

**UNAUDITED**  
**ANNUAL FINANCIAL REPORT**  
For The Year Ended August 31, 2018



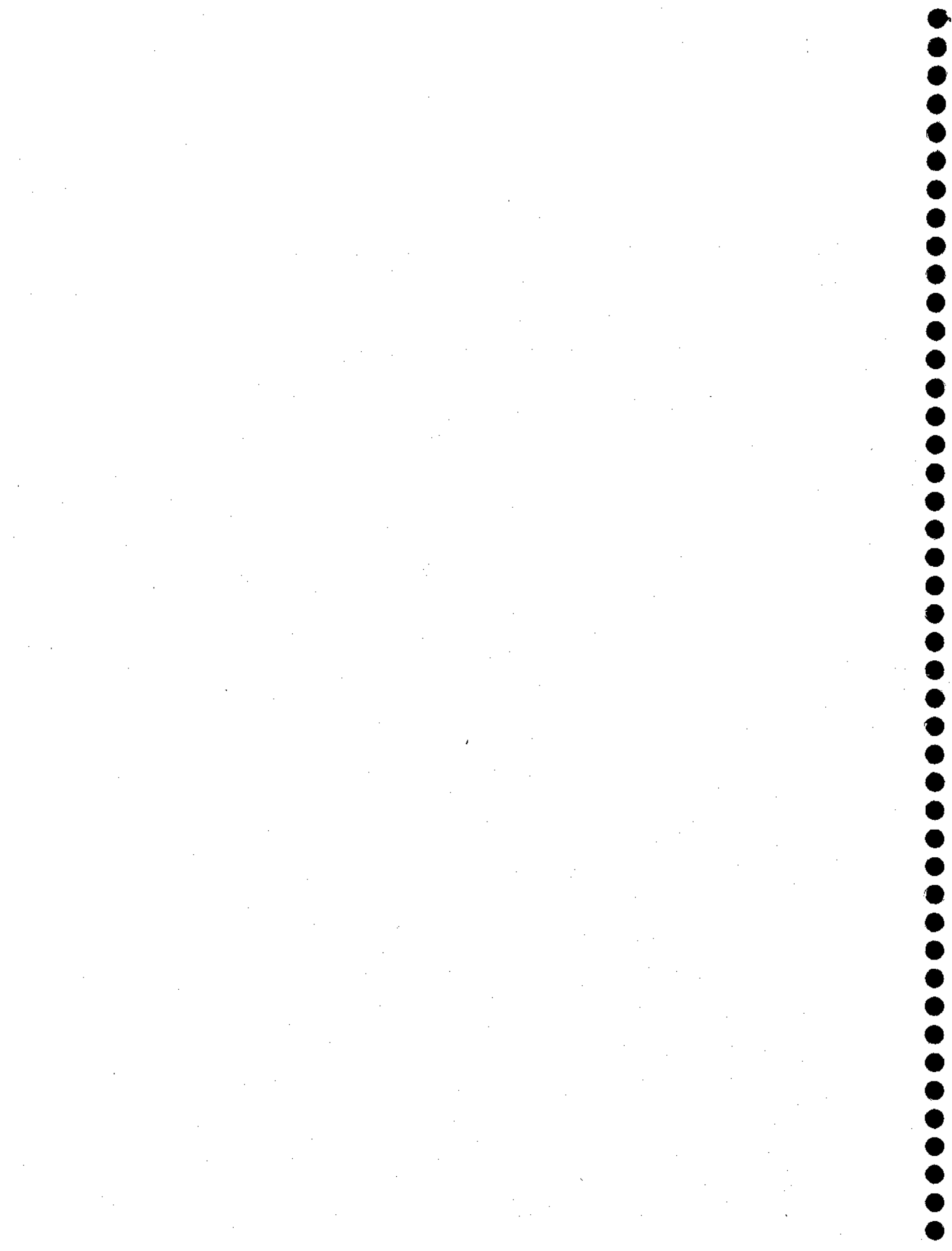
*Texas Emergency Services*  
*Retirement System*

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# Texas Emergency Services Retirement System



Frank Torres, Chairman  
Kevin Deiters, Executive Director

P.O. Box 12577 Austin, TX 78711-2577

(800) 919-3372

[www.tesrs.texas.gov](http://www.tesrs.texas.gov)

November 20, 2018

Honorable Greg Abbott, Governor  
Honorable Glenn Hegar, Texas Comptroller  
Sarah Keyton, Assistant Director, Legislative Budget Board  
John McGeady, Assistant Director, Legislative Budget Board  
Lisa Collier, First Assistant State Auditor

Ladies and Gentlemen:

We are pleased to submit the annual financial report of the Texas Emergency Services Retirement System for the year ended August 31, 2018, in compliance with Texas Government Code Annotated, Section 2101.011, and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) 34, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the state auditor as part of the audit of the State of Texas *Comprehensive Annual Financial Report* (CAFR); therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

A separate audit and opinion will be expressed on the financial statements contained in this report.

If you have questions or need additional information, please contact Judy Johnson, Chief Financial Officer, at (512) 565-1735 or [judy.johnson@tesrs.texas.gov](mailto:judy.johnson@tesrs.texas.gov).

Sincerely Yours,

A handwritten signature in black ink, appearing to read "Kevin Deiters".

Kevin Deiters, Executive Director  
Texas Emergency Services Retirement System

UNAUDITED

**Texas Emergency Services Retirement System (326)**  
**Exhibit I - Combined Balance Sheet/Statement of Net Position - Governmental Funds**  
**August 31, 2018**

