

**TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM**

**REPORT ON PENSION INFORMATION**

**AUGUST 31, 2016**

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees and Executive Director  
Texas Emergency Services Retirement System

We have audited the accompanying schedule of participating department allocations of Texas Emergency Services Retirement System (the System) as of and for the year ended August 31, 2016, and the related notes. We have also audited the columns titled net pension liability, total deferred outflows of resources excluding participating department specific amounts, total deferred inflows of resources excluding participating department specific amounts, and total plan pension expense (specified column totals) included in the accompanying schedule of collective pension amounts of the System as of and for the year ended August 31, 2016, and the related notes.

### **Management's Responsibility for the Schedules**

Management is responsible for the preparation and fair presentation of these schedules 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 these schedules that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on the schedule of participating department allocations and the specified column totals included in the accompanying schedule of collective pension amounts based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of participating department allocations and specified columns included in the accompanying schedule of collective pension amounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of participating department allocations and specified column totals included in the accompanying schedule of collective pension amounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of participating department allocations and the specified column totals included in the accompanying schedule of collective pension amounts, 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 schedule of participating department allocations and the specified column totals included in the accompanying schedule of collective pension amounts 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.

Board of Trustees and Executive Director  
Texas Emergency Services Retirement System

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 schedule of participating department allocations and the specified column totals included in the accompanying schedule of collective pension amounts.

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

**Opinion**

In our opinion, the schedules referred to above present fairly, in all material respects, the schedule of participating department allocations and the columns titled net pension liability, total deferred outflows of resources excluding participating department specific amounts, total deferred inflows of resources excluding participating department specific amounts, and total plan pension expense included in the accompanying schedule of collective pension amounts of Texas Emergency Services Retirement System as of and for the year ended August 31, 2016, in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the System as of and for the year ended August 31, 2016, and our report thereon, dated December 28, 2016, expressed an unmodified opinion on those financial statements.

**Restriction on Use**

Our report is intended solely for the information and use of the System's management, board of trustees and executive director, participating departments and their auditors, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Austin, Texas  
February 15, 2017

**TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM  
SCHEDULE OF PARTICIPATING DEPARTMENT ALLOCATIONS  
AS OF AND FOR THE YEAR ENDED AUGUST 31, 2016**

Contributing Entity	2016 Contributions	Contributing Entity Allocation Percentage
Alamo Volunteer Fire Department	\$ 7,308	0.160%
Alpine Volunteer Fire Department	3,456	0.075%
Alvarado Volunteer Fire Department	1,728	0.038%
Alvin Volunteer Fire Department	104,650	2.284%
Andrews Volunteer Fire Department	15,300	0.334%
Angleton Volunteer Fire Department	18,900	0.413%
Baird Volunteer Fire Department	8,200	0.179%
Ballinger Fire Department	9,360	0.204%
Bastrop County ESD # 1	24,050	0.525%
BASTROP COUNTY ESD#2	7,128	0.156%
Brady Volunteer Fire Department	8,244	0.180%
Brazoria Volunteer Fire Department	11,443	0.250%
Bremont Fire Department	3,268	0.071%
Brenham Fire Department	55,440	1.210%
Bridge City Fire & Rescue	19,152	0.418%
Bridgeport Volunteer Fire Department	6,192	0.135%
Brownfield Fire Department	1,008	0.022%
BUFFALO VFD	5,760	0.126%
Burkburnett Fire Department	13,455	0.294%
Burnet County ESD#4	2,160	0.047%
Burnet Fire Department	5,868	0.128%
Cactus Volunteer Fire Department	1,260	0.028%
Cameron Volunteer Fire Department	9,072	0.198%
Canadian Volunteer Fire Department	33,200	0.725%
Canyon Fire Department	41,400	0.904%
Carthage Volunteer Fire Department	13,572	0.296%
Cedar Hill Fire Department	-	0.000%
Center Volunteer Fire Department	11,700	0.255%
Clarksville Volunteer Fire Department	5,400	0.118%
Claude Volunteer Fire and Ambulance Department	4,320	0.094%
Clute Volunteer Fire Department	25,375	0.554%
Columbus Fire Department	32,055	0.700%
Crockett Volunteer Fire Department	6,012	0.131%
Crosbyton Volunteer Fire Department	6,732	0.147%
Cuero Volunteer Fire Department	15,334	0.335%
Daingerfield Volunteer Fire Department	9,396	0.205%
Dalhart Volunteer Fire Department	13,068	0.285%
Dallas County Fire and Rescue	432	0.009%
Dayton Volunteer Fire Department	13,464	0.294%
Deer Park Volunteer Fire Department	98,600	2.152%
Del Rio Fire & Rescue Department	-	0.000%
Denver City Volunteer Fire Department	17,568	0.383%
Diboll Volunteer Fire Department	14,616	0.319%
Dickinson Volunteer Fire Department	20,592	0.449%
Dimmitt Fire Department	6,732	0.147%
Dumas Volunteer Fire Department	4,824	0.105%

