



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 2023 AND 2022

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

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Montemayor Britton Bender PC

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

INDEPENDENT AUDITOR'S REPORT

Opinions

We have audited the accompanying financial statements of the Travis County Emergency Services District No. 6 Firefighters' Relief and Retirement Fund (Fund), which comprise the statement of fiduciary net position as of 31 December 2023 and 2022, and the related statement of changes in fiduciary net position for the years then ended and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective fiduciary net position of the Fund as of 31 December 2023 and 2022, and the respective changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

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Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misinterpretations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing our audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that are identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 and the supplemental schedules on pages 19 through 22 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Fund's financial statements. The supplementary schedules of investment expenses and investment manager names on pages 23 and 24 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other



records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information referred to above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Montgomery Britton Bender PC

18 July 2024
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's (the Fund) financial report presents our discussion and analysis of the Fund's financial performance during 2023. 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 \$39,810,038 as of 31 December 2022 to \$48,884,210 as of 31 December 2023. This increase of \$9,074,172 or 23% is a result of an increase in the fair value of the plan's investments as well as ongoing contributions to the plan.
- Contributions were \$3,511,505 in 2022 and \$3,575,161 in 2023.
- The Fund paid \$182,282 in benefits during 2022 and paid \$441,362 in benefits during 2023.

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>12/31/2023</u>	<u>12/31/2022</u>
Investments at fair value		\$48,743,605	\$39,620,310
Interest and dividends receivable		84,733	52,893
Retirement contributions receivable		<u>284,644</u>	<u>136,835</u>
Total assets		49,112,982	39,810,038
	<u>Liabilities</u>		
Total liabilities		<u>228,772</u>	<u>0</u>
Net position restricted for pension benefits		<u>\$48,884,210</u>	<u>\$39,810,038</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Changes in Fiduciary Net Position

	<u>2023</u>	<u>2022</u>
<u>Additions</u>		
Contributions	\$3,575,161	\$3,511,505
Net investment income (loss)	<u>6,004,729</u>	<u>(6,600,256)</u>
Total additions	<u>9,579,890</u>	<u>(3,088,751)</u>
<u>Deductions</u>		
Retirement distributions	441,362	182,282
General and administrative expenses	<u>64,356</u>	<u>43,845</u>
Total deductions	<u>505,718</u>	<u>226,127</u>
Net increase in net position restricted for pension benefits	9,074,172	(3,314,878)
Net position restricted for pension benefits beginning of year	<u>39,810,038</u>	<u>43,124,916</u>
Net position restricted for pension benefits end of year	<u>\$48,884,210</u>	<u>\$39,810,038</u>

Additions

Funds to pay benefits are accumulated through contributions and returns on invested funds. Member and District contributions for 2023 and 2022 were \$3,575,161 and \$3,511,505, respectively.

The Fund's net investment income(loss) was \$6,004,729 for 2023, compared to (\$6,600,256) for 2022. Net unrealized appreciation/(depreciation) in the fair value of investments was \$4,119,000 in 2023, compared to net unrealized appreciation/(depreciation) of (\$7,412,204) in 2022. Net realized gain/(loss) on sales of investments was \$471,219 in 2023 and (\$559,465) in 2022. Interest and dividends generated income of \$1,557,804 and \$1,502,829 in 2023 and 2022, respectively. Investment expenses were \$143,294 and \$131,416 in 2023 and 2022, respectively.

Deductions

The expenses paid by the Fund were administrative expenses and retirement benefits. Administrative expenses in 2023 and 2022 were \$64,356 and \$43,845, respectively. In 2023 and 2022, respectively, the Fund paid retirement benefits of \$441,362 and \$182,282, respectively, to employees who retired.

Other Factors

The actuarial present value of accumulated plan benefits as of 31 December 2021, the most recent actuarial valuation date, was \$30,214,805. This actuarial present value was based on the assumptions used in the 31 December 2021 actuarial valuation, which included the 6.5% investment return assumption. The value of accumulated benefits represents the value of retirement, death, disability, and termination benefits which fund members had accumulated as of 31 December 2021, under the plan. It excludes the value of benefits which will be earned after that date. The market value of plan assets as of 31 December 2021, was \$43,124,916. This produces a funding ratio of 143%. The measurement is not appropriate for an ongoing plan, but could be appropriate if the plan had been frozen on 31 December 2021. 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 2021.

