>	<u>\$12,260,151</u>

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Changes in Fiduciary Net Position

	<u>2016</u>	<u>2015</u>
<u>Additions</u>		
Contributions	\$ 2,199,237	\$ 1,911,491
Net investment income	<u>649,191</u>	<u>113,088</u>
Total additions	<u>2,848,428</u>	<u>2,024,579</u>
<u>Deductions</u>		
Contributions refunded to terminating employees	38,945	25,156
General and administrative expenses	<u>26,134</u>	<u>37,917</u>
Total deductions	<u>65,079</u>	<u>63,073</u>
Net increase in net position restricted for pension benefits	2,783,349	1,961,506
Net position restricted for pension benefits beginning of year	<u>12,260,151</u>	<u>10,298,645</u>
Net position restricted for pension benefits end of year	<u>\$15,043,500</u>	<u>\$12,260,151</u>

Additions

Funds to pay benefits are accumulated through contributions and returns on invested funds. Member and District contributions for 2016 and 2015 were \$2,199,237 and \$1,911,491, respectively.

The Fund's net investment income was \$649,191 for 2016, compared to investment income of \$113,088 for 2015. Net appreciation/(depreciation) in the fair value of investments was \$331,492 in 2016, compared to net depreciation of (\$207,508) in 2015. Net realized gain/(loss) on sales of investments was \$63,126 in 2016 and \$81,122 in 2015. Interest and dividends generated income of \$352,293 and \$359,411 in 2016 and 2015, respectively. Other income was \$36,780 in 2016 and \$24,193 in 2015. Investment expenses, net of other revenues, were \$34,594 and \$38,815 in 2016 and 2015, respectively.

Deductions

The expenses paid by the Fund were administrative expenses. Administrative expenses in 2016 and 2015 were \$26,134 and \$37,917, respectively. In 2016 and 2015, respectively, the Fund refunded contributions of \$38,945 and \$25,156 to terminating employees.

Request for Information

This financial report is designed to provide a general overview of the finances of the Travis County Emergency Services District No. 6 Firefighters' Relief and Retirement Fund for all parties with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the plan administrator, 15304 Pheasant Lane, Lakeway, TX 78734.

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2016 AND 2015

ASSETS	<u>2016</u>	<u>2015</u>
Investments at fair value:		
Cash	\$2,632	\$2,698
Short-term investment funds	655,893	186,183
Municipal bonds-taxable	98,177	96,829
Corporate bonds	2,995,985	2,484,315
Mutual funds	4,360,634	3,675,881
Common stocks	<u>6,797,909</u>	<u>5,698,303</u>
	14,911,230	12,144,209
Interest and dividends receivable	43,057	32,873
Retirement contributions receivable	<u>89,213</u>	<u>83,069</u>
	<u>15,043,500</u>	<u>12,260,151</u>
LIABILITIES	<u>0</u>	<u>0</u>
FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS	<u><u>\$15,043,500</u></u>	<u><u>\$12,260,151</u></u>

The accompanying notes are an integral part of this financial statement presentation.

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ADDITIONS TO FIDUCIARY NET POSITION		
Contributions:		
Employer retirement contributions	\$1,077,176	\$943,417
Participant contributions	<u>1,122,061</u>	<u>968,074</u>
	<u>2,199,237</u>	<u>1,911,491</u>
Net investment income:		
Net appreciation/(depreciation) in the fair value of investments (including realized gains of \$63,126 in 2016 and \$81,122 in 2015)	331,492	(207,508)
Interest and dividends	352,293	359,411
Other	36,780	24,193
Investment expenses	<u>(71,374)</u>	<u>(63,008)</u>
	<u>649,191</u>	<u>113,088</u>
	<u>2,848,428</u>	<u>2,024,579</u>
DEDUCTIONS FROM FIDUCIARY NET POSITION		
Contributions refunded to terminating participants	38,945	25,156
General and administrative expenses	<u>26,134</u>	<u>37,917</u>
	<u>65,079</u>	<u>63,073</u>
NET INCREASE IN FIDUCIARY NET POSITION	2,783,349	1,961,506
BEGINNING FIDUCIARY NET POSITION	<u>12,260,151</u>	<u>10,298,645</u>
ENDING FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS	<u>\$15,043,500</u>	<u>\$12,260,151</u>

The accompanying notes are an integral part of this financial statement presentation.

