

TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

REPORT ON PENSION INFORMATION

AUGUST 31, 2015

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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, 2015, 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, 2015, 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.

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 presents 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 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, 2015, 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, 2015, and our report thereon, dated December 18, 2015, 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
March 15, 2016

**TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
SCHEDULE OF PARTICIPATING DEPARTMENT ALLOCATIONS
AS OF AND FOR THE YEAR ENDED AUGUST 31, 2015**

<u>Contributing Entity</u>	<u>2015 Contributions</u>	<u>Contributing Entity Allocation Percentage</u>
Alamo Volunteer Fire Department	\$ 5,292	0.112%
Alpine Volunteer Fire Department	3,888	0.082%
Alvarado Volunteer Fire Department	1,944	0.041%
Alvin Volunteer Fire Department	96,600	2.045%
Andrews Volunteer Fire Department	14,400	0.305%
Angleton Volunteer Fire Department	20,200	0.428%
Ballinger Fire Department	11,124	0.236%
Bastrop County ESD # 1	26,150	0.554%
Bastrop County ESD#2	14,832	0.314%
Brady Volunteer Fire Department	8,352	0.177%
Brazoria Volunteer Fire Department	10,388	0.220%
Brazoria-Liverpool	9,000	0.191%
Brazoria-Manvel	9,000	0.191%
Bremont Fire Department	3,612	0.076%
Brenham Fire Department	53,340	1.129%
Bridge City Fire & Rescue	17,640	0.373%
Bridgeport Volunteer Fire Department	19,176	0.406%
Brownfield Fire Department	1,404	0.030%
BUFFALO VFD	6,876	0.146%
Burkburnett Fire Department	11,826	0.250%
Burnet County ESD#4	2,484	0.053%
Burnet Fire Department	10,332	0.219%
Cactus Volunteer Fire Department	1,728	0.037%
Cameron Volunteer Fire Department	9,900	0.210%
Canadian Volunteer Fire Department	33,200	0.703%
Canyon Fire Department	38,400	0.813%
Carthage Volunteer Fire Department	12,744	0.270%
Cedar Hill Fire Department	-	0.000%
Center Volunteer Fire Department	13,620	0.288%
Clarksville Volunteer Fire Department	3,888	0.082%
Claude Volunteer Fire and Ambulance Department	4,572	0.097%
Clute Volunteer Fire Department	25,600	0.542%
Columbus Fire Department	31,650	0.670%
Crockett Volunteer Fire Department	6,192	0.131%
Crosbyton Volunteer Fire Department	7,920	0.168%
Cuero Volunteer Fire Department	15,700	0.332%
Daingerfield Volunteer Fire Department	9,684	0.205%
Dalhart Volunteer Fire Department	11,448	0.242%
Dallas County Fire and Rescue	864	0.018%
Dayton Volunteer Fire Department	14,688	0.311%
Deer Park Volunteer Fire Department	91,000	1.927%
Del Rio Fire & Rescue Department	-	0.000%
Denver City Volunteer Fire Department	15,840	0.335%
Diboll Volunteer Fire Department	13,392	0.284%
Dickinson Volunteer Fire Department	19,580	0.415%
Dimmitt Fire Department	8,820	0.187%
Dumas Volunteer Fire Department	3,996	0.085%
Eagle Lake Volunteer Fire Department	24,373	0.516%
Edcouch Volunteer Fire Department	4,032	0.085%
Edgecliff Volunteer Fire Department	3,888	0.082%

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

TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
SCHEDULE OF PARTICIPATING DEPARTMENT ALLOCATIONS – CONTINUED
AS OF AND FOR THE YEAR ENDED AUGUST 31, 2015