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 2021, was 99.5% 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 2021. Thus, comparing assets as of 31 December 2021, to a value of benefits which includes future benefit accruals is not a consistent

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FIREFIGHTERS' RELIEF AND RETIREMENT FUND**

MANAGEMENT'S DISCUSSION AND ANALYSIS

measure of the plan's obligations in the event of plan termination. (The GASB funded ratio as of 31 December 2023 was 90.4 percent).

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

31 DECEMBER 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Investments at fair value:		
Short-term investment funds	\$650,035	\$369,200
U.S. Treasury	2,443,197	1,431,915
U.S. agencies	2,256,792	1,903,414
Corporate bonds	5,703,297	5,026,813
Mutual funds	31,957,246	26,201,526
Real estate investment trust	9,067	10,805
Common stocks	<u>5,723,971</u>	<u>4,676,637</u>
	48,743,605	39,620,310
 Interest and dividends receivable	 84,733	 52,893
 Retirement contributions receivable	 <u>284,644</u>	 <u>136,835</u>
	<u>49,112,982</u>	<u>39,810,038</u>
 LIABILITIES	 <u>228,772</u>	 <u>0</u>
 FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS	 <u>\$48,884,210</u>	 <u>\$39,810,038</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 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ADDITIONS TO FIDUCIARY NET POSITION		
Contributions:		
Employer retirement contributions	\$1,751,096	\$1,721,021
Participant contributions	<u>1,824,065</u>	<u>1,790,484</u>
	<u>3,575,161</u>	<u>3,511,505</u>
Net investment income:		
Net appreciation/(depreciation) in the fair value of investments (including realized gain of \$471,219 in 2023 and realized loss of \$559,465 in 2022)	4,590,219	(7,971,669)
Interest and dividends	1,557,804	1,502,829
Investment expenses	<u>(143,294)</u>	<u>(131,416)</u>
	<u>6,004,729</u>	<u>(6,600,256)</u>
	<u>9,579,890</u>	<u>(3,088,751)</u>
DEDUCTIONS FROM FIDUCIARY NET POSITION		
Retirement distributions	441,362	182,282
General and administrative expenses	<u>64,356</u>	<u>43,845</u>
	<u>505,718</u>	<u>226,127</u>
NET INCREASE IN FIDUCIARY NET POSITION	9,074,172	(3,314,878)
BEGINNING FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS	<u>39,810,038</u>	<u>43,124,916</u>
ENDING FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS	<u>\$48,884,210</u>	<u>\$39,810,038</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 active members of the Fund elected from and by participating members, two representatives of the District, and two citizen members elected by the other members of the Board.

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. Retirement benefits vest after 10 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 52. 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 52. The monthly benefit at retirement is payable as a life annuity. The fund has two Deferred Retirement Option Plan (DROP) benefit options. For the two-year DROP, a member is eligible to receive benefits under the Fund's DROP provision after completing both 18 years of service and attaining age 51. For the three-year DROP, a member is eligible to receive benefits under the Fund's DROP provision after completing both 19 years of service and attaining age 52. The election to participate in the DROP may be made at the time the member elects to retire. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

As of the actuarial valuation date of 31 December 2021, the monthly benefit is equal to 3.4% of the highest average monthly salary multiplied by years of credited service up to 20 years, plus 2.2% of the highest average monthly salary, multiplied by years of credit service in excess of 20 years up to 30 years plus 1.0% for each year of service in excess of 30 years.

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases.

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.

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

	<u>2023</u>	<u>2022</u>
Retirees and beneficiaries currently receiving benefits	7	4
Terminated employees entitled to but not yet receiving benefits	2	1
Active members	<u>100</u>	<u>96</u>
Total	<u>109</u>	<u>101</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.

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.

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. Municipal and corporate bonds as well as U.S. Treasury and U.S. agency securities are based on quoted market prices in active markets as well as market valuation methodologies using discounted cash flows and observable credit ratings. 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 years ended 31 December 2023 and 2022, and the District's related contributions, were not deposited in the Fund by year end and are shown as contributions receivable in both years.