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SYSTEM DESCRIPTION

The Travis County Emergency Services District No. 6 Firefighters' Relief and Retirement Fund (the Fund) and associated Trust were established on March 1, 2008 under the authority of the Texas Local Fire Fighter's Retirement Act (the Act). The Fund is a single-employer defined benefit pension plan and is included in the financial statements of the Travis County Emergency Services District No. 6 (the District) as a pension fund.

The Board of Trustees is the administrator of the Fund. The Board is made up of three members elected from and by fund members, two representatives of the District and two citizen members.

Amendments to benefit provisions and contribution obligations of the Fund are made only with the authority of the Board in accordance with the Act. Although the District has not expressed any intent to terminate the Fund, it may do so at any time, in accordance with provisions of the Act. Upon termination of the Fund, the assets of the Fund would be distributed as soon as practicable after the end of the Fund year.

The Fund provides retirement, disability and survivor benefits to firefighters employed by the District and their beneficiaries. Full retirement benefits vest after 20 years of credited service. A member who has been credited with 20 years of credited service is eligible to receive a normal retirement benefit upon the later of (1) the member's termination of service or (2) the attainment of age 55. Partial retirement benefits vest after 10 years of credited service. A member who has been credited with at least 10 years of credited service is eligible to receive a partial retirement benefit upon the later of (1) the date upon which the member would have been credited with 20 years of credited service if the member had remained in continuous employment with the District or (2) the attainment of age 55. The monthly benefit at retirement is payable as a life annuity. A member is eligible to receive benefits under the Fund's DROP provision after completing both 20 years of service and attaining age 55. The election to participate in the DROP may be made at the time the member elects to retire.

As of the actuarial valuation date of December 31, 2015, the monthly benefit is equal to 3.00% of the highest average monthly pay multiplied by years of credited service up to 20 years, plus 2.15% of the highest average monthly pay, multiplied by years of credit service in excess of 20 years.

An employee is eligible to participate in the Fund if the employee is younger than 36 years old on the first day of employment with the District. An employee is eligible to participate in the Fund if the individual is older than 36 years old on the first day of employment if (1) the individual first became a fire fighter at an age younger than 36, (2) the Board approves the membership, and (3) the employee affirmatively elects to be a member and passes the physical examination.

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SYSTEM DESCRIPTION

The types of employees covered, as well as plan membership as of the December 31, were:

	<u>12/31/16</u>	<u>12/31/15</u>
Retirees and beneficiaries currently receiving benefits	0	0
Terminated employees entitled to but not yet receiving benefits	0	0
Active members	<u>83</u>	<u>82</u>
Total	<u>83</u>	<u>82</u>

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Fund's financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade date. Contributions are recognized as revenues in the period in which the related employees' payroll is earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

METHOD USED TO VALUE INVESTMENTS

The Fund is invested in fixed income securities, equity securities, corporate bonds and short-term investment funds. These investments are reported at fair value. Fair value is the amount that the plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, other than in a forced or liquidation sale. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investment income is recognized in the period earned. Investment purchases, sales, and gains and losses are recognized on a trade-date basis. Dividends are recorded on the ex-dividend date. Realized gains and losses are calculated independent of the net change in fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

CONTRIBUTIONS RECEIVABLE

The final biweekly payroll contributions of employees for the year ended December 31, 2016 and 2015, and the District's related contributions were not deposited in the Fund by year end and are shown as contributions receivable in both years.

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions to the net position restricted for pension benefits during the reporting period. Actual results could differ from those estimates.

FUND EXPENSES

All Fund administrative costs are the responsibility of the Fund and are financed through investment earnings.

NOTE 3: FEDERAL TAX STATUS

The Fund is a Public Employee Retirement System and is exempt from Federal income taxes. The Internal Revenue Service has determined and informed the Fund by a letter dated October 19, 2010, that the Fund is designed in accordance with applicable sections of the Internal Revenue Code (IRC).

The Internal Revenue Service has determined and informed the Fund by a letter dated June 6, 2011, that participating employees of the Fund are exempted from employment taxes for FICA purposes under section 3121(b)(7)(f) of the Internal Revenue Code. The exemption was retroactive to Fund inception. Refunds of FICA taxes withheld were requested from the IRS and were received in 2012.

