FIREMEN'S RELIEF AND RETIREMENT FUND OF LUFKIN, TEXAS

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

December 31, 2013 and 2012

AXLEY & RODE, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Firemen's Relief and Retirement Fund of Lufkin, Texas (the Plan), which comprises the statement of plan net assets available for benefits as of December 31, 2013 and 2012, and the related statement of changes in plan net assets available for benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan 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.

Auditor's Responsibility

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 performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan'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 Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Firemen's Relief and Retirement Fund of Lufkin, Texas as of December 31, 2013 and 2012, and the changes in its financial status for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Management's Discussion and Analysis beginning on page 5 and supplemental schedules shown on pages 16 and 17, together referred to as "required supplemental information," are presented for the purpose of additional analysis and are not a part of the financial statements but are supplemental information required by the Governmental Accounting Standards Board and the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

The supplemental schedule on page 18, which is marked ***UNAUDITED***, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Axley & Rode LLP
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
March 31, 2014

The objective of this discussion and analysis is to provide the reader with an overall review of the financial performance of the Firemen's Relief and Retirement Fund of Lufkin, Texas (the "Plan") for the fiscal year ending December 31, 2013, as compared to the prior year ending December 31, 2012. Readers should read this discussion and analysis in combination with the financial statements and related notes.

Financial Highlights for Year Ended December 31, 2013

The assets of the Plan are held in an irrevocable trust for the exclusive benefit of eligible Plan participants. Plan net assets, which totaled $13,294,338 as of December 31, 2013, increased $2,018,834 compared to the prior year ending December 31, 2012.

When compared to the prior year:

- Member contributions increased $19,513 (3%), and City contributions increased $38,764 (4%), due to increased compensation for the plan participants and an increase in the number of participants. Participants continued to contribute 13.2% of compensation, and the employer matched 23.0% of contributions during 2013 compared with 22.9% during 2012.
- Net investment income increased $496,939 (41%) due to the improving market conditions during the year ended December 31, 2013.
- Benefits paid to participants decreased $153,855 (11%) due to a decrease in the distribution of lump sum and rollover contributions.
- Plan administrative fees increased $18,065 (94%) due to actuarial valuation services rendered in 2012 and paid for in 2013, and increased trustee fees.

Overview of the Financial Statements

The *Statement of Plan Net Assets Available for Benefits* presents the assets and liabilities of the Plan for the current and prior year. Assets are stated at market value and accordingly, unrealized appreciation and depreciation of the assets are reported in the *Statement of Changes in Plan Net Assets Available for Benefits*. Amounts reported may include management's estimates and actual results could differ from those estimates.

The *Statement of Changes in Plan Net Assets Available for Benefits* presents information showing how the Plan's net assets changed during the current and prior year. All of the changes are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the Plan's financial statements. The notes include a brief description of the Plan, a summary of significant accounting policies, and comments on risks and uncertainties and Plan investments.

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 Plan's progress in funding its obligation to provide pension benefits to its participants.

Financial Analysis

The *Statement of Plan Net Assets Available for Benefits* and the *Statement of Changes in Plan Net Assets Available for Benefits* provide an indication of the Plan's financial condition. For plan year 2013, these statements indicate an increase in net plan assets due to the appreciation of the value of the Plan's current investments. The Plan's net assets may serve over time as a useful indicator of the Plan's financial position.

Table A-1
The Plan's Net Assets

	2013	2012	% CHANGE
Cash and receivables	$ 1 640	$ 7 127	(77)%
Investments	13 303 098	11 273 577	18 %
TOTAL ASSETS	13 304 738	11 280 704	18 %
Accounts payable	10 400	5 200	100 %
TOTAL LIABILITIES	10 400	5 200	100 %
TOTAL NET ASSETS	$ 13 294 338	$ 11 275 504	18 %

Table A-2
Changes in the Plan's Net Assets

	2013	2012	% CHANGE
City contributions	$ 1 043 950	$ 1 010 186	3 %
Member contributions	601 804	582 291	3 %
Net investment income (loss)	1 713 400	1 216 461	41 %
TOTAL ADDITIONS	3 359 154	2 808 938	20 %
Benefit payments/contribution refunds	1 311 042	1 464 897	(11)%
Administrative expenses	29 278	19 188	53 %
TOTAL DEDUCTIONS	1 340 320	1 484 085	(10)%
CHANGE IN NET ASSETS	2 018 834	1 324 853	
Net assets, January 1	11 275 504	9 950 651	13 %
TOTAL NET ASSETS, DECEMBER 31	$ 13 294 338	$ 11 275 504	18 %

Capital Assets and Debt Administration

Capital Assets: There were no capital asset additions or retirements during the year ended December 31, 2013. The Plan has a computer with a cost of $2,382 and a net book value of $-0-.