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 2023 and 2022 are presented, by type, as follows:

<u>Investment Type</u>	<u>2023</u>	<u>2022</u>
Short-term investment funds	\$650,035	\$369,200
U.S. Treasury	2,443,197	1,431,915
U.S. agencies	2,256,792	1,903,414
Corporate bonds	5,703,297	5,026,813
Mutual funds	31,957,246	26,201,526
Real estate investment trust	9,067	10,805
Common stocks	<u>5,723,971</u>	<u>4,676,637</u>
	<u>\$48,743,605</u>	<u>\$39,620,310</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 2023 and 2022.

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 2023 and 2022, 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.

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 2023, 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 5 years</u>	<u>6 to 10 years</u>	<u>Greater than 10 years</u>
Corporate bonds	<u>\$5,703,297</u>	<u>\$795,198</u>	<u>\$4,089,680</u>	<u>\$818,419</u>	<u>\$0</u>
U.S. agencies	<u>\$2,256,792</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,256,792</u>
U.S. Treasury	<u>\$2,443,197</u>	<u>\$0</u>	<u>\$343,348</u>	<u>\$1,376,775</u>	<u>\$723,074</u>

As of 31 December 2022, 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 5 years</u>	<u>6 to 10 years</u>	<u>Greater than 10 years</u>
Corporate bonds	<u>\$5,026,813</u>	<u>\$398,563</u>	<u>\$3,896,622</u>	<u>\$731,628</u>	<u>\$0</u>
U.S. agencies	<u>\$1,903,414</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,903,414</u>
U.S. Treasury	<u>\$1,431,915</u>	<u>\$0</u>	<u>\$0</u>	<u>\$585,353</u>	<u>\$846,562</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.

As of 31 December 2023, 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>
Artisan High Income Institutional	Not Available	B-
Met West Floating Rate Fund	3.87 years	BB-
JPMorgan Global Bond Fund	6.00 years	BBB

As of 31 December 2022, 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>
Artisan High Income Institutional	Not Available	B-
Hartford Floating Rate I	4.37 years	BB-
JPMorgan Global Bond Fund	5.94 years	BBB-

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 2023, are summarized in the following table.

<u>Quality Rating S&P / Moody's</u>	<u>Corporate Bonds and Government Securities</u>
A/A1	\$184,222
A/A2	881,286
A/A3	98,259
A-/A1	278,633
A-/A2	494,392
A-/A3	691,665
A+/A1	770,346
A+/A2	98,202
A+/AA2	72,174
A+/AA3	191,883
AA/A1	184,708
AA/AA2	99,329

AA-/A1	47,437
AA-/AA2	191,608
AA-/AA3	81,212
AA+/AAA	194,633
AAA/AAA	388,051
BBB+/A1	109,673
BBB+/A2	221,745
BBB+/A3	419,917
Not rated	<u>2,256,792</u>
	<u>\$7,956,167</u>

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations at 31 December 2022, are summarized in the following table.

<u>Quality Rating S&P / Moody's</u>	<u>Corporate Bonds and Government Securities</u>
A/A1	\$362,057
A/A2	488,662
A-/A1	331,826
A-/A2	487,300
A-/A3	483,012
A+/A1	588,123
A+/A2	372,738
A+/AA2	70,749
AA/A1	177,354
AA/AA2	197,793
AA-/AA2	186,225
AA+/AAA	191,070
AAA/AAA	382,328
BBB+/A1	151,353
BBB+/A2	280,878
BBB+/A3	227,164
BBB+/BAA2	48,181
Not rated	<u>1,903,413</u>
	<u>\$6,930,226</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 as well as U.S. Treasury and U.S. agency securities are based on quoted market prices in active markets as well as market valuation methodologies using discounted cash flows and observable credit ratings. Common stocks and real estate investment trusts are securities traded on national exchanges and are valued at the last reported sales price.

