

**FIREMEN'S RELIEF AND
RETIREMENT FUND OF LUFKIN, TEXAS**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2010

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Ted A. Lankford, CPA
Glenda J. Hiers, CPA
Richard A. Rudei, CPA
Chris F. Wethington, CPA

AL&H ALEXANDER LANKFORD & HIERS, INC.

Certified Public Accountants, A Professional Corporation

4000 S. Medford Dr., Lufkin, Texas 75901-5500

(936) 632-7771, FAX (936) 637-2448

E-mail: alh@consolidated.net Website: www.alhcpa.com

Yvette Sidnell, CPA
Jennifer L. Webster, CPA
Selena Mitchell, CPA
Kimber Rhodes, CPA

Wilbur E. Alexander, CPA
(1940 - 2009)

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Firemen's Relief and Retirement Fund
of Lufkin, Texas
Lufkin, Texas

We have audited the accompanying Statements of Plan Net Assets of the Firemen's Relief and Retirement Fund of Lufkin, Texas (the Fund) as of December 31, 2010 and 2009, and the related Statements of Changes in Plan Net Assets for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Firemen's Relief and Retirement Fund of Lufkin, Texas as of December 31, 2010 and 2009, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, schedule of employer contributions, and notes to required supplementary information on pages 4 through 7, page 18, page 19, and page 20, respectively, 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.

Alexander, Lankford & Hiers, Inc.

ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
June 22, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Firemen's Relief and Retirement Fund of Lufkin, Texas (Fund), we offer readers of the financial statements this overview and analysis of the Fund's financial activities for the fiscal year ended December 31, 2010. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the financial statements and notes to the financial statements (which immediately follow this discussion).

FINANCIAL HIGHLIGHTS

- The assets of the Fund exceeded its liabilities at the close of the most recent fiscal year by \$10,101,470 (net assets). These net assets of the Fund are held in an irrevocable trust for the exclusive benefit of eligible Fund participants.
- The Fund's total net assets increased by \$1,246,005.
- Employee contributions increased \$4,293 and employer contributions increased \$195,905, due to the increase in the matching percentage by the employer from 20.74% to 23.50% on January 1, 2010. Participants continued to contribute 13.2% of their compensation, and the employer matched 23.5% of the firefighters' compensation.
- Net investment income decreased \$54,410.
- Benefits paid to participants decreased \$113,330 due to fewer DROP payments.
- Plan administrative expense decreased \$12,177.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three parts, *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*.

The Fund is a single-employer defined benefit pension plan.

The Fund uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities (i.e. pension benefits). The Fund reports its activities as a fiduciary fund. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds use the accrual basis of accounting and the economic resources for measurement focus.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

The Fund's basic financial statements are comprised of two components; 1) fund financial statements, and 2) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves. Collectively, this information presents the net assets available for pension benefits and summarizes the changes in net assets for pension benefits.

The Fund's financial statements consist of the following two statements:

The *Statement of Plan Net Assets* presents information on all the Fund's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Fund is improving or deteriorating.

The *Statement of Changes in Plan Net Assets* presents information showing how the Fund's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of related cash flows.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to financial statements can be found on pages 10 - 16 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information consisting of schedules and related notes concerning the Fund's progress in funding its obligation to provide pension benefits to firefighters. Required supplementary information can be found on pages 18 - 20 of this report.

FINANCIAL ANALYSIS

The Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets provide an indication of the Fund's financial condition and also indicate that the financial condition of the Fund improved during the most current fiscal year.

The Statement of Plan Net Assets presents information on all the Fund's assets and liabilities, with the difference between the two reported as net assets. As noted earlier, net assets may serve over time as a useful indicator of a Fund's financial position.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

FINANCIAL ANALYSIS - CONTINUED

**FIREMEN'S RELIEF AND RETIREMENT FUND OF LUFKIN, TEXAS
CONDENSED STATEMENT OF PLAN NET ASSETS
DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Cash and receivables	\$ 1,640,995	\$ 728,085
Investments	<u>8,460,475</u>	<u>8,211,918</u>
Total assets	<u>10,101,470</u>	<u>8,940,003</u>
Accounts payable		<u>84,538</u>
Total liabilities		<u>84,538</u>
Total net assets	<u>\$ 10,101,470</u>	<u>\$ 8,855,465</u>

The statement of changes in plan net assets shows the activity of the Fund and provides information regarding additions and deductions that affect net assets.

