

# Firemen Relief and Retirement Fund

## City of San Benito, Texas



# Annual Financial Report

## September 30, 2021



### Cascos & Associates, PC

*Audit / Accounting / Tax / Consulting*  
765 East 7<sup>th</sup> Street  
Brownsville, Texas  
78520

(956) 544-7778

[info@CascosCPA.com](mailto:info@CascosCPA.com)



**FIREMEN RELIEF AND RETIREMENT FUND  
CITY OF SAN BENITO, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2021**

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**FIREMEN RELIEF AND RETIREMENT FUND  
CITY OF SAN BENITO, TEXAS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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## **BOARD OF TRUSTEES**

### **OFFICERS**

Chairman – Caleb Silva

Vice-Chairman – Boris Esparza

Secretary – Rafael Perez

### **TRUSTEES**

Mayor – Ricardo Guerra

Finance Director – Belen Peña, MBA

Firefighter – Adan Gonzalez

Citizen – Ida Martinez, CPA

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## FINANCIAL SECTION

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# Cascos & Associates, PC

Certified Public Accountants  
Audit/Accounting/Tax/Consulting

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees of the  
City of San Benito Firemen Relief Retirement Fund  
City of San Benito, Texas

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the City of San Benito Firemen Relief Retirement Fund (the "Fund"), as of and for the year ended September 30, 2021, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 opinions.



765 East 7th Street / Brownsville, Texas 78520  
Phone (956) 544-7778 Fax (956) 544-8465  
Email: [ccascos@cascoscpa.com](mailto:ccascos@cascoscpa.com)





***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fund, as of September 30, 2021, 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.

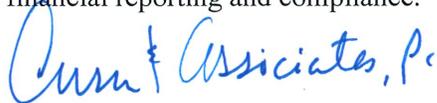
***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of net pension liability and related ratios, schedule of employer contributions, and schedule of investment returns, 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2022, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.



Cascos and Associate, PC  
Brownsville, Texas  
April 7, 2022



**OFFICERS**

*Chairman – Mr. Caleb Silva  
Vice-Chairman– Mr. Boris Esparza  
Secretary–Mr. Rafael Perez*



**TRUSTEES**

*Mayor – Honorable Ricardo Guerra  
Finance Director – Ms. Belen Pena  
Firefighter– Mr. Adan Gonzalez  
Citizen–Ms. Ida Martinez, CPA*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Firemen Relief and Retirement Fund (the “Fund”) of the City of San Benito, Texas provides an overview of the Fund's financial activities for the year ended September 30, 2021 and 2020. This discussion and analysis is presented as a narrative overview and for the purpose of assisting the reader with interpreting key elements of the financial statements, notes to the financial statements and the required supplementary information.

## OVERVIEW OF THE FINANCIAL STATEMENTS

### Financial Statements:

Statement of Fiduciary Net Position - This statement reports the assets, liabilities and net position held in trust for pension benefits. This statement reports the Fund's financial net position at a point in time - September 30, 2021 and 2020 (Assets - Liabilities = Net Position).

Statement of Changes in Fiduciary Net Position - This statement reports the results of operations during the year. Additions to and deductions from the Fund's net position are reported. The net increase or decrease in the Fund's assets within the statement support the change in net position which is held in trust for pension benefits reported on the Statement of Fiduciary Net Position (Additions - Deductions = Net Change in Net Position).

### Notes to the Financial Statements:

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements and the status of the Fund. The following information is included within the notes to the financial statements:

Note A – (The Fund) description provides a general description for the Firemen Relief and Retirement Fund. Information includes: Fund membership, vesting, and a description of the retirement benefits provided.

Note B – (Summary of Significant Accounting Policies and Fund Asset Matters) provides information about the accounting methods used in determining the amounts reported on the financial statements. Information about the methods used for valuation of the Fund's investments, federal income taxes and estimates is also included.

Note C - (Investments) provides the authorization of investments and the risk of such investments maintained in the Fund.

Note D - (Contributions Required and Contributions Made) provides information disclosing the methods and assumptions in determining required contributions.

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**San Benito Firemen Relief & Retirement Fund**  
**1201 S. Sam Houston Blvd,**  
**San Benito, Texas 78586**  
**Phone: 956.361.3850**

**OFFICERS**

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Other notes to the financial statements provide information on the net pension liability, contingencies and other risk and uncertainties involving the Fund.