	<u>2023</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury	\$2,443,197	\$0	\$2,443,197	\$0
U.S. agencies	2,256,792	0	2,256,792	0
Corporate bonds	5,703,297	0	5,703,297	0
Mutual funds	31,957,246	31,957,246	0	0
Real estate investment trust	9,067	9,067	0	0
Common stocks	<u>5,723,971</u>	<u>5,723,971</u>	<u>0</u>	<u>0</u>
	<u>\$48,093,570</u>	<u>\$37,690,284</u>	<u>\$10,403,286</u>	<u>\$0</u>

	<u>2022</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury	\$1,431,915	\$0	\$1,431,915	\$0
U.S. agencies	1,903,414	0	1,903,414	0
Corporate bonds	5,026,813	0	5,026,813	0
Mutual funds	26,201,526	26,201,526	0	0
Real estate investment trust	10,805	10,805	0	0
Common stocks	<u>4,676,637</u>	<u>4,676,637</u>	<u>0</u>	<u>0</u>
	<u>\$39,251,110</u>	<u>\$30,888,968</u>	<u>\$8,362,142</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 2023 and 2022, the annual money-weighted rate of return on Fund investments, net of investment expenses, was 14.52% and (14.74%) 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 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 31 December 2021 and rolled forward to 31 December 2023.

Total pension liability	\$54,079,474
Fund fiduciary net position	<u>(48,884,210)</u>
Net pension liability	<u>\$5,195,264</u>
Fund fiduciary net position as a percentage of the total pension liability	<u>90.4%</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of 31 December 2021 adjusted for subsequent changes of benefits. The individual entry age normal actuarial cost method was used for the 31 December 2021 valuation. Experience studies were made of the Fund's experience with respect to rate of return as part of the 31 December 2021 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	6.5%
Annual increase in payroll	2.75%
Inflation rate per year	2.5%

Mortality rates were based on the PubS-2010 (public safety) total data set mortality tables for employees and for retirees, projected for mortality improvement generationally using the projection scale MP-2019, with separate rates for males and females.

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		
Domestic large cap	21.0%	6.01%
Domestic small/mid cap	27.4	6.25
International developed	9.3	6.00
Emerging markets	5.1	7.17
Cash	2.0	0.00
Fixed income	31.1	1.92
Real estate	<u>4.1</u>	<u>4.00</u>
Total	100%	
Weighted Average		4.69%

Discount Rate

The discount rate used to measure the total pension liability was 6.5%. GASB Statement No. 67 also calls for a 99-year projection of the Fund's Fiduciary Net Position.

However, alternative methods to determine that the Fund will have sufficient assets to benefits over the 99-year period are allowed for. The Fund's amortization period as of the 31 December 2021 valuation was 6 years. Therefore, it can be reliably stated that the Fund'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.

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

The following presents the net pension liability of the Fund, calculated using the discount rate of 6.5%, 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 (5.5%) or 1 percentage point higher (7.5%) than the current rate:

	<u>1% Decrease (5.5%)</u>	<u>Current Discount Rate (6.5%)</u>	<u>1% Increase (7.5%)</u>
Net pension liability	<u>\$13,224,903</u>	<u>\$5,195,264</u>	<u>(\$1,382,988)</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

	Fiscal year ending <u>12/31/14</u>	Fiscal year ending <u>12/31/15(B)</u>	Fiscal year ending <u>12/31/16</u>	Fiscal year ending <u>12/31/17(C)</u>	Fiscal year ending <u>12/31/18</u>	Fiscal year ending <u>12/31/19(D)</u>
Total Pension Liability:						
1. Service cost	\$980,014	\$1,059,984	\$1,102,383	\$1,146,478	\$1,613,655	\$1,666,099
2. Interest	904,104	1,038,806	1,308,078	1,469,413	1,885,108	2,127,432
3. Changes in benefit terms	0	0	0	0	3,559,759	0
4. Difference between expected and actual experience	0	1,543,569	0	(1,001,329)	0	(748,491)
5. Changes in assumptions	0	194,031	0	471,987	0	(1,710,142)
6. Benefit payments and refunds of contributions	<u>(87,471)</u>	<u>(25,156)</u>	<u>(38,945)</u>	<u>(260,580)</u>	<u>(89,393)</u>	<u>(89,480)</u>
7. Net Change in Total Pension Liability	1,796,647	3,811,234	2,371,516	1,825,969	6,969,129	1,245,418
8. Total Pension Liability - Beginning of year	<u>11,996,029</u>	<u>13,792,676</u>	<u>17,603,910</u>	<u>19,975,426</u>	<u>21,801,395</u>	<u>28,770,524</u>
9. Total Pension Liability - End of year (a) (A)	<u>\$13,792,676</u>	<u>\$17,603,910</u>	<u>\$19,975,426</u>	<u>\$21,801,395</u>	<u>\$28,770,524</u>	<u>\$30,015,942</u>

A. Determined from the end of year total pension liability using the roll forward procedure allowed for the initial year of implementation for GASB 67.

