

**BIG SPRING FIREMEN'S RELIEF
AND RETIREMENT FUND**

FINANCIAL STATEMENTS
CASH BASIS
DECEMBER 31, 2019

With Report of Independent Auditors

BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND
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CASH BASIS
December 31, 2019

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West, Davis & Company

a limited liability partnership

Report of Independent Auditors

Board of Trustees
Big Spring Firemen's Relief and Retirement Fund

We have audited the accompanying cash basis financial statements of Big Spring Firemen's Relief and Retirement Fund (the Fund) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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 error or fraud.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from 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 judgment, including the assessment of the risks 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 above present fairly, in all material respects, the respective financial position—cash basis of the governmental activities and each major fund, and the aggregate remaining fund information of the Big Spring Firemen's Relief and Retirement Fund (the

Fund) as of and for the year ended December 31, 2019, and the respective changes in financial position— cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules identified as Required Supplementary Information in the table of contents 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.



Austin, Texas
June 30, 2020

BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's discussion and analysis of the Big Spring Firemen's Relief and Retirement Fund's (the Fund) financial performance and provides an overview of the Fund's financial activities for the year ended December 31, 2019. It is intended to be a narrative supplement to the Fund's financial statements, which begin on page 6 of this report.

Financial Highlights

The following financial highlights occurred during the year ended December 31, 2019:

- Plan net position of all pension funds administered by the Fund increased by \$0.53 million during 2019.
- Net investment receipts decreased by \$991 thousand compared to the previous year.
- Pension benefits paid to retirees and beneficiaries decreased by \$27 thousand.
- Administrative expenses totaled \$72 thousand compared to \$106 thousand last year, a decrease of 32%.

Using this Financial Report

Because of the long-term nature of a defined benefit pension plan, financial statements alone cannot provide sufficient information to properly reflect the Fund's ongoing plan perspective. This financial report consists of two financial statements arising from cash transactions (cash basis). The Statement of Plan Net Position and Statement of Changes in Plan Net Position arising from cash transactions (pages 6 and 7) provide information about the activities of the Fund, as well as comparative summary information about these activities for the Fund as a whole.

BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

Table I
Big Spring Firemen's Relief and Retirement Fund
NET POSITION
in thousands

<u>Fiscal Years Ended December 31,</u>	<u>2019</u>	<u>2018</u>	<u>Increase/ (Decrease) Amount</u>	<u>Increase/ (Decrease) Percent</u>
Cash	\$ 16	\$ 0	\$ 16	N/A
Investments at cost	11,881	11,372	509	4.48%
Total Assets	\$ 11,897	\$ 11,372	\$ 525	4.62%
Total Plan Net Assets	\$ 11,897	\$ 11,372	\$ 525	4.62%

Table II
Big Spring Firemen's Relief and Retirement Fund
CHANGES IN NET POSITION
in thousands

<u>Fiscal Years Ended December 31,</u>	<u>2019</u>	<u>2018</u>	<u>Increase/ (Decrease) Amount</u>	<u>Increase/ (Decrease) Percent</u>
<u>Additions:</u>				
Employer Contributions	\$ 651	\$ 634	\$ 17	2.68%
Employee Contributions	634	615	19	3.09%
Net Investment Earnings	583	1,611	(1,028)	-63.81%
Total Additions	1,868	2,860	(992)	-34.69%
<u>Deductions:</u>				
Benefit Payments	1,211	1,238	(27)	-2.18%
Refunds of Contributions to Employees	60	45	15	33.33%
<u>Administrative Expenses:</u>				
General Administrative Expenses	20	21	(1)	-4.76%
Management	33	44	(11)	-25.00%
Actuary	-	16	(16)	-100.00%
Investment Consultant	7	8	(1)	-12.50%
Continuing Education	10	15	(5)	-33.33%
Software	2	3	(1)	-
Total Administrative Expenses	72	107	(35)	-32.71%
Total Deductions	1,343	1,390	(47)	-3.38%
Increase (Decrease) in Plan Net Assets	\$ 525	\$ 1,470	\$ (945)	-64.29%

BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

Analysis of Net Position

The Fund was created to provide retirement, survivor, and disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments as designated by the various plans, refunds of member contributions to terminated employees, and the cost of administering the Fund. Plan net position increased by \$0.53 million over the last year.

Employer contributions increased approximately \$17 thousand. Member contributions increased by approximately \$19 thousand.