The Notes to Schedule of Participating Department Allocations and Schedule of Collective Pension Amounts are an integral part of this schedule.

**TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM**  
**SCHEDULE OF PARTICIPATING DEPARTMENT ALLOCATIONS – CONTINUED**  
**AS OF AND FOR THE YEAR ENDED AUGUST 31, 2016**

Contributing Entity	2016 Contributions	Contributing Entity Allocation Percentage
Eagle Lake Volunteer Fire Department	23,088	0.504%
Edcouch Volunteer Fire Department	2,232	0.049%
Edgecliff Volunteer Fire Department	3,276	0.072%
Edinburg Volunteer Fire Department	61,190	1.336%
Edna Volunteer Fire Department	2,736	0.060%
El Campo Volunteer Fire Department	41,055	0.896%
El Paso County Emergency District #1	34,552	0.754%
El Paso County Emergency District #2	61,128	1.334%
Electra Volunteer Fire Department	10,152	0.222%
Fairfield Volunteer Fire Department	7,344	0.160%
Farmersville Volunteer Fire Department	11,736	0.256%
Ferris Fire Department	4,752	0.104%
Flatonia Volunteer Fire Department	33,500	0.731%
Forney Volunteer Fire Department	7,272	0.159%
Fort Stockton Volunteer Fire Department	11,664	0.255%
Fredericksburg Fire Department	30,800	0.672%
Freeport Volunteer Fire Department	972	0.021%
Freer Volunteer Fire Department	11,232	0.245%
Friendwood Volunteer Fire Department	93,324	2.037%
Frisco Fire Department	720	0.016%
Gainesville Fire Department	1,620	0.035%
Galena Park Fire Department	864	0.019%
Georgetown Fire Department	-	0.000%
Giddings Volunteer Fire Department	9,612	0.210%
Gilmer Volunteer Fire Department	4,752	0.104%
Gonzales Fire Department	12,960	0.283%
Grand Saline Volunteer Fire Department	2,160	0.047%
Grandbury Volunteer Fire Department	54,180	1.183%
Grandview Volunteer Fire Department	2,340	0.051%
Greenwood Rural VFD	10,700	0.234%
Groesbeck Volunteer Fire Department	8,280	0.181%
Groves Volunteer Fire Department	4,356	0.095%
Gun Barrel City Fire Department	432	0.009%
Hallettsville Volunteer Fire Department	23,600	0.515%
Hamlin Volunteer Fire Department	6,264	0.137%
Haskell Volunteer Fire Department	9,960	0.217%
Hawkins Volunteer Fire Department	6,228	0.136%
Hays County ESD#6	18,468	0.403%
Hearne Volunteer Fire Department	21,753	0.475%
Hereford Fire Department	22,400	0.489%
Humble Volunteer Fire Department	-	0.000%
Huntsville Fire Department	12,276	0.268%
Howa Park Volunteer Fire Department	13,800	0.301%
Iraan Volunteer Fire Department & EMS	540	0.012%
Jasper Volunteer Fire Department	22,205	0.485%
Jeff Davis County Emergency Services District #1	12,816	0.280%
Jefferson Volunteer Fire Department	7,488	0.163%

The Notes to Schedule of Participating Department Allocations and Schedule of Collective Pension Amounts are an integral part of this schedule.

**TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM**  
**SCHEDULE OF PARTICIPATING DEPARTMENT ALLOCATIONS – CONTINUED**  
**AS OF AND FOR THE YEAR ENDED AUGUST 31, 2016**

Contributing Entity	2016 Contributions	Contributing Entity Allocation Percentage
Katy Volunteer Fire Department	7,344	0.160%
Kermit Volunteer Fire Department	13,320	0.291%
Kingsville Volunteer Fire Department	5,472	0.119%
La Grange Volunteer Fire Department	20,946	0.457%
Lake Jackson EMS	2,400	0.052%
Lake Jackson Volunteer Fire Department	62,950	1.374%
Lamesa Volunteer Fire Department	46,000	1.004%
Lancaster Fire Department	-	0.000%
LaPorte Fire Department	35,750	0.780%
League City Volunteer Fire Department	87,548	1.911%
Levelland Fire Department	8,316	0.182%
Lindale Volunteer Fire Department	12,636	0.276%
Linn-San Manuel VFD	4,680	0.102%
Littlefield Volunteer Fire Department	6,696	0.146%
Liverpool Volunteer Fire Department	3,050	0.067%
Llano Volunteer Fire Department	12,464	0.272%
Lockhart Volunteer Fire Department	864	0.019%
Louise Volunteer Fire Department	3,240	0.071%
Lucas Volunteer Fire Department	1,558	0.034%
Madisonville Volunteer Fire Department	8,640	0.189%
Manvel Volunteer Fire Department	9,850	0.215%
MARFA VOLUNTEER FIRE DEPARTMENT	7,965	0.174%
Mathis Volunteer Fire Department	7,128	0.156%
Mercedes Volunteer Fire Department	6,912	0.151%
Merkel Volunteer Fire Department	3,204	0.070%
Mineola Volunteer Fire Department	9,900	0.216%
Mineral Wells Volunteer Fire Department	7,956	0.174%
Mission Volunteer Fire Department	1,728	0.038%
Mont Belvieu Fire Department	16,250	0.355%
Morton Volunteer Fire Department	2,700	0.059%
Moulton Fire Department	10,332	0.226%
Mount Vernon Volunteer Fire Department	6,912	0.151%
Muleshoe Volunteer Fire Department	6,192	0.135%
Odem Volunteer Fire Department	5,400	0.118%
Orange County ESD #1	2,592	0.057%
Ovilla Fire Department	432	0.009%

The Notes to Schedule of Participating Department Allocations and Schedule of Collective Pension Amounts are an integral part of this schedule.

**TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM**  
**SCHEDULE OF PARTICIPATING DEPARTMENT ALLOCATIONS – CONTINUED**  
**AS OF AND FOR THE YEAR ENDED AUGUST 31, 2016**

