CITY OF DENISON
FIREMEN'S RELIEF AND RETIREMENT BOARD MEETING
AGENDA

Thursday, July 11, 2024

After determining that a quorum is present, the Firemen's Relief and Retirement Board of the City of Denison, Texas will convene in a Regular Meeting on **Thursday, July 11, 2024, at 11:00 AM** in the Council Chambers at City Hall, 300 W. Main Street, Denison, Texas at which the following items will be considered:

1. CALL TO ORDER

2. PUBLIC COMMENTS

Citizens may speak on items listed on the Agenda. A "Request to Speak Card" should be completed and returned to the City Clerk upon arrival, prior to the Board reaching the Public Comment section of the agenda. Citizen comments are limited to three (3) minutes, unless otherwise required by law. Comments related to the Public Hearings listed below, will be heard when the specific hearing starts.

3. ROLL CALL

Mark Escamilla - Chairman; Ross Brown - Vice-Chairman; Brendan McCloud - Fireman; Robert Crawley - Mayor; Laurie Alsabbagh - Director of Finance – Secretary; Adam Doty - Citizen Trustee; Lee Thornton - Citizen Trustee

4. ITEMS FOR INDIVIDUAL CONSIDERATION

A. Take action on approving the minutes from the regular Denison Firemen's Relief & Retirement Fund Board meeting held on June 13, 2024.

B. Authorize payment(s) of monthly expenses including payroll.

C. Treasurer's Report.

D. Discuss and take action on pending retirements and/or payouts.

E. Discuss and take action on accepting the recommended actuarial assumptions as provided by Rudd and Wisdom, Inc., Consulting Actuaries.

F. Discuss and take action on approval of the 2023 audit.

G. Future Agenda Items.

H. Receive a report from Fiduciary Financial Services Wealth Management.

5. ADJOURNMENT

CERTIFICATION

I do hereby certify that a copy of this Notice of Meeting was posted on the front windows of City Hall readily accessible to the general public at all times and posted on the City of Denison website on the 8th day of July 2024.

Karen L. Avery, Deputy City Clerk

In compliance with the Americans With Disabilities Act, the City of Denison will provide for reasonable accommodations for persons attending Firemen's Relief and Retirement Board Meeting. To better serve you, requests should be received 48 hours prior to the meetings. Please contact the City Clerk's Office at 903-465-2720, Ext: 2437.

Denison Firemen's Relief & Retirement Fund
Minutes from June 20, 2024, meeting

Announce the presence of a quorum.

Board members in attendance: Mark Escamilla (arrived at 11:11 a.m.), Ross Brown, Brenden McCloud, Robert Crawley (sworn in as a member), Laurie Alsabbagh, and Adam Doty.

Absent: Lee Thornton.

Other persons in attendance: Richard Wright, Zera Taylor, and City Clerk – Chris Wallentine.

I. Meeting opened at 11:03 a.m. by Vice-Chairman Ross Brown.

II. Chris Wallentine, City Clerk for the City of Denison, administered the statement of officer and oath of office to Robert Crawley, Mayor.

III. Brown asked if there were any Public Comments received and Alsabbagh stated there were none received.

IV. Minutes from the Regular meeting held on May 9, 2024, were brought before the board. McCloud made a motion for approval, seconded by Alsabbagh. All board members approved.

V. Authorize payment of monthly expenses-monthly payroll ($131,012.68); payroll taxes ($17,642.12); Invoice Attorney Kim Wilkerson for work on revised RFQ, work on updating Plan Document and emails to M. Escamilla and L. Alsabbagh ($1,050.00); invoice from Rudd and Wisdom, Inc. for review of plan document changes and emails w/Fund Attorney Kim Wilkerson ($1,382.50); invoice from Zera Taylor for Plan Administration for May 2024 ($800.00). Motion for approval was made by Crawley and seconded by Doty. All board members approved.

VI. The treasurer's report for the checking account was provided by Alsabbagh and given by McCloud. The reconciled amount as of 05/31/2024 was $218,629.37.

VII. Discuss and take action on pending retirements and/or payouts (refunds). Matthew Press left employment and requested a rollover of his contributions. He paid in contributions of $14,018.55 and is rolling over to an IRA. Because this is a rollover and not a refund, we will not be withholding taxes. Motion for approval of Mr. Press' payout made by McCloud and seconded by Crawley. All board members approved.

VIII. Discuss and take action on allowing the board treasurer, Laurie Alsabbagh, to approve purchases for day-to-day operations equal to or below $200.00. Motion made by McCloud, seconded by Brown. All board members approved.

IX. Possible Future agenda items: any responses to the RFQ will be distributed at the July meeting; Audit; QDRO's (if any); Anticipated Retirements; Special withdraw; PRB training; new business; report from FFSWM.

X. Richard from Fiduciary Financial Services Wealth Management presented the monthly financial investment reports.

The meeting was adjourned at 11:40 a.m. by Chairman Escamilla.

Mark Escamilla, Chairman

Attest:

Laurie Alsabbagh, Secretary

Rudd and Wisdom, Inc.
Consulting Actuaries

July 2, 2024

Via E-Mail: ztaylor@denisontx.gov
Board of Trustees
Denison Firemen's Relief and
Retirement Fund
c/o Ms. Zera Taylor, Administrator
700 W. Chestnut
Denison, TX 75021

Re: Recommended Actuarial Assumptions for the December 31, 2023 Actuarial Valuation

Members of the Board of Trustees:

As a part of the December 31, 2023 actuarial valuation of the Denison Firemen's Relief and Retirement Fund (the Fund), we have reviewed all of the actuarial assumptions used in the December 31, 2021 actuarial valuation of the Fund to see if they remain appropriate or should be revised for the December 31, 2023 actuarial valuation. The results of an actuarial valuation do not determine the ultimate cost of the Fund but a recommended funding pattern that will hopefully be well matched with the Fund's actual experience as it unfolds over the long-term future. The accuracy and usefulness of actuarial valuations depend upon the use of actuarial assumptions that will reasonably reflect the Fund's future experience observed over a long period of time.

Summary of Recommendations

All of the actuarial assumptions for the December 31, 2021 actuarial valuation continue to be appropriate for the December 31, 2023 actuarial valuation, with one minor exception, a recommended change in the assumed administrative expenses as a percent of covered payroll. However, based upon our review of the economic assumptions, which is summarized below and in Exhibit 1, we may recommend a lower investment return assumption in two years because of the significant changes in asset allocation as of December 31, 2023 compared to two years earlier.

Economic Assumptions

The investment return assumption is reviewed using the building block approach (as shown in Exhibit 1) that includes the current and prior asset allocations, assumed real rates of return for each asset class, assumed investment-related expenses, and an assumed rate of inflation, with all assumptions for the long-term future. Our economic assumptions are influenced both by long-term historical experience and by future expectations of investment consultants and economists.

The investment return assumption for the December 31, 2021 actuarial valuation was 7.5% per year net of investment-related expenses, consisting of an assumed rate of inflation of 2.5% per year and an assumed net real rate of return of 5.0%. The recognition of administrative expenses separate from the investment return assumption is consistent with the requirement of GASB 67 and 68 for accounting disclosures.

We recommend a continuation of the underlying assumed annual rate of inflation of 2.5%. Exhibit 1 includes a summary of both historical and forecast rates of inflation. Considering the average annual increase in the CPI-U over historical periods of 30 to 65 years and the Social Security forecasts, we believe that reasonable assumed rates of inflation for the long-term future would range from 2.25% to 3.00%. The recommended 2.5% is in the bottom part of our range.