**FIREMEN'S RELIEF AND RETIREMENT FUND OF LUFKIN, TEXAS
CONDENSED STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
City contributions	\$ 974,537	\$ 778,632
Member contributions	547,400	543,107
Investment income (loss)	<u>1,042,541</u>	<u>1,096,951</u>
Total additions (deductions)	<u>2,564,478</u>	<u>2,418,690</u>
Retirement benefits	1,298,465	1,411,795
Administrative expenses	<u>20,008</u>	<u>32,185</u>
Total deductions	<u>1,318,473</u>	<u>1,443,980</u>
Change in net assets	1,246,005	974,710
Net assets, January 1	<u>8,855,465</u>	<u>7,880,755</u>
Net assets, December 31	<u>\$ 10,101,470</u>	<u>\$ 8,855,465</u>

The above statement indicates that the Fund's net assets increased by \$1,246,005 during the most recent fiscal year. The increase is primarily due to the increase in the fair value of investments.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

There were no capital asset additions or retirements during the current fiscal year. The Fund has a computer with a cost of \$2,382 and a net book value of \$0.

Long-Term Debt

At the end of the current fiscal year, the Fund had no long-term debt outstanding. Also, no long-term debt was added or retired during the current fiscal year.

ECONOMIC FACTORS

Contribution rates for the employee are expected to remain the same at 13.2% and 23.50% for the employer for 2011.

Retirement benefits are expected to remain the same during 2011 at approximately \$1,300,000.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Firemen's Relief and Retirement Fund of Lufkin, Texas finances to those that are interested. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Plan Administrator, Firemen's Relief and Retirement Fund of Lufkin, Texas, P.O. Drawer 190, Lufkin, Texas 75902.

FIREMEN'S RELIEF AND RETIREMENT FUND OF LUFKIN, TEXAS
STATEMENTS OF PLAN NET ASSETS
DECEMBER 31, 2010 AND 2009

ASSETS	2010	2009
Cash	\$ 1,632,872	\$ 721,339
Receivables:		
Interest and dividends	8,123	6,746
Total receivables	8,123	6,746
Investments at fair value:		
Corporate bonds	50,272	62,563
Government agencies	1,074,891	1,491,110
Equity securities	7,312,638	3,061,578
Mutual funds		1,261,818
Limited partnership	22,674	2,334,849
Total investments	8,460,475	8,211,918
Capital assets:		
Computer equipment	2,382	2,382
Accumulated depreciation	(2,382)	(2,382)
Total capital assets		
Total assets	10,101,470	8,940,003
LIABILITIES		
Accounts payable		84,538
Total liabilities		84,538
NET ASSETS HELD IN TRUST FOR PENSION		
BENEFITS (a schedule of funding progress is presented on page 18)	\$ 10,101,470	\$ 8,855,465

The accompanying notes are an integral part of this financial statement.

FIREMEN'S RELIEF AND RETIREMENT FUND OF LUFKIN, TEXAS
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
ADDITIONS		
Contributions:		
Employer	\$ 974,537	\$ 778,632
Employee	547,400	543,107
Total contributions	1,521,937	1,321,739
Investment income:		
Net appreciation (depreciation) in fair value of investments	865,154	953,364
Interest and dividends	255,144	190,878
Total investment income	1,120,298	1,144,242
Less:		
Investment expense	(77,757)	(47,291)
Net investment income	1,042,541	1,096,951
Total additions	2,564,478	2,418,690
DEDUCTIONS		
Benefits paid to participants/beneficiaries	1,298,465	1,411,795
Actuarial consultants		7,275
Annual audit fee	7,836	5,500
Other administrative expense	12,172	19,410
Total deductions	1,318,473	1,443,980
Net increase	1,246,005	974,710
Net assets, January 1	8,855,465	7,880,755
Net assets, December 31	\$ 10,101,470	\$ 8,855,465

The accompanying notes are an integral part of this financial statement.

FIREMEN'S RELIEF AND RETIREMENT FUND OF LUFKIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Fund's financial statements are prepared using the accrual basis of accounting. Fund member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Fund.