Contributing Entity	2015 Contributions	Contributing Entity Allocation Percentage
Edinburg Volunteer Fire Department	\$ 60,900	1.289%
Edna Volunteer Fire Department	8,352	0.177%
El Campo Volunteer Fire Department	42,780	0.906%
El Paso County Emergency District #1	23,347	0.494%
El Paso County Emergency District #2	66,564	1.409%
Electra Volunteer Fire Department	9,396	0.199%
Fairfield Volunteer Fire Department	6,912	0.146%
Farmersville Volunteer Fire Department	12,240	0.259%
Ferris Fire Department	4,932	0.104%
Flatonia Volunteer Fire Department	36,000	0.762%
Forney Volunteer Fire Department	8,856	0.187%
Fort Stockton Volunteer Fire Department	12,528	0.265%
Fredericksburg Fire Department	30,160	0.639%
Freeport Volunteer Fire Department	1,296	0.027%
Freer Volunteer Fire Department	10,800	0.229%
Friendswood Volunteer Fire Department	93,576	1.981%
Frisco Fire Department	2,556	0.054%
Gainesville Fire Department	864	0.018%
Galena Park Fire Department	936	0.020%
Georgetown Fire Department	-	0.000%
Giddings Volunteer Fire Department	11,052	0.234%
Gilmer Volunteer Fire Department	5,688	0.120%
Gonzales Fire Department	13,932	0.295%
Grand Praire Fire Department	1,296	0.027%
Grand Saline Volunteer Fire Department	2,988	0.063%
Grandbury Volunteer Fire Department	68,545	1.451%
Grandview Volunteer Fire Department	2,700	0.057%
Greenwood Rural VFD	69,100	1.463%
Groesbeck Volunteer Fire Department	6,912	0.146%
Groves Volunteer Fire Department	4,680	0.099%
Gun Barrel City Fire Department	612	0.013%
Hallettsville Volunteer Fire Department	21,250	0.450%
Hamlin Volunteer Fire Department	6,804	0.144%
Haskell Volunteer Fire Department	7,776	0.165%
Hawkins Volunteer Fire Department	4,716	0.100%
Hays County ESD#6	18,612	0.394%
Hearne Volunteer Fire Department	9,108	0.193%
Hereford Fire Department	20,440	0.433%
Hidalgo Volunteer Fire Department	216	0.005%
Humble Volunteer Fire Department	-	0.000%
Huntsville Fire Department	12,528	0.265%
Iowa Park Volunteer Fire Department	16,950	0.359%
Iraan Volunteer Fire Department & EMS	1,008	0.021%
Jasper Volunteer Fire Department	15,925	0.337%
Jeff Davis County Emergency Services District #1	15,588	0.330%
Jefferson Volunteer Fire Department	8,460	0.179%
Katy Volunteer Fire Department	7,668	0.162%
Kermit Volunteer Fire Department	13,356	0.283%
Kingsville Volunteer Fire Department	7,236	0.153%
La Grange Volunteer Fire Department	16,032	0.339%

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

TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
SCHEDULE OF PARTICIPATING DEPARTMENT ALLOCATIONS – CONTINUED
AS OF AND FOR THE YEAR ENDED AUGUST 31, 2015

Contributing Entity	2015 Contributions	Contributing Entity Allocation Percentage
Lake Jackson EMS	\$ 2,400	0.051%
Lake Jackson Volunteer Fire Department	68,000	1.440%
Lamesa Volunteer Fire Department	49,000	1.037%
Lancaster Fire Department	-	0.000%
LaPorte Fire Department	46,365	0.982%
League City Volunteer Fire Department	99,674	2.110%
Levelland Fire Department	10,512	0.223%
Lindale Volunteer Fire Department	13,068	0.277%
Linn-San Manuel VFD	2,808	0.059%
Littlefield Volunteer Fire Department	7,164	0.152%
Llano Volunteer Fire Department	12,833	0.272%
Lockhart Volunteer Fire Department	1,656	0.035%
Louise Volunteer Fire Department	4,068	0.086%
Lucas Volunteer Fire Department	18,120	0.384%
Madisonville Volunteer Fire Department	9,288	0.197%
Marfa Volunteer Fire Department	8,640	0.183%
Mathis Volunteer Fire Department	5,724	0.121%
Mercedes Volunteer Fire Department	7,308	0.155%
Merkel Volunteer Fire Department	3,672	0.078%
Midlothian Volunteer Fire Department	-	0.000%
Mineola Volunteer Fire Department	9,864	0.209%
Mineral Wells Volunteer Fire Department	10,224	0.216%
Mission Volunteer Fire Department	3,024	0.064%
Mont Belvieu Fire Department	17,750	0.376%
Morton Volunteer Fire Department	3,132	0.066%
Moulton Fire Department	7,056	0.149%
Mount Vernon Volunteer Fire Department	7,164	0.152%
Muleshoe Volunteer Fire Department	5,472	0.116%
Odem Volunteer Fire Department	6,048	0.128%
Orange County ESD #1	3,024	0.064%
Ovilla Fire Department	432	0.009%
Palacios Volunteer Fire Department	18,000	0.381%
Pasadena Fire Department	202,224	4.281%
Pearland Volunteer Fire Department	28,530	0.604%
Pearsall Volunteer Fire Department	10,080	0.213%
Pecos Volunteer Fire Department	16,776	0.355%
Perryton Fire Department	13,200	0.279%
Pharr Volunteer Fire Department	17,980	0.381%
Pilot Point Fire Department	-	0.000%
Port Aransas Volunteer Fire Department	9,756	0.207%
Princeton Volunteer Fire Department	15,660	0.332%
Quanah Volunteer Fire Department	11,016	0.233%
Quitman Volunteer Fire Department	6,156	0.130%
Randall County ESD	8,510	0.180%
Randall County Volunteer Fire Deptment	18,560	0.393%
Raymondville Volunteer Fire Department	16,020	0.339%
Reno Volunteer Fire Department	6,480	0.137%
Richwood Volunteer Fire Department	8,375	0.177%
River Oaks Fire Department	15,534	0.329%
Roby Volunteer Fire Department	3,924	0.083%