For this valuation we are recommending no change in the investment return assumption of 7.5%, but with some caveats for the future. Based on our approach of developing a theoretical investment return assumption summarized in Exhibit 1, we are only somewhat comfortable assuming 7.5%, consisting of 2.5% inflation and 5.0% net real rate of return, assuming the asset allocation as of December 31, 2023 had only temporary changes.

The Fund's asset allocation in the past has been somewhat aggressive with high equity allocations as of December 31, 2019 and December 31, 2021 and low fixed income allocations. These characteristics produce higher expected returns than an allocation with lower equity exposure. The allocation as of December 31, 2023 shows a much lower equity exposure with an increased fixed income allocation, which produces lower expected returns, as shown in Exhibit 1. We will continue to monitor the investment return assumption in future valuations and if the December 31, 2023 allocation persists, we may recommend a lower investment return assumption in two years.

For your reference, we have included in Exhibit 1 two pages of summaries of the assumptions used in the other public retirement systems in Texas. The first page shows the investment return as well as the inflation and real rate of return assumptions for the large local and statewide retirement systems as well as a summary of the investment return assumptions used by all 83 active Texas defined benefit retirement plans. The second page compares the investment return assumptions of the TLFFRA funds based on the most recent valuation information. Both of these pages do not indicate asset allocations, but they do suggest that 7.5% is relatively high for a smaller fund.

The recommended assumed administrative expenses as a percent of payroll is 0.95%, based on the experience of the last four years as shown in Exhibit 1. This is slightly less than the 1.00% assumption used in the December 31, 2021 actuarial valuation.

Recommended Actuarial Assumptions

As a part of each actuarial valuation, we review the actuarial assumptions used in the prior actuarial valuation. As a result of our review, we have selected actuarial assumptions we consider to be reasonable and appropriate estimates of future experience for the Fund for the long-term future. Their selection complies with the applicable actuarial standards of practice.

Significant actuarial assumptions and methods to be used in the December 31, 2023 actuarial valuation are:

1. 7.5% annual investment return net of investment-related expenses;
2. 2.5% annual general compensation increase combined with an average annual promotion, step, and longevity increase of 1.89% over a 30-year career;
3. A mortality assumption consisting of the PubS-2010 (public safety) total dataset tables for employees and for retirees, projected for mortality improvement generationally using the projection scale MP-2019; and
4. Amortization of the unfunded liability with a level percent of payroll assuming the payroll will increase 2.5% per year.

We certify that we are members of the American Academy of Actuaries who meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions in this report.

Sincerely,

Mark R. Fenlaw

Mark R. Fenlaw, F.S.A.

Brandon L. Fuller, F.S.A.

MRF/BLF:nlg

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Exhibit 1

Review of the Actuarial Economic Assumptions for the December 31, 2023 Actuarial Valuation

Theoretical Investment Return Assumption Development

Manager and Class	Gross Annual Real Rate of Return (ROR)[1]	Asset Allocation 12/31/2023 Actual[2]	12/31/2021 Actual[3]	12/31/2019 Actual[4]
Equities	6.5%	68.0%	83.5%	80.7%
REITs	4.0	0.0	2.7	6.7
Closed-end mutual funds	3.5[5]	7.3	10.9	11.9
Fixed income securities	2.0	23.3	2.2	0.0
Cash	0.0	1.4	0.7	0.7
		100.0%	100.0%	100.0%
Weighted Average Gross Real ROR Assumption		5.14%	5.96%	5.93%
Weighted Average Net Real ROR Assumption[6]		4.59%	5.41%	5.38%
Theoretical Annual Investment Return Assumption: Net Real ROR Plus Assumed Annual Rate of Inflation				
Assumed 2.50% Inflation		7.09%	7.91%	7.88%

[1] A gross annual real rate of investment return is the total annual rate of investment return, before any expenses, that is in excess of the assumed annual inflation rate. These are long-term assumptions made by Rudd and Wisdom, Inc.
[2] This allocation is from the December 31, 2023 report from Fiduciary Financial Services Wealth Management.
[3] This allocation is from the December 31, 2021 report from Fiduciary Financial Services Wealth Management.
[4] This allocation is from the December 31, 2019 report from Fiduciary Financial Services Wealth Management.
[5] This return assumption is net of the indirect expenses for the mutual funds.
[6] The investment-related expenses, for direct expenses, are assumed to be 0.55% of assets and are based on direct expenses for the last six years (page 5), rounded up to the next multiple of 0.05% plus 0.05% for indirect expenses for ETFs and open-end mutual funds.

Exhibit 1 (continued)

Price Inflation in the USA Average Annual Rates of Increase in the CPI-U

Years (Dec. to Dec.)	Number of Years	Average Annual Increase
1958 – 2023	65	3.70%
1963 – 2023	60	3.90
1968 – 2023	55	4.00
1973 – 2023	50	3.86
1978 – 2023	45	3.41
1983 – 2023	40	2.81
1988 – 2023	35	2.71
1993 – 2023	30	2.51
1998 – 2023	25	2.54
2003 – 2023	20	2.58

Most inflation forecasts are for 10 years or less. For example, the average 10-year forecast in the June 2024 Livingston Survey published by the Federal Reserve Bank of Philadelphia was 2.25%. However, 10 years is too short a forecast period for a public employee defined benefit pension plan. In the 2024 annual report of the OASDI Trust Funds (Social Security), the ultimate inflation assumptions for their 75-year projections are 3.0%, 2.4%, and 1.8% for the low-cost, intermediate, and high-cost assumptions, respectively. Looking at the average annual increase in the CPI-U over historical periods of 30 to 65 years above and considering the Social Security forecasts, we believe that reasonable assumed rates of inflation for the long-term future would range from 2.25% to 3.00%.

Expenses Paid from Fund

		Expenses		Expenses as a % of Assets	
Plan Year Ending 12/31	Beginning of Year Assets	Admin.	Direct Investmt	Admin. (3) ÷ (2)	Investmt (4) ÷ (2)
(1)	(2)	(3)	(4)	(5)	(6)
2023	$ 20,072,690	$ 37,733	$86,858	0.19%	0.43%
2022	24,957,398	46,624	99,660	0.19	0.40
2021	21,080,017	54,295	108,088	0.26	0.51
2020	20,225,141	17,749	93,931	0.09	0.46
2019	16,588,604	43,403	91,096	0.26	0.55
2018	17,725,070	24,075	88,431	0.14	0.50
2018-2023	$120,648,920	$223,879	$568,064	0.19%	0.47%

Exhibit 1 (continued)

Administrative Expenses Paid by the Fund

Plan Year Ending 12/31 (1)	Administrative Expenses Paid by the Fund (2)	Covered Payroll (3)	% of Payroll (2) ÷ (3) (4)
2023	$ 37,733	$ 5,240,917	0.72%
2022	46,624	4,394,711	1.06
2021	54,295	3,639,822	1.49
2020	17,749	3,745,167	0.47
2020-2023	$156,401	$17,020,617	0.92%

The administrative expenses are not reflected in the investment return assumption but are reflected as a percent of payroll that is added to the normal cost contribution rate. For the December 31, 2023 actuarial valuation, we recommend 0.95%, the average developed above for the last four plan years, rounded up to a multiple of 0.05%. It is a small reduction from the 1.00% assumption we used for the December 31, 2021 actuarial valuation. (The covered payroll was determined as the city contributions for the plan year divided by the city contribution rate during the plan year.)