Long-Term Debt: As of December 31, 2013, the Plan had no long-term debt outstanding. Also, no long-term debt was added or retired during the year ended December 31, 2013.

Economic Factors

The contribution rate for the members remained at 13.2% for the plan year ended December 31, 2013. The employer contribution rate increased from 22.9% to 23.0% for the plan year ended December 31, 2013. No further changes are expected in contribution rates.

Retirement benefits are expected to be approximately $1.2 million, the amount of annualized monthly benefits for current retirees.

Contacting Plan Management

This financial report is designed to provide a general overview of the finances of the Firemen's Relief and Retirement Fund of Lufkin, Texas to those that are interested. Questions concerning any information provided in this report or requests for additional 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
STATEMENT OF PLAN NET ASSETS AVAILABLE FOR BENEFITS
December 31, 2013 and 2012

	2013	2012
ASSETS		
Cash	$ 1 634	$ 2 117
Receivables:		
Employer contributions	-	5 000
Interest and dividends	6	10
TOTAL RECEIVABLES	6	5 010
Investments at Fair Value:		
Common trust funds	13 186 955	10 606 905
Government agency securities	827	1 267
Money markets	115 316	665 405
TOTAL INVESTMENTS AT FAIR VALUE	13 303 098	11 273 577
Capital Assets:		
Computer equipment	2 382	2 382
Accumulated depreciation	(2 382)	(2 382)
NET CAPITAL ASSETS	-	-
TOTAL ASSETS	13 304 738	11 280 704
ASSETS		
Accounts payable	10 400	5 200
TOTAL LIABILITIES	10 400	5 200
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 13 294 338	$ 11 275 504

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

FIREMEN'S RELIEF AND RETIREMENT FUND OF LUFKIN, TEXAS
STATEMENT OF CHANGES IN PLAN NET ASSETS AVAILABLE FOR BENEFITS
For the Years Ended December 31, 2013 and 2012

	2013	2012
ADDITIONS		
Contributions:		
Employer	$ 1 043 950	$ 1 010 186
Employee	601 804	582 291
TOTAL CONTRIBUTIONS	1 645 754	1 592 477
Investment Income:		
Net appreciation (depreciation) in fair value of investments	1 457 842	996 646
Interest and dividends	343 961	300 243
	1 801 803	1 296 889
Less:		
Investment expense	(88 403)	(80 428)
NET INVESTMENT INCOME	1 713 400	1 216 461
TOTAL ADDITIONS	3 359 154	2 808 938
DEDUCTIONS		
Benefits paid directly to participants/beneficiaries	1 311 042	1 464 897
Actuarial consultants	8 751	-
Annual audit fee	6 000	6 000
Other administrative expenses	14 527	13 188
TOTAL DEDUCTIONS	1 340 320	1 484 085
NET INCREASE	2 018 834	1 324 853
Net Assets Held in Trust for Pension Benefits:		
Beginning of year	11 275 504	9 950 651
END OF YEAR	$ 13 294 338	$ 11 275 504

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

NOTE 1 - PLAN DESCRIPTION

The following description of the Firemen's Relief and Retirement Fund of Lufkin, Texas (the Plan) provides only general information. For a more complete description of the Plan's provisions, refer to the Fund Provisions.

The Plan is a single-employer defined benefit pension plan covering all employees of the City of Lufkin Fire Department. The Plan operates primarily under the "Texas Local Fire Fighters Retirement Act," Article 6243.3 Vernon's Texas Civil Statutes 45th Legislature as amended by the 75th Legislature and administers retirement and death benefits to employees and beneficiaries of the employees of the fire department of the City of Lufkin. The Plan document was amended effective June 25, 2013.

The Plan provides for normal retirement when the participant is 52 years old and has completed ten years of service. As of June 25, 2013, a participant must have completed twenty years of service. Monthly benefits are computed under one of two benefit formulas whichever is greater. Eligibility for participation begins upon date of employment.