**Required Supplementary Information:**

Schedule of changes in net pension liability and related ratios (unaudited), schedule of employer contributions (unaudited), schedule of investment returns (unaudited), and additional notes are included within this section to provide historical and additional information considered useful in reading the basic financial statements.

GASB 68 requires a disclosure of the Net Pension Liability (NPL). The NPL is the difference between the Total Pension Liability (TPL) and the market value of assets. GASB 68 requires the determination for the TPL using the individual entry age method, level percent of pay actuarial cost method and a discounted rate. Information about whether the Fund's net positions are increasing or decreasing over time relative to the total pension liability is provided in the Schedule of Changes in Net Pension Liability (unaudited) on page 14.

**THE FUND**

The Fund provides service, retirement, death, disability and withdrawal benefits to essentially all eligible firefighter employees. The benefit and contribution provisions of the Fund are authorized by the Texas Local Firefighters Retirement Act (TLFFRA). The benefits are funded through member contributions, employer contributions and earnings on the Fund's investments. Total net position held in trust for pension benefits is \$4,765,739 at September 30, 2021 and \$4,032,815 at September 30, 2020.

**Additions to Fiduciary Net Position**

Additions to the Fiduciary's net position held in trust for pension benefits include contributions from employees (Fund members), the City of San Benito (the employer) and net investment income earned during the year.

Employees contributed \$176,558 and \$148,602 and the employer contributed \$176,558 and \$148,602, and the net investment income amounted to \$733,163 and \$175,776 during fiscal years 2021 and 2020, respectfully. The fair value of investments increased to \$665,662 and \$131,996, and the Fund earned interest and dividends of \$106,454 and \$77,015 during fiscal years 2021 and 2020, respectfully. The increase in the fair value of investments during the current year is a result of improved domestic and international public and private entity markets.

**Deductions from Fiduciary Net Position**

Deductions from Fiduciary net position held in trust for pension benefits are comprised of retirement benefits payments to Fund retirees, survivors, and their beneficiaries, refunds of contributions and administrative expenses.

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Benefit payments to retirees, survivors and their beneficiaries totaled \$308,596 and \$301,151, and refunds of member contributions were \$22,693 and \$53,417 during fiscal years 2021 and 2020, respectfully. Total deductions from net position held in trust for pension benefits were \$353,355 and \$368,060 during fiscal years 2021 and 2020, respectfully.

**Investments**

The Fund’s investments are administered by Charles Schwab under the direction of the Firemen Relief and Retirement Board of Trustees. The investments are diversified and allocated in accordance with the Fund's investment policy.

At September 30, 2021 and 2020 the Fund's investments at fair value totaled \$4,711,609 and \$3,973,026:

	2021	2020
Bank sweep	\$ 33,382	\$ 33,486
Fixed income	-	1,465,403
Equities	2,668,724	2,275,031
Bond funds	1,510,821	71,141
Exchange traded funds	447,131	85,247
Other assets	51,551	42,718
<b>Total</b>	<b>\$ 4,711,609</b>	<b>\$ 3,973,026</b>

**REQUESTS FOR INFORMATION**

This annual financial report is designed to provide a general overview of the Fund's financial activities to our members, taxpayers, customers, investors and creditors.

For questions about this report or for additional information, contact the Finance department of the City of San Benito at 485 North Sam Houston Blvd., San Benito, Texas 78586.

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**San Benito Firemen Relief & Retirement Fund  
1201 S. Sam Houston Blvd,  
San Benito, Texas 78586  
Phone: 956.361.3850**

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## BASIC FINANCIAL STATEMENTS