Comparison of 12/31/2021 Actuarial Economic Assumptions with 12/31/2023 Actuarial Economic Assumptions

Actuarial Assumption[1]	12/31/2021 Actuarial Economic Assumptions	12/31/2023 Actuarial Economic Assumptions
Inflation (Price)	2.50%	2.50%
Net real rate of return[2]	5.00	5.00
Net total investment return[2]	7.50%	7.50%
Firefighter pay increase[3]	4.39%	4.39%
Aggregate payroll increase	2.50%	2.50%
Administrative expenses	1.00% of payroll	0.95% of payroll

[1] All assumptions are annual rates.
[2] Net of investment-related expenses.
[3] The 4.39% for 12/31/2021 and 12/31/2023 is comprised of a 2.50% annual general compensation increase combined with annual promotion, step, and longevity pay increases that vary by length of service (highest in early years) and that average 1.89% over a 30-year career.

Exhibit 1 (continued)

Comparison of Investment Return and Inflation Assumptions for Large Local and Statewide Retirement Systems

System Name	Valuation Date	Investment Return Assumption	Rate of Inflation	Real Rate of Return
Austin Employees	12/31/2022	6.75%	2.50%	4.25%
Austin Fire	12/31/2022	7.30	2.50	4.80
Austin Police	12/31/2022	7.25	2.50	4.75
Dallas Employees	12/31/2022	7.25	2.50	4.75
Dallas Police and Fire	1/1/2023	6.50	2.50	4.00
El Paso Employees	9/1/2022	7.25	2.50	4.75
El Paso Fire	1/1/2022	7.75	2.75	5.00
El Paso Police	1/1/2022	7.75	2.75	5.00
Fort Worth Employees	12/31/2022	7.00	2.50	4.50
Houston Fire	7/1/2022	7.00	2.50	4.50
Houston Municipal	7/1/2023	7.00	2.25	4.75
Houston Police	7/1/2023	7.00	2.75	4.25
San Antonio Fire and Police	1/1/2023	7.25	3.00	4.25
Employees Retirement System	8/31/2023	7.00	2.30	4.70
Teacher Retirement System	8/31/2023	7.00	2.30	4.70
Texas County and District System	12/31/2022	7.50	2.50	5.00
Texas Municipal Retirement System	12/31/2022	6.75	2.50	4.25
Average		**7.14**	**2.54**	**4.60**

All 83 Active Texas Defined Benefit Retirement Plans in the PRB's March 6, 2024 Board Meeting Packet

Current Investment Return Assumption	Number of Plans
7.51 – 7.99%	9
7.50	13
7.01 – 7.49	19
7.00	25
under 7.00	17
	83
average	7.07%

Exhibit 1 (continued)

Comparison of Investment Return Assumption for TLFFRA Funds

TLFFRA Fund	Valuation Date	Investment Return Assumption	TLFFRA Fund	Valuation Date	Investment Return Assumption
Abilene	10/1/2021	7.50%	Marshall	12/31/2020	7.25%
Amarillo	12/31/2023	7.35%	McAllen	9/30/2022	7.25%
Atlanta	12/31/2022	7.00%	Midland	12/31/2023	7.00%
Beaumont	12/31/2022	7.50%	Odessa	1/1/2023	7.00%
Big Spring	1/1/2021	7.75%	Orange	1/1/2023	7.75%
Brownwood	12/31/2021	7.00%	Paris	12/31/2020	7.25%
Cleburne	12/31/2022	7.35%	Plainview	12/31/2021	7.50%
Conroe	12/31/2021	7.25%	Port Arthur	12/31/2021	7.25%
Corpus Christi	12/31/2022	7.15%	San Angelo	12/31/2021	7.80%
Corsicana	12/31/2022	7.00%	San Benito	9/30/2021	7.50%
Denison	12/31/2021	7.50%	Sweetwater	12/31/2022	7.50%
Denton	12/31/2021	6.75%	Temple	9/30/2022	7.75%
Galveston	12/31/2023	7.50%	Texarkana	12/31/2023	7.25%
Greenville	12/31/2022	7.25%	Texas City	12/31/2022	7.25%
Harlingen	9/30/2021	7.75%	Travis Co. ESD #6	12/31/2021	6.50%
Irving	12/31/2022	7.00%	Tyler	12/31/2021	7.00%
Killeen	9/30/2022	7.25%	University Park	12/31/2022	7.00%
Laredo	9/30/2022	7.40%	Waxahachie	10/1/2022	7.00%
Longview	12/31/2022	7.50%	Weslaco	9/30/2022	7.25%
Lubbock	12/31/2022	7.50%	Wichita Falls	1/1/2022	7.75%
Lufkin	12/31/2022	7.25%	Woodlands	12/31/2023	7.00%

Investment Return Assumption	Number of Funds
8.00%	0
7.80	1
7.75	5
7.50	9
7.40	1
7.35	2
7.25	11
7.15	1
7.00	10
6.75	1
6.50	1
	42
average	7.29%

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DENISON FIREMEN'S RELIEF AND RETIREMENT FUND

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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DENISON FIREMEN'S RELIEF AND RETIREMENT FUND
TABLE OF CONTENTS

BROOKSWATSON & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Denison Firemen's Relief and Retirement Fund:

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the Denison Firemen's Relief and Retirement Fund (the "Fund"), as of and for the year ended December 31, 2023, and the related Statement of Changes in Fiduciary Net Position for the year then ended, and the related notes to the financial statements, collectively, the Fund's financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Denison Firemen's Relief and Retirement Fund, as of December 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Denison Firemen's Relief and Retirement 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 opinions.

Responsibilities of Management for the Financial Statements

The Fund's 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 one year after the date that the financial statements are issued.

Auditor's Responsibility 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. 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, 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 an audit in accordance with GAAS, 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 on 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 we identified during the audit.

Required Supplementary Information

US GAAP requires that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the Fund's financial statements. Such information, although not a part of the Fund's financial statements, is required by the Governmental Accounting Standards Board, who considers it to be

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an essential part of financial reporting for placing the Fund's financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplemental information in accordance with US GAAS, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the Fund's financial statements, and other knowledge we obtained during our audit of the Fund's financial statements. We do not express an opinion or provide an assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
July 8, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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DENISON FIREMEN'S RELIEF AND RETIREMENT FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023

The purpose of the Management's Discussion and Analysis (the "MD&A") is to give the readers an objective and easily readable analysis of the financial activities of the Denison Firemen's Relief and Retirement Fund (the "Fund") for the year ended December 31, 2023. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the Fund's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Governmental Accounting Standards Board (GASB) Statement No. 34 establishes the content of the minimum requirements for MD&A. Please read the MD&A in conjunction with the Fund's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT

The annual financial report is presented as compliant with the financial reporting model in effect pursuant to GASB Statement No. 34. The financial reporting model requires governments to present certain basic financial statements as well as a Management's Discussion and Analysis (MD&A) and certain other Required Supplementary Information (RSI). The basic financial statements include (1) statement of fiduciary net position, (2) statement of changes fiduciary net position, and (3) notes to the financial statements.

The Statement of Fiduciary Net Position presents information on all of the Fund's assets and liabilities. The difference between the two is reported as *net position – restricted for pension benefits*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Fund is improving or deteriorating. Other financial factors, such as the Fund's total pension liability need to be considered to assess the overall health of the Fund.

The Statement of Change in Fiduciary Net Position presents information showing how the Fund's net position changed during the most recent year. This activity includes Fund and member contributions, benefits and refunds paid out, as well as investment income and expense. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found after the financial statements within this report.