Contributing Entity	2016 Contributions	Contributing Entity Allocation Percentage
Palacios Volunteer Fire Department	20,775	0.453%
Pasadena Fire Department	184,932	4.037%
Pearland Volunteer Fire Department	31,410	0.686%
Pearsall Volunteer Fire Department	11,900	0.260%
Pecos Volunteer Fire Department	18,396	0.402%
Perryton Fire Department	14,400	0.314%
Pharr Volunteer Fire Department	20,880	0.456%
Pilot Point Fire Department	-	0.000%
Port Aransas Volunteer Fire Department	9,828	0.215%
Princeton Volunteer Fire Department	14,184	0.310%
Quanah Volunteer Fire Department	11,196	0.244%
Quitman Volunteer Fire Department	5,940	0.130%
Randall County ESU	12,534	0.274%
Randall County Volunteer Fire Deptment	30,504	0.666%
Raymondville Volunteer Fire Department	26,340	0.575%
Reno Volunteer Fire Department	5,652	0.123%
Richwood Volunteer Fire Department	7,500	0.164%
River Oaks Fire Department	8,676	0.189%
Roby Volunteer Fire Department	4,788	0.105%
Rockwall Volunteer Fire Department	58,875	1.285%
Rosenberg Fire Department	828	0.018%
Rotan Volunteer Fire Department	5,976	0.130%
San Augustine Volunteer Fire Department	10,800	0.236%
San Juan Volunteer Fire Department	5,652	0.123%
San Marcos Fire Rescue	-	0.000%
San Saba Volunteer Fire Department	7,992	0.174%
Sanger Volunteer Fire Department	3,024	0.066%
Santa Fe Volunteer Fire Department	35,600	0.777%
Schulenburg Volunteer Fire Department	76,857	1.678%
Seabrook Volunteer Fire Department	16,632	0.363%
Sealy Volunteer Fire Department	2,700	0.059%
Seguin Fire Department	4,500	0.098%
Seminole Volunteer Fire Department	31,120	0.679%
Seymour Volunteer Fire Department	12,558	0.274%
Shiner Volunteer Fire Department	20,592	0.449%
Sinton Volunteer Fire Department	6,480	0.141%
Slaton Volunteer Fire Department	9,360	0.204%
Snyder Volunteer Fire Department	5,220	0.114%
Sonora Volunteer Fire Department	9,620	0.210%
South Houston Volunteer Fire Department	20,040	0.437%
Spearman Volunteer Fire Department	1,800	0.039%
Spur Volunteer Fire Department	9,648	0.211%
Sunray Volunteer Fire Department	7,416	0.162%
Sw eeny Fire and Rescue	11,440	0.250%

The Notes to Schedule of Participating Department Allocations and Schedule of Collective Pension Amounts are an integral part of this schedule.



**TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM  
SCHEDULE OF PARTICIPATING DEPARTMENT ALLOCATIONS – CONTINUED  
AS OF AND FOR THE YEAR ENDED AUGUST 31, 2016**

<u>Contributing Entity</u>	<u>2016 Contributions</u>	<u>Contributing Entity Allocation Percentage</u>
Tahoka Volunteer Fire Department	8,496	0.185%
Teague Fire Department	13,536	0.295%
Terrell Volunteer Fire Department	15,200	0.332%
Travis County ESD #6	2,016	0.044%
Trinity Volunteer Fire Department	9,396	0.205%
UPTON COUNTY ESD #2	6,912	0.151%
Uvalde Volunteer Fire Department	54,120	1.181%
Waller Harris ESD 200	24,516	0.535%
Weimar Volunteer Fire Department	13,104	0.286%
Wellington Volunteer Fire Department	7,704	0.168%
West Columbia Volunteer Fire Department	16,936	0.370%
Wharton Fire Department	17,930	0.391%
Wild Peach Volunteer Fire Department	5,040	0.110%
Wills Point Fire Department	1,601	0.035%
Windcrest Fire Department	9,108	0.199%
Wolfforth Volunteer Fire & EMS	13,500	0.295%
Woodville Volunteer Fire Department	12,456	0.272%
Yoakum Volunteer Fire Department	8,928	0.195%
Yorktown Volunteer Fire Department	13,582	0.296%
State of Texas' 2016 Contribution	1,583,825	34.571%
<b>Total</b>	<b>\$ 4,581,371</b>	<b>100.000%</b>

The Notes to Schedule of Participating Department Allocations and Schedule of Collective Pension Amounts are an integral part of this schedule.

**TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM  
SCHEDULE OF COLLECTIVE PENSION AMOUNTS  
AS OF AND FOR THE YEAR ENDED AUGUST 31, 2016**

<u>Deferred Outflows of Resources</u>				<u>Deferred Inflows of Resources</u>				
Net Pension Liability	Differences Between Expected and Actual Experience	Changes of Assumptions	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Total Deferred Outflows of Resources Excluding Participating Department Specific Amounts*	Differences Between Expected and Actual Experience	Changes of Assumptions	Total Deferred Inflows of Resources Excluding Participating Department Specific Amounts*	Plan Pension Expense
<u>\$29,128,103</u>	<u>\$ 45,058</u>	<u>\$ 620,304</u>	<u>\$ 5,515,495</u>	<u>\$ 6,180,857</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,205,244</u>