	General Funds (Ex A-1)	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Net Position
<b>ASSETS AND DEFERRED OUTFLOWS</b>					
Current Assets:					
Cash in State Treasury	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Legislative Appropriations	83,857.42	83,857.42			83,857.42
Accounts Receivable					0.00
Consumable Inventories	2,792.56	2,792.56			2,792.56
Other Current Assets					
<b>Total Current Assets</b>	<u>86,649.98</u>	<u>86,649.98</u>	<u>0.00</u>	<u>0.00</u>	<u>86,649.98</u>
Non-Current Assets:					
Capital Assets (Note 2):					
Depreciable:					
Other Capital Assets, Net			0.00		0.00
Other Non-Current Assets					
<b>Total Non-Current Assets</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Total Assets and Deferred Outflow:</b>	<u><u>\$86,649.98</u></u>	<u><u>\$86,649.98</u></u>	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>	<u><u>\$86,649.98</u></u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>					
Liabilities					
Current Liabilities:					
Payables from:					
Accounts	\$23,428.80	\$23,428.80			\$23,428.80
Payroll	60,351.78	60,351.78			60,351.78
Due To Other Funds (Note 12)					0.00
Employees' Compensable Leave (Note 5)	0.00	0.00		18,909.41	18,909.41
<b>Total Current Liabilities</b>	<u>83,780.58</u>	<u>83,780.58</u>	<u>0.00</u>	<u>18,909.41</u>	<u>102,689.99</u>
Non-Current Liabilities					
Employees' Compensable Leave (Note 5)	0.00	0.00		23,955.91	23,955.91
<b>Total Non-Current Liabilities</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>23,955.91</u>	<u>23,955.91</u>
<b>Total Liabilities and Deferred Inflows</b>	<u>83,780.58</u>	<u>83,780.58</u>	<u>0.00</u>	<u>42,865.32</u>	<u>126,645.90</u>
<b>Fund Financial Statement</b>					
Fund Balances (Deficits):					
Nonspendable	2,792.56	2,792.56			2,792.56
Restricted					
Committed					
Assigned					
Unassigned	76.84	76.84			76.84
<b>Total Fund Balances</b>	<u>2,869.40</u>	<u>2,869.40</u>			<u>2,869.40</u>
<b>Total Liabilities, Deferred Inflows and Fund Balance</b>	<u><u>\$86,649.98</u></u>	<u><u>\$86,649.98</u></u>		<u><u>\$42,865.32</u></u>	<u><u>\$129,515.30</u></u>
<b>Government-Wide Statement of Net Position</b>					
Net Position					
Net Investment in Capital Assets					
Restricted For			0.00		0.00
Debt Service					
Capital Projects					
Other					
Funds Held as Permanent Investments:					
Expendable					
Non-Expendable					
Other					
Unrestricted				-42,865.32	-42,865.32
<b>Total Net Position</b>			<u><u>\$0.00</u></u>	<u><u>-\$42,865.32</u></u>	<u><u>-\$39,995.92</u></u>

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

**Texas Emergency Services Retirement System (326)**  
**Exhibit II - Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances/Statement of Activities -Governmental Funds**  
**For the Fiscal Year Ended August 31, 2018**

	General Funds	Governmental	Capital Assets	Long-Term Liabilities	Statement of
	(Ex A-2)	Funds Total	Adjustments	Adjustments	Activities
<b>REVENUES</b>					
Legislative Appropriations					
Original Appropriations (GR)	\$716,486.00	\$716,486.00	\$0.00	\$0.00	\$716,486.00
Additional Appropriations (GR)	153,562.65	153,562.65			153,562.65
Other (PR - Seminar Fees)	0.00	0.00			0.00
Other (GR)					
<b>Total Revenues</b>	<b>870,048.65</b>	<b>870,048.65</b>	<b>0.00</b>	<b>0.00</b>	<b>870,048.65</b>
<b>EXPENDITURES</b>					
Salaries and Wages	527,495.52	527,495.52		4,147.34	531,642.86
Payroll Related Costs	169,465.01	169,465.01			169,465.01
Professional Fees and Services	101,701.26	101,701.26			101,701.26
Travel	18,922.27	18,922.27			18,922.27
Materials and Supplies	31,352.21	31,352.21			31,352.21
Communication and Utilities	9,077.95	9,077.95			9,077.95
Repairs and Maintenance	940.50	940.50			940.50
Rentals and Leases	5.67	5.67			5.67
Printing and Reproduction	3,132.99	3,132.99			3,132.99
Judgments and Settlements	0.00	0.00			0.00
Other Expenditures	8,410.03	8,410.03			8,410.03
Capital Outlay	0.00	0.00			0.00
Depreciation Expense	0.00	0.00			0.00
<b>Total Expenditures/Expenses</b>	<b>870,503.41</b>	<b>870,503.41</b>	<b>0.00</b>	<b>-4,147.34</b>	<b>874,650.75</b>
Excess (Deficiency) of Revenues over Expenditures	-454.76	-454.76	0.00	-4,147.34	-4,602.10
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In					
<b>Total Other Financing Sources (Uses)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>SPECIAL ITEMS</b>					
					0.00
<b>EXTRAORDINARY ITEMS</b>					
					0.00
<b>Net Change in Fund Balances/Net Position</b>	<b>-454.76</b>	<b>-454.76</b>	<b>0.00</b>	<b>-4,147.34</b>	<b>-4,602.10</b>
<b>Fund Financial Statement - Fund Balances</b>					
Fund Balances - Beginning	3,810.75	3,810.75			3,810.75
Restatements					
<b>Fund Balances - September 1, 2017, as Restated</b>	<b>3,810.75</b>	<b>3,810.75</b>			<b>3,810.75</b>
Appropriations Lapsed	486.59	486.59			486.59
<b>Fund Balances, August 31, 2018</b>	<b>\$2,869.40</b>	<b>\$2,869.40</b>	<b>\$0.00</b>	<b>-\$4,147.34</b>	<b>-\$1,277.94</b>
<b>Government-Wide Statement of Net Position</b>					
Net Position/Net Change in Net Position			0.00	-4,147.34	
Net Position, Beginning				-38,717.98	-38,717.98
Restatements					0.00
<b>Net Position, September 1, 2017, as Restated</b>			<b>0.00</b>	<b>-38,717.98</b>	<b>-38,717.98</b>
<b>Net Position as of August 31, 2018</b>			<b>\$0.00</b>	<b>-\$42,865.32</b>	<b>-\$39,995.92</b>

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

**Texas Emergency Services Retirement System (326)**  
**Exhibit VI - Combined Statement of Fiduciary Net Position**  
**August 31, 2018**

	Pension and Other Employee Benefit Trust Funds (Exhibit G-1)	Agency Funds (Exhibit J-1)	Totals
<b>ASSETS</b>			
Cash and Cash Equivalents			
Cash in State Treasury	\$263,828.83	\$0.00	\$263,828.83
Short Term Investments (Note 3)			
Other Short Term Investments	1,101,696.75		1,101,696.75
Investments (Note 3)		0.00	
Corporate Equity	62,329,442.64		62,329,442.64
US Government Obligations	13,528,469.27		13,528,469.27
Corporate Obligations	11,367,835.41		11,367,835.41
Other Investments	24,783,613.62		24,783,613.62
Receivables from:			
Retirement System Contributions Receivable	2,473,517.06		2,473,517.06
Interest and Dividends	208,528.56	0.00	208,528.56
Sale of Investments	42,729.17	0.00	42,729.17
Other	0.00	0.00	0.00
Other Assets		0.00	
Due From Other Funds (Note 12)	0.00		0.00
Properties, at Cost, net of Accumulated Depreciation			
<b>Total Assets</b>	<b>\$116,099,661.31</b>	<b>\$0.00</b>	<b>\$116,099,661.31</b>
<b>LIABILITIES</b>			
Payables from:			
Accounts Payable	123,437.67	0.00	123,437.67
Investment Payable	112,329.32		112,329.32
Unearned Revenue	0.00	0.00	0.00
Payroll	0.00	0.00	0.00
Retirement Benefits	0.00		0.00
Due To Other Funds (Note 12)	0.00	0.00	0.00
Funds Held for Others		0.00	0.00
Claims and Judgments			
Employees' Compensable Leave (Note 5)	0.00		0.00
Capital Lease Obligations (Note 7)			
<b>Total Liabilities</b>	<b>235,766.99</b>	<b>0.00</b>	<b>235,766.99</b>
<b>NET Position</b>			
Held in Trust For			
Pension and Other Employee Benefits	115,863,894.32		115,863,894.32
<b>Total Net Position</b>	<b>\$115,863,894.32</b>	<b>\$0.00</b>	<b>\$115,863,894.32</b>