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**FIREMEN RELIEF AND RETIREMENT FUND**  
**CITY OF SAN BENITO, TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**SEPTEMBER 30,**  
**(with comparative financial information at September 30, 2020)**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 56,339	\$ 49,000
Investments, at fair value		
Bank sweep	33,382	33,486
Fixed income	-	1,465,403
Equities	2,668,724	2,275,031
Bond funds	1,510,821	71,141
Exchange traded funds	447,131	85,247
Other assets	<u>51,551</u>	<u>42,718</u>
Total investments	<u>4,711,609</u>	<u>3,973,026</u>
Accounts receivable	<u>-</u>	<u>10,790</u>
<b>Total Assets</b>	<b><u>\$ 4,767,948</u></b>	<b><u>\$ 4,032,816</u></b>
<b>LIABILITIES</b>		
Accounts payable	\$ 2,191	\$ -
Due to other funds	<u>18</u>	<u>1</u>
<b>Total Liabilities</b>	<b><u>2,209</u></b>	<b><u>1</u></b>
<b>NET POSITION</b>		
Net position held in trust for pension benefits	<u>4,765,739</u>	<u>4,032,815</u>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 4,767,948</u></b>	<b><u>\$ 4,032,816</u></b>

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

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**FIREMEN RELIEF AND RETIREMENT FUND**  
**CITY OF SAN BENITO, TEXAS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30,**  
**(with comparative financial information for the year ended September 30, 2020)**

	<b>2021</b>	<b>2020</b>
<b>Additions</b>		
Contributions		
Employer	\$ 176,558	\$ 148,602
Members	<u>176,558</u>	<u>148,602</u>
Total contributions	<u>353,116</u>	<u>297,204</u>
Investment income		
Net appreciation (depreciation) in fair value of investments	665,662	131,996
Interest and dividends	<u>106,454</u>	<u>77,015</u>
Gross investment income	<u>772,116</u>	<u>209,011</u>
Less: investment expense	38,953	33,235
Net investment income	<u>733,163</u>	<u>175,776</u>
Total additions	<u>1,086,279</u>	<u>472,980</u>
<b>Deductions from plan net position</b>		
Benefits paid to members	308,596	301,151
Contribution refunds to members	22,693	53,417
Administrative expenses	<u>22,066</u>	<u>13,492</u>
Total Deductions from plan net position	<u>353,355</u>	<u>368,060</u>
Net increase in plan net position	732,924	104,920
Net position held in trust for pension benefits:		
Beginning of year	<u>4,032,815</u>	<u>3,927,895</u>
End of year	<u>\$ 4,765,739</u>	<u>\$ 4,032,815</u>

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

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## NOTES TO THE FINANCIAL STATEMENTS

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**FIREMEN RELIEF AND RETIREMENT FUND  
CITY OF SAN BENITO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 31, 2021**

**NOTE A - PLAN DESCRIPTION**

The Board of Trustees of the Firemen Relief and Retirement Fund (the “Fund”) for the City of San Benito, Texas is the administrator of a single employer defined benefit pension plan (the “Plan”). The Fund is considered part of the City of San Benito's financial reporting entity and is included in the City's Comprehensive Annual Financial Report as a pension trust fund.

Firefighters employed by the City of San Benito fire department are covered by the Fund. During the year 2017, the Plan changed its actuarial reporting year from December 31st to September 30th to align with the Fund’s fiscal year. Therefore, September 30, 2021, is the most recent GASB 67 & 68 actuarial information available. The table below summarizes the demographics of the Fund on September 30, 2021.

	<u>Total</u>
Active	26
Terminated with Deferred Benefits	1
Retirees and Beneficiaries in Pay	<u>13</u>
Total	<u>40</u>

The Fund provides service retirement, death, disability, and withdrawal benefits. An employee with twenty (20) years of service is entitled to a vested percentage of 100% and may receive full benefits a month after attaining the age of 52. The monthly benefit at retirement is equal to a base benefit of 45% of the highest 60-month average salary plus a longevity benefit equal to \$70 per month for each whole year of service in excess of 20 years. Under this plan, San Benito firefighters are required to contribute 12% of their pay to the Fund. The City of San Benito is required to make contributions, which will equal 12% of pay.

The Plan was organized under the Texas Local Fire Fighters Retirement Act (TLFFRA). TLFFRA allows for paid and part paid fire departments and volunteer fire departments in participating cities to administer their own local retirement systems. The Act provides a general framework for the establishment of TLFFRA systems, including some investment restrictions, but leaves administration, plan design, contributions, and specific investments to each system's local board. Systems operating under TLFFRA are entirely locally-funded.