Length of service is determined by the length of time the firefighter makes the required deposits and keeps on deposit with the fund the contributions the Plan requires. As of January 1, 2013, the Plan was amended to increase the employer match.

Vesting service begins from date of hire to date of termination. A participant is 100% vested after ten years of service (twenty years for hires after June 25, 2013) with no vesting occurring prior to ten (or twenty) years of service. A participant whose service is terminated after ten (or twenty) years of service may elect to receive, at the time of termination, his own contributions to the fund; however, if he makes such an election, he will forfeit his right to all benefits which he otherwise would have been entitled to receive. A participant whose service is terminated prior to ten (or twenty) years of service will receive an amount equal to his own contributions to the Plan in excess of the amount of benefits he has previously received from the Plan. If a firefighter has completed ten (or twenty) years of service but has not attained the age of 52 at the time of termination of his service, a deferred retirement is available commencing on the end of the month age 52 is attained.

An active firefighter who has completed his probationary period will qualify for a disability benefit if he becomes disabled from any cause whatsoever for either physical or mental reasons, except for those causes specified in the Plan document. Under certain circumstances (as specified in the Plan) the Board of Trustees may deny benefits.

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.

If a firefighter is eligible for a service retirement as described above, they may elect an alternative form of retirement know as the Deferred Retirement Option Provision (DROP). Under the DROP, a firefighter is treated by the Plan 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 Plan remain in the Plan. 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 Plan 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 installment beginning not more than thirteen months from leaving the DROP. They are also entitled to begin receiving their monthly pension that was previously being paid monthly into the Plan. They must also retire from active duty with the Fire Department at the time they leave the DROP.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The Plan's financial statements are presented in accordance with the generally accepted accounting principles established by the Governmental Accounting Standards Board ("GASB"), which designates the accounting principles and financial reporting standards applicable to state and local governmental units. The Plan maintains a fiduciary fund to account for its operations and uses the accrual basis of accounting in preparing its financial statements. Plan 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 Plan.

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

Investment Valuation and Income Recognition: Investments are recorded at fair value. Investments with quoted market values are valued at the last reported sales price on the last business day of the Plan's year. The change in the difference between current value and cost of investments is reflected in the statement of changes in plan net assets available for benefits as net appreciation (depreciation) in the fair value of investments. Purchases and sales of securities are recorded on a trade-date basis. Interest is recognized when earned and dividends are recorded on the ex-dividend date.

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- for the years ended December 31, 2013 and 2012.

Payment of Benefits: Benefit payments are recorded when due to be paid.

Actuarial Present Value of Accumulated Plan Benefits: Accumulated plan benefits are those future periodic payments, including lump-sum distributions, that are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits under the Plan are based on employees' compensation during their last five years of credited service. The accumulated plan benefits for active employees are based on their average compensation during the five years ending on the date as of which the benefit information is presented (the valuation date). Benefits payable under all circumstances - retirement, death, disability, and termination of employment - are included, to the extent they are deemed attributable to employee service rendered to the valuation date.

The actuarial present value of accumulated plan benefits is determined by an actuary from Retirement Horizons, Inc. and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuation as of December 31, 2012 were (a) life expectancy (the RP 2000 Combined Group Mortality Table was used), (b) retirement age assumptions (active firefighters are assumed to retire at the later of age 53 or 20 years of service, or age on valuation date, if older; terminated firefighters entitled to deferred benefits are assumed to retire at age 50 or age on valuation date, if older), and (c) investment return. The 2012 valuation included an assumed average rate of return of 7.5%, projected salary increases of 3.0%, and projected payroll growth of 2.0%. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Subsequent Events: The Plan management has evaluated subsequent events through March 31, 2014, the date the financial statements were available to be issued.

NOTE 3 - INCOME TAX STATUS

The Internal Revenue Service has ruled that the Plan qualifies under Section 401(a) of the Internal Revenue Code and is, therefore, not subject to tax under present income tax laws. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan has been amended since receiving the determination letter; however the Retirement Committee is not aware of any action or event that has occurred that might affect the Plan's qualified status.