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



UNAUDITED

**Texas Emergency Services Retirement System (326)**  
**Exhibit VII - Combined Statement of Changes in Fiduciary Net Position**  
**For the Fiscal Year Ended August 31, 2018**

	Pension and Other Employee Benefit Trust Funds (Exhibit G-2)	Totals
<b>Additions</b>		
Contributions:		
Original Appropriations (GR)	\$1,329,224.00	\$1,329,224.00
Dues	3,876,449.50	3,876,449.50
Prior Service	222,385.00	222,385.00
Total Contributions	<u>5,428,058.50</u>	<u>5,428,058.50</u>
Investment Income		
From Investing Activities:		
Net Appreciation (Depreciation) in Fair Value of Investments	10,102,829.41	10,102,829.41
Treasury Interest	23,280.97	23,280.97
Interest and Investment Income	1,725,620.00	1,725,620.00
Total Investing Income (Loss)	<u>11,851,730.38</u>	<u>11,851,730.38</u>
Less Investing Activities Expense	541,738.60	541,738.60
Net Income from Investing Activities	<u>11,309,991.78</u>	<u>11,309,991.78</u>
Other Additions		
Other Revenue	3,817.92	3,817.92
Total Other Additions	<u>3,817.92</u>	<u>3,817.92</u>
Total Additions	<u>16,741,868.20</u>	<u>16,741,868.20</u>
<b>Deductions</b>		
TESRS Retirement System Benefits Paid:		
Death Benefits	266,033.81	266,033.81
Retirement Benefits	5,019,686.19	5,019,686.19
Disability Benefits	35,450.00	35,450.00
Survivor's Benefits	518,450.34	518,450.34
Salaries and Wages	0.00	0.00
Payroll related Costs	0.00	0.00
Professional Fees and Services	137,477.29	137,477.29
Travel	15,741.44	15,741.44
Materials & Supplies	485.72	485.72
Communications & Utilities	-35.00	-35.00
Repairs & Maintenance	400.00	400.00
Rentals & Leases	2,596.60	2,596.60
Printing and Reproduction	0.00	0.00
Depreciation Expense	0.00	0.00
Interest Expense	5.17	5.17
Other Expense	1,470.00	1,470.00
Transfer Out	0.00	0.00
Total Deductions	<u>5,997,761.56</u>	<u>5,997,761.56</u>
Net Increase (Decrease)	<u>10,744,106.64</u>	<u>10,744,106.64</u>
Net Position - Beginning	105,119,787.68	105,119,787.68
Restatements	0.00	0.00
Net Position, September 1, 2017, as Restated	<u>105,119,787.68</u>	<u>105,119,787.68</u>
Net Position, August 31, 2018	<u>\$115,863,894.32</u>	<u>\$115,863,894.32</u>

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

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## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. 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. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for State Agencies.

The TESRS was created as a standalone agency by the 83<sup>rd</sup> 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 (agency 325). 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 firefighters and first responders, and a pension to members with vested service, as well as to their survivor/beneficiaries.

No blended or discretely presented component units have been identified as having a relationship to the TESRS.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

#### B. FUND STRUCTURE

The accompanying financial statements of the TESRS are presented on the basis of funds each of which is considered a separate accounting entity.

##### GOVERNMENTAL FUND TYPE

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##### General Revenue Fund

The General Revenue Fund is used to account for all financial resources of the state except those required to be accounted for in another fund.

##### FIDUCIARY FUND TYPES

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##### Fiduciary Fund

Fiduciary funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. When assets are held under the terms of a formal trust agreement, either a pension trust fund, or a private purpose trust fund is used.

The TESRS Fund is used to account for the accumulation of resources for pension benefit payments to qualified volunteer firefighters and emergency responders and their beneficiaries. Administrative expenses totaling \$158,141.22 were funded out of the TESRS Fund.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. BASIS OF ACCOUNTING**

The basis of accounting determines when revenues and expenses/expenditures are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Governmental fund types that build the fund financial statements are accounted for using the modified accrual method basis of accounting. Under the modified accrual method, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year end. The State of Texas considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year for Fund Financial Statements prepared on the modified basis of accrual. Expenditures and other uses of financial resources are recognized when the related liability is incurred.

Governmental adjustment fund types that will build the government-wide financial statements are accounted for using the full accrual method of accounting. This includes capital assets, accumulated depreciation, unpaid Employee Compensable Leave, the unmatured debt service (principal and interest) on general long-term liabilities, long-term capital leases, long-term claims and judgments and full accrual revenues and expenses. The activity will be recognized in these fund types.

Pension Trust Funds are accounted for on the accrual basis of accounting. Revenues, including contributions, are recognized when earned and expenses are recognized when the liability is incurred. Benefit expenses are recognized when the benefit is earned and refunds are recognized when processed.

**D. BUDGETS AND BUDGETARY ACCOUNTING**

The budget is prepared biennially and represents appropriations authorized by the Legislature and approved by the Governor (the General Appropriations Act).

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

**E. ASSETS, LIABILITIES AND FUND BALANCES/NET ASSETS**

**ASSETS**

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Investments

Investments of the Plan are reported at fair value, with certain exceptions in accordance with GASB Statement No. 72 Fair Value Measurement and Application. The fair value of investments is based on market prices provided by the fund custodian, Bank of Texas. For investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, determines the fair values for the individual investments.

Accounts Receivable

Accounts receivable represents contributions due to the TESRS Funds, investment income earned but not received as of August 31, 2018, and investment trades initiated before August 31, 2018 with settlement dates after August 31, 2018.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In addition, included in this category are receivables relating to the financing of prior service contracts. Pursuant to Senate Bill No. 411, 65<sup>th</sup> Legislature, Regular Session (1977), pension plans that elect to participate in the pension system administered by the TESRS must make contributions to the pension system to fund the unfunded prior service costs applicable to their volunteer emergency service personnel. The sponsors of these plans have the option of financing these contributions with TESRS. The time period for financing is established by board rule at a maximum of 10 years; however, there are some contracts still outstanding which were operating under a previous rule which set the maximum at 40 years.

The TESRS has entered into written contracts with these merging sponsors, establishing the terms of the funding of the buybacks and unfunded prior service costs. The contracts specify interest on the unpaid balance, which is the actuarially assumed investment rate of return at the effective date of the contract.

**INVENTORIES AND PREPAID ITEMS**

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Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost, generally utilizing the last-in, first-out method. The consumption method of accounting is used to account for inventories and prepaid items that appear in the governmental and proprietary fund types. The cost of these items is expensed when the items are consumed.