Historical Trends

As detailed in Note 1, the Statement of Plan Net Position reports asset values at cost and includes only benefits and refunds paid to plan members and beneficiaries and accrued investment and administrative expenses as of the reporting date. Information regarding the actuarial funding status of the pension funds is provided in Note 7 and Note 12 of the Notes to the Cash Basis Financial Statements.

Request for Information

Questions concerning any information provided in this report should be addressed to Big Spring Firemen's Relief and Retirement Fund, 310 Nolan, Big Spring, Texas 79720.

FINANCIAL STATEMENTS
(Cash Basis)

BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND

STATEMENT OF PLAN NET POSITION
ARISING FROM CASH TRANSACTIONS
DECEMBER 31

	<u>RETIREMENT</u> <u>FUND</u>	<u>MEDICAL</u> <u>BENEFITS</u> <u>FUND</u>	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>				
Cash	\$ 16,213	\$ 171	\$ 16,384	\$ -
Investments (at cost, fair value \$13,796,218 for 2019, \$11,387,600 for 2018)	<u>11,353,806</u>	<u>527,055</u>	<u>11,880,861</u>	<u>11,371,922</u>
Total Assets	<u>\$ 11,370,019</u>	<u>\$ 527,226</u>	<u>\$ 11,897,245</u>	<u>\$ 11,371,922</u>
 NET POSITION RESTRICTED FOR PENSIONS	 <u>\$ 11,370,019</u>	 <u>\$ 527,226</u>	 <u>\$ 11,897,245</u>	 <u>\$ 11,371,922</u>

The accompanying notes are an integral part of these financial statements.

BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND

STATEMENT OF CHANGES IN PLAN NET POSITION
 RESULTING FROM CASH TRANSACTIONS
 FOR THE YEAR ENDED DECEMBER 31

	RETIREMENT FUND	MEDICAL BENEFITS FUND	2019	2018
Additions				
<u>Contributions received:</u>				
Employer	651,791	-	651,791	633,568
Employees	564,886	69,015	633,901	615,240
	<u>1,216,677</u>	<u>69,015</u>	<u>1,285,692</u>	<u>1,248,808</u>
<u>Investment receipts:</u>				
Dividends and capital gains distributions	\$ 472,559	\$ 17,336	\$ 489,895	\$ 244,741
Gain on sale of investments	36,191	25,148	61,339	1,278,384
Other	944	30,615	31,559	87,829
	<u>509,694</u>	<u>73,099</u>	<u>582,793</u>	<u>1,610,954</u>
 Total receipts	 <u>1,726,371</u>	 <u>142,114</u>	 <u>1,868,485</u>	 <u>2,859,762</u>
 <u>Deductions</u>				
Benefits paid directly to participants	1,137,653	73,286	1,210,939	1,238,267
Refunds of employee contributions	59,989	-	59,989	45,250
Administrative expenditures (Note 9)	70,623	1,611	72,234	106,198
	<u>1,268,265</u>	<u>74,897</u>	<u>1,343,162</u>	<u>1,389,715</u>
 Change in Net Position	 458,106	 67,217	 525,323	 1,470,047
Net Position Held in Trust for Pension Benefits - Beginning	<u>10,911,913</u>	<u>460,009</u>	<u>11,371,922</u>	<u>9,901,875</u>
Net Position Held in Trust for Pension Benefits - Ending	<u>\$ 11,370,019</u>	<u>\$ 527,226</u>	<u>\$ 11,897,245</u>	<u>\$ 11,371,922</u>

The accompanying notes are an integral part of these financial statements.

BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND

NOTES TO CASH BASIS FINANCIAL STATEMENTS

December 31, 2019

1. Organization and Summary of Significant Accounting Policies

Nature of Activities

Big Spring Firemen's Relief and Retirement Fund (the Fund) provides retirement benefits to firemen employed by the City of Big Spring, Texas (the City). The Fund is a single-employer defined benefit pension plan, which is administered by a seven-member board. This board consists of the Mayor or his designee, the City's Chief Financial Officer, three firemen and two outside citizens. Texas Local Fire Fighters' Retirement Act (TLFFRA) requires that the Mayor, or his designee, and the City's Chief Financial Officer be permanent members of the board. In addition, three firemen trustees are elected by the firemen. These five members are then charged with the responsibility of appointing the two final board members, who must be residents of the state of Texas.