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

TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
SCHEDULE OF PARTICIPATING DEPARTMENT ALLOCATIONS – CONTINUED
AS OF AND FOR THE YEAR ENDED AUGUST 31, 2015

<u>Contributing Entity</u>	<u>2015 Contributions</u>	<u>Contributing Entity Allocation Percentage</u>
Rockwall Volunteer Fire Department	\$ 46,525	0.985%
Rosenberg Fire Department	2,163	0.046%
Rotan Volunteer Fire Department	6,516	0.138%
San Augustine Volunteer Fire Department	10,800	0.229%
San Juan Volunteer Fire Department	8,892	0.188%
San Marcos Fire Rescue	-	0.000%
San Saba Volunteer Fire Department	7,776	0.165%
Sanger Volunteer Fire Department	3,168	0.067%
Santa Fe Volunteer Fire Department	38,700	0.819%
Schulenburg Volunteer Fire Department	76,109	1.611%
Seabrook Volunteer Fire Department	18,828	0.399%
Sealy Volunteer Fire Department	3,996	0.085%
Seguin Fire Department	3,960	0.084%
Seminole Volunteer Fire Department	21,360	0.452%
Seymour Volunteer Fire Department	12,012	0.254%
Shiner Volunteer Fire Department	20,736	0.439%
Sinton Volunteer Fire Department	6,480	0.137%
Slaton Volunteer Fire Department	6,876	0.146%
Snyder Volunteer Fire Department	4,212	0.089%
Sonora Volunteer Fire Department	10,608	0.225%
South Houston Volunteer Fire Department	15,720	0.333%
Spearman Volunteer Fire Department	1,404	0.030%
Spur Volunteer Fire Department	9,000	0.191%
Sunray Volunteer Fire Department	7,092	0.150%
Sweeny Fire and Rescue	10,025	0.212%
Tahoka Volunteer Fire Department	8,748	0.185%
Teague Fire Department	10,836	0.229%
Terrell Volunteer Fire Department	15,250	0.323%
Travis County ESD #6	2,436	0.052%
Trinity Volunteer Fire Department	9,288	0.197%
Upton County ESD#2	7,128	0.151%
Uvalde Volunteer Fire Department	52,080	1.103%
Waller Harris ESD 200	27,720	0.587%
Weimar Volunteer Fire Department	13,824	0.293%
Wellington Volunteer Fire Department	8,280	0.175%
West Columbia Volunteer Fire Department	16,716	0.354%
Wharton Fire Department	15,675	0.332%
Wild Peach Volunteer Fire Department	5,796	0.123%
Wills Point Fire Department	3,672	0.078%
Windcrest Fire Department	11,736	0.248%
Wolfforth Volunteer Fire & EMS	11,088	0.235%
Woodville Volunteer Fire Department	12,276	0.260%
Yoakum Volunteer Fire Department	8,820	0.187%
Yorktown Volunteer Fire Department	12,852	0.272%
State's 2015 contribution	1,637,308	34.663%
Total	\$ 4,723,510	100.000%

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

**TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
SCHEDULE OF COLLECTIVE PENSION AMOUNTS
AS OF AND FOR THE YEAR ENDED AUGUST 31, 2015**

Net Pension Liability	Deferred Outflows of Resources				Deferred Inflows of Resources			Plan Pension Expense
	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*	
\$ 26,692,531	\$ -	\$ -	\$ 4,903,101	\$ 4,903,101	\$ -	\$ -	\$ -	\$ 4,191,215

*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, 2015**

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. 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, 2015 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
- 13th 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, 2015**

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, 2015 is shown in the following table:

Service cost	\$ 1,694,230
Interest	8,470,723
Projected earnings on pension plan investments	(7,129,200)
Amortization of differences between projected and actual earnings on plan investments	939,562
Pension plan administrative expense	215,900
	\$ 4,191,215

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

Fiscal Year Ended August 31,	Net Deferred Outflows of Resources
2016	\$ 939,562
2017	939,561
2018	939,561
2019	2,084,417

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, 2015 and August 31, 2016 is equal to the collective pension expense multiplied by the participating department's allocation percentage for TESRS's fiscal year ended August 31, 2015 as shown in the schedule of participating department allocations.