Capital Assets

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year should be capitalized. These assets are capitalized at cost or, if not purchased, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. "Inexhaustible" assets such as works of art and historical treasures are not depreciated. Road and highway infrastructure is reported on the modified basis. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

All capital assets acquired by proprietary funds or trust funds are reported at cost or estimated historical cost, if actual historical cost is not available. Donated assets are reported at fair value on the acquisition date. Depreciation is charged to operations over the estimated useful life of each asset, using the straight-line method.

**LIABILITIES**

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Payables

Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending, as well as unpaid retirement obligations of the TESRS Fund.

Employees' Compensable Leave

Employees' Compensable Leave Balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net position.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**FUND BALANCE / NET POSITION**

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"Fund Balance" is the difference between assets plus deferred outflow of resources and liabilities plus deferred inflows of resources on the governmental fund statements. "Net position" is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources on the government-wide and fiduciary fund statements. Fund Balances for governmental funds are classified as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance includes amounts not available to be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. The balance in this category as of August 31, 2018 is \$2,792.56, representing the amount of supplies to be used in the next fiscal year.

Restricted fund balance includes those resources that have constraints placed on their use through external parties or by law through constitutional provisions.

Committed fund balance can be used only for specific purposes pursuant to constraints imposed by a formal action of the Texas Legislature, the state's highest level of decision making authority.

Assigned fund balance includes amounts constrained by the state's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (1) the Texas Legislature or (2) a body (for example, a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned fund balance is the residual classification for the General fund. This classification represents fund balance that was not assigned to other funds and was not restricted, committed or assigned to specific purposes within the General fund. The balance at August 31, 2018 was \$76.84.

**TESRS NET POSITION HELD IN TRUST FOR PENSION BENEFITS**

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TESRS Reserves

This represents reserves available to fund future retirement, death, and survivor benefits. The balance in this reserve is sufficient to meet the statutory requirements of the TESRS Fund. The balance at August 31, 2018 was \$115,863,894.32.

**F. INTERFUND TRANSACTIONS AND BALANCES**

The TESRS has the following type of transactions between agencies:

Due to other funds: Represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

The composition of the TESRS' interfund receivables and payables at August 31, 2018 is presented in Note 12.

**NOTE 2: CAPITAL ASSETS**

A summary of changes in General Fixed Assets for the year ended August 31, 2018, is presented below.

	PRIMARY GOVERNMENT					Balance 08/31/18
	Balance 09/01/17	Adjust- ments	Restate- ments	Additions	Deletions	
<b>Governmental</b>						
<b>Activities:</b>						
Depreciable Assets						
Furniture and Equipment	\$0		\$0			\$0
Other Assets	\$0		\$0			\$0
Total depreciable assets						
at historical cost:	\$0		\$0			\$0
Less accumulated depreciation for:						
Furniture and Equipment	\$0		\$0			
Other Assets	\$0		\$0			\$0
Total accumulated depreciation	\$0		\$0			\$0
Depreciable assets, net	\$0		\$0			\$0
<b>Governmental activities</b>						
<b>Capital assets, net:</b>	<b>\$0</b>		<b>\$0</b>			<b>\$0</b>
	PRIMARY GOVERNMENT					Balance 08/31/18
	Balance 09/01/17	Adjust- ments	Restate- ments	Additions	Deletions	
<b>Fiduciary</b>						
<b>Activities</b>						
Depreciable Assets						
Furniture and Equipment	\$0		\$0			\$0
Total depreciable assets	\$0		\$0			\$0
at historical cost:						
Less accumulated depreciation for:						
Furniture and Equipment	\$0		\$0			\$0
Total accumulated depreciation	\$0		\$0			\$0
Depreciable assets, net	\$0		-			\$0
<b>Fiduciary activities</b>						
<b>Capital assets, net:</b>	<b>\$0</b>		<b>-</b>			<b>\$0</b>

**NOTE 3: DEPOSITS, INVESTMENTS, & REPURCHASE AGREEMENTS**

Title 8, Government Code Subtitle H. Texas Emergency Services Retirement System Section 865.008 states if a surplus exists in the fund over the amount necessary to pay benefits due for a reasonable period of time, the state board shall invest the surplus. The assets of the pension system shall be invested and reinvested in accordance with Section 67, Article XVI, Texas Constitution. A determination of whether the state board has exercised prudence with respect to an investment decision must be made, taking into consideration the investment of all assets of the trust over which the state board has management and control rather than considering the prudence of a single investment. The Board's investment objectives are to achieve an annualized investment return that equals or exceeds the actuarial investment return assumption of the System.

The TESRS contracts with Bank of Texas for custodial services and AndCo Consulting, LLC for investment consulting services. The TESRS contracts with five money managers to manage the fixed income and equity portfolios. The money managers are Boston Partners LLC, Harvest Fund Advisors LLC, Garcia Hamilton & Associates L.P., Richmond Capital Management, Inc., and Clearbridge Investments, LLC. The TESRS also invests with three mutual funds—Wells Fargo, Clarkston Partners, and Jackson Square Partners, and with one Commingled Fund—OFIGTC (OFI Global Trust Company). In 2018, TESRS added the Real Estate investment fund Prime Property Fund, LLC.



**NOTE 3: DEPOSITS, INVESTMENTS, & REPURCHASE AGREEMENTS (CONTINUED)**

**INVESTMENTS**

As of August 31, 2018, the fair value of investments are as presented below:

**Fiduciary Funds**

Description	Fair Value Hierarchy			Net Asset Value	(Fair Value)
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs		
U.S. Treasury Securities	\$8,614,820.32				\$8,614,820.32
U.S. Government Agency Obligations		\$1,248,315.71			\$1,248,315.71
Corporate Obligations		\$11,166,044.21			\$11,166,044.21
Corporate Asset and Mortgage Backed Securities		\$3,867,124.44			\$3,867,124.44
Equity	\$62,329,442.64				\$62,329,442.64
International Equity	\$5,456,217.60				\$5,456,217.60
International Other Commingled Funds				\$16,827,391.95	\$16,827,391.95
Other Commingled Funds	\$1,101,696.75				\$1,101,696.75
Real Estate				\$2,500,004.07	\$2,500,004.07
<b>Total Investments</b>	<b>\$66,991,505.78</b>	<b>\$19,622,046.38</b>		<b>\$16,345,003.03</b>	<b>\$113,111,057.69</b>
Reconciliation of Investments per Exhibit VI					
Other Short Term Investments					\$1,101,696.75
Corporate Equity					\$62,329,442.64
U.S. Government Obligations					\$13,528,469.27
Corporate Obligations					\$11,367,835.41
Other Investments					\$24,783,613.62
<b>Investment per Exhibit VI</b>					<b>\$113,111,057.69</b>

**G. CREDIT RISK**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investment policies of the System require that investments in Core Fixed Income not exceed 25% (22.0% actual) of the portfolio.

TESRS' domestic fixed income is managed by Richmond Capital Management, Inc. and Garcia Hamilton & Associates L.P. 56% of these holdings are either not subject to credit risk or AAA rated, while 36% is rated A or better. Credit risk is managed through diversification and by operating within defined parameters.