Basis of Presentation

Financial information is presented on the cash basis of accounting. Under the cash basis of accounting, benefits and goods and services purchased are recorded when paid rather than when the obligation is incurred. Revenue and related assets are recorded when received in cash.

Method used to Value Investments

Investments are reported at cost. Investments consist of cash equivalents and mutual funds investing in government securities, equity securities and bonds.

Market value disclosed is based on quoted prices in active markets for identical assets.

2. Cash and Cash Equivalents

The Fund maintains no deposits in federally insured financial institutions at December 31, 2019.

	Retirement Fund	Medical Benefits Fund	Carrying Value
Demand Accounts	\$ 0	\$ 0	\$ 0
Cash with Trustee	0	0	0
Total Cash & Equivalents	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

3. Plan Description

Plan Administration. Big Spring Firemen's Relief and Retirement Fund (the Fund) provides retirement benefits to firemen employed by the City of Big Spring, Texas (the City). The Fund is a single-employer defined benefit pension plan, which is administered by a seven-member board. Firemen are covered upon initial employment by the City and approval of the Trustees.

BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND

NOTES TO CASH BASIS FINANCIAL STATEMENTS

December 31, 2019

(continued)

3. Plan Description (continued)

Plan Membership. Current membership is comprised of the following:

Group	Participants
Retirees and beneficiaries currently receiving benefits	44
Vested terminated employees	1
Active employees:	
Fully vested-over 20 years of service, over 50 years of age	1
Fully vested-over 20 years of service, less than 50 years of age	11
Partially vested – more than 10 years less than 20 years	8
Non-vested	44

4. Net Pension Liability of the City

The Net Pension Liability is the Total Pension Liability less the market value of plan assets (referred to as the Fiduciary Net Position).

As of December 31, 2019, these values were:

Total Pension Liability	
Active employees	\$ 10,244,313
Retirees and beneficiaries	<u>13,279,608</u>
Total	\$ 23,523,921
Plan Fiduciary Net Position	\$ 11,370,019
City's Net Pension Liability	\$ 12,153,902
Plan Fiduciary Net Position as a percentage of total pension liability	48.33%
Census date	1/1/2019
Valuation date	1/1/2019
Rolled forward to date	12/31/2019
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar (for funding purposes)
Asset valuation method	Market Value for GASB 67 & 68
Actuarial assumptions	
Interest rate	7.75% (before admin expense)
Pay increases	4.50%
Mortality	Pub2010PS with MP2018 projection
Retirement rates	Age and service-related
Turnover	Age and service-related

BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND

NOTES TO CASH BASIS FINANCIAL STATEMENTS

December 31, 2019

(continued)

4. Net Pension Liability of the City (continued)

Actuarial Method and Assumptions

This report assumes the Fund will exist as an ongoing entity. All numbers presented are based on this ongoing plan concept with costs and liabilities determined under the projected unit credit actuarial cost method.

Entry Age Normal Cost Method. Under the entry age normal cost method, the normal cost is computed as the level dollar amount which, if paid from the time each employee became a participant until his assumed retirement, would accumulate with interest at the assumed valuation rate to a fund sufficient to pay his retirement benefits.

Experience gains (decreases in cost due to favorable experience) or experience losses (increases in cost due to adverse experience), attributable to deviations between the assumed and actual experience of the Fund, are reflected as increases or decreases in the unfunded actuarial liability and, through the amortization amount, the contribution required for the Fund.

Valuation of Liabilities. All active participants included in the valuation are assumed to earn one full year of credited service for each year of future participation. Employees terminating with vested benefits are assumed to elect either a refund of their contributions with interest or a deferred annuity, whichever has the larger economic value.

Costs for ancillary benefits provided by the Fund have been determined in the same manner and on the same basis as costs for normal retirement benefits.

Valuation of Assets.

For plan funding: Smoothed market value based on 5 year amortization of gains or losses for each of the 5 trailing years measured against the expected rate of return using the actuarial discount rate.

For GASB 67 disclosures: Fair market value.