B. Actuarial valuation revalued at 12/31/2015; original valuation date 12/31/2014

C. Actuarial valuation revalued at 12/31/2017; original valuation date 12/31/2015

D. Actuarial valuation revalued at 12/31/2020; original valuation date 12/31/2017

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 Changes in Net Pension Liability and Related Ratios Last Ten Fiscal Years

	Fiscal year ending <u>12/31/20</u>	Fiscal year ending <u>12/31/21(E)</u>	Fiscal year ending <u>12/31/22</u>	Fiscal year ending <u>12/31/23</u>
Total Pension Liability:				
1. Service cost	\$1,837,663	\$1,892,793	\$2,501,495	\$2,570,286
2. Interest	2,229,752	2,517,005	2,973,985	3,314,094
3. Changes in benefit terms	0	1,395,804	0	0
4. Difference between expected and actual experience	0	2,661,957	0	0
5. Changes in assumptions	0	830,219	0	0
6. Benefit payments and refunds of contributions	<u>0</u>	<u>(37,877)</u>	<u>(182,282)</u>	<u>(441,362)</u>
7. Net Change in Total Pension Liability	4,067,415	9,259,901	5,293,198	5,443,018
8. Total Pension Liability - Beginning of year	<u>30,015,942</u>	<u>34,083,357</u>	<u>43,343,258</u>	<u>48,636,456</u>
9. Total Pension Liability - End of year (a) (A)	<u>\$34,083,357</u>	<u>\$43,343,258</u>	<u>\$48,636,456</u>	<u>\$54,079,474</u>

E. Actuarial valuation revalued at 12/31/2022; original valuation date 12/31/2021

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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

Plan Fiduciary Net Position:	Fiscal year ending <u>12/31/14</u>	Fiscal year ending <u>12/31/15(A)</u>	Fiscal year ending <u>12/31/16</u>	Fiscal year ending <u>12/31/17(B)</u>	Fiscal year ending <u>12/31/18</u>	Fiscal year ending <u>12/31/19(C)</u>
10. Contributions - employer	\$899,146	\$943,417	\$1,077,176	\$1,121,761	\$1,166,370	\$1,337,310
11. Contributions - member	903,757	968,074	1,122,061	1,168,507	1,214,970	1,393,040
12. Net investment income	608,392	176,096	649,191	2,650,333	(1,046,878)	4,598,176
13. Benefit payments and refunds of contributions	(87,471)	(25,156)	(38,945)	(260,580)	(89,393)	(89,480)
14. Administrative expenses	(33,068)	(100,925)	(26,134)	(35,457)	(38,974)	(47,153)
15. Other	<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	2,783,349	4,644,564	1,206,095	7,191,893
17. Plan Fiduciary Net Position - Beginning of Year	<u>8,007,889</u>	<u>10,298,645</u>	<u>12,260,151</u>	<u>15,043,500</u>	<u>19,688,064</u>	<u>20,894,158</u>
18. Plan Fiduciary Net Position - End of Year (b)	<u>10,298,645</u>	<u>12,260,151</u>	<u>15,043,500</u>	<u>19,688,064</u>	<u>20,894,159</u>	<u>28,086,051</u>
Net Pension Liability (Asset) - Ending (a)-(b)	<u>\$3,494,031</u>	<u>\$5,343,759</u>	<u>\$4,931,926</u>	<u>\$2,113,331</u>	<u>\$7,876,365</u>	<u>\$1,929,891</u>
Plan fiduciary net position as a % of the total pension liability	74.67%	69.64%	75.31%	90.31%	72.62%	93.57%
Covered employee payroll	\$4,683,052	\$4,913,630	\$5,610,292	\$5,842,505	\$6,074,844	\$6,965,200
Net pension liability (asset) as a % of covered employee payroll	74.61%	108.75%	87.91%	36.17%	129.66%	27.71%