Other Information

In addition to basic financial statements, this MD&A, and accompanying notes, this report also presents certain RSI. The RSI that GASB 67 requires includes a Schedule of Changes in the

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Fund's Net Pension Liability and Related Ratios as well as a Schedule of Investment Returns. The RSI can be found after the notes to the financial statements within this report.

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Fund's financial position. For the Fund, assets exceed liabilities (net position restricted for pension benefits) by $21,246,289 as of year end.

Statement of Fiduciary Net Position:

The following table reflects the comparative Statement of Fiduciary Net Position:

	2023	2022
Assets		
Cash & cash equivalents	$ 263,564	$ 494,645
Total Investments, at fair value	20,956,049	19,558,878
Receivables	26,676	19,167
Total Assets	21,246,289	20,072,690
Net Position		
Plan net position, restricted for pension benefits	$ 21,246,289	$ 20,072,690

Total assets increased by $1,173,599 or 6%. This increase is primary the result of the net appreciation of investments. The current year money-weighted rate of return is 7.28%.

Statement of Changes in Fiduciary Net Position

The following table provides a summary of the Fund's changes in net position:

	2023	2022
Additions to plan net position:		
Contributions	$ 1,637,788	$ 1,373,347
Net appreciation in fair value of investments	805,197	-
Interest and dividends	733,537	730,505
Total additions to plan net position	3,176,522	2,103,852
Deductions from plan net position:		
Benefits paid to participants	1,878,332	1,911,540
Net depreciation in fair value of investments	-	4,930,736
Administrative expenses	124,591	146,284
Total deductions from plan net position	2,002,923	6,988,560
Net increase/(decrease) in plan net position	$ 1,173,599	$ (4,884,708)

The Fund reported an increase in net position of $1,173,599. Current year contributions from the City of Denison and member contributions totaled $1,637,788. This represents an increase of $264,441. Net appreciation of investment value was $805,197 for the year ended December 31, 2023, and interest and dividends increased $3,032 from the prior year. This is the result of an overall increase reflected in the stock market.

CONTACTING THE FUND'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Fund's financial activity. Questions concerning this report or requests for additional financial information should be directed to Zera Taylor, Plan Administrator, P.O. Box 347 Denison, TX, 75021.

FINANCIAL STATEMENTS

DRAFT

DENISON FIREMEN'S RELIEF AND RETIREMENT FUND
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2023

		2023
Assets		
Cash and cash equivalents	$	263,564
Investments		20,956,049
Receivables		26,676
Total Assets		21,246,289
Net Position		
Plan net position, restricted for pension benefits		21,246,289
Total Plan Net Position	$	21,246,289

See accompanying notes to the financial statements.

DRAFT

DENISON FIREMEN'S RELIEF AND RETIREMENT FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023
Additions to plan net position:	
Contributions:	
City of Denison	$ 943,365
Participant	694,423
Total contributions	1,637,788
Investment income:	
Net appreciation in fair value of investments	805,197
Interest and dividends	733,537
Total investment income	1,538,734
Total additions to plan net position	3,176,522
Deductions from plan net position:	
Benefits paid:	
Service retirement benefits	1,590,144
Widows' benefits	96,680
Disability benefits	12,597
Refund of benefits	178,911
Total payments for benefits	1,878,332
Actuarial fees	10,935
Accounting fees	7,985
Administrative expenses	9,476
Fiduciary fees	86,858
Professional fees	375
Miscellaneous	8,962
Total deductions from plan net position	2,002,923
Net increase (decrease) in plan net position	1,173,599
Plan net position restricted for benefits, beginning of year	20,072,690
Plan net position restricted for benefits, end of year	$ 21,246,289

See accompanying notes to the financial statements.

DENISON FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1 - Summary of Accounting Policies

Basis of Presentation

The accompanying basic financial statements are presented in accordance with generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), which designates accounting principles and financial reporting standards applicable to State and local governmental units. The accompanying basic financial statements include solely the accounts of the Fund, which include all programs, activities, and functions relating to the accumulation and investment of the net assets and related income necessary to provide the service, disability, and death benefits required under the terms of the governing statues and amendments thereto.

Basis of Accounting

The accrual basis of accounting is used by the Fund. Under the accrual basis of accounting, revenues, which include contributions and investment income, are recognized when they are earned and collection is reasonably assured, and expenses are recognized when the liability is incurred. Member and employer contributions are recognized when due, pursuant to formal commitments according to the Fund requirements and State statute. Benefits paid to members and contribution refunds are recognized when due and payable in accordance with the terms of the Fund. Accrued income, when deemed uncollectible, is charged to operations. All realized gains/losses on sales of assets are recognized on the transaction date.

Reporting Entity

The Fund is reported as Other Information in the financial statement notes of the City and required supplemental information is included in the City's Annual Comprehensive Financial Report.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from the estimates that were used.

Cash and Cash Equivalents

The Fund considers only demand deposits as cash. Cash equivalent securities, which are comprised of all highly liquid investments with a maturity of three months or less when purchased, are considered to be cash equivalents.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is defined as the price that would either be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Unrealized gains and losses, arising from increases or decreases in the current market values from the beginning of the year to the end of the year, are presented as net appreciation (depreciation) in fair value of investments on the statements of changes in plan net assets, along with gains and losses realized on sales of investments. Purchases and sales of investments are recorded on the trade date. Dividend income is recorded on the ex-dividend date. Interest income and income from other investments are recorded on the accrual basis.

Administrative Expenses

The cost of administering the Fund is paid by the Fund from current earnings pursuant to an annual fiscal budget approved by the Fund’s Board of Trustees.

Federal Income Tax

The Fund received a favorable letter of determination from the Internal Revenue Service stating that the Fund qualifies as a tax-exempt plan and trust. The Fund’s management and Board believe that the Fund is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America require Fund’s management to evaluate tax positions taken by the Fund and recognize a tax liability (or asset) if the Fund has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service.

Fund management has analyzed the tax positions taken by the Fund and has concluded that as of December 31, 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the basic financial statements.

The Fund is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Note 2 - Description of Plan

The following description of the Denison Firemen's Relief and Retirement Fund ("Fund") provides only general information. Participants should refer to the Fund's plan document for a more complete description of the Fund's provisions.

General

The Board of Trustees of the Fund is the administrator of the Fund, a single-employer defined benefit pension plan. The Fund is an independent entity for financial reporting purposes. The City of Denison, Texas is the only contributing employer. The members of the Fund also contribute to the Fund.

The Fund is established under the authority of the Texas Local Fire Fighters' Retirement Act ("TLFFRA"). The Fund is administered by a Board of Trustees which is made up of three members elected from and by the Fund members, two representatives of the City of Denison, Texas, and two citizen members.

The Fund covers current and former fire fighters of the City of Denison, Texas, as well as certain beneficiaries of current and former fire fighters. The Fund is open to new entrants. An actuarial valuation of the Fund is performed every two years.

At December 31, 2021 the Fund's membership consisted of the following:

• Active members	55
• Vested terminated members	8
• Retired members and their beneficiaries	50
Total Fund Membership	**113**

Effective January 1, 2020, the City of Denison contributes 18 percent of each Fund member's total pay (including regular, longevity, overtime pay and pay received during a period of sick leave or vacation, but excluding lump sum distributions for unused sick leave or vacation), and the fund members' contribution rate 13.25 percent of pay. Employee contributions are "picked up" by the City, as permitted under Section 414(h)(2) of the Internal Revenue Code. For this reason, a member's contributions are excluded from taxable income when paid into the fund. Fund members receive a credit for service for the period during which they pay into, and keep on deposit in the fund, the contributions required by the Fund. Retirement, death, disability, and termination benefits are calculated based upon a member's average salary for the 24 consecutive months that produce the highest average.