NOTE 4 - INVESTMENTS

The Plan's investment policy was approved by the Board of Trustees on May 22, 2003. The policy allows for a maximum of 70% of Plan assets to be allocated to equity investments, excluding alternative investments. The Plan's investment in non-U.S. equities must not exceed 20% of total Plan assets. The remaining percentage will be allocated to active fixed income management and cash.

The following table presents the fair value of the Plan's investments at December 31, 2013 and 2012. Investments that represent 5 percent or more of the Plan's net assets are separately identified below.

	FAIR VALUE 2013	FAIR VALUE 2012
Westwood Core Investment Grade Bond	$ 2 539 035	$ 2 139 168
Westwood Global Equity	1 890 019	1 804 112
Westwood Income Opportunity	1 585 609	1 348 126
Westwood AllCap Growth Equity	1 538 201	1 496 791
Westwood LargeCap Value Equity	1 529 597	1 184 787
Westwood Short Duration High Yield Bond	733 188	-
Westwood Emerging Markets Equity	616 142	677 809
SEI Government Principal Money Market	115 316	665 405
Westwood Global Strategic Diversification	-	611 952
Other Investments	2 755 991	1 345 427
TOTAL	$ 13 303 098	$ 11 273 577

NOTE 5 - FAIR VALUE MEASUREMENTS

The Plan's investments are reported at fair value in the accompanying statement of plan net assets available for benefits. The methods used to measure fair value may produce an amount 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 assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities, Level 1 measurements, and the lowest priority to measurements involving significant unobservable inputs, Level 3 measurements. The Plan uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Plan measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value; Level 3 inputs were only used when Level 1 or Level 2 inputs were not available. The three levels of the fair value hierarchy are as follows:

- **Level 1** inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Plan has the ability to access at the measurement date. Investments whose values are based on quoted market prices in active markets, and whose values are therefore classified as Level 1 prices, include active listed equities and debt securities. Investments in government securities, money market accounts, corporate bonds, and corporate stock are publicly traded and are considered to be Level 1 asset.

NOTE 5 - FAIR VALUE MEASUREMENTS - CONTINUED

- **Level 2** inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.) The Plan invests in various common trust funds managed by the Trustee. The investments are not publicly traded and are considered to Level 2 assets. The valuation for these investments is determined by the values of the underlying investments which are publicly traded.

- **Level 3** inputs are unobservable inputs (including the Trustee's own assumption in determining the fair value of investments) for the asset or liability. Investments whose values are classified as Level 3 prices have significant unobservable inputs, as they may trade infrequently or not at all. When observable prices are not available for these securities, the Funds use one or more valuation techniques for which sufficient and reliable data is available.

		FAIR VALUE MEASUREMENTS AT REPORTING DATE USING		
	FAIR VALUE	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS/ LIABILITIES (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
December 31, 2013:				
U.S. Government Bonds and Agency Securities:				
Federal National Mortgage Association Bonds	$ 827	$ 827	$ -	$ -
TOTAL U.S. GOVERNMENT BONDS AND AGENCY SECURITIES	827	827	-	-
Common Trust Funds:				
Bond Funds	6 030 815	-	6 030 815	-
Equity Funds	6 738 942	-	6 738 942	-
Real Estate Investment Funds	417 198	-	417 198	-
TOTAL MUTUAL FUNDS	13 186 955	-	13 186 955	-
Short-Term Money Market Funds	115 316	115 316	-	-
	$ 13 303 098	$ 116 143	$ 13 186 955	$ -

		FAIR VALUE MEASUREMENTS AT REPORTING DATE USING		
	FAIR VALUE	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS/ LIABILITIES (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
December 31, 2012:				
U.S. Government Bonds and Agency Securities:				
Federal National Mortgage Association Bonds	$ 1 267	$ 1 267	$ -	$ -
TOTAL U.S. GOVERNMENT BONDS AND AGENCY SECURITIES	1 267	1 267	-	-
Common Trust Funds:				
Bond Funds	5 682 718	-	5 682 718	-
Equity Funds	4 608 296	-	4 608 296	-
Real Estate Investment Funds	315 891	-	315 891	-
TOTAL MUTUAL FUNDS	10 606 905	-	10 606 905	-
Short-Term Money Market Funds	665 405	665 405	-	-
	$ 11 273 577	$ 666 672	$ 10 606 905	$ -

NOTE 6 - INVESTMENTS WITH REPORTED NET ASSET VALUE

The following table for December 31, 2013 sets forth a summary of the Plan's investments with a reported net asset value.