5. Long-Term Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges 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 (3.0%) and deducting expenses. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2016 (the most recent valuation date) are summarized in the following table:

BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO CASH BASIS FINANCIAL STATEMENTS

December 31, 2019

(continued)

5. Long-Term Rate of Return (continued)

	<u>Target Allocation</u>	<u>Real Return</u>
Large cap stocks S&P 500	25%	5.00%
Small cap stocks Russell 2000	25%	6.30%
International stocks MSCI EAFE	10%	5.20%
Bonds Barclays US	15%	2.50%
Multi-sector bonds	15%	3.50%
Real Estate/Alternatives	5%	4.80%
Cash equivalents 3 month Treasury	5%	0.00%
	<hr/> 100%	

The GASB 67/68 discount rate includes no allowance for administrative expenses, which are expensed separately.

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

This exhibit presents the net pension liability of the Plan, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.75%) or 1% point higher (8.75%) than the current rate:

	As of December 31, 2019		
	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's Total Pension Liability			
Active employees	\$ 12,155,104	\$ 10,244,313	\$ 8,697,093
Retirees and beneficiaries	14,519,855	13,279,608	12,223,114
Total Pension Liability	\$ 26,674,959	\$ 23,523,921	\$ 20,920,207
Plan Fiduciary Net Position	\$ 11,370,019	\$ 11,370,019	\$ 11,370,019
City's Net Pension Liability	\$ 15,304,940	\$ 12,153,902	\$ 9,550,188
Percentage of base	113.4%	100.0%	88.9%

BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND

NOTES TO CASH BASIS FINANCIAL STATEMENTS

December 31, 2019

(continued)

7. Schedule of Changes in Net Pension Liability

	<u>Year Ended</u> <u>12/31/2019</u>	<u>Year Ended</u> <u>12/31/2018</u>	<u>Year Ended</u> <u>12/31/2017</u>
Total Pension Liability			
Service Cost	\$ 696,787	\$ 569,984	\$ 545,439
Interest	1,710,324	1,633,082	1,562,998
Change of benefit terms	-	-	-
Differences between expected and actual experience	(520,415)	-	-
Change of Assumptions	450,572	-	392,133
Benefit payments including contribution refunds	<u>(1,197,642)</u>	<u>(1,199,873)</u>	<u>(1,231,846)</u>
Net change in Total Pension Liability	1,139,626	1,003,193	1,268,724
Total Pension Liability - beginning of year	<u>22,384,295</u>	<u>21,381,101</u>	<u>20,112,377</u>
Total Pension Liability - end of year	<u><u>\$ 23,523,921</u></u>	<u><u>\$ 22,384,294</u></u>	<u><u>\$ 21,381,101</u></u>
Plan Fiduciary Net Position			
Contributions - employer	650,969	633,568	488,555
Contributions - members (transfers)	565,708	549,091	488,555
Net investment income	492,136	(670,804)	1,655,622
Benefit payments and contribution refunds	(1,197,642)	(1,199,873)	(1,231,846)
Administrative expense	<u>(44,110)</u>	<u>(101,346)</u>	<u>(107,814)</u>
Net change in plan fiduciary net position	467,061	(789,364)	1,293,072
Plan Fiduciary Net Position - beginning of year	<u>10,902,958</u>	<u>11,692,322</u>	<u>10,399,250</u>
Plan Fiduciary Net Position - end of year	<u><u>\$ 11,370,019</u></u>	<u><u>\$ 10,902,958</u></u>	<u><u>\$ 11,692,322</u></u>
City's Net Pension Liability - ending	\$ 12,153,902	\$ 11,481,336	\$ 9,688,779
Plan fiduciary net position as a percentage of total pension liability	48.33%	48.71%	54.69%
Covered employee payroll	\$ 4,030,000	\$ 4,030,000	\$ 3,879,000
Net Pension Liability as a percentage of covered employee	301.59%	284.90%	249.78%

BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND

NOTES TO CASH BASIS FINANCIAL STATEMENTS

December 31, 2019

(continued)

8. Summary of Plan Provisions and Benefits Provisions

- Credited service:** The number of years of continuous employment with the Fire Department of the City of Big Spring, Texas.
- Final average compensation:** The monthly average salary during the five years in which the member earned the highest salary (or the three year average as of December 31, 2006, if higher). Members hired after 1/12/2018 include only base pay, certificate pay, longevity pay and FLSA required overtime in the calculation.
- Service retirement eligibility:** Attained age 50 with 20 years of service.
- Monthly accrued benefit:** A monthly benefit equal to 2.55% times years of service times final average compensation.
- Contributions:** 13% of compensation for member and (effective in 2018) 15% of salary for the City.
- Interest credited on employee contributions:** None
- Vested benefits:** The monthly accrued benefit multiplied by the following percentages:

<u>Years of Service</u>	<u>Percentage Vested</u>
10	50%
11	55
12	60
13	65
14	70
15	75
16	80
17	85
18	90
19	95
20 or more	100

Deferred to the service retirement date (the later of age 50 and the date the member would have had 20 years of service had he continued his employment with the Big Spring Fire Department).