Local retirement systems established under TLFFRA have authority to determine member contribution rates, benefit levels, and other plan provisions locally through procedures outlined in TLFFRA, however, the composition of TLFFRA boards of trustees is set in statute. Sponsoring municipalities of TLFFRA systems must meet a statutory minimum contribution rate but may adopt by ordinance a higher contribution rate than set in statute. The Plan is one of the 42 retirement systems organized under TFFRA.

In 2013, the Office of the Fire Fighter's Pension Commissioner was abolished under the Senate Bill 220 by the Texas Sunset Commission. Accordingly, the duties and responsibilities assigned to the Commissioner were transferred to the Texas Pension Review Board (PRB).

**FIREMEN RELIEF AND RETIREMENT FUND  
CITY OF SAN BENITO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 31, 2021**

**NOTE A - PLAN DESCRIPTION**

The PRB is mandated to oversee all Texas public retirement systems, both state and local, in regard to their actuarial soundness and compliance with state law. The PRB monitors the financial and actuarial soundness of 100 actuarially funded defined benefit public retirement systems in Texas, as well as their compliance with state law. During the 2019-2020 biennium, these retirement systems had approximately \$282 billion in total net assets and nearly 2.8 million members.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS**

**1. *Organization***

The Plan was created pursuant to the TLFFRA. The Plan provides pension, disability, death, and severance benefits to employees of the City's fire department eligible to receive benefits pursuant to a single employer defined benefit pension plan.

**2. *Basis of Accounting***

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America for local governmental units as prescribed by the GASB. The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

**3. *Cash Equivalents***

For purposes of the statement of fiduciary net position, short term, highly liquid investments are considered cash equivalents.

**4. *Valuation of Plan Investments***

The Plan's investments are stated at fair value and, accordingly, unrealized appreciation and depreciation are reported in the statement of changes in fiduciary net position. The fair value of money market funds is considered the same as the cost of these investments due to their nature. The fair value of common stocks and foreign equities are based on quoted market prices. The fair value of United States Government securities and corporate bonds are based on quotes from broker dealers.

Unrealized gains and losses are presented as net appreciation (depreciation) in fair value of investments on the statements of changes in fiduciary net position, along with gains and losses realized on sales of investments.

Purchases and sales of investments are recorded on a trade date basis and, accordingly, the related receivables and payables for any unsettled trades are recorded. Interest income and dividends are recorded on the accrual basis.

**5. *Federal Income Tax***

The Plan is exempt from federal income tax pursuant to applicable regulations.

**FIREMEN RELIEF AND RETIREMENT FUND  
CITY OF SAN BENITO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 31, 2021**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS**

*6. Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

*7. 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 Board of Trustees.

**NOTE C - INVESTMENTS**

Statutes of the State of Texas authorize the Plan to invest in surplus funds in the manner provided by the Government Code, Title 8, Subtitle A, Subchapter C. This subchapter provides for the investment of surplus assets in any investment or investments that are deemed "prudent" by the Board of Trustees. The investment policy of the Board of Trustees does not restrict the types of investments authorized to be made on behalf of the Plan; however, the Board of Trustees seeks to produce a return on investments that is based on prudent and reasonable investment risk and the cash flow requirements of the Plan given prevailing economic and capital market conditions. While the Board of Trustees recognizes the importance of the preservation of capital, it also adheres to the theory of capital market pricing which maintains that varying degrees of investment risk should be rewarded with incremental returns. Consequently, prudent risk taking is justifiable.

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Plan, and are held by either the counterparty or the counterparty's trust department or agent but not in the Plan's name.

*Concentration of Credit Risk*

The allocation of assets among various asset classes is set by the Board of Trustees with the objective of optimizing the investment return of the Plan within framework of acceptable risk and diversification. For major asset classes (e.g., domestic equities, international equities, fixed income, alternative investments, private equity and real estate, and specialty), the Plan further diversifies by employing investment managers who make recommendations regarding investment strategies.

**FIREMEN RELIEF AND RETIREMENT FUND  
CITY OF SAN BENITO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 31, 2021**

**NOTE C – INVESTMENTS**

***Interest Rate Risk***

The Plan invests in fixed income securities including, but not limited to, investments representing instruments with an obligated fixed rate of interest. Instruments may have an investment grade or noninvestment grade rating. Purchases and sales, investment selection and implementation of investment strategies are delegated to the discretion of the investment manager, subject to compliance with its management agreement and the Plan's Investment Policy.