**NOTE 3: DEPOSITS, INVESTMENTS, & REPURCHASE AGREEMENTS (CONTINUED)**  
**Standard & Poor's**

Fund Type	GAAP Fund	Investment Type	Not Rated
10	976	Core Fixed Income	\$24,896,304.68

All investments are registered and held in the name of the TESRS or in the name of the Agency's custodian, which was established through a custodial agreement.

The Agency has contracted with Bank of Texas, to serve as a custodian of the Agency's securities. The Agency has authorized their seven money managers to invest cash in money market funds pending completion of an investment settlement.

**NOTE 4: SHORT-TERM DEBT**

Not Applicable

**NOTE 5: SUMMARY OF LONG TERM LIABILITIES**

**Changes in Long-Term Liabilities**

During the year ended August 31, 2018, the following changes occurred in long-term liabilities.

Governmental Activities	Balance 09/01/17	Additions	Reductions	Balance 08/31/18	Amounts Due Within One Year
Compensable Leave	\$ 38,717.98	\$ 24,946.31	\$ 20,798.97	\$ 42,865.32	\$ 18,909.41
<b>Total Governmental Activities</b>	<b>\$ 38,717.98</b>	<b>\$ 24,946.31</b>	<b>\$ 20,798.97</b>	<b>\$ 42,865.32</b>	<b>\$ 18,909.41</b>

**Employees' Compensable Leave**

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Position. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

**NOTE 6: BONDED INDEBTEDNESS**

Not Applicable

**NOTE 7: DERIVATIVES**

Not Applicable

**NOTE 8: LEASES**

Not Applicable

**NOTE 9: PENSION PLANS**

See note 23

**NOTE 10: DEFERRED COMPENSATION**

Not Applicable

**NOTE 11: POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

Not Applicable

**NOTE 12: INTERFUND BALANCES/ACTIVITIES**

As explained in Note 1 on Interfund Transactions and Balances there are transactions between funds. At year-end amounts to be received or paid are reported as:  
Interfund Receivables or Interfund Payables (Note 12 presentation required)  
Due From Other Agencies or Due to Other Agencies  
Due From Other Funds or Due To Other Funds  
Transfers In or Transfers Out (Note 8 presentation required)  
Legislative Transfers In or Legislative Transfers Out (Note 12 presentation required)

Individual balances and activity at August 31, 2018, follows:

<b>Current Portion</b>	<b>Current Interfund Receivable</b>	<b>Current Interfund Payable</b>
General Revenue (01)	\$	\$
TESRS (976)	\$	\$
Total Interfund	\$	\$
Receivable/Payable	\$	\$
	<b>Non-Current Interfund Receivable</b>	<b>Non-Current Interfund Payable</b>
<b>Non-Current Portion</b>		
General Revenue (01)	\$	\$
TESRS (976)	\$	\$
Total Interfund	\$	\$
Receivable/Payable	\$	\$
	<b>Due From Other Funds</b>	<b>Due To Other Funds</b>
Agy 325, Fd 1, D23 Fund 0001	\$	\$
Agy 325, Fd 976, D23 Fd 976 TESRS	\$	\$
<b>Total Due From/To Other Funds</b>	<b>\$-0-</b>	<b>\$-0-</b>

**NOTE 13: CONTINUANCE SUBJECT TO REVIEW**

TESRS is subject to Sunset review (but not abolishment) in 2025 and every 12 years thereafter.

**NOTE 14: ADJUSTMENTS TO FUND BALANCE/NET ASSETS**

Not Applicable

**NOTE 15: CONTINGENCIES AND COMMITMENTS**

Not Applicable

**NOTE 16: SUBSEQUENT EVENTS**

Not Applicable

**NOTE 17: RISK MANAGEMENT**

The TESRS is exposed to a variety of civil claims resulting from the performance of its duties. It is TESRS policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed.

The TESRS assumes substantially all risks associated with tort claims and liability claims due to the performance of its duties.

The TESRS' liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. Because of the low statewide incident of claims, the TESRS does not hold fidelity dishonesty insurance coverage. Changes in the balances of the TESRS' claims liabilities during fiscal 2017 and 2018 were as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims	Balance at Fiscal Year- End
2017	\$ -0-	\$ -0-	\$ -0-	\$ -0-
2018	\$ -0-	\$ -0-	\$ -0-	\$ -0-

**NOTE 18: MANAGEMENT DISCUSSION AND ANALYSIS**

Not Applicable

**NOTE 19: THE FINANCIAL REPORTING ENTITY**

Not Applicable

**NOTE 20: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Not Applicable

**NOTE 21: NOT APPLICABLE TO THE AFR**

Not Applicable

**NOTE 22: DONOR RESTRICTED ENDOWMENTS**

Not Applicable

**NOTE 23: PENSION DISCLOSURES**

The Pension Disclosures note and Required Supplementary Information will be submitted as a part of the Audited AFR after the actuarial schedules have been completed.

**Texas Emergency Services Retirement System (326)**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2018 (With Comparative totals for August 31, 2017)**

	Market Value As of August 31, 2018	Market Value As of August 31, 2017
<b>MONEY MARKET MUTUAL FUND</b>		
Money Market Securities	\$1,101,697	\$1,395,000
<b>EQUITY MUTUAL/COMMINGLED FUNDS</b>		
OFITC International Growth Fund	\$16,827,392	\$16,345,003
Wells Fargo International Emerging Markets	\$5,456,218	\$7,327,336
Prime Property Fund, LLC	\$2,500,004	
Total Equity Mutual/Commingled Funds	\$24,783,614	\$23,672,339
<b>EQUITY MUTUAL</b>		
Jackson Square	\$10,242,762	\$7,763,817
Clarkston Partners	\$8,412,322	\$7,609,643
Total Equity Mutual	\$18,655,084	\$15,373,460
<b>BOND FUNDS</b>		
21ST CENTURY FOX AMERICA	\$37,371	\$39,419
ABBOTT LABS		\$136,453
AFLAC INC	\$154,031	\$158,065
ALABAMA POWER CO	\$40,559	\$43,133
ALTRIA GROUP INC	\$31,747	\$34,413
AMERICAN EXPRESS CO	\$96,801	\$101,464
AMERICAN EXPRESS CREDIT	\$480,839	\$411,711
AMERITECH CAPITAL FUNDNG		\$41,263
AMGEN INC	\$22,288	\$24,347
ANHEUSER-BUSCH	\$35,915	\$39,901
APACHE CORP	\$24,948	\$26,062
APPLE INC	\$425,999	\$171,169
ARCHER-DANIELS-MIDLAND	\$69,352	
AT&T INC	\$88,943	\$139,972
BANK OF AMERICA CORP	\$542,389	\$153,306
BANK OF NOVA SCOTIA	\$138,134	\$165,255
BANK OF NY MELLON CORP	\$474,813	\$389,462
BB&T CORPORATION	\$198,858	\$202,982
BECTON DICKINSON	\$41,267	\$44,347
BERKSHIRE HATHAWAY	\$140,326	\$145,018
BLACKROCK INC	\$133,808	\$139,316
BOSTON PROP LP	\$60,604	\$63,872
BRISTOL-MYERS SQUIBB CO	\$42,244	
BURLINGTON NORTHERN SANTA FE	\$59,665	\$62,276
CATERPILLAR INC	\$54,223	\$56,598
CHARLES SCHWAB CORP	\$118,105	\$123,060
CHEVRON CORP	\$19,812	\$20,330
CHUBB CORPORATION	\$69,618	\$74,397
CISCO SYSTEMS INC	\$89,716	\$93,664
CITIGROUP INC	\$91,079	\$126,186

