



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

31 DECEMBER 2018 AND 2017

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

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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 statement of fiduciary net position of the Travis County Emergency Services District No. 6 Firefighters' Relief and Retirement Fund (the Fund) as of 31 December 2018 and 2017, the related statement 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 31 December 2018 and 2017, 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 through 5 and the supplemental schedules on pages 19 through 21 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

23 July 2019
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 2018. 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 \$19,688,064 as of 31 December 2017 to \$20,894,159 as of 31 December 2018. This increase of \$1,206,095 or 6% is a result of ongoing contributions to the plan, and an increase in interest and dividends, offset by a decrease in the fair value of the plan's investments.
- Contributions were \$2,290,268 in 2017 and \$2,381,340 in 2018.
- The Fund did not pay benefits during 2017 and 2018.

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>12/31/2018</u>	<u>12/31/2017</u>
Investments, at fair value		\$20,634,841	\$19,548,475
Interest and dividend receivable		54,982	51,607
Retirement contributions receivable		<u>204,336</u>	<u>87,982</u>
Total assets		20,894,159	19,688,604
	<u>Liabilities</u>		
Total liabilities		<u>0</u>	<u>0</u>
Net position restricted for pension benefits		<u>\$ 20,894,159</u>	<u>\$ 19,688,604</u>

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FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Changes in Fiduciary Net Position

	<u>2018</u>	<u>2017</u>
<u>Additions</u>		
Contributions	\$2,381,340	\$2,290,268
Net investment income (loss)	<u>(1,046,878)</u>	<u>2,650,333</u>
Total additions	<u>1,334,462</u>	<u>4,940,601</u>
<u>Deductions</u>		
Contributions refunded to terminating employees	89,393	260,580
General and administrative expenses	<u>38,974</u>	<u>35,457</u>
Total deductions	<u>128,367</u>	<u>269,037</u>
Net increase in net position restricted for pension benefits	1,206,095	4,644,564
Net position restricted for pension benefits beginning of year	<u>19,688,064</u>	<u>15,043,500</u>
Net position restricted for pension benefits end of year	<u>20,894,159</u>	<u>\$19,688,064</u>

Additions

Funds to pay benefits are accumulated through contributions and returns on invested funds. Member and District contributions for 2018 and 2017 were \$2,381,340 and \$2,290,268, respectively.

The Fund's net investment loss was (\$1,046,878) for 2018, compared to investment income of \$2,650,333 for 2017. Net unrealized appreciation/(depreciation) in the fair value of investments, was (\$2,028,043) in 2018, compared to net unrealized appreciation of \$2,011,104 in 2017. Net realized gain/(loss) on sales of investments was \$250,002 in 2018 and \$228,691 in 2017. Interest and dividends generated income of \$828,968 and \$495,365 in 2018 and 2017, respectively. Other income was \$3,109 in 2018 and \$4,201 in 2017. Investment expenses were \$100,914 and \$89,028 in 2018 and 2017, respectively.

Deductions

The expenses paid by the Fund were administrative expenses. Administrative expenses in 2018 and 2017 were \$38,974 and \$35,457, respectively. In 2018 and 2017, respectively, the Fund refunded contributions of \$89,393 and \$260,580 to employees who terminated during the year.

Other Factors

The value of accrued benefits as of 31 December 2017, the most recent actuarial valuation date, after plan amendments, was \$14,767,514. The value of accumulated benefits represents the value of retirement, death, disability, and termination benefits which fund members had accumulated as of 31 December 2017, under the plan after the pending amendments have been incorporated. It excludes the value of benefits which will be earned after that date. The market value of plan asset as of 31 December 2017, was \$19,688,064. This produces a funding ratio of 133.32 percent. The accumulated benefit funding ratio is a measure of funding to date on an ongoing-plan basis. It can also be considered a plan termination measure. The fact that the ratio is considerably greater than 100 percent shows that the fund had more than enough assets to provide the benefits which had been earned as of 31 December 2017.

On a strict plan termination basis, the present value of accrued retirement benefits was approximately \$14,227,734. The value of accrued retirement benefits represents the value of only the retirement benefits which fund members had earned as of 31 December 2017. This produces a funding ratio of 138.38 percent. Again, the ratio is considerably

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MANAGEMENT'S DISCUSSION AND ANALYSIS

greater than 100 percent, which shows that the fund has more than enough assets to provide the benefits which had been accrued as of 31 December 2017.