NOTE 4: DEPOSIT AND INVESTMENT RISK

The Board has adopted an Investment Policy Statement (IPS) to set forth the factors involved in the management of investment assets for the Fund and the IPS is included with the Investment Custodian and Manager's agreement. The fair values of the Fund's investments at December 31, 2016 and 2015 are presented, by type, as follows:

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: DEPOSIT AND INVESTMENT RISK

<u>Investment Type</u>	<u>2016</u>	<u>2015</u>
Cash and short-term investment funds	\$658,525	\$188,881
Municipal bonds-taxable	98,177	96,829
Corporate bonds	2,995,985	2,484,315
Mutual funds	4,360,634	3,675,881
Common stocks	<u>6,797,909</u>	<u>5,698,303</u>
	<u>\$14,911,230</u>	<u>\$12,144,209</u>

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Fund will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are uninsured and unsecured. The Fund did not have exposure to custodial credit risk for deposits as of December 31, 2016 and 2015.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Fund and are held by either the counterparty or the counterparty's trust department or agent but not in the Fund's name. As of December 31, 2016 and 2015, the Fund's investment securities are not exposed to custodial credit risk because all securities are held by the Fund's custodial bank in the Fund's name.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from disclosure of credit quality ratings. As of December 31, 2016 and 2015, below is a summary of individual investments that represent more than 5% of net position restricted for benefits.

	<u>2016 Fair Value</u>	<u>% of Net Position</u>
Frost Total Return Bond Fund	\$709,767	5.79%
John Hancock III Disciplined Mid Cap Value Fund Institutional	\$626,300	5.11%

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: DEPOSIT AND INVESTMENT RISK

	<u>2015 Fair Value</u>	<u>% of Net Position</u>
Frost Total Return Bond Fund	\$723,707	7.03%
John Hancock III Disciplined Mid Cap Value Fund Institutional	\$558,623	5.42%

The IPS sets out guidelines for following allowable ranges of target asset allocations for the Fund's investments and includes ranges for cash, equities (including corporate stocks and mutual funds), fixed income securities (including bond funds), real estate investment trusts, natural resources, commodities, metals and other investments.

The Board will retain discretion with respect to the asset allocation decision based upon current and anticipated market conditions, the independent actions of the Board, and liquidity requirements. Along with diversification, the Board and IPS set investment goals and guidelines.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The IPS guidelines permit investments in individual fixed income assets limited to less than 15 years in maturity and with a weighted-average duration of the fixed income portfolio limited to a maximum duration of 10 years.

As of December 31, 2016, the Fund had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1 to 6 years</u>	<u>6 to 10 years</u>	<u>Greater than 10 years</u>
Municipal Bonds	\$98,177	\$0	\$98,177	\$0	\$0
Corporate Bonds	\$2,995,985	\$103,198	\$1,860,957	\$906,819	\$125,011

As of December 31, 2015, the Fund had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1 to 6 years</u>	<u>6 to 10 years</u>	<u>Greater than 10 years</u>
Municipal Bonds	\$96,829	\$0	\$96,829	\$0	\$0
Corporate Bonds	\$2,484,315	\$100,623	\$1,165,249	\$1,095,756	\$122,687

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: DEPOSIT AND INVESTMENT RISK

CREDIT RISK

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations to the Fund. The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations (S&P and Moody's) at December 31, 2016, are as follows:

Quality Rating S&P / Moody's	Total Fair Value	Municipal Bonds	Corporate Bonds
Not rated/ Baa1	\$98,177	\$98,177	\$0
A/A1	\$206,457	\$0	\$206,457
A/A2	\$413,315	\$0	\$413,315
A/A3	\$99,667	\$0	\$99,667
A-/A1	\$107,174	\$0	\$107,174
A-/A3	\$307,887	\$0	\$307,887
A+/A1	\$103,889	\$0	\$103,889
A+/A2	\$97,347	\$0	\$97,347
AA/Aa1	\$98,963	\$0	\$98,963
AA/Aa2	\$98,670	\$0	\$98,670
AA-/A1	\$106,012	\$0	\$106,012
AA-/Aa2	\$125,011	\$0	\$125,011
AA-/Aa3	\$204,912	\$0	\$204,912
AA+/Aa1	\$106,194	\$0	\$106,194
AA+/Aaa	\$103,373	\$0	\$103,373
AAA/Aaa	\$111,428	\$0	\$111,428
BBB/Baa1	\$99,743	\$0	\$99,743
BBB+/A3	\$204,976	\$0	\$204,976
BBB+/Baa1	<u>\$400,967</u>	<u>\$0</u>	<u>\$400,967</u>
	<u>\$3,094,162</u>	<u>\$98,177</u>	<u>\$2,995,985</u>

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: DEPOSIT AND INVESTMENT RISK

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations at December 31, 2015, are as follows:

Quality Rating S&P / Moody's	Total Fair <u>Value</u>	Municipal <u>Bonds</u>	Corporate <u>Bonds</u>
Not rated/ Baa1	\$96,829	\$96,829	\$0
A/A1	\$106,916	\$0	\$106,916
A/A2	\$302,614	\$0	\$302,614
A-/A3	\$306,981	\$0	\$306,981
A+/A1	\$98,139	\$0	\$98,139
AA-/Aa1	\$95,865	\$0	\$95,865
A+/A2	\$96,466	\$0	\$96,466
AA-/A1	\$108,806	\$0	\$108,806
AA-/Aa3	\$226,155	\$0	\$226,155
AA+/Aa1	\$99,510	\$0	\$99,510
AAA/Aaa	\$202,220	\$0	\$202,220
BBB/Baa1	\$108,316	\$0	\$108,316
BBB+/A-3	\$213,152	\$0	\$213,152
BBB+/Baa1	<u>\$519,175</u>	<u>\$0</u>	<u>\$519,175</u>
	<u>\$2,581,144</u>	<u>\$96,829</u>	<u>\$2,484,315</u>

NOTE 5: FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instrument. Municipal and corporate bonds are based on quoted market prices in active markets as well as market valuation methodologies using discounted cash flows and observable credit ratings. Securities traded on national exchanges are valued at the last reported sales price.

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: FAIR VALUE OF FINANCIAL INSTRUMENTS

	<u>2016</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Municipal bonds	\$98,177	\$0	\$98,177	\$0
Corporate bonds	2,995,985	0	2,995,985	0
Mutual funds	4,360,634	4,360,634	0	0
Common stocks	<u>6,797,909</u>	<u>6,797,909</u>	<u>0</u>	<u>0</u>
	<u>\$14,252,705</u>	<u>\$11,158,543</u>	<u>\$3,094,162</u>	<u>\$0</u>

	<u>2015</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Municipal bonds	\$96,829	\$0	96,829	\$0
Corporate bonds	2,484,315	0	2,484,315	0
Mutual funds	3,675,881	3,675,881	0	0
Common stocks	<u>5,698,303</u>	<u>5,698,303</u>	<u>0</u>	<u>0</u>
	<u>\$11,955,328</u>	<u>\$9,374,184</u>	<u>\$2,581,144</u>	<u>\$0</u>

NOTE 6: CONTRIBUTIONS

Effective October 2015, the required participant contribution rate was 20.0% of base pay, and the District matched participant contributions at a rate of 19.2%.

While contribution rates are not actuarially determined, state law requires that each plan of benefits adopted by the Fund must be approved by a qualified actuary. The actuary certifies that the contribution commitment by the participants and the District provides an adequate financing arrangement at the time any change is made.

NOTE 7: SCHEDULE OF INVESTMENT RETURNS

For the year-ended December 31, 2016 and 2015, the annual money-weighted rate of return on Fund investments, net of investment expenses, was 4.89% and 1.02% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: NET PENSION PLAN LIABILITY

The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015.

Total pension liability	\$19,975,426
Fund fiduciary net position	<u>(\$15,043,500)</u>
Net pension liability	<u>\$4,931,926</u>
Fund fiduciary net position as a percentage of the total pension liability	<u>75.31%</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2015. The valuation for the year ended December 31, 2015 was revised in order to recognize pending plan amendments as well as revised payroll figures provided by the District. The changes in assumptions were made in order to align the assumptions with actuarial requirements as well as to most accurately reflect anticipated plan experience. Subsequently, the valuation date was changed from January 1, 2016 to December 31, 2015. The individual entry age normal actuarial cost method was used for both the December 31, 2015 valuation and the previous valuation. Experience studies were made of the Fund's experience with respect to rate of return as part of the December 31, 2015 valuation.

The following actuarial assumptions were applied to all periods included in the measurement:

Investment rate of return, with plan expenses recognized in the normal cost	7.0%
Annual increase in payroll	4.0%
Inflation rate per year	3.0%

Mortality rates were based on employee and healthy annuitant combined rates from the RP-2000 Mortality Table, projected to 2024 using Scale AA, with separate rates for males and females.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. GASB Statement No. 67 also calls for a 99-year projection of the plan's Fiduciary Net Position. However, alternative methods to determine that the plan will have sufficient assets to