Estimates

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

Valuation of Investments

Investments are recorded at fair value. Investments with quoted market values obtained from Merrill Lynch are valued at the last reported sales price on the last business day of the Fund's year. Realized gains (losses) on investments sold and the change in the difference between current value and cost of investments held are reflected in the statement of changes in plan net assets as net appreciation (depreciation) in the fair value of investments. Purchases and sales of securities are recorded on a trade-date basis.

Capital Assets

Capital assets are recorded at cost. Depreciation is provided by using the straight line method over the estimated useful lives of the asset. Repairs and maintenance charges which do not increase the useful lives of the assets are charged to other administrative expense as incurred. Depreciation expense amounted to \$0 and \$317 for the years ended December 31, 2010 and 2009, respectively.

PENSION PLAN DISCLOSURE

Plan Description

The Firemen's Relief and Retirement Fund of Lufkin, Texas is a single-employer defined benefit pension plan administered by a Board of Trustees. The City of Lufkin, Texas (City) entered into an agreement with the Board of Trustees of the Fund on June 21, 2004 stating that the City did not desire to opt out of the mandate stipulated by the Texas Legislature under Proposition XV requiring cities to be responsible for insuring that the benefits payable under the plan are not reduced. The agreement allows the City to make provisions to the plan that will help to guarantee its financial soundness. Should the Fund become insolvent, the City will be responsible for the costs of the Fund. The Fund is not considered to be a component unit of any other reporting entity.

FIREMEN'S RELIEF AND RETIREMENT FUND OF LUFKIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

PENSION PLAN DISCLOSURE - CONTINUED

Plan Description - Continued

All active firefighters employed by the City are eligible to participate in the plan. As of the latest actuarial information dated December 31, 2008, the fund covered the following number of members:

	DECEMBER 31, 2008
Retirees and beneficiaries currently receiving benefits	51
Vested terminated members	6
Current active members:	
Electing DROP (vested)	1
Vested	33
Nonvested	43
Total	134

The Fund operates primarily under the "Texas Local Fire Fighters' Retirement Act," Article 6243e. Vernon's Texas Civil Statutes, 45th Legislature as revised by the 73rd Legislature and administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of the employees of the fire department of the City. The plan document was amended effective September 23, 2010.

Service retirement eligibility is as follows:

The normal retirement is age 50 with 10 years of service for firefighters hired prior to September 1, 2005. For all firefighters hired after September 1, 2005 the normal retirement is age 50 with 15 years of service.

Disability retirement eligibility is as follows:

An active firefighter who has completed their probationary period will qualify for a disability benefit if they become disabled from any cause whatsoever for either physical or mental reasons, except for those causes specified in the plan document. A firefighter may apply for a disability benefit even if eligible for a service retirement benefit. Under certain circumstances, the Board of Trustees may deny disability benefits.

Vested termination eligibility is as follows:

If a firefighter has completed at least 10 years of service or for hires after September 1, 2005, 15 years of service, but has not attained the age of 50 at the time of termination of their service, a deferred retirement is available commencing at the end of the month age 50 is attained.

FIREMEN'S RELIEF AND RETIREMENT FUND OF LUFKIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

PENSION PLAN DISCLOSURE - CONTINUED

Plan Description - Continued

Death benefit eligibility is as follows:

Death benefits are payable to the participant's spouse for life as long as the spouse does not remarry, or remarries and subsequently divorces. Benefits are payable to a participant's children until age 18, age 22 if the child remains a full time student, or life as long as the child is disabled by a physical or mental illness or injury.

Deferred retirement option provision eligibility is as follows:

If a firefighter is eligible for a service retirement as described above, they may elect an alternative form of retirement known as the Deferred Retirement Option Provision (DROP).

Under the DROP, a firefighter is treated by the Fund as if they retired. Their monthly pension is determined based on pay and service to the date they elected to participate in the DROP. The firefighter may participate in the DROP for a maximum of six years. During the time they are participating in the DROP, they continue to work for the Fire Department in their regular capacity. Their monthly pension and their monthly contributions to the Fund remain in the Fund.

The firefighter may leave the program at any time within the six year period. At the time the firefighter does leave the DROP, they are entitled to receive the amount which has accumulated in the Fund by making an irrevocable decision to request payment of the entire account in a lump-sum, or to request that the accumulation be paid in not more than three annual installments beginning not more than thirteen months from leaving the DROP, with the final installment being made not more than thirty-seven months after leaving the DROP. They are also entitled to begin receiving their monthly pension that was previously being paid monthly into the Fund. They must also retire from active duty with the Fire Department at the time they leave the DROP. The Fund must be given a 180 day notice for a member to withdraw funds from their DROP account.