It is unusual for public pension plans to terminate. However, in the event of plan termination, it is unlikely that the plan would distribute lump sums. It is more likely that benefits would be frozen, and existing members and beneficiaries would be paid monthly, starting at retirement. Under this scenario, use of the accumulated plan benefit ratio (rather than the accrued benefit statistics) would produce a better measure of the value of plan benefits.

It should be noted that the ratios given above were calculated differently than the ratio called for under Governmental Accounting Standards Board (GASB) Statements No. 67 and No. 68. The GASB funded ratio as of 31 December 2017, was 77.63 percent; however, the GASB funded ratio represents the market value of assets divided by the total pension liability, which includes the value of benefits which will be earned after 31 December 2017. Thus, comparing assets as of 31 December 2017, to a value of benefits which includes future benefit accruals is not a consistent measure of the plan's obligations in the event of plan termination. (The GASB funded ratio as of 31 December 2018, was 72.62 percent).

The 31 December 2017 study of proposed plan changes, which measured the District's ability to fund both current and future benefits, demonstrated that the plan is a sound funding arrangement and that the contribution requirements are stable as a percentage of fire fighters' payroll. The Board of Trustees works to protect and to balance the interests of current as well as future taxpayers and fund members.

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.

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FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

STATEMENT OF FIDUCIARY NET POSITION

31 DECEMBER 2018 AND 2017

ASSETS	<u>2018</u>	<u>2017</u>
Investments at fair value:		
Short-term investment funds	\$186,573	\$287,143
Corporate bonds	4,881,626	3,938,595
Mutual funds	8,926,258	7,194,769
Common stocks	<u>6,640,384</u>	<u>8,127,968</u>
	20,634,841	19,548,475
Interest and dividends receivable	54,982	51,607
Retirement contributions receivable	<u>204,336</u>	<u>87,982</u>
	<u>20,894,159</u>	<u>19,688,064</u>
LIABILITIES	<u>0</u>	<u>0</u>
FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS	<u>\$20,894,159</u>	<u>\$19,688,064</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 31 DECEMBER 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ADDITIONS TO FIDUCIARY NET POSITION		
Contributions:		
Employer retirement contributions	\$1,166,370	\$1,121,761
Participant contributions	<u>1,214,970</u>	<u>1,168,507</u>
	<u>2,381,340</u>	<u>2,290,268</u>
Net investment income:		
Net appreciation/(depreciation) in the fair value of investments (including realized gains of \$250,002 in 2018 and \$228,691 in 2017)	(1,778,041)	2,239,795
Interest and dividends	828,968	495,365
Other	3,109	4,201
Investment expenses	<u>(100,914)</u>	<u>(89,028)</u>
	<u>(1,046,878)</u>	<u>2,650,333</u>
	<u>1,334,462</u>	<u>4,940,601</u>
DEDUCTIONS FROM FIDUCIARY NET POSITION		
Contributions refunded to terminating participants	89,393	260,580
General and administrative expenses	<u>38,974</u>	<u>35,457</u>
	<u>128,367</u>	<u>296,037</u>
NET INCREASE IN FIDUCIARY NET POSITION	1,206,095	4,644,564
BEGINNING FIDUCIARY NET POSITION	<u>19,688,064</u>	<u>15,043,500</u>
ENDING FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS	<u>\$20,894,159</u>	<u>\$19,688,064</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 1 March 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 31 December 2017, the monthly benefit is equal to 3.4% of the highest average monthly pay multiplied by years of credited service up to 20 years, plus 2.2% 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.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SYSTEM DESCRIPTION

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

	<u>2018</u>	<u>2017</u>
Retirees and beneficiaries currently receiving benefits	0	0
Terminated employees entitled to but not yet receiving benefits	0	0
Active members	<u>94</u>	<u>79</u>
Total	<u>94</u>	<u>79</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 31 December 2018 and 2017, 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.

BUDGET

The Fund is not legally required to adopt a budget.

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 19 October 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 6 June 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 31 December 2018 and 2017 are presented, by type, as follows:

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FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: DEPOSIT AND INVESTMENT RISK

<u>Investment Type</u>	<u>2018</u>	<u>2017</u>
Short-term investment funds	\$186,573	\$287,143
Corporate bonds	4,881,626	3,938,595
Mutual funds	8,926,258	7,194,769
Common stocks	<u>6,640,384</u>	<u>8,127,968</u>
	<u>\$20,634,841</u>	<u>\$19,548,475</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 31 December 2018 and 2017.