INVESTMENT		FAIR VALUE	UNFUNDED COMMITMENT	REDEMPTION FREQUENCY	OTHER REDEMPTION RESTRICTIONS	RESTRICTION NOTICE PERIOD
AllCap Growth Equity CTF (a)	$	1 538 201	None	No restrictions, however an authorized signor must request	None	On large redemptions please allow 3 days for cash to be raised
Emerging Markets CTF (b)	$	616 142	None	No restrictions, however an authorized signor must request	None	On large redemptions please allow 3 days for cash to be raised
Global Equity CTF (c)	$	1 890 019	None	No restrictions, however an authorized signor must request	None	On large redemptions please allow 3 days for cash to be raised
Large Cap Value Equity CTF (d)	$	1 529 597	None	No restrictions, however an authorized signor must request	None	On large redemptions please allow 3 days for cash to be raised
SMidCap Plus CTF (e)	$	601 447	None	No restrictions, however an authorized signor must request	None	On large redemptions please allow 3 days for cash to be raised
SmallCap Value Equity CTF (f)	$	563 536	None	No restrictions, however an authorized signor must request	None	On large redemptions please allow 3 days for cash to be raised
Core Investment Grade Bond CTF (g)	$	2 539 035	None	No restrictions, however an authorized signor must request	None	On large redemptions please allow 3 days for cash to be raised
HighYield Bond CTF (h)	$	366 728	None	No restrictions, however an authorized signor must request	None	On large redemptions please allow 3 days for cash to be raised
International Fixed Income CTF (i)	$	342 814	None	No restrictions, however an authorized signor must request	None	On large redemptions please allow 3 days for cash to be raised
Short Duration High Yield Bond CTF (j)	$	733 188	None	No restrictions, however an authorized signor must request	None	On large redemptions please allow 3 days for cash to be raised
Income Opportunity CTF (k)	$	1 585 609	None	No restrictions, however an authorized signor must request	None	On large redemptions please allow 3 days for cash to be raised
Master Limited Partnership CTF (l)	$	463 442	None	No restrictions, however an authorized signor must request	None	On large redemptions please allow 3 days for cash to be raised
Real Estate Investment Trust CTF (m)	$	417 198	None	No restrictions, however an authorized signor must request	None	On large redemptions please allow 3 days for cash to be raised

(a) AllCap Growth strategy - Long term growth through investment in domestic companies with market caps greater than $500 million
(b) Emerging Markets strategy - Long term growth through investment in companies with market caps greater than $500 million operating in emerging markets
(c) Global Equity strategy - Long term growth through investment in companies worldwide with market caps greater than $1 billion
(d) LargeCap Value strategy - Long term growth through investment in domestic companies with market caps greater than $1 billion
(e) SMidCap Plus strategy - Long term growth through investment in domestic companies with market caps between $2 billion and $5 billion
(f) SmallCap Value strategy - Long term growth through investment in domestic companies with market caps between $100 million and $2 billion
(g) Core Bond strategy - Investment in treasury, agency, and investment-grade rated corporate bonds, maintaining an average credit rating of A or higher and duration less than 150% of BCG/C Index
(h) HighYield strategy - High total return through investment in non-investment grade high yield corporate bonds, convertible bonds, preferred stock, foreign debt securities, and private placements
(i) International Fixed Income strategy - Capture interest income and generate principal growth through investment in sovereign debt and currencies of non-U.S. countries
(j) Short Duration High Yield strategy - Consistent level of return through investment in non-investment grade debt of U.S. companies with expected duration of three years of less
(k) Income Opportunity strategy - High level of current income through investment in dividend-paying common stocks, preferred stocks, convertible securities, MLP's, royalty trusts, REIT's, and selected debt instruments
(l) Master Limited Partnership strategy -
(m) REIT strategy - Long term growth through investment in publicly traded REIT's and other real estate-related securities with market caps greater than $100 million

NOTE 7 - CASH

The carrying amount of the Plan's deposits was $1,634 and $2,117 as of December 31, 2013 and 2012, respectively. As of December 31, 2013 and 2012, the deposits were covered by FDIC insurance.