**Texas Emergency Services Retirement System (326)**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2018 (With Comparative totals for August 31, 2017)**

	Market Value As of August 31, 2018	Market Value As of August 31, 2017
COMCAST CORP	\$44,722	\$48,673
COMM SER 2012-CR2 CL A4	\$59,822	\$62,357
COMMONWEALTH EDISON CO	\$70,195	\$73,210
CVS HEALTH CORP	\$54,733	\$57,511
DEERE & COMPANY	\$117,840	\$122,276
EATON CORP		\$102,749
EMERSON ELECTRIC CO	\$137,982	\$143,389
ENTERPRISE PRODUCTS OPER	\$31,854	\$33,266
EXXON MOBIL CORP		\$25,114
EXXON MOBIL CORPORATION	\$23,414	\$24,620
FFCB FLT RT DUE 01/22/2019		\$591,670
FFCB FLT RT DUE 03/26/2018		\$215,359
FFCB FLT RT DUE 04/03/2019		\$365,062
FFCB FLT RT DUE 04/24/2019	\$345,104	\$345,114
FFCB FLT RT DUE 05/17/2018		\$665,765
FFCB FLT RT DUE 05/25/2018		\$295,440
FHLB FLT RT DUE 09/14/2018		\$410,135
FHLB FLT RT DUE 10/26/2018		\$219,967
FHLB FLT RT DUE 11/08/2018		\$304,966
FHLMC FLT RT DUE 07/05/2019	\$420,097	\$874,414
FHLMC FLT RT DUE 07/24/2018		\$194,904
FHLMC FLT RT DUE 11/13/2017		\$320,128
FHLMC GOLD POOL # G30891	\$352,680	\$462,118
FHLMC GOLD POOL #A93614	\$21,268	\$26,636
FHLMC GOLD POOL #A97673	\$18,617	\$22,886
FHLMC GOLD POOL #D98739	\$246,860	\$297,122
FHLMC GOLD POOL #G08001	\$166,247	\$228,117
FHLMC GOLD POOL #G60134	\$205,085	\$269,644
FHLMC GOLD POOL #G61257	\$151,453	
FHLMC GOLD POOL #Q27927	\$165,842	\$159,116
FHLMC GOLD POOL #Q30470	\$267,451	\$343,721
FHLMC GOLD POOL #Q35953	\$183,370	\$213,627
FHLMC GOLD POOL #Q38893	\$164,204	\$209,050
FHLMC GOLD POOL #Q45872	\$143,505	\$166,861
FHLMC GOLD POOL #V81680	\$265,571	\$355,298
FHMS SER K031 CL A2	\$151,716	\$158,921
FLORIDA POWER CORP	\$45,325	\$48,701
FNMA POOL #995598		\$244,915
FNMA POOL #AL7407	\$65,236	\$144,335
FNMA POOL #AL7590	\$333,927	\$401,596
FNMA POOL #AO7185	\$124,003	\$148,277
FNMA POOL #AS5090	\$106,144	\$134,287
FNMA POOL #AY8604	\$58,895	\$74,092
FNMA POOL #BC2666	\$99,407	\$115,486
FNMA POOL #BD7056	\$130,682	\$143,576

**Texas Emergency Services Retirement System (326)**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2018 (With Comparative totals for August 31, 2017)**

	Market Value As of August 31, 2018	Market Value As of August 31, 2017
FNMA POOL #BE0468	\$144,493	\$166,700
FNMA POOL #BH2594	\$255,321	\$279,941
FNMA POOL #BM1577	\$195,613	
FRANKLIN RESOURCES INC	\$66,744	\$70,365
GENERAL DYNAMICS CORP	\$35,537	
GENERAL ELECTRIC CAPITAL CORP		\$245,808
GENERAL MILLS INC	\$35,017	
GNMA II POOL #AA1000	\$15,266	\$19,830
GNMA II POOL #MA2374	\$49,509	\$68,394
GNMA II POOL #MA3035	\$64,681	\$85,334
GOLDMAN SACHS GROUP INC	\$552,712	\$621,629
GSMS SER 2012-GCJ9 CL A3	\$97,864	\$102,132
HALLIBURTON COMPANY	\$43,711	\$45,117
HARTFORD FINL SVCS GRP		\$112,704
HISTORIC TW INC	\$35,383	\$37,534
IBM CORP	\$38,869	\$40,555
ILLINOIS TOOL WORKS INC	\$85,816	
INTEL CORP	\$357,329	\$195,000
JOHN DEERE CAPITAL CORP	\$60,127	
JOHNSON & JOHNSON	\$17,296	\$18,318
JP MORGAN CHASE & CO	\$103,013	\$107,776
JPMORGAN CHASE & CO	\$547,578	\$551,202
KELLOGG CO	\$71,390	\$74,366
KEYCORP	\$104,509	\$109,836
KRAFT FOODS INC		\$38,713
KRAFT HEINZ FOODS CO	\$182,150	\$161,690
LOCKHEED MARTIN CORP	\$95,618	\$99,489
MARKEL CORP	\$103,845	
MARKEL CORPORATION	\$67,776	\$71,525
MCDONALD'S CORP	\$34,644	\$37,064
METLIFE INC	\$96,213	
MONDELEZ INTERNATIONAL INC	\$36,264	
MORGAN STANLEY	\$578,068	\$472,417
NORFOLK SOUTHERN CORP	\$60,929	
NUTRIEN LTD	\$73,460	
OCCIDENTAL PETROLEUM	\$82,767	\$85,857
ORACLE CORP	\$57,535	\$134,977
PARKER-HANNIFIN CORP	\$43,863	\$47,500
PEPSICO INC	\$266,033	\$46,863
PFIZER INC	\$20,859	\$22,576
PHILLIPS 66	\$72,070	\$75,261
PNC BANK NA	\$53,918	\$56,730
POTASH CORP - SASKATCHEWAN		\$76,745
PROCTER & GAMBLE		\$44,677
PROCTER & GAMBLE CO		\$80,562



**Texas Emergency Services Retirement System (326)**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2018 (With Comparative totals for August 31, 2017)**