The actuarially accrued liability is a standardized disclosure measure of the present value of pension benefits estimated to be paid in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the Firemen's Relief and Retirement Fund of Lufkin, Texas funding status, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among public employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the Fund.

FIREMEN'S RELIEF AND RETIREMENT FUND OF LUFKIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

PENSION PLAN DISCLOSURE - CONTINUED

Contributions and Funding Policy

The City's total salaries and wages for fiscal year 2010 for firefighters was \$4,146,973 and the City's contributions were based on a payroll of \$4,146,973. Both the City and the covered employees made the required contributions in accordance with the current funding policy, amounting to \$547,400 (13.2%) by employees and \$974,537 (23.5%) by the City. The City's estimated net pension obligation increased \$104,976.

The City's total salaries and wages for fiscal year 2009 for firefighters was \$4,285,577 and the City's contributions were based on a payroll of \$4,285,577. Both the City and the covered employees made the required contributions in accordance with the current funding policy, amounting to \$543,106 (12.2% from January 1 through September 30, and 13.2% from October 1 through December 31) by employees and \$778,632 (17.52% from January 1 to September 30, and 20.74% from October 1 through December 31) by the City. The City's estimated net pension obligation increased \$348,797.

The contribution rate of the firefighters is determined by the firefighters. The City's contribution rate is determined by negotiations with the firefighters. The actuary certifies whether the contribution commitment by the firefighters and the City provides an adequate financing arrangement. The total contributions of the firefighters and the City are less than the actuarial annual required contribution (ARC) of \$1,587,806. At December 31, 2008, the City's net pension obligation for the Firemen's Relief and Retirement Fund of Lufkin, Texas was actuarially estimated to be \$1,672,139.

Plan Administration

Certain administrative functions are performed by the Fund's board of trustees. No such trustee receives compensation from the Fund. The board of trustees contracts for professional investment services. Investment decisions are made according to an adopted investment policy.

Plan Termination

Under the Texas Local Fire Fighters' Retirement Act, the Fund may not be terminated or merged into another retirement fund without the approval of the board of trustees and the participants provided that 51% of the firefighters first petition the board for such change.

CASH

The carrying amount of the Fund's deposits was \$1,632,872 and \$721,339 as of December 31, 2010 and 2009, respectively, and the deposits were fully covered by Securities Investor Protection Corporation, by insurance purchased by the Fund's custodian and by FDIC insurance for both years.

FIREMEN'S RELIEF AND RETIREMENT FUND OF LUFKIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

INVESTMENTS

The Fund's investment policy was revised by the Board of Trustees on June 1, 2010. The policy allows for a maximum of 70.0% of Fund assets to be allocated to equity investments, excluding alternative investments. The Fund's investment in non-US equities must not exceed 10.0%. A maximum of 7.5% of the Fund's total assets may be invested in alternative investments. The remaining percentage will be allocated to active fixed income management and cash.

The Fund's investments at December 31, 2010 and 2009 are shown as follows:

	FAIR VALUE	
	2010	2009
Corporate bonds	\$ 50,272	\$ 62,563
Government agencies	1,074,891	1,491,110
Equity securities	7,312,638	3,061,578
Mutual funds		1,261,818
Alternative	22,674	2,334,849
	\$ 8,460,475	\$ 8,211,918
Total	\$ 8,460,475	\$ 8,211,918

The fair value of investments was obtained from the Fund's custodian. It is the Fund's intent to hold debt securities until the principal is repaid.

FIREMEN'S RELIEF AND RETIREMENT FUND OF LUFKIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

INVESTMENTS - CONTINUED

The investment risk disclosures that are applicable to the Fund's investments are credit risk, concentration of credit risk, and interest rate risk.

Credit risk is the risk that the issuer of the investment will not fulfill its obligations. The Fund's investment policy does not limit its investment in active fixed income investments based on credit ratings. At December 31, 2010 and 2009, the credit rating for the Fund's investment in active fixed income investments consisted of the following:

INVESTMENT TYPE	STANDARD & POORS RATING	MOODY'S INVESTORS SERVICE	FAIR VALUE DECEMBER 31,	
			2010	2009
Government agencies	AAA	AAA	\$ 1,074,891	\$ 1,491,110
Corporate bonds	AA+	AA2	27,788	35,119
Corporate bonds	A+	AA3	22,484	27,444
Total Corporate bonds			50,272	62,563
Total			\$ 1,125,163	\$ 1,553,673

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. At December 31, 2010 and 2009, there were no concentrations exceeding five percent of the Fund's net assets in a single issuer.