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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

	Fiscal year ending <u>12/31/20</u>	Fiscal year ending <u>12/31/21</u>	Fiscal year ending <u>12/31/22</u>	Fiscal year ending <u>12/31/23</u>
Plan Fiduciary Net Position:				
10. Contributions - employer	\$1,404,151	\$1,592,102	\$1,721,021	\$1,751,096
11. Contributions - member	1,464,853	1,656,452	1,790,484	1,824,065
12. Net investment income	4,607,128	4,425,166	(6,600,256)	6,004,729
13. Benefit payments and refunds of contributions	0	(37,877)	(182,282)	(441,362)
14. Administrative expenses	(27,846)	(45,265)	(43,845)	(64,356)
15. Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
16. Net Change in Plan Fiduciary Net Position	7,448,286	7,590,578	(3,314,878)	9,074,172
17. Plan Fiduciary Net Position - Beginning of Year	<u>28,086,052</u>	<u>35,534,338</u>	<u>43,124,916</u>	<u>39,810,038</u>
18. Plan Fiduciary Net Position - End of Year (b)	<u>35,534,338</u>	<u>43,124,916</u>	<u>39,810,038</u>	<u>48,884,210</u>
Net Pension Liability (Asset) - Ending (a)-(b)	<u>(\$1,450,981)</u>	<u>\$218,342</u>	<u>\$8,826,418</u>	<u>\$5,195,264</u>
Plan fiduciary net position as a % of the total pension liability	104.26%	99.50%	81.85%	90.39%
Covered employee payroll	\$7,324,265	\$8,282,260	\$8,952,420	\$9,120,325
Net pension liability (asset) as a % of covered employee payroll	-19.81%	2.64%	98.59%	56.96%

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**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

<u>Fiscal year ending</u>	<u>Annual Money-Weighted Net Real Rate of Return(1)</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%)
31 December 2019	20.72%
31 December 2020	15.61%
31 December 2021	11.92%
31 December 2022	(14.74%)
31 December 2023	14.52%

1. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

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

Supplementary Information

Schedule of Investment Expenses

Fiscal year ending 31 December 2023

<u>Asset Class</u>	<u>Management Fees Paid From Trust</u>	<u>Management Fees Netted From Returns</u>	<u>Total Investment Management Fees</u>	<u>Brokerage Fees/ Commissions</u>	<u>Total Direct and Indirect Fees and Commissions</u>
Cash	\$0	\$16	\$16	\$0	\$16
Public Equity	13,776	133,185	146,961	0	146,961
Fixed Income	35,436	41,777	77,213	0	77,213
Real Assets	<u>0</u>	<u>14,529</u>	<u>14,529</u>	<u>0</u>	<u>14,529</u>
	<u>\$49,212</u>	<u>\$189,507</u>	<u>\$238,719</u>	<u>\$0</u>	<u>\$238,719</u>
<u>Total Investment Expenses</u>					
Total Direct and Indirect Fees and Commissions					\$238,719
Investment services					
Custodial					25,115
Investment consulting					73,016
Legal					<u>9,723</u>
					<u>\$346,573</u>

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

Supplementary Information

Schedule of Investment Manager Names

Fiscal year ending 31 December 2023

Investment Manager Names

Frost Managed Equity
Vanguard S&P 500 Index Fund Admiral
Vanguard Equity Income Fund
Vanguard Mid-Cap Growth Index Fund
Vanguard Mid-Cap Index Fund
John Hancock Disciplined Mid Cap Value
Stephens Small Cap Growth Fund
Vanguard SCC Index Fund
William Blair SCV
Harding Loevner International Equity
T.Rowe Price International Discovery Fund
Vanguard International Value Fund
Goldman Sachs Emerging Markets Insights Fund
Cohen & Steers Realty Shares
Frost Managed Fixed Income
Garcia Hamilton Core Bond
Artisan High Income Fund
Hartford Floating Rate Fund
JPMorgan Global Bond Fund

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