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 Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates, but rather mandates such limits within the Investment Management Services Contract.

***Credit Risk***

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan does not have a formal policy limiting investment credit risk, but rather mandates such limits within the Investment Management Services Contract.

***Foreign Currency Risk***

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Realized and unrealized gains and losses on investments, which result from changes in foreign currency exchange rates, have been included in the net appreciation (depreciation) in fair value of investments.

**NOTE D - CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE**

The funding policy of the Fund required contributions equal to 12% of payroll by the firefighters and 12% of payroll by the City of San Benito on September 30, 2021 and 2020.

While the contribution requirements are not actuarially determined, state law requires that each plan of benefits adopted by the Plan must be approved by a qualified actuary. The actuary certifies that the contribution commitment by the firefighters and the City provide an adequate financing arrangement. Using the variation of the entry age normal actuarial cost method, the plan's normal cost is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost rate is used to amortize the plan's unfunded actuarial accrued liability, and the number of years needed to amortize the plan's unfunded actuarial accrued liability is determined using a level percentage of payroll method.

**FIREMEN RELIEF AND RETIREMENT FUND  
CITY OF SAN BENITO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 31, 2021**

**NOTE D - CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE**

For the 2021 and 2020 fiscal years total contributions of \$353,116 and \$297,204 were paid into the fund.

**NOTE E - NET PENSION LIABILITY OF EMPLOYERS**

The components of the net pension liability (as actuarially determined) of the Fund at September 30, 2021 were as follows:

	<u>Amount</u>
Total Pension Liability	\$ 6,745,956
Plan Fiduciary Net Position	(4,765,739)
Plan's Net Pension Liability	\$ 1,980,217

Plan fiduciary net position as a percentage of the the total pension liability	70.6%
-----------------------------------------------------------------------------------	-------

*Actuarial assumptions:* The total pension liability was determined by an actuarial valuation as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

<u>Assumptions</u>	
Inflation	2.50%
Payroll growth	3.00%
Salary increases (per annum)	5.50%
Investment rate of return (net of pension plan investment expenses)	7.50%
Mortality - All participants	PUBS-2010 mortality tables projected generationally with Scale MP-2020

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimates 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 allocations as of September 30, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	6.50%
Fixed Income	4.00%
Cash	0.00%

**FIREMEN RELIEF AND RETIREMENT FUND  
CITY OF SAN BENITO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 31, 2021**

**NOTE E - NET PENSION LIABILITY OF EMPLOYERS**

*Discount rate:* The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that the City contribution would equal the actuarially determined contribution rates. 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 investments was applied to all period of benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate:* The following presents the net pension liability of the Fund, calculated using the discount rate of 7.50% as well as what the Fund'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 of 7.50%	1% Increase 8.50%
Firemen's fund net pension liability	\$ 2,839,072	\$ 1,980,217	\$ 1,265,319

**NOTE F – CONTINGENCIES**

The Plan is involved in legal proceedings in the normal course of operations, none of which, in the opinion of management, will have a material effect on the fiduciary net position or the changes in fiduciary net position of the Plan.

**NOTE G - 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. It is 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 actuarial information 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 assumption process, it is reasonably possible that changes in these estimates and assumptions in the near term could be material to the financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION

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**FIREMEN RELIEF AND RETIREMENT FUND**  
**CITY OF SAN BENITO, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**(UNAUDITED)**