All active fire fighters of the City of Denison, Texas are members of the Denison Firemen's Relief and Retirement Fund.

Service Retirement Benefits

A member is eligible for service retirement benefits upon completion of 20 years of service and attainment of age 50. A member who retires under the service retirement provisions of the Fund will receive a monthly benefit equal to the sum of (a) and (b), below, where: (a) Equals 2.65 percent of the member's highest 24-month average salary, multiplied by the member's years of credited service not in excess of 20, and (b) Equals 3.00 percent of the member's highest 24-month average salary multiplied by the member's years of credited service in excess of 20.

The maximum service retirement benefit is $7,250 per month.

Service retirement benefits are payable for the member's lifetime. In the event the member's death precedes that of his spouse, three-fourths of the member's pension will be continued to the member's spouse for the spouse's lifetime. Monthly benefits to a widowed spouse upon remarriage will continue subject to the other terms of the Fund.

Disability Benefits

An active member who becomes disabled before the date he qualifies for service retirement will receive a monthly disability benefit equal to 50 percent of the member's average monthly compensation. However, if a member is eligible for a service retirement benefit, he will receive the service retirement benefit to which he is entitled instead of the disability benefit. The maximum disability benefit is $7,250 per month. The current monthly disability benefit being paid per month is $1,050.

If a member begins drawing disability benefits prior to age 50, but after the date he has completed 20 years of service, monthly disability benefits will end at age 50. Starting at age 50, the member will receive the amount of monthly termination benefit, described below, which the member has accumulated as of the date his service is terminated due to disability.

Disability benefits are payable in the same form as service retirement benefits. However, disability benefits stop if the member recovers to the point that he no longer meets the definition of disability under the Fund.

Definition of Disability

A member will qualify for a disability benefit if he becomes disabled for either physical or mental reasons. For the first one and one-half years, the Board may terminate the member's disability benefit if the member recovers to the extent that he is able to perform the duties of his job as a fire fighter. After one and one-half years, the Board may terminate a member's disability benefit if the member is able to perform the duties of a job outside the fire department, and he is able to earn as much money in his new job as he would have earned as a fire fighter.

Based on a review of the member's disability, the Board may (i) continue the member's original disability benefit, or (ii) pay a partial disability benefit of one-half of the member's original disability benefit.

For the purpose of measuring a disabled member's earnings capacity, the Board will be entitled to use the fire fighter's most recently filed federal income tax return by June 1. Failure to supply the Board with the most recent income tax return by June 1 is grounds for the Board to terminate a member's disability benefit. If a member gives a written request for additional time to submit his annual income tax return, the Board may, at their discretion, approve or disapprove the request.

Death Benefits

If a member dies while in active service, the member's spouse will receive an immediate monthly benefit, payable for as long as he or she is living. The amount of the benefit will equal to the sum of (a) 39.75 percent of the member's highest 24-month average salary, plus (b) three-fourths of any additional service benefit earned by the member as of the date of death.

The maximum death benefit payable to a spouse is $3,862.50 per month. The current highest monthly death benefit being paid per month is $2,047.

The spouse's benefit is payable for life, but it ceases upon remarriage if the spouse remarries prior to November 20, 2008. If the spouse remarries on or after November 20, 2008, the death benefits payable to the Surviving Spouse will continue subject to the other terms of the Fund. In addition to the above spouse's benefit, each unmarried child of the member will receive a monthly benefit of $100. Orphans' benefits will continue until a child reaches age 18. In the event the member has no spouse at date of death or if the Surviving Spouse subsequently dies, the monthly orphan benefit payable is $200.

Termination Benefits

Members with Less Than Ten Years of Credited Service
A member who terminates employment with less than ten years of service will be entitled to the return of the excess of his contributions to the Fund over the amount of any benefits he has received from the Fund. Such refund will not include any interest on the member's contributions.

Members with Ten or More Years of Credited Service
A member who terminates employment after completing at least ten years of credited service, but prior to the date he attains age 50, will be entitled to receive a monthly benefit starting at age 50. The monthly termination benefit will equal the sum of (a) and (b) below, where:

a) Equals 2.65 percent of the member's highest 24-month average salary, at the date of termination, multiplied by the member's years of credited service, not in excess of 20, at date of termination, and

b) Equals 3.00 percent of the member's highest 24-month average salary, at the date of termination, multiplied by the member's years of credited service, at date of termination, in excess of 20.

The maximum vested termination benefit is $5,150 per month.

Plan Termination

Although it has not expressed any intent to do so, The Board of Trustees reserves the right to amend or terminate the Fund. Participants should refer to the most recent Fund amendment adopted December 10, 2019, effective January 1, 2020.

Funding Policy

The Fund's minimum required contribution provisions are established under Title 8, Subtitle A, Chapter 802, Subchapter B, Section 802.101 of the Texas Government Code and under Texas Pension Review Board Guidelines for Actuarial Soundness. Specific employer contribution rates are governed by an agreement between the City and the fire fighters. Changes in the members' or the City's contribution rate requires a Fund amendment.

The contribution rates of Fund members and the City are established under the terms of the Fund. An actuarial valuation is performed every two years in order to verify that Fund benefits and Fund contributions are in balance. Costs of administering the Fund are paid from Fund assets. For the Denison Firemen's Relief and Retirement Fund's fiscal year ending December 31, 2022, the

City and Member's contribution rate were 15% and 12% of each active Fund member's annual compensation, respectively. For the Denison Firemen's Relief and Retirement Fund's fiscal year ending December 31, 2023, the City and Member's contribution rate were 18% and 13.25% of each active Fund member's annual compensation, respectively.

There are no contracts governing contributions to the Fund. Of accounts receivable, $26,676 consisted of employer contributions receivable as of the year ending December 31, 2023.

There are no statutory reserve requirements for the Fund.

While the contribution requirements are not actuarially determined, state law requires that each plan of benefits adopted by the Fund must be approved by an eligible actuary. The actuary certifies that the contribution commitment by the firefighters and the assumed City contribution rate together provide an adequate contribution arrangement. Using the entry age actuarial cost method, the Fund's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the Fund's unfunded actuarial accrued liability (UAAL), and the number of years needed to amortize the Fund's UAAL is determined using a level percentage of payroll method. The Fund's most recent biennial actuarial valuation was as of December 31, 2021.

Through December 31, 1996, contributions by members were on an "after tax" basis. Therefore, upon distribution, only the amount attributable to earnings is taxable. If a member withdrew his funds prior to retirement he receives only the portion, plus interest, of his contributions. In January 1997, the members voted to have their contributions made on a "pretax" basis. Distributions made after that date will be allocated to "pretax" and "after tax" earnings.

Note 3 - Cash and Cash Equivalents

For cash deposits and cash equivalents, custodial risk is the risk that, in the event of a bank failure, the Fund's deposits may not be returned to it. The Fund's deposits are held by the Custodian (B. Riley Financial, Inc.) and by First United Bank and Trust.

As of December 31, 2022 and 2023, the Fund's cash deposits at the First United Bank and Trust and B. Riley Financial totaled $494,645 and $263,564, respectively, which are subject to coverage by the Federal Deposit Insurance Corporation (FDIC), but not collateralized. The Fund does not have a deposit policy for custodial credit risk; however, management believes that the Fund's credit risk exposure for amounts not covered by Federal depository insurance is mitigated by the financial strength of the banking institution in which the deposit is held. Management believes that Fund cash was adequately secured at all times during the year.