	Market Value As of August 31, 2018	Market Value As of August 31, 2017
PROLOGIS LP	\$65,691	\$69,027
PRUDENTIAL FINANCIAL INC	\$199,203	\$99,977
QUALCOMM INC	\$86,566	\$90,895
ROYAL BANK OF CANADA	\$59,129	\$60,109
SHELL INTL FIN	\$88,822	\$93,323
SPECTRA ENERGY PARTNERS	\$22,437	\$23,980
STRYKER CORP	\$132,318	\$137,683
SUNTRUST BANK	\$48,207	\$50,194
SYSCO CORPORATION	\$64,403	\$68,637
TAMPA ELECTRIC CO	\$96,993	
THERMO FISHER SCIENTIFIC	\$59,527	\$62,717
TORONTO-DOMINION BANK	\$113,406	\$116,930
TOSCO CORP	\$67,300	\$70,164
TOYOTA MOTOR CREDIT CORP	\$199,224	\$201,700
UNITED PARCEL SERVICE	\$341,899	
UNITED TECHNOLOGIES CORP	\$17,095	\$18,714
US TREAS BOND @ 2.500% 05/15/2046	\$443,087	
US TREAS BOND @ 2.750% 08/15/2042		\$207,759
US TREAS BOND @ 2.875% 08/15/2045	\$1,170,430	\$2,298,816
US TREAS BOND @ 3.125% 11/15/2041	\$961,317	\$748,747
US TREAS BOND @ 4.750% 02/15/2037	\$107,358	\$40,792
US TREAS BOND @ 6.250% 05/15/2030	\$453,523	
US TREAS NOTE @ 1.000% 09/15/2018	\$364,898	
US TREAS NOTE @ 1.625% 02/15/2026	\$1,237,775	
US TREAS NOTE @ 1.750% 11/30/2021	\$135,869	\$311,423
US TREAS NOTE @ 2.000% 08/15/2025	\$583,653	
US TREAS NOTE @ 2.000% 10/31/2022	\$1,311,375	
US TREAS NOTE @ 2.000% 11/30/2022	\$694,164	
US TREAS NOTE @ 2.250% 02/15/2027	\$535,416	\$394,388
US TREAS NOTE @ 2.375% 05/15/2027	\$617,349	
US TREAS NOTE @ 2.750% 02/15/2024		\$515,460
VERIZON COMMUNICATIONS	\$24,720	\$24,758
VERIZON COMMUNICATIONS INC		
VIRGINIA ELEC & POWER CO	\$202,034	\$78,422
WALMART STORES INC		\$49,309
WALT DISNEY COMPANY	\$373,012	
WELLS FARGO & COMPANY	\$462,136	\$364,039
WELLS FARGO COMPANY		\$242,616
WFRBS SER 2012-C8 CL A3	\$44,602	\$46,558
WISCONSIN POWER & LIGHT	\$50,872	\$54,551
Total Bond Funds	<u>\$24,896,305</u>	<u>\$24,138,787</u>
<b>EQUITY FUNDS</b>		
ABB LTD-SPON ADR	\$83,343	
ABBOTT LABORATORIES		\$238,654

**Texas Emergency Services Retirement System (326)**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2018 (With Comparative totals for August 31, 2017)**

	Market Value As of August 31, 2018	Market Value As of August 31, 2017
ADOBE INC	\$613,978	
ADOBE SYSTEMS INC		\$436,000
AES CORP		\$97,042
AKAMAI TECHNOLOGIES	\$485,404	\$331,936
ALEXION PHARMACEUTICALS INC	\$312,934	\$327,543
ALIBABA GROUP HOLDING LTD	\$150,509	
ALLSTATE CORP	\$317,902	\$201,182
ALPHABET INC CL A	\$380,626	\$604,667
ALPHABET INC CL C	\$660,259	\$556,083
AMAZON.COM INC	\$1,427,011	\$813,893
AMERICAN EXPRESS CO	\$554,911	\$286,713
AMERICAN INT'L GROUP INC	\$221,719	\$200,733
ANDEAVOR	\$358,140	\$183,575
ANDEAVOR LOGISTICS LP	\$207,145	\$124,027
ANHEUSER-BUSCH INBEV SPN ADR	\$385,972	\$313,681
ANTERO MIDSTREAM PARTNERS LP	\$84,473	\$86,316
ANTERO RESOURCES MIDSTREAM MGMT LI	\$32,327	
ANTHEM INC	\$214,167	\$236,620
APERGY CORP	\$68,689	
APPLE INC COM	\$501,697	\$661,412
ARCHROCK INC	\$44,743	\$4,447
ARCHROCK PARTNERS LP		\$29,551
AVNET INC	\$65,921	
BANK OF AMERICA CORP	\$860,534	\$784,834
BARRICK GOLD CORP		\$116,431
BERKSHIRE HATHAWAY INC-CL B	\$790,631	\$665,220
BIOGEN INC	\$434,439	\$420,708
BIOMARIN PHARMACEUTICAL INC	\$146,971	
BLACKROCK INC	\$378,457	\$393,869
BOARDWALK PIPELINE PARTNERS LP		\$67,587
BOEING CO	\$306,111	
BORGWARNER INC		\$193,530
BP MIDSTREAM PARTNERS LP	\$37,625	
BUCKEYE PARTNERS LP	\$32,263	\$165,737
CAPITAL ONE FINANCIAL CORP	\$167,561	\$143,457
CATERPILLAR INC	\$255,484	
CBS CORP-CL B		\$97,051
CELANESE CORP-SERIES A		\$152,807
CELGENE CORP	\$433,526	\$612,681
CEMEX SA B	\$89,327	\$88,128
CHENIERE ENERGY INC	\$74,694	\$42,790
CHEVRON CORP	\$501,204	\$539,284
CHIPOTLE MEXICAN GRILL - CL A	\$194,824	\$186,859
CHUBB LTD	\$208,946	\$232,777
CIGNA CORP	\$248,985	\$195,168

**Texas Emergency Services Retirement System (326)**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2018 (With Comparative totals for August 31, 2017)**