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 31 December 2018 and 2017, 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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: DEPOSIT AND INVESTMENT RISK

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 31 December 2018, 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>
Corporate Bonds	<u>\$4,881,626</u>	<u>\$401,738</u>	<u>\$3,475,691</u>	<u>\$1,004,197</u>	<u>\$0</u>

As of 31 December 2017, 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>
Corporate Bonds	<u>\$3,938,595</u>	<u>\$302,323</u>	<u>\$2,249,177</u>	<u>\$1,258,077</u>	<u>\$129,018</u>

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 31 December 2018, are summarized in the following table.

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FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: DEPOSIT AND INVESTMENT RISK

Quality Rating <u>S&P / Moody's</u>	Corporate <u>Bonds</u>
A/A1	\$317,871
A/A2	489,072
A/A3	295,999
A-/A2	199,107
A-/A3	402,910
A-/Baa1	98,699
A+/A1	399,829
A+/A2	195,502
A+/A3	99,269
A+/Aa3	218,837
AA/A1	98,654
AA/Aa2	199,290
AA-/A1	197,515
AA-/A2	96,322
AA-/A3	97,806
AA-/Aa1	97,687
AA-/Aa3	199,443
AA+/Aa1	100,064
AA+/Aa2	102,010
AA+/Aaa	96,835
AAA/Aaa	100,676
BBB/Baa1	102,477
BBB/Baa2	98,276
BBB/Baa3	96,162
BBB+/A3	196,309
BBB+/Baa1	<u>285,005</u>
	<u>\$4,881,626</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 31 December 2017, are summarized in the following table.

Quality Rating <u>S&P / Moody's</u>	Corporate <u>Bonds</u>
A/A1	\$105,754
A/A2	406,705
A/A3	301,577
A-/A3	722,791
A+/A1	329,034
A+/A2	199,589
AA/Aa3	129,018
AA-/A1	203,325
AA-/Aa1	100,573
AA-/Aa2	99,648
AA-/Aa3	209,087
AA+/Aa1	100,401
AA+/ Aa2	104,684
AA+/Aaa	99,661
AAA/Aaa	102,293
BBB/Baa3	104,572
BBB+/A3	208,194
BBB+/Baa1	<u>411,689</u>
	<u>\$3,938,595</u>

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: DEPOSIT AND INVESTMENT RISK

As of 31 December 2018, the Fund had the following bond mutual funds subject to interest rate risk and credit risk:

<u>Investment</u>	<u>Weighted Average Maturity</u>	<u>Weighted Average Credit Rating</u>
Frost Total Return Bond Fund Class I	5.45 years	A
Oppenheimer Total Return Bond Institutional Class	6.78 years	A+

As of 31 December 2017, the Fund had the following bond mutual funds subject to interest rate risk and credit risk:

<u>Investment</u>	<u>Weighted Average Maturity</u>	<u>Weighted Average Credit Rating</u>
Frost Total Return Bond Fund Class I	5.78 years	AA
Oppenheimer Total Return Bond Institutional Class	8.95 years	A+

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.

	<u>2018</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Corporate bonds	\$4,881,626	\$0	\$4,881,626	\$0
Mutual funds	8,926,258	8,926,258	0	0
Common stocks	<u>6,640,384</u>	<u>6,640,384</u>	<u>0</u>	<u>0</u>
	<u>\$20,448,268</u>	<u>\$15,566,642</u>	<u>\$4,881,626</u>	<u>\$0</u>

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: FAIR VALUE OF FINANCIAL INSTRUMENTS

	<u>2017</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate bonds	\$3,938,595	\$0	\$3,938,595	\$0
Mutual funds	7,194,769	7,194,769	0	0
Common stocks	<u>8,127,968</u>	<u>8,127,968</u>	<u>0</u>	<u>0</u>
	<u>\$19,261,332</u>	<u>\$15,322,737</u>	<u>\$3,938,595</u>	<u>\$0</u>

NOTE 6: CONTRIBUTIONS

Effective October 2016, 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 31 December 2018 and 2017, the annual money-weighted rate of return on Fund investments, net of investment expenses, was (4.86%) and 17.21% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 8: NET PENSION PLAN LIABILITY

The net pension liability was measured as of 31 December 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 31 December 2017.