Note 4 – Investments and Investment Risk

The Board has adopted an Investment Policy Statement (Investment Policy) to set forth the factors involved in the management of investment assets for the Fund, with the objective to invest the Funds' assets in a manner consistent with generally accepted standards of fiduciary responsibility. The Board will manage the investment program of the Fund in compliance with all applicable Federal and State statutes and regulations concerning the investment of pension assets. The safeguards which would guide a prudent person will be observed.

Safety of principal shall be emphasized and the Fund will be diversified so as to avoid the risk of a large loss. All transactions undertaken on behalf of the Fund will be for the sole benefit of the Fund participants and beneficiaries and for the exclusive purpose of providing benefits to them and defraying reasonable administrative expenses.

The Board has contracted with Fiduciary Financial Services of the Southwest as Investment Advisor to the Fund. The Investment Advisor provides advice and guidance on managing the Fund's assets. Such advice is subject to the Funds' Investment Policy and all final investment decisions are made by the Fund's Board.

The Board has employed B. Riley, wealth management, which uses Wells Fargo Bank as Custodian of the assets of the Fund, and in said capacity, the Custodian shall be a fiduciary of the Fund's assets with respect to its discretionary duties including safekeeping the Fund's assets. The Custodian has established and maintained a custodial account to hold, or direct its agents to hold, for the account of the Fund all assets that the Board shall from time to time deposit with the Custodian. All rights, title and interest in and to the Fund's assets shall at all times be vested with the Fund's Board. In holding all Fund assets, the Custodian shall act with the same care, skill, prudence and diligence under the prevailing circumstances that a prudent person acting in like capacity and familiar with matters of this type would use in the conduct of an enterprise with a like character and with like aims. Further, the Custodian shall hold, manage and administer the Fund's assets for the exclusive purpose of providing the benefits to the members and the qualified survivors of the Fund.

The following long term strategic asset allocation, which serves as the primary asset allocation of the Fund, was adopted by the Board through its Investment Policy:

1. The Fund will target 40% of the assets to be invested in securities to derive income. These securities must be issued by the U.S. government, one of its instrumentalities or by a corporation whose debt has received an investment grade rating by one or more debt rating firms (e.g., Moody's, Standard and Poor's, Fitch, or Duff and Phelps). Enhanced income securities include, but are not limited to: U.S. Government or agency obligations, certificate of deposits, money market funds, preferred stocks, convertible securities, royalty trusts and real estate investment trusts. This includes Exchange

Trade Funds and Investment Companies where the underlying assets are defined in either this Section 1 or Section 2.

2. The remainder of the assets shall be invested in common stocks or other securities which meet the requirements of the Texas investment laws pertaining to this type of fund. Investment Companies (mutual funds) and Exchange Traded Funds which invest primarily in common stocks shall be permitted under this particular allocation.

The investment manager is granted up to a 10% deviation from the stated target allocation due to temporary fluctuations in market conditions or securities events such as mandatory conversions from debt instruments to equity. For the purpose of determining the above asset allocation, total values based on cost will be utilized.

A summary by category of the investments at fair market value are as follows:

	12/31/2023
Government National Mortgage Association – GNMA Pools maturing from 7-15-24 to 8-9-30 and bearing interest from 7.5% to 8.0%	$ 244
Certificates of Deposit maturing from 5-15-23 to 11-27-24	909,979
Mutual Funds	2,919,319
Corporate Stock - Common Stock	2,061,637
Corporate Stock - Common Stock	14,167,019
Preferred Stock	506,205
Real Estate Investment Trusts	391,646
Total Investments	$ 20,956,049

<u>Credit risk</u>
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Fund does not have a formal policy limiting investment credit risk, but rather mandates such limits within the Investment Policy and the Investment Advisor agreement. The Fund’s investments subject to credit risk include the Government National Mortgage Association securities, which was given a rating of Aaa by nationally recognized credit rating agency Moody, and the preferred shares , which was given a rating of Baa2 and BB+ by the credit rating agencies Moody and Standard & Poors, respectively.

Concentration of Credit Risk

The asset allocation guide of the Fund's Investment Policy contains guideline percentages, at market value, of total Fund Assets to be invested in various asset classes, with the objective of optimizing the investment return of the Fund within framework of acceptable risk and diversification. Actual asset allocations will be dictated by current and anticipated market conditions, the independent actions of the Board and/or investment managers, and the required cash flow to and from the Fund. The Fund had two investments at December 31, 2023 that represent 5% of the fair value of the Fund's assets. There were no other investments that represented 5% or more of the fair value of the Fund's assets as of December 31, 2023.

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the Fund's deposits may not be returned to it. While the Fund has no formal policy regarding custodial credit risk, as of December 31, 2023, all cash deposits were fully insured by the Federal Deposit Insurance Corporation.

For an investment, custodial credit is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investment or collateral securities that are in 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. At December 31, 2023, the Fund did not hold any such securities.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. Interest rate risk is the greatest risk faced by an investor in the fixed income market. The price of a fixed income security typically moves in the opposite direction of the change in interest rates. The Fund's Investment Policy sets limits on exposure to certain securities as a way of managing its exposure to potential fair value losses arising from future changes in interest rates. The Fund invests in fixed income securities with maturities greater than one year. The Fund's investments subject to interest rate risk include the Government National Mortgage Association securities totaling $244 with a weighted average maturity of 1.59 years and certificates of deposits totaling $919,979 with a weighted average of maturity of 0.37 years as of December 31, 2023.

Note 5 – Fair Value Measurements

The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from our corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023.

Mutual funds: Valued at the quoted net asset value ("NAV") of shares held by the Fund at year end.

Real Estate Investment Trusts (REITs): Valued at the quoted net asset value ("NAV") of shares held by the Fund at year end.

Government National Mortgage Association (GNMAs): Value based on the face value and varies based on the market interest rate.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumption to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Fund's fair value measurements at December 31, 2023.

	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual Funds	$ 2,919,319	$ 2,919,319	$ -	$ -
Common Stock	14,167,019	14,167,019	-	-
Real Estate Investment Trust	391,646	391,646	-	-
Preferred Stock	506,205	506,205	-	-
Governmental bonds	2,061,637	2,061,637	-	-
Certificates of Deposit	909,979	-	909,979	
Govrnment National Mortgage Association - GNMA Pools	244	-	244	-
Total	$ 20,956,049	$ 20,045,826	$ 910,223	$ -

Note 6 – Actuarial Information

The Fund, by statute, may adopt an actuarial valuation once every two years in order to establish the City's contribution rate. In 2022, the Board adopted and certified the December 31, 2021 actuarial valuation. This is the most recent valuation available. A summary of results of the December 31, 2021 valuation follows:

The City's assumed contribution rate averages 18%.

There were no unexpected changes with respect to the participants included in this actuarial valuation. It assumes an increase of 3.5% in payroll growth and 7.50% discount rate.

Since the total contributions are sufficient to pay the Fund's normal cost and to amortize the Fund's UAAL within the maximum acceptable period, the Fund has an adequate contribution arrangement.

Recently adopted accounting standards require that the statement of fiduciary net position state assets at fair value, and include only benefits and refunds due Plan members and beneficiaries, as well as accrued investment and administrative expenses as of the reporting date. The new standards also require disclosure of the total pension liability and the net pension liability as of the reporting sate.

Note 7 – Net Pension Liability

The City's net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021.