- Separation benefit:** Return of member contributions without interest for members terminating with less than 10 years of service.
- Disability benefit:** A disabled member with 10 or more years of service receives his or her vested monthly accrued benefit without reduction for early payments.

However, if the disability is the result of a pre-existing condition, the maximum monthly benefit is \$100 regardless of service.

BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND

NOTES TO CASH BASIS FINANCIAL STATEMENTS

December 31, 2019

(continued)

Normal form of benefit: Monthly annuity payable for life with a guarantee that total monthly benefit paid shall not be less than the employee's accumulated contributions (installment refund guaranteed). Two thirds of the monthly benefit continue to the spouse of a deceased member until the spouse's death or remarriage.

Death benefits:

Spouse

66 2/3% continuation of benefits to spouse (in the event of the death of an active employee, the benefit amount is determined as for a disability pension).

Minor Children

With spouse in payment status, \$100 a month; with no spouse in payment status, \$200 a month; the total of spousal and children's benefits may not exceed the employee's amount.

**Benefit Enhancement
Limitation**

Plan benefits may not be materially increased unless the funded level of the plan is at least 80% and plan funding is sufficient to amortize the unfunded actuarial liability over 25 years or less.

DROP

(Deferred Retirement Option):

Option 1

- The Firefighter must retire within 5 years of a DROP election.
- The monthly benefit he will receive from the Plan will be determined based upon his salary and service at the time of his DROP election.
- At the conclusion of the DROP period, the Firefighter will be paid an amount which is the sum of 1) his Employee contributions from the DROP period including interest at 4% compounded annually, plus 2) the product of his monthly benefit amount times the number of months of the DROP period. This amount must be paid within three (3) years in no more than three (3) installments.

Option 2

- Upon retirement, a Firefighter may elect to receive 85% of his regular monthly benefit (with all survivor benefits appropriately reduced) for life and a lump sum equal to 24 times this reduced benefit. This amount must be paid over three (3) years in no more than three (3) installments.

DROP benefits will be actuarially converted to a life only benefit for purposes of determining the "Maximum Service Retirement Benefit."

Contributions:

The Fund received monthly contributions from the City in the amount of 15% of payroll and from member firemen at 13% of payroll. The actuary has stated that these rates are sufficient to meet the accruing normal cost of the plan and to amortize the unfunded actuarial liability by level percentage of pay contributions over the required minimum period.

BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO CASH BASIS FINANCIAL STATEMENTS
December 31, 2019
(continued)

9. Administrative Expenses

Administrative expenses for the retirement fund consisted of the following costs.

	2019	2018
Management	\$ 32,686	\$ 44,401
Legal	-	-
Investment Consultant	6,853	8,095
Audit	3,575	3,250
Actuary	-	15,660
Continuing Education	10,141	14,825
Software/Web Site	1,574	2,894
Other	17,405	17,073
Total	\$ 72,234	\$ 106,198

10. Investments

The board has approved an investment policy that may be amended by the board at any time and is reviewed at least annually. The board amended the policy in current year to update asset allocation targets.

Investment allocation targets (retirement fund) are as follows:

Asset Classes	Target	Range	Actual	Market
Equity				
Domestic	40%	35-45%	50%	\$ 6,544,977
International	20%	15-25%	17%	2,180,293
Fixed Income				
Domestic	20%	15-25%	16%	2,091,697
International	5%	0-10%	4%	562,202
Alternatives				
Tactical Strategies	15%	0-20%	13%	1,648,066
	100%		100%	\$ 13,027,235
		Cash		\$ -
		Investments		13,027,235
				\$ 13,027,235

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense was 9.48%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND

NOTES TO CASH BASIS FINANCIAL STATEMENTS

December 31, 2019

(continued)

10. Investments (continued)

Investments consist of the following instruments for the Retirement Fund:

	<u>Maturity</u>	<u>Ratings</u>	<u>%</u>	<u>Carrying Value</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Estimated Fair Value</u>
2019							
<u>Mutual Funds</u>							
Money Market	N/A	N/A	1.8%	\$ 204,467	\$ 0	\$ 0	\$ 204,467
Equity	N/A	N/A	7.3%	832,413	36,533	26,777	842,169
Fixed Income	N/A	N/A	73.2%	8,308,499	1,139,789	54,405	9,393,883
Specialty	N/A	N/A	1.1%	<u>120,000</u>	<u>0</u>	<u>0</u>	<u>120,000</u>
Totals			83%	<u>\$ 9,465,379</u>	<u>\$ 1,176,322</u>	<u>\$ 81,182</u>	<u>\$ 10,560,519</u>
<u>Common Trust Funds</u>							
Equity	N/A	N/A	4.8%	\$ 540,810	\$ 449,938	\$ 0	\$ 990,748
Fixed Income	N/A	N/A	6.4%	730,254	60,433	0	790,687
Specialty	N/A	N/A	5.4%	<u>617,363</u>	<u>272,385</u>	<u>0</u>	<u>889,748</u>
Totals			17%	<u>\$ 1,888,427</u>	<u>\$ 782,756</u>	<u>\$ 0</u>	<u>\$ 2,671,183</u>
Totals			100%	<u>\$ 11,353,806</u>	<u>\$ 1,959,078</u>	<u>\$ 81,182</u>	<u>\$ 13,231,702</u>
2018							
<u>Mutual Funds</u>							
Money Market	N/A	N/A	1%	\$ 148,371	\$ 0	\$ 0	\$ 148,371
Equity	N/A	N/A	42%	4,561,994	195,523	402,871	4,354,646
Fixed Income	N/A	N/A	28%	3,038,961	5,553	144,065	2,900,449
Specialty	N/A	N/A	4%	<u>460,525</u>	<u>0</u>	<u>20,182</u>	<u>440,343</u>
Totals			75%	<u>\$ 8,209,851</u>	<u>\$ 201,076</u>	<u>\$ 567,118</u>	<u>\$ 7,843,809</u>
<u>Common Trust Funds</u>							
Equity	N/A	N/A	13%	\$ 1,390,127	\$ 248,659	\$ 81,521	\$ 1,557,265
Fixed Income	N/A	N/A	7%	715,453	21,454	0	736,907
Specialty	N/A	N/A	5%	<u>596,482</u>	<u>161,267</u>	<u>0</u>	<u>757,749</u>
Totals			25%	<u>\$ 2,702,062</u>	<u>\$ 431,380</u>	<u>\$ 81,521</u>	<u>\$ 3,051,921</u>
Totals			100%	<u>\$ 10,911,913</u>	<u>\$ 632,456</u>	<u>\$ 648,639</u>	<u>\$ 10,895,730</u>

BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO CASH BASIS FINANCIAL STATEMENTS
December 31, 2019
(continued)

10. Investments (continued)

Investments consist of the following instruments for the Medical Benefits Fund:

	<u>Maturity</u>	<u>Ratings</u>	<u>%</u>	<u>Carrying Value</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Estimated Fair Value</u>
2019							
<u>Mutual Funds</u>							
Money Market	N/A	N/A	8%	\$ 40,427	\$ 0	\$ 0	\$ 40,427
Equity	N/A	N/A	9%	\$ 46,276	\$ 3,512	\$ 0	\$ 49,788
Fixed Income	N/A	N/A	80%	421,329	15,965	242	437,052
Totals			96%	<u>\$ 508,032</u>	<u>\$ 19,477</u>	<u>\$ 242</u>	<u>\$ 527,267</u>
<u>Common Trust Funds</u>							
Fixed Income	N/A	N/A	4%	19,023	18,226	0	37,249
Totals			4%	<u>\$ 19,023</u>	<u>\$ 18,226</u>	<u>\$ 0</u>	<u>\$ 37,249</u>
Totals			100%	<u>\$ 527,055</u>	<u>\$ 37,703</u>	<u>\$ 242</u>	<u>\$ 564,516</u>
	<u>Maturity</u>	<u>Ratings</u>	<u>%</u>	<u>Carrying Value</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Estimated Fair Value</u>
2018							
<u>Mutual Funds</u>							
Money Market	N/A	N/A	4%	\$ 19,462	\$ 0	\$ 0	\$ 19,462
Totals			4%	<u>\$ 19,462</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 19,462</u>
<u>Common Trust Funds</u>							
Equity	N/A	N/A	44%	\$ 203,047	\$ 53,493	\$ 16,090	\$ 240,450
Fixed Income	N/A	N/A	33%	152,059	0	9,057	143,002
Specialty	N/A	N/A	19%	85,441	10,427	6,912	88,956
Totals			96%	<u>\$ 440,547</u>	<u>\$ 63,920</u>	<u>\$ 32,059</u>	<u>\$ 472,408</u>
Totals			100%	<u>\$ 460,009</u>	<u>\$ 63,920</u>	<u>\$ 32,059</u>	<u>\$ 491,870</u>

BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND

NOTES TO CASH BASIS FINANCIAL STATEMENTS

December 31, 2019

(continued)

10. Investments (continued)

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the Fund was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

A. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the Fund's investments were rated as noted above.

B. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Association's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Association's name.

C. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the Association's investments representing more than 5% of total investments are Westwood Trust mutual funds (Westwood Trust equity mutual funds 68%, Westwood fixed income mutual funds 31% and Government and Agencies 1%).

D. Interest Rate Risk

This risk is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the Association does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

E. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the Association was not exposed to foreign currency risk.

11. Risk Management

The Fund is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions and natural disasters.

BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND

NOTES TO CASH BASIS FINANCIAL STATEMENTS

December 31, 2019

(continued)

12. Medical Benefits

Effective January 1, 2018, eligible retirees, their spouses and eligible dependents qualify to receive medical benefits not to exceed \$495 per month if retired over the age of 50 and not to exceed \$495 per month times the actuarial equivalent percentage if retired before the age of 50. During 2019, the participants' bi-weekly contribution rate was a flat rate of \$42.92. These payments and contributions are reported in the Medical Benefits Fund under a 401(h) arrangement attached to the pension plan. No liability exists on the part of the City because funding is provided by members only.

	<u>Year Ended</u> <u>12/31/2018</u>	<u>Year Ended</u> <u>12/31/2016</u>	<u>Year Ended</u> <u>12/31/2014</u>
Plan Fiduciary Net Position			
Contributions - employer	-	-	-
Contributions - members (transfers)	\$ 66,149	\$ 62,985	\$ 60,285
Net investment income	44,228	11,762	22,681
Unrealized appreciation	(76,431)	25,588	-
Benefit payments and contribution refunds	(83,230)	(64,874)	(55,526)
Administrative expense	<u>(4,852)</u>	<u>(2,801)</u>	<u>-</u>
Net change in plan fiduciary net position	(54,136)	32,660	27,440
Plan Fiduciary Net Position - beginning of year	<u>546,032</u>	<u>458,208</u>	<u>442,216</u>
Plan Fiduciary Net Position - end of year	<u><u>\$ 491,896</u></u>	<u><u>\$ 490,868</u></u>	<u><u>\$ 469,656</u></u>
Net Pension Liability - ending	\$ 813,753	\$ 783,978	\$ 636,536
 Plan fiduciary net position as a percentage of total pension liability	 60.45%	 62.61%	 73.78%

BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO CASH BASIS FINANCIAL STATEMENTS
December 31, 2019
(continued)

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

Valuation Date	<u>1/1/2019</u>	<u>1/1/2017</u>	<u>1/1/2015</u>
Actuarial Cost Method	Entry age	Entry age	Entry age
Amortization Method	Normal Cost	Normal Cost	Normal Cost
Remaining Amortization Period	10 years	10 years	10 years
Asset Valuation Method	5 year actuarial asset smoothing	5 year actuarial asset smoothing	5 year actuarial asset smoothing
Actuarial Assumptions			
Interest Rate	6%	7.75%	6%
Pay Increases	4%	4.5%	4%
Mortality	Pub2010PS	RP 2000 fully projected	RP 2000 fully projected
Retirement Rates	Rates are only applied if the employee is eligible to retire	Rates are only applied if the employee is eligible to retire	Rates are only applied if the employee is eligible to retire
Turnover	Graded by age & service	Graded by age & service	Graded by age & service

13. Subsequent Funding Requirements

As a result of the Fund's most current retirement plan actuarial report (January 1, 2019), the current contribution rate of 13% of pay from the members and 15% of pay from the City is sufficient to meet the accruing normal cost of the plan and to amortize the unfunded actuarial liability by level percentage of pay contributions over a period of 38.33 years.