	12/31/2014	12/31/2015	9/30/2016	9/30/2017	9/30/2018	9/30/2019	9/30/2020	9/30/2021
<u>Total pension liability</u>								
Service cost	\$ 171,852	\$ 183,882	\$ 136,151	\$ 182,053	\$ 190,628	\$ 174,158	\$ 187,220	\$ 202,893
Interest	369,982	387,907	300,047	389,309	427,691	467,041	470,791	494,406
Differences between expected and actual experience	-	35,434	-	(16,067)	-	(27,466)	-	(359,352)
Changes of assumptions	-	(387,461)	-	(43,774)	-	120,855	-	(15,434)
Benefits payments, including refunds of member contributions	<u>(352,274)</u>	<u>(243,336)</u>	<u>(243,132)</u>	<u>(385,720)</u>	<u>(334,736)</u>	<u>(341,480)</u>	<u>(354,568)</u>	<u>(331,289)</u>
Net change in total pension liability	189,560	(23,574)	193,066	125,801	283,583	393,108	303,443	(8,776)
Total pension liability - beginning	<u>5,289,745</u>	<u>5,479,305</u>	<u>5,455,731</u>	<u>5,648,797</u>	<u>5,774,598</u>	<u>6,058,181</u>	<u>6,451,289</u>	<u>6,754,732</u>
Total pension liability - ending (a)	<u>\$ 5,479,305</u>	<u>\$ 5,455,731</u>	<u>\$ 5,648,797</u>	<u>\$ 5,774,598</u>	<u>\$ 6,058,181</u>	<u>\$ 6,451,289</u>	<u>\$ 6,754,732</u>	<u>\$ 6,745,956</u>
<u>Plan fiduciary net position</u>								
Contributions - employer	141,509	173,862	124,833	163,218	170,906	160,605	148,602	176,558
Contributions - member	141,509	173,862	124,833	163,218	170,906	160,605	148,602	176,558
Net investment income	135,600	(54,606)	(300,446)	599,133	332,532	145,334	175,776	733,163
Benefit payments, including refunds of member contributions	<u>(352,274)</u>	<u>(243,336)</u>	<u>(243,132)</u>	<u>(385,720)</u>	<u>(334,736)</u>	<u>(341,480)</u>	<u>(354,568)</u>	<u>(331,289)</u>
Administrative expense	<u>(15,409)</u>	<u>(16,031)</u>	<u>(20,216)</u>	<u>(23,611)</u>	<u>(19,316)</u>	<u>(21,214)</u>	<u>(13,492)</u>	<u>(22,066)</u>
Net change in plan fiduciary net position	50,935	33,751	(314,128)	516,238	320,292	103,850	104,920	732,924
Plan fiduciary net position - beginning	<u>3,216,957</u>	<u>3,267,892</u>	<u>3,301,643</u>	<u>2,987,515</u>	<u>3,503,753</u>	<u>3,824,045</u>	<u>3,927,895</u>	<u>4,032,815</u>
Plan fiduciary net position - ending (b)	<u>\$ 3,267,892</u>	<u>\$ 3,301,643</u>	<u>\$ 2,987,515</u>	<u>\$ 3,503,753</u>	<u>\$ 3,824,045</u>	<u>\$ 3,927,895</u>	<u>\$ 4,032,815</u>	<u>\$ 4,765,739</u>
Fund's net pension liability - ending (a)-(b)	<u>\$ 2,211,413</u>	<u>\$ 2,154,088</u>	<u>\$ 2,661,282</u>	<u>\$ 2,270,845</u>	<u>\$ 2,234,136</u>	<u>\$ 2,523,394</u>	<u>\$ 2,721,917</u>	<u>\$ 1,980,217</u>
Plan fiduciary net position as a percentage of the total pension liability	59.6%	60.5%	52.9%	60.7%	63.1%	60.9%	59.7%	70.6%
Covered employee payroll	\$ 1,179,242	\$ 1,448,850	\$ 1,040,275	\$ 1,360,150	\$ 1,424,217	\$ 1,338,375	\$ 1,238,350	\$ 1,471,317
Fund's net position liability as a percentage of covered employee payroll	187.5%	148.7%	255.8%	167.0%	156.9%	188.5%	219.8%	134.6%

Note to Schedule:

Covered-employee payroll is estimated using firefighter contributions divided by the contribution percentage.

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**FIREMEN RELIEF AND RETIREMENT FUND  
CITY OF SAN BENITO, TEXAS  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
(UNAUDITED)**

		<u>as of December 31,</u>		<u>September 30,</u>				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Required contribution	\$141,509	\$173,862	\$124,833	\$163,218	\$170,906	\$160,605	\$148,602	\$176,558
Contributions in relation to the actuarially determined contribution	141,509	173,862	124,833	163,218	170,906	160,605	148,602	176,558
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Covered employee payroll	1,179,242	1,448,850	1,040,275	1,360,150	1,424,217	1,338,375	1,238,350	1,471,317
Contributions as a percentage of covered employee payroll	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%

Notes to Schedule

Valuation date: September 30, 2021

Contributions to the fund are based on negotiations between the members and the City rather than an actuarially determined rate.