Total pension liability	$ 28,012,266
Plan fiduciary net position	21,246,289
City's net pension liability	$ 6,765,977
Plan fiduciary net position as a percentage of the total pension liability	75.85%

1. **Changes in Actuarial Assumptions**

   The components of the investment return assumption of 7.5% net of investment-related expenses were changed, lowering the inflation assumption from 2.75% to 2.5%and increasing the net real rate of return from 4.75% to 5%. In addition, the annual general compensation increase assumption for projecting future benefits was changed from 2.75% to 2.5%. These assumptions are believed to be more reasonable for the long-term future.

In addition, the aggregate payroll increase assumption used for determining the UAAL amortization period was changed from 2.75% to 2.5% per year. This assumption is the same as the annual general compensation increase assumption and the price inflation component assumption of the investment return assumption.

2. Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal Actuarial cost method
Amortization method	Open period, level percentage of pay
Asset valuation method	All assets are valued at market value with an adjustment made to uniformly spread actuarial gains or losses (as measured by actual market value investment return vs. expected market value investment return) over a five-year period. The total adjustment amount shall be limited as necessary such that the actuarial value of assets shall not be less than 80% of market value nor greater than 120% of market value.
Discount rate	7.50% per annum, compounded annually
Inflation	2.5% per year included in compensation increases and investment return assumptions.
Increases in total payroll	2.5% per year, compounded annually
Percent married	100% of the active firefighters are assumed to be married at retirement, disability, or death while employed, with male firefighters having a spouse three years younger and female firefighters having a spouse three years older. Actual marital status and spouse date of birth are used for retirees.

Contribution rates	Rates in effect are assumed to remain constant for future years
Mortality rates	PubS-2010 (public safety employees) total dataset mortality tables for employees and for retirees, projected for mortality improvement generationally using the projection scale MP-2019.
Assumed contribution rates	
a. Members	13.25% of compensation
b. City	18.00% of compensation

All other details concerning the actuarial methods and assumptions applied to all periods included in the measurement can be obtained from the Actuarial Valuation report for the valuation as of December 31, 2021.

3. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments 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 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.

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, 2023 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equities	5.95%
Real estate	3.45%
Closed-end mutual funds	1.45%
Fixed income securities	1.45%
Cash	0.00%
Weighted Average	5.25%

4. Sensitivity of the net pension liability to changes in the Discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.50% as well as what the City's net pension liability would be if it were to be calculated using the discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Fund's net pension liablity	$ 10,270,990	$ 6,765,977	$ 3,862,272

<u>Note 8 - Commitments and Contingencies</u>

Certain members of the Fund are entitled to refunds of their accumulated contributions upon termination of employment with the City, prior to being eligible for pension benefits.

DENISON FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 9 - Risks and Uncertainties

The Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. The events in recent years in both the U.S. and global financial markets resulted in dramatic changes in economic conditions, including interest rate, currency, equity, and credit conditions. The effect of those events on the Fund's investment portfolio is mitigated by the diversification of its holdings. However, it is at least reasonably possible that changes in the value of the Fund's investment securities may occur over the course of different economic and market cycles.

The Fund's contribution rates and the actuarial information included in the notes and supplemental schedules are based on certain assumptions pertaining to interest rates, inflation rates, and participant demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could be material to the financial statements.

Note 10 - Subsequent Events

Management of the Fund has evaluated events, transactions, and pronouncements that may impact the financial statements for the year ended December 31, 2023 through July 8, 2024, the date the financial statements were available to be issued.

On January 12, 2023 the fund refunded contributions totaling $9,122 and on April 13, 2023 the fund refunded contributions totaling $11,337. The Fund has no other subsequent events, transactions, or pronouncements that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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DENISON FIREMEN'S RELIEF AND RETIREMENT FUND
SCHEDULE OF CHANGES IN THE FUND'S NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS (Continued)

	2015	2016	2017	2018	2019
Total pension liability					
Service cost	$ 540,273	$ 561,884	$ 584,359	$ 487,429	$ 504,489
Interest	1,636,517	1,691,849	1,754,603	1,679,321	1,713,480
Differences between expected and actual experience	(322,524)	-	(246,506)	-	(693,239)
Changes of assumptions	249,916	-	(750,691)	-	966,083
Benefit payments, including refunds of participant contributions	(1,318,961)	(1,504,730)	(1,428,216)	(1,559,639)	(1,897,085)
Net change in total pension liability	785,221	749,003	(86,451)	607,111	593,728
Total pension liability - beginning	21,235,563	22,020,784	22,769,787	22,683,336	23,290,447
Total pension liability - ending (a)	22,020,784	22,769,787	22,683,336	23,290,447	23,884,175
Plan fiduciary net position					
Contributions - employer	$ 493,062	$ 500,182	$ 501,647	$ 504,819	$ 529,465
Contributions - members	398,318	400,158	401,067	404,045	423,572
Net investment income	(1,053,804)	1,139,415	2,568,080	(461,618)	4,623,990
Benefit payments, including refunds of participant contributions	(1,318,961)	(1,504,730)	(1,428,216)	(1,559,639)	(1,897,085)
Administrative expenses	(26,839)	(28,393)	(38,876)	(24,075)	(43,403)
Other	(2,003)	-	-	-	-
Net change in plan fiduciary net position	(1,510,227)	506,632	2,003,702	(1,136,468)	3,636,539
Plan fiduciary net position - beginning	16,724,963	15,214,736	15,721,368	17,725,070	16,588,602
Plan fiduciary net position - ending (b)	$ 15,214,736	$ 15,721,368	$ 17,725,070	$ 16,588,602	$ 20,225,141
Fund's net pension liability - ending (a) - (b	$ 6,806,048	$ 7,048,419	$ 4,958,266	$ 6,701,845	$ 3,659,034
Plan fiduciary net position as a percentage of the total pension liability	69.09%	69.04%	78.14%	71.22%	84.68%
Covered payroll	$ 3,287,080	$ 3,334,547	$ 3,344,313	$ 3,365,460	$ 3,529,767
Fund's net position as a percentage of covered employee payroll	207.05%	211.38%	148.26%	199.14%	103.66%

Notes to schedule:

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

2) Determined from the total pension liability as of December 31, 2019 using the roll forward procedure allowed for GASB 67.

See Independent Auditor's Report.

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DENISON FIREMEN'S RELIEF AND RETIREMENT FUND
SCHEDULE OF CHANGES IN THE FUND'S NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

2020	2021	2022	2023 [1]
$ 484,543	$ 497,868	$ 535,217	$ 548,597
1,857,246	1,907,746	1,972,877	2,019,867
1,227,295	203,053	-	-
-	27,219	-	-
-	-	-	-
(1,665,468)	(1,698,097)	(1,911,540)	(1,878,332)
1,903,616	937,789	596,554	690,132
23,884,175	25,787,791	26,725,580	27,322,134
25,787,791	26,725,580	27,322,134	28,012,266 [2]
$ 674,130	$ 655,168	$ 791,048	$ 943,365
496,234	482,276	582,299	694,423
1,367,729	4,492,329	(4,299,891)	1,451,876
(1,665,468)	(1,698,097)	(1,911,540)	(1,878,332)
(17,749)	(54,295)	(46,624)	(37,733)
-	-	-	-
854,876	3,877,381	(4,884,708)	1,173,599
20,225,141	21,080,017	24,957,398	20,072,690
$ 21,080,017	$ 24,957,398	$ 20,072,690	$ 21,246,289
$ 4,707,774	1,768,182	7,249,444	6,765,977
81.74%	93.38%	73.47%	75.85%
$ 3,745,167	$ 3,639,822	$ 4,394,711	$ 5,240,917
125.70%	48.58%	164.96%	129.10%

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DENISON FIREMEN'S RELIEF AND RETIREMENT FUND
SCHEDULE OF INVESTMENT RETURNS
LAST TEN FISCAL YEARS (Continued)

	2015	2016	2017	2018
Annual money-weighted rate of return, net of investment expense [2]	-6.38%	7.64%	16.63%	-2.66%

Notes to schedule:

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

2) The money-weighted rate of return expresses investment performance, net of investment expenses, reflecting the estimate effect of the contributions received and the benefits paid during the year.