\*Participating department specific amounts that are excluded from this schedule are the changes in proportion and differences between participating department contributions and proportionate share of contributions as defined in paragraphs .54 and .55 of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

**TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM  
NOTES TO SCHEDULE OF PARTICIPATING DEPARTMENT ALLOCATIONS AND  
SCHEDULE OF COLLECTIVE PENSION AMOUNTS  
AS OF AND FOR THE YEAR ENDED AUGUST 31, 2016**

**NOTE 1. BACKGROUND AND REPORTING ENTITY**

The Texas Emergency Services Retirement System (TESRS) is an agency of the State of Texas and its financial records comply with state statutes and regulations. The nine-member Board of Trustees, appointed by the Governor, establishes policy for the administration of the Texas Emergency Services Retirement System.

The TESRS was created as a standalone agency by the 83rd Legislature via the passage of SB 220, effective September 1, 2013, to assume the related functions of the abolished Office of the Fire Fighters' Pension Commissioner. While the agency is new, the System has been in existence since 1977. TESRS, which is under the authority of Title 8, Subtitle H, Chapters 861-865 of the Texas Government Code, provides death and disability benefits to active volunteer fire fighters and first responders, and a pension to members with vested service, as well as to their survivor/beneficiaries. For financial reporting purposes, the State of Texas is considered the primary reporting government. TESRS' financial statements are included in the State's Comprehensive Annual Financial Report. TESRS issues a publicly available Annual Financial Report, which includes financial statements, notes, and required supplementary information, which can be obtained at [www.tesrs.org](http://www.tesrs.org). The separately issued actuarial valuations which may be of interest are also available at the same link.

Information that is available in the annual financial report is not repeated in the allocation schedules and related notes.

The preparation of the schedules of participating department allocations and collective pension amounts in conformity with accounting principles generally accepted in the United States of America requires management to make significant estimates and assumptions that affect the reported amounts during the reporting period. Actual results could differ from those estimates.

**NOTE 2. SCHEDULE OF PARTICIPATING DEPARTMENT ALLOCATIONS**

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate.

Participating department contributions for the fiscal year ended August 31, 2016 were used for purposes of preparing the allocation schedule. Adjustments were made in the following circumstances, with the treatment detailed below:

- For newly participating departments, lump sum contributions were eliminated and contributions were annualized
- MTES contributions for legacy departments were eliminated
- Interest on contributions was eliminated
- 13<sup>th</sup> checks, which are passed directly through to the participants, were eliminated

**TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM  
NOTES TO SCHEDULE OF PARTICIPATING DEPARTMENT ALLOCATIONS AND  
SCHEDULE OF COLLECTIVE PENSION AMOUNTS  
AS OF AND FOR THE YEAR ENDED AUGUST 31, 2016**

**NOTE 3. SCHEDULE OF COLLECTIVE PENSION AMOUNTS**

TESRS has prepared the Schedule of Collective Pension Amounts. The collective pension expense based on TESRS's fiscal year ended August 31, 2016 is shown in the following table:

Service cost	\$ 1,694,230
Interest	8,901,986
Projected earnings on pension plan investments	(6,896,675)
Amortization of differences between projected and actual earnings on plan investments	1,327,551
Amortization of changes of assumptions	269,698
Amortization of differences between expected and actual experience	19,590
Pension plan administrative expense	166,840
Changes in benefit provisions	<u>722,024</u>
	<u><u>\$ 6,205,244</u></u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense in future years as follows:

<u>Fiscal Year Ended August 31,</u>	<u>Net Deferred Outflows of Resources</u>
2017	\$ 1,616,838
2018	1,616,838
2019	2,559,192
2020	387,989

Each participating department will need to calculate two additional types of deferred outflows of resources and deferred inflows of resources, which are participating department specific amounts. These amounts relate to differences between actual contributions made by a participating department and their proportionate share of total contributions calculated based on the allocation percentage.

The participating department's proportionate share of the collective pension expense for its fiscal year ended between September 1, 2016 and August 31, 2017 is equal to the collective pension expense multiplied by the participating department's allocation percentage for TESRS's fiscal year ended August 31, 2016 as shown in the schedule of participating department allocations.