The funding policy of the San Benito Firemen's Relief and Retirement Fund requires contributions from both the City and the firefighters. The City's contribution rate is currently 12.00% of member payroll with each active member contributing 12.00% of pensionable pay.

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**FIREMEN RELIEF AND RETIREMENT FUND  
CITY OF SAN BENITO, TEXAS  
SCHEDULE OF INVESTMENT RETURNS  
(UNAUDITED)**

Fiscal Year Ending	<u>12/31/2015</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2018</u>	<u>9/30/2019</u>	<u>9/30/2020</u>	<u>9/30/2021</u>
Annual money-weighted rate of return, net of investment expenses	-1.65%	-11.98%	20.34%	9.51%	3.82%	4.52%	18.18%

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**FIREMEN RELIEF AND RETIREMENT FUND  
CITY OF SAN BENITO, TEXAS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	September 30, 2021
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll
Asset valuation method	Fair value
Economic assumptions:	
Investment rate of return	7.50% per annum (net of investment expenses)
Salary increases	5.50% per annum
Administrative expenses	1.60% of payroll
Total payroll growth	4.00% per annum

The following changes in assumptions and methods have taken place since the September 30, 2021 valuation.

**Changes in Assumptions**

The mortality longevity assumption was updated from MP-2019 to MP-2020 and the payroll growth assumption was lowered to 3%. There were no other changes to the assumptions, methods, or plan provisions since the prior valuation.

**Changes in Methods**

There have been no changes in the actuarial methods from the prior valuation.

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**FIREMEN RELIEF AND RETIREMENT FUND  
CITY OF SAN BENITO, TEXAS  
322 INVESTMENT EXPENSE REPORTING  
(UNAUDITED)**

**Direct and Indirect Fees and Commissions**

ASSET CLASS	MANAGEMENT FEES PAID FROM TRUST	MANAGEMENT FEES NETTED FROM RETURNS	TOTAL INVESTMENT MANAGEMENT FEES (Management Fees Netted from Returns + Management Fees Paid From Trust)	BROKERAGE FEES/COMMISSIONS	PROFIT SHARE/CARRIED INTEREST	TOTAL DIRECT AND INDIRECT FEES AND COMMISSIONS (Management Fees + Brokerage Fees/Commissions + Profit Share)
Cash	\$ 33,453	\$ 106,454	\$ 139,907	\$ -	\$ -	\$ 139,907
Public Equity	-	-	-	-	-	-
Fixed Income	-	-	-	-	-	-
Real Assets	-	-	-	-	-	-
Alternative/Other	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 33,453</b>	<b>\$ 106,454</b>	<b>\$ 139,907</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 139,907</b>

Alternative/Other List of Alternative/Other Investments*
Bank sweep
Fixed income
Equities
Bond funds
Exchange traded funds

Investment Managers List of Investment Manager Names*
Charles Schwab

Total Investment Expenses	
Total Direct and Indirect Fees and Commissions	\$ 139,907
<b>Investment Services</b>	
Custodial	22,065
Research	-
Investment Consulting	5,500
Legal	-
<b>Total</b>	<b>27,565</b>
	\$ 167,473
<b>Total Investment Expenses</b> (Total Direct and Indirect Fees and Commissions + Investment Services)	

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## COMPLIANCE SECTION

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# Cascos & Associates, PC

Certified Public Accountants  
Audit/Accounting/Tax/Consulting

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees of the  
City of San Benito Firemen Relief Retirement Fund  
City of San Benito, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States, the financial statements of the City of San Benito Firemen Relief and Retirement Fund (the "Fund"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated April 7, 2022.

## **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

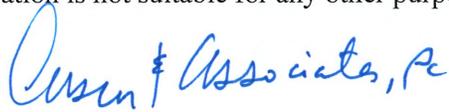


## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Cascos & Associates, PC". The signature is written in a cursive, flowing style.

Cascos & Associates, PC  
Brownsville, Texas  
April 7, 2022

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