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: NET PENSION PLAN LIABILITY

benefits over the 99 year period are allowed for. The Fund's amortization period as of December 31, 2015 revised valuation was 5.8 years. Thus, the Net Pension Liability is expected to reach zero in less than ten years. Therefore, it can be reliably stated that the plan's Fiduciary Net Position will be sufficient over the 99-year period to pay all plan benefits. For this reason, cash flow projection is not required in determining the discount rate. The long-term expected rate of return on pension plan investments was applied to all periods of projected pension benefits to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation Adjusted to Actual Allocation</u>	<u>Long-Term Expected Net Real Rate of Return</u>
Equities		
Mutual funds (large-cap)	46.50%	7.00%
Mutual funds (mid-cap)	7.85	9.50
Mutual funds (small-cap)	3.10	8.50
International equity	6.02	5.30
Real Estate	2.04	8.60
Emerging markets	0.49	5.00
Fixed Income		
Municipal bonds	0.83	3.00
Corporate & foreign bonds	31.21	3.00
High yield	0.96	4.50
Cash	<u>1.00</u>	0.00
Total	100%	
Weighted Average		5.79%

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6
FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: NET PENSION PLAN LIABILITY

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the plan, calculated using the discount rate of 7.00%, as well as what the system's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension liability	<u>\$9,102,715</u>	<u>\$4,931,926</u>	<u>\$1,919,569</u>

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6 FIREFIGHTERS'
RELIEF AND RETIREMENT FUND
 GASB Statement No. 67 Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Fiscal Years (1)

	Fiscal year ending <u>12/31/14</u>	Fiscal year ending <u>12/31/15(A)</u>	Fiscal year ending <u>12/31/15(B)</u>	Fiscal year ending <u>12/31/16</u>
Total Pension Liability:				
1. Service cost	\$980,014	\$1,019,215	\$1,059,984	\$1,102,383
2. Interest	904,104	1,035,952	1,038,806	1,308,078
3. Changes in benefit terms	0	0	0	0
4. Difference between expected and actual experience	0	0	1,543,569	0
5. Changes in assumptions	0	0	194,031	0
6. Benefit payments and refunds of contributions	<u>(87,471)</u>	<u>(25,156)</u>	<u>(25,156)</u>	<u>(38,945)</u>
7. Net Change in Total Pension Liability	1,796,647	2,030,011	3,811,234	2,371,516
8. Total Pension Liability - Beginning of year (2)	<u>11,996,029</u>	<u>13,792,676</u>	<u>13,792,676</u>	<u>17,603,910</u>
9. Total Pension Liability - End of year (a)	<u>\$13,792,676</u>	<u>\$15,822,687</u>	<u>\$17,603,910</u>	<u>\$19,975,426</u>
Plan Fiduciary Net Position:				
10. Contributions - employer	899,146	943,417	943,417	1,077,176
11. Contributions - member	903,757	968,074	968,074	1,122,061
12. Net investment income	608,392	176,096	176,096	649,191
13. Benefit payments and refunds of contributions	(87,471)	(25,156)	(25,156)	(38,945)
14. Administrative expenses	(33,068)	(100,925)	(100,925)	(26,134)
15. Other	<u>0</u>	<u>0</u>	0	<u>0</u>
16. Net Change in Plan Fiduciary Net Position	2,290,756	1,961,506	1,961,506	2,783,349
17. Plan Fiduciary Net Position - Beginning of Year	<u>8,007,889</u>	<u>10,298,645</u>	<u>10,298,645</u>	<u>12,260,151</u>
18. Plan Fiduciary Net Position - End of Year (b)	<u>\$10,298,645</u>	<u>\$12,260,151</u>	<u>\$12,260,151</u>	<u>\$15,043,500</u>
Net Pension Liability (Asset) - Ending (a)-(b)	<u>\$3,494,031</u>	<u>\$3,562,536</u>	<u>\$5,343,759</u>	<u>\$4,931,926</u>
Plan fiduciary net position as a % of the total pension liability	74.67%	77.48%	69.64%	75.31%
Covered employee payroll	\$4,683,052	\$4,913,630	\$4,913,630	\$5,610,292
Net pension liability (asset) as a % of covered employee payroll	74.61%	72.50%	108.75%	87.91%

A. Actuarial valuation date 01/01/2014

B. Actuarial valuation date 12/31/2015

See Independent Auditor's Report

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6 FIREFIGHTERS'
RELIEF AND RETIREMENT FUND**

GASB Statement No. 67 Required Supplementary Information

Schedule of Investment Returns Last Ten Fiscal Years (1)

<u>Fiscal year ending</u>	<u>Annual Money-Weighted Net Real Rate of Return(3)</u>
December 31, 2014	6.80%
December 31, 2015	1.02%
December 31, 2016	4.89%

1. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full ten-year trend is compiled, only available information is shown.
2. Determined from the end of year total pension liability using the roll forward procedure allowed for the initial year of implementation for GASB 67.
3. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.