NOTE 8 - FUNDING POLICY

The City's contributions were based on payroll of $4,559,121 and $4,411,295 for the years ending December 31, 2013 and 2012, respectively. Both the City and the covered employees made contributions, amounting to $601,804 (13.2%) and $582,291 (13.2%) by employees and $1,048,950 (23.0%) and $1,010,186 (22.9%) by the City for the years December 31, 2013 and 2012, respectively.

The contribution rate of the members is determined by the members. The City's contribution rate is determined by the City Council. As of January 1, 2013, the Plan was amended to increase the City contribution rate to 23.0% of compensation from 22.9% of compensation. The actuary certifies whether the contribution commitment by the members 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 $1,830,246. At December 31, 2013, the City's net pension obligation for the Plan was actuarially estimated to be $2,724,122.

NOTE 9 - PLAN ADMINISTRATION

Certain administrative functions are performed by the Plan's Board of Trustees. No such Trustee receives compensation from the Plan. All investment decisions are made by an independent investment firm based upon an investment policy approved by the Plan's Board of Trustees.

NOTE 10 - MEMBERSHIP INFORMATION

As of the latest actuarial information dated December 31, 2013 the Plan had the following membership information:

Retirees members and their beneficiaries	56
Vested terminated members	12
Current Active Members:	
Electing DROP (vested)	4
Vested	37
Nonvested	34
TOTAL	143

NOTE 11 - PLAN TERMINATION

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

NOTE 12 - RELATED-PARTY TRANSACTIONS

As of December 31, 2013, the Plan held investments totaling $13,186,955 in common trust funds managed by the Trustee. During the Plan year, the Trustee may initiate purchase or sales transactions involving these common trust funds at its discretion. The Plan's investment in these common trust funds has been consummated on terms equivalent to those that prevail in an arm's-length transaction.

NOTE 13 - RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of plan net assets.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee 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 assumption in the near term would be material to the financial statements.

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) UNFUNDED ACTUARIAL ACCRUED LIABILITY (2) - (1)	(4) FUNDED RATIO (1) / (2)	(5) ANNUAL COVERED PAYROLL	(6) UNFUNDED ACTURIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL (3) / (5)
12/31/2002	$ 9 611 084	$ 15 747 613	$ 6 136 529	61.0%	$ 3 226 247	190.2%
12/31/2004	$ 10 673 969	$ 17 613 892	$ 6 939 923	60.6%	$ 3 041 650	228.2%
12/31/2006	$ 10 612 279	$ 21 164 321	$ 10 552 042	50.1%	$ 3 552 919	297.0%
12/31/2008	$ 9 456 907	$ 24 777 439	$ 15 320 532	38.2%	$ 4 148 732	369.3%
12/31/2010	$ 10 101 470	$ 27 051 949	$ 16 950 479	37.3%	$ 4 146 970	408.7%
12/31/2012	$ 11 265 138	$ 29 027 659	$ 17 762 521	38.8%	$ 4 321 795	411.0%

See independent auditors' report.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Annual Contribution Requirement

FISCAL YEAR ENDING DECEMBER 31,	ANNUAL PENSION COST (APC)	AMOUNT OF CONTRIBUTION MADE	PERCENTAGE CONTRIBUTED
2006	$ 941 146	$ 494 984	52.6%
2007	$ 959 751	$ 533 523	55.6%
2008	$ 1 093 189	$ 700 739	64.1%
2009	$ 1 149 232	$ 778 632	67.8%
2010	$ 1 195 773	$ 974 537	81.5%
2011	$ 1 201 964	$ 996 899	82.9%
2012	$ 1 265 268	$ 1 010 186	79.8%

See independent auditors' report.

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, 2012
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percentage of Pay
Remaining Amortization Period:	89.6 years
Asset Valuation Method:	Smoothed Market Value
Actuarial Assumptions:	
Investment rate return	7.5%
Projected salary increases	3.0%
Projected payroll growth	2.0%
Amortization increase	0.9%

Changes in the mortality tables used by the actuary to determine the actuarial present value of the plan benefits represent the sole change in actuarial assumptions to impact the calculated actuarial present value of the accumulated plan benefits on page 10.

The remaining amortization period used by the actuary was increased from 53.7 years to 89.6 years as the change in the employer contribution rate effective January 1, 2012 is considered sufficient to amortize the unfunded actuarial accrued liability within this period of time.

See independent auditors' report.