The State of Texas Pension Review Board's (PRB) "Guidelines for Actuarial Soundness" includes the following: Funding should be adequate to amortize the unfunded actuarial accrued liability over a period not to exceed 40 years, with 15 - 25 years being a more preferable target. Benefit increases should not be adopted if all plan changes being considered cause a material increase in the amortization period and if the resulting amortization period exceeds 25 years.

The remaining amortization period on the valuation date was 38.33 years. The measured funding level of the plan is within the maximum limits of the PRB guidelines but not the preferred funding range.

BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND

NOTES TO CASH BASIS FINANCIAL STATEMENTS

December 31, 2019

(continued)

14. Subsequent Event

Subsequent to year end but before the date of this report Coronavirus has had a significant impact on the country's and worldwide markets. The World Health Organization (WHO) declared a public health emergency on January 30, 2020.

At this time, the impact on the Fund's financial statements at December 31, 2019 is not clear particularly the impact on future revenue.

REQUIRED SUPPLEMENTARY INFORMATION

BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND

RECONCILIATION OF PLAN ASSETS (UNAUDITED)

December 31, 2018 to December 31, 2019

(Most Recent Actuarial Valuation)

Receipts

Contributions			
Employer	\$	650,969	
Employee		565,707	
Interest and Dividends		393,077	
Net Realized Appreciation/(Depreciation)		<u>31,764</u>	
Total	\$		1,641,517

Disbursements

Benefit Payments	\$	1,137,653	
DROP contribution refunds		-	
Return of member contributions		59,989	
Expenses		<u>44,110</u>	
Total			<u>1,241,752</u>

Excess of Receipts over Disbursements 399,765

Reconciliation

Market Value as of December 31, prior year		10,911,913
Unrealized Appreciation/(Depreciation) during the year		<u>58,341</u>
Market Value of Invested Assets as of December 31		11,370,019
Contributions Receivable		-
Payables		<u>-</u>

Market Value as of December 31 \$ 11,370,019

Average return on assets (BAI method)	before expense	4.43%
	net of expense	4.03%

BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND

SCHEDULE OF INVESTMENT RETURNS (UNAUDITED)

Last 10 Fiscal Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Average money-weighted rate of return net of investment expenses	12.37%	-0.17%	11.58%	15.14%	5.54%
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Average money-weighted rate of return net of investment expenses	-0.98%	6.77%	16.20%	-5.77%	4.43%

BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND

SCHEDULE OF CONTRIBUTIONS (UNAUDITED)

Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2010	\$ 731,789 *	\$ 761,875	(30,086)	\$ 3,312,629 **	23.00%
2011	731,789 *	843,726	(111,937)	3,334,774 **	25.30%
2012	813,985	838,246	(24,261)	3,356,918	24.97%
2013	799,962	904,532	(104,570)	3,173,050	28.51%
2014	799,962 *	992,091	(192,129)	3,403,526 **	29.15%
2015	934,058	1,051,143	(117,085)	3,634,001	28.93%
2016	934,058 *	1,039,822	(105,764)	3,766,262 **	27.61%
2017	1,028,667	977,110	51,557	3,879,000	25.19%
2018	1,028,667 *	1,182,659	(153,992)	4,030,000 **	29.35%
2019	1,256,658	1,216,677	39,981	4,259,859	28.56%

* No valuation for the year; actuarially determined contribution is the same as for the most recent valuation

** No valuation for the year; covered employee payroll is interpolated from adjoining valuation years.

Basis of the Actuarially Determined Contribution

Valuation date	January 1 of year shown
Actuarial cost method	Entry Age normal
Amortization method	Level dollar (for funding purposes)
Remaining amortization period	30 years rolling (for funding)
Asset valuation method	5 year amortization of investment
Actuarial assumptions	
Interest rate	8.0% (before admin expense) 7.75% effective 12/31/2017
Inflation	3% per annum
Pay increases	5% per annum 4.5% effective 12/31/2017 plus additional for first 10 years
Mortality	RP 2000 projected to Pub2010-Ps projected by MP2018 after 2018
Retirement rates	Age and service-related
Turnover	Age and service-related

BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
December 31, 2019

Ten year historical trend information designed to provide information about the Fund's progress made in accumulating sufficient assets to pay benefits when due is presented in the preceding schedules.

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the benefit obligation as a factor. There have been no changes in the actuarial cost method used to calculate the actuarial value of assets since the last valuation.

The schedules are reported as historical trend information.