See Independent Auditor's Report.

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DENISON FIREMEN'S RELIEF AND RETIREMENT FUND
SCHEDULE OF INVESTMENT RETURNS
LAST TEN FISCAL YEARS

2019	2020	2021	2022	2023
28.73%	6.85%	21.63%	-17.43%	7.28%

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ADDITIONAL SUPPLEMENTARY INFORMATION

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DENISON FIREMEN'S RELIEF AND RETIREMENT FUND
INVESTMENTS HELD AS OF DECEMBER 31, 2023 AND 2022

	2023		2022	
Government National Mortgage Association Pools				
GNMA Pools maturing 3-15-24 bearing interest of 7.5%	$	16	$	226
GNMA Pools maturing 9-15-24 bearing interest of 8.0%		-		340
GNMA Pools maturing 9-15-25 bearing interest of 7.5%		67		122
GNMA Pools maturing 1-20-26 bearing interest of 8.0%		59		108
GNMA Pools maturing 5-15-26 bearing interest of 8.0%		102		220
Total Government National Mortgage Association Pools	$	244	$	1,016
Certificates of Deposit				
City Natl Bk of FL maturing 1-18-24 bearing interest of 5.3%	$	240,010	$	-
Preferred Bk LA Calif maturing 2-29-24 bearing interest of 5.2%		234,953		-
Fifth Third Bank maturing 5-14-24 bearing interest rate of 5.15%		234,856		-
JP Morgan Chase Bk NA maturing 11-27-24 bearing interest of 5.3%		200,160		-
Beal Bank maturing 1-18-23 bearing interest of 3.25%		-		199,916
Five Star Bank maturing 1/31/23 bearing interest of 3.35%		-		199,878
Merchants Bnk of Indi maturing 2-24-23 bearing interest of 3.95%		-		224,960
Firtst Comm Bk USA maturing 2-24-23 bearing interest of 3.95%		-		225,110
Midwestone Bank maturing 5-5-23 bearing interest of 4.35%		-		224,991
Valley Natl Bk maturing 5-18-23 bearing interest of 4.45%		-		200,178
Citizens Bank NA maturing 6-26-23 bearing interest of 4.6%		-		225,362
Total Government National Mortgage Association Pools	$	909,979	$	1,500,395
Debt and Equity Securities - Domestic and Foreign				
ABBVIE Inc	$	774,850	$	808,050
Amazon Inc		820,476		453,600
American Water Works Co Inc		376,172		434,397
Apple Inc		962,650		649,650
Bristol-Myers Squibb		348,908		489,260
Crowdstrike Holdings Inc		255,320		-
CSX Corp		827,920		739,802
CVS Health Corporation		-		596,416
Dover Corp		415,287		365,607
Duke Energy Holdings Corp		582,240		617,940
Eaton Corp PLC		710,419		463,003
Endbridge Inc		731,206		793,730
Freeport-McMoran Inc		234,135		-
Gladstone Commercial Corp		609,768		852,018
Healthpeak PPTYS Inc		-		213,095
Home Depot Inc		-		726,478
Honeywell International Inc		-		493,962

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DENISON FIREMEN'S RELIEF AND RETIREMENT FUND
INVESTMENTS HELD AS OF DECEMBER 31, 2023 AND 2022

Invesco QQQ TR ETF	409,520	-
Johnson & Johnson	375,392	423,076
Mastercard Inc	424,378	345,991
Merck & Co Inc	796,936	811,045
Microsoft Corp	1,128,120	719,460
Nextera Energy Inc	516,290	710,600
Schwab Strategic TR ETF 5-10 YR Corporate Bond	741,510	-
Starwood Property Trust	718,884	626,886
Thermo Fisher Scientific	464,441	688,363
Verizon Communications	-	394,000
Waste Management Inc	662,670	580,456
Welltower Inc	279,527	203,205
Total Equities	$ 14,167,019	$ 14,200,088
Governmental Bonds		
US Treasury Notes maturity date of 2-15-24	$ 224,289	$ 1,003,816
US Treasury Bill maturity date of 4-25-24	491,805	-
US Treasury Bill maturity date of 5-16-24	490,410	-
Federal Home Loan Bank Bonds maturity date of 5-16-24 - 5.50%	154,836	-
Federal Home Loan Bank Bonds maturity date of 2-9-24 - 5.88%	200,802	-
Federal Home Loan Bank Bonds maturity date of 2-9-24 - 5.75%	499,495	-
Total Governmental Bonds	$ 2,061,637	$ 1,003,816
Mutual Funds		
Calamos Strategic Total Return Fund	$ 1,112,276	$ 1,003,816
Goldman Sachs TR FINL Square Prime Obligs Instl CL	335,024	601,271
Goldman Sachs Funds INTL OOPTYS FD INSTL CL	322,392	-
Goldman Sachs International Equity Inc	307,890	-
John Hancock Preferred Income Fund II	440,104	437,315
Lord Abbett Investent TR-Income FU CL 1	401,633	-
Nuveen Preferred Securities Income Fund	-	405,953
Total Mutual Funds	$ 2,919,319	$ 2,448,355
Real Estate		
American Tower Corp	$ -	$ 479,863
Crown Castle Intl Corp	391,646	461,176
Total Real Estate	$ 391,646	$ 941,039
Preferred Stock		
RLJ Lodging TR	$ 87,675	$ 83,265
Wells Fargo Co	418,530	384,720
Total Preferred Stock	$ 506,205	$ 467,985
Total	$ **20,956,049**	$ **19,558,878**

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DENISON FIREMEN'S RELIEF AND RETIREMENT FUND
INVESTMENT EXPENSES AS OF DECEMBER 31, 2023

Direct and Indirect Fees and Commissions

ASSET CLASS	MANAGEMENT FEES NETTED FROM RETURNS	TOTAL INVESTMENT MANAGEMENT FEES (Management Fees Netted from Returns + Management Fees Paid From Trust)	PROFIT SHARE/CARRIED INTEREST	TOTAL DIRECT AND INDIRECT FEES AND COMMISSIONS (Management Fees + Brokerage Fees/Commissions + Profit Share)
Cash	$ -	$ -	$ -	$ -
Bonds	$ -	$ -	$ -	$ -
Fixed Income	$ 43,912	$ 43,912	$ -	$ 43,912
Real Assets	$ -	$ -	$ -	$ -
Alternative/Other	$ -	$ -	$ -	$ -
TOTAL	**$ 43,912**	**$ 43,912**	**$ -**	**$ 43,912** [1]

Alternative/Other

List of Alternative/Other Investments
n/a

Investment Managers

List of Investment Manager Names
n/a

Total Investment Expenses

Total Direct and Indirect Fees and Commissions	**$ 43,912**
Investment Services	
Custodial	-
Research	-
Investment Consulting	99,660
Legal	-
Total Investment Services	**$ 99,660**
Total Investment Expenses (Total Direct and Indirect Fees and Commissions + Investment Services)	**$ 143,572**

Notes to Schedule:

1) Reported net of expense ratio on financial statements.