Total pension liability	\$28,770,524
Fund fiduciary net position	<u>(20,894,159)</u>
Net pension liability	<u>\$7,876,365</u>
Fund fiduciary net position as a percentage of the total pension liability	<u>72.62%</u>

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: NET PENSION PLAN LIABILITY

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of 31 December 2017. The individual entry age normal actuarial cost method was used for the 31 December 2017 valuation. Experience studies were made of the Fund's experience with respect to rate of return as part of the 31 December 2017 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	3.25%
Inflation rate per year	2.5%

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 benefits over the 99 year period are allowed for. The Fund's amortization period as of 31 December 2017 valuation was 14.7 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.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: NET PENSION PLAN LIABILITY

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>	Target Allocation Adjusted to Actual <u>Allocation</u>	Long-Term Expected Net Real Rate of <u>Return</u>
Cash and cash equivalents	1.73%	0.00%
Fixed income	33.62	1.00
Equities	63.44	5.27
Real estate	<u>1.21</u>	<u>0.11</u>
Total	100%	
Weighted Average		6.38%

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 <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Net pension liability	<u>\$12,818,583</u>	<u>\$7,876,365</u>	<u>\$3,820,231</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 12/31/14	Fiscal year ending 12/31/15(A)	Fiscal year ending 12/31/15(B)	Fiscal year ending 12/31/16	Fiscal year ending 12/31/17(C)	Fiscal year ending 12/31/17(D)	Fiscal year ending 12/31/18
Total Pension Liability:							
1. Service cost	\$980,014	\$1,019,215	\$1,059,984	\$1,102,383	\$1,146,478	\$1,146,478	\$1,613,655
2. Interest	904,104	1,035,952	1,038,806	1,308,078	1,469,413	1,469,413	1,885,108
3. Changes in benefit terms	0	0	0	0	0	0	3,559,759
4. Difference between expected and actual experience	0	0	1,543,569	0	0	(1,001,329)	0
5. Changes in assumptions	0	0	194,031	0	0	471,987	0
6. Benefit payments and refunds of contributions	(87,471)	(25,156)	(25,156)	(38,945)	(260,580)	(260,580)	(89,393)
7. Net Change in Total Pension Liability	1,796,647	2,030,011	3,811,234	2,371,516	2,355,311	1,825,969	6,969,129
8. Total Pension Liability - Beginning of year (2)	11,996,029	13,792,676	13,792,676	17,603,910	19,975,426	19,975,426	21,801,395
9. Total Pension Liability - End of year (a)	\$13,792,676	\$15,822,687	\$17,603,910	\$19,975,426	\$22,330,737	\$21,801,395	\$28,770,524

A. Actuarial valuation date 01/01/2014

B. Actuarial valuation date 12/31/2015

C. Actuarial valuation date 12/31/2015

D. Actuarial valuation date 12/31/2017

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 12/31/14	Fiscal year ending 12/31/15(A)	Fiscal year ending 12/31/15 (B)	Fiscal year ending 12/31/16	Fiscal year ending 12/31/17 (C)	Fiscal year ending 12/31/17 (D)	Fiscal year ending 12/31/18
Plan Fiduciary Net Position:							
10. Contributions - employer	\$899,146	\$943,417	\$943,417	\$1,077,176	\$1,121,761	\$1,121,761	\$1,166,370
11. Contributions - member	903,757	968,074	968,074	1,122,061	1,168,507	1,168,507	1,214,970
12. Net investment income	608,392	176,096	176,096	649,191	2,650,333	2,650,333	(1,046,878)
13. Benefit payments and refunds of contributions	(87,471)	(25,156)	(25,156)	(38,945)	(260,580)	(260,580)	(89,393)
14. Administrative expenses	(33,068)	(100,925)	(100,925)	(26,134)	(35,457)	(35,457)	(38,974)
15. Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
16. Net Change in Plan Fiduciary Net Position	2,290,756	1,961,506	1,961,506	2,783,349	4,644,564	4,644,564	1,206,095
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>	<u>15,043,500</u>	<u>15,043,500</u>	<u>19,688,064</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>	<u>19,688,064</u>	<u>19,688,064</u>	<u>20,894,159</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>	<u>\$2,642,673</u>	<u>\$2,113,331</u>	<u>\$7,876,365</u>
Plan fiduciary net position as a % of the total pension liability	74.67%	77.48%	69.64%	75.31%	88.17%	90.31%	72.62%
Covered employee payroll	\$4,683,052	\$4,913,630	\$4,913,630	\$5,610,292	\$5,842,505	\$5,842,505	\$6,074,844
Net pension liability (asset) as a % of covered employee payroll	74.61%	72.50%	108.75%	87.91%	45.23%	36.17%	129.66%

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>
31 December 2014	6.80%
31 December 2015	1.02%
31 December 2016	4.89%
31 December 2017	17.21%
31 December 2018	(4.86%)

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.