Interest rate risk is the risk that the fair value of the investment will be adversely affected by changes in interest rates. The Fund's investment policy does not limit investment maturities on active fixed income investments. The weighted average maturity for the Fund's investment in active fixed income investments was 15.5 years and 3.8 years as of December 31, 2010 and 2009, respectively.

INCOME TAX STATUS

The Internal Revenue Service has ruled that the Fund is tax-exempt under Section 501(a) of the Internal Revenue Code and is, therefore, not subject to tax under present income tax laws. Once qualified, the Fund is required to operate in conformity with the Code to maintain its qualification. The Fund's management is not aware of any action or event that has occurred that might affect the plan's qualified status.

FIREMEN'S RELIEF AND RETIREMENT FUND OF LUFKIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

PLAN INFORMATION

Information about the funded status and funding progress of the plan as of the most recent valuation date of December 31, 2008 is as follows:

ACTUARIAL VALUATION DATE	(1) ACTUARIAL VALUE OF ASSETS	(2) ACTUARIAL ACCRUED LIABILITY	(3) FUNDED RATIO (1)/(2)	(4) UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) (2) - (1)	(5) ANNUAL COVERED PAYROLL	(6) (UAAL) AS A PERCENTAGE OF COVERED (4)/(5)
12/31/08	\$ 9,456,907	\$ 24,777,439	38.2%	\$ 15,320,532	\$ 4,148,732	369.3%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

The actuarial methods and significant assumptions follow:

Valuation Date	December 31, 2008
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll
Remaining amortization period	Infinite - Open Period
Asset valuation method	Smoothed Market value
Actuarial assumptions:	
Investment return	7.50%
Projected salary increases	3.00%
Amortization increase	1.6%
Inflation rate	3.00%

REQUIRED SUPPLEMENTARY INFORMATION

**FIREMEN'S RELIEF AND RETIREMENT FUND OF LUFKIN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS**

ACTUARIAL VALUATION DATE	(1) ACTUARIAL VALUE OF ASSETS	(2) ACTUARIAL ACCRUED LIABILITY	(3) FUNDED RATIO (1)/(2)	(4) UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) (2) - (1)	(5) ANNUAL COVERED PAYROLL	(6) (UAAL) AS A PERCENTAGE OF COVERED (4)/(5)
12/31/98	\$ 9,736,390	\$11,853,931	82.1%	\$ 2,117,541	\$ 2,397,350	88.3%
12/31/00	11,018,263	13,937,639	79.1%	2,919,376	2,685,849	108.7%
12/31/02	9,611,084	15,747,613	61.0%	6,136,529	3,226,247	190.2%
12/31/04	10,673,969	17,613,892	60.6%	6,939,923	3,041,650	228.2%
12/31/06	10,612,279	21,164,321	50.1%	10,552,042	3,552,919	297.0%
12/31/08	9,456,907	24,777,439	38.2%	15,320,532	4,148,732	369.3%

See accompanying independent auditor's report on required supplementary information.

**FIREMEN'S RELIEF AND RETIREMENT FUND OF LUFKIN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

FISCAL YEAR ENDING DECEMBER 31	ANNUAL REQUIRED CONTRIBUTION*	PERCENTAGE CONTRIBUTED
(1)	(2)	(3)
2004	\$ 442,408	81.6%
2005	664,855	62.0%
2006	944,909	52.4%
2007	980,478	54.0%
2008	1,093,189	64.1%
2009	1,127,429	69.1%
2010	1,079,513	90.3%

* Net of member contributions

See accompanying independent auditor's report on required supplementary information.

FIREMEN'S RELIEF AND RETIREMENT FUND OF LUFKIN, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2010

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

Valuation Date	December 31, 2008
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll
Remaining amortization period	Infinite - Open Period
Asset valuation method	Smoothed Market value
Actuarial assumptions:	
Investment return	7.50%
Projected salary increases	3.00%
Amortization increase	1.6%
Inflation rate	3.00%

See accompanying independent auditor's report on required supplementary information.