	Market Value As of August 31, 2018	Market Value As of August 31, 2017
CIMAREX ENERGY CO	\$107,290	
CISCO SYSTEMS INC	\$663,048	\$393,671
CITIGROUP INC	\$699,577	\$646,897
COCA-COLA CO/THE	\$240,633	\$358,888
COCA-COLA EUROPEAN PARTNERS PLC	\$123,699	\$132,870
COMCAST CORP-CL A	\$773,905	\$703,487
CONOCOPHILLIPS	\$349,967	\$153,465
COSTCO WHOLESALE CORP	\$284,419	
CRESTWOOD EQUITY PARTNERS LP	\$38,878	
CRH PLC - SPONSORED ADR	\$106,083	
CROSSAMERICA PARTNERS LP	\$22,934	\$38,378
CUMMINS INC	\$268,427	\$16,894
CVS HEALTH CORPORATION	\$339,483	\$522,896
DAVITA INC		\$77,592
DCP MIDSTREAM LP	\$212,808	\$70,642
DELTA AIR LINES INC	\$268,891	\$150,536
DENTSPLY SIRONA INC	\$92,335	\$247,211
DIAMONDBACK ENERGY INC		\$100,505
DISCOVER FINANCIAL SERVICE	\$226,314	\$181,920
DOVER CORP	\$110,343	
DOW CHEMICAL		\$232,742
DXC TECHNOLOGY CO	\$295,587	\$243,185
EATON CORP PLC	\$170,603	\$207,889
EBAY INC	\$133,837	\$315,342
ECOLAB INC	\$354,681	\$343,514
EDISON INTERNATIONAL	\$117,131	
ENABLE MIDSTREAM PARTNERS LP	\$35,064	
ENBRIDGE ENERGY PARTNERS LP	\$1,182	\$62,154
ENERGEN CORP	\$103,529	\$79,433
ENERGY TRANSFER EQUITY LP		\$354,800
ENERGY TRANSFER PARTNERS LP	\$563,682	\$456,183
ENERGY TRANSFER, L.P.	\$389,620	
ENLINK MIDSTREAM PARTNERS LP	\$65,575	\$53,884
ENTERPRISE PRODUCTS PARTNERS LP	\$588,645	\$480,131
EQM MIDSTREAM PARTNERS L P	\$51,387	
EQT CORPORATION	\$127,448	
EQT MIDSTREAM PARTNERS LP		\$83,014
EQUINIX INC	\$348,904	
EQUITY RESIDENTIAL REIT	\$140,852	
EVEREST RE GROUP LTD	\$134,035	
FACEBOOK INC-A	\$649,850	\$496,649
FIFTH THIRD BANCORP		\$120,851
FLEX LTD		\$187,642
FMC CORP	\$93,995	\$81,047
GENERAL DYNAMICS CORP.		\$168,329

**Texas Emergency Services Retirement System (326)**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2018 (With Comparative totals for August 31, 2017)**

	Market Value As of August 31, 2018	Market Value As of August 31, 2017
GENESIS ENERGY LP	\$51,162	
GILEAD SCIENCES INC	\$235,823	\$387,075
GOLDMAN SACHS GROUP INC	\$261,829	\$298,469
HESS MIDSTREAM PARTNERS LP	\$31,470	\$27,652
HEWLETT PACKARD ENTERPRISE CO		\$95,754
HOLLY ENERGY PARTNERS LP		\$19,584
HOME DEPOT INC	\$469,802	\$639,496
HONEYWELL INTERNATIONAL INC	\$407,194	\$308,342
HP INC	\$286,951	\$168,705
JOHNSON & JOHNSON	\$1,074,153	\$841,079
JPMORGAN CHASE & CO	\$773,415	\$832,371
KEYCORP	\$138,009	\$120,057
KINDER MORGAN INC/DELAWARE		\$62,842
KLA-TENCOR CORPORATION		\$100,998
KONINKLIJKE PHILIPS NV		\$270,185
L3 TECHNOLOGIES INC		\$170,047
LABORATORY CRP OF AMER HLDGS	\$165,609	\$93,024
LIBERTY LILAC C		\$63,572
LLOYDS TSB GROUP PLC -SP ADR	\$90,135	\$103,162
LOWE'S COS INC	\$119,625	
MACQUARIE INFRASTRUCTURE CO		\$43,049
MAGELLAN MIDSTREAM PARTNERS LP	\$187,483	\$52,429
MARATHON OIL CORP	\$150,484	
MARATHON PETROLEUM CORP	\$217,657	\$174,711
MASCO CORP		\$85,343
MCCORMICK & CO-NON VTG SHRS	\$241,268	\$146,690
MCKESSON CORP	\$166,474	
MEDTRONIC PLC	\$239,290	
MERCK & CO INC/NJ	\$393,089	\$411,897
METHANEX CORP	\$110,954	\$119,319
MICROSOFT CORP	\$1,055,565	\$821,872
MONSANTO CO		\$352,772
MPLX LP	\$173,306	\$252,115
NASDAQ INC		\$277,398
NAVIENT CORP		\$70,013
NETAPP INC	\$174,141	
NGL ENERGY PARTNERS LP	\$46,808	\$28,076
NOBLE ENERGY INC	\$77,985	
NOBLE MIDSTREAM PARTNERS LP	\$52,867	\$36,079
NOVARTIS AG-ADR	\$143,275	
NUCOR CORP		\$62,329
NUSTAR ENERGY LP	\$84,258	\$90,131
NUSTAR GP HOLDINGS LLC		\$15,545
NUTRIEN LTD	\$113,883	
OASIS MIDSTREAM PARTNERS LP	\$8,693	

**Texas Emergency Services Retirement System (326)**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2018 (With Comparative totals for August 31, 2017)**

	Market Value As of August 31, 2018	Market Value As of August 31, 2017
ONEOK INC	\$115,408	\$168,167
ORACLE CORP	\$822,314	\$382,156
OWENS CORNING INC	\$113,353	
PALO ALTO NETWORKS	\$365,217	\$269,361
PAYPAL HOLDINGS INC	\$428,411	\$346,025
PBF LOGISTICS LP	\$14,027	\$13,088
PFIZER INC	\$535,566	\$395,846
PHILLIPS 66		\$100,907
PIONEER NATURAL RESOURCES CO	\$234,098	\$286,268
PLAINS ALL AMER PIPELINE LP	\$458,354	\$123,224
PRAXAIR INC	\$272,087	
QUALCOMM INC	\$383,402	
RAYTHEON COMPANY	\$91,942	\$165,083
RED HAT INC	\$465,350	\$392,375
REGENERON PHARMACEUTICALS	\$248,118	\$308,078
REGIONS FINANCIAL CORP	\$234,376	\$181,045
RICE MIDSTREAM PARTNERS LP		\$61,067
RIO TINTO PLC-SPON ADR	\$82,468	
ROCKWELL COLLINS INC.		\$415,429
ROYAL DUTCH SHELL PLC-ADR A	\$383,618	
SANOFI		\$181,294
SCHLUMBERGER LTD	\$374,223	\$363,595
SCHWAB (CHARLES) CORP	\$349,486	\$287,320
SEMGROUP INC	\$57,257	\$61,886
SHELL MIDSTREAM PARTNERS LP	\$16,151	\$49,170
SHIRE PLC ADR		\$73,052
SL GREEN REALTY CORP REIT	\$169,128	
SOUTHWEST AIRLINES CO	\$191,992	\$92,601
SPECTRA ENERGY PARTNERS LP		\$45,704
SPIRIT AEROSYSTEMS HOLDINGS INC-CL A		\$73,085
SPLUNK INC	\$394,702	\$236,157
STEEL DYNAMICS INC	\$192,066	\$154,060
SUMMIT MIDSTREAM PARTNERS LP	\$17,700	\$30,144
SUNOCO LP		\$18,629
SYNCHRONY FINANCIAL		\$105,948
TALLGRASS ENERGY GP LP		\$32,229
TALLGRASS ENERGY LP	\$25,451	
TALLGRASS ENERGY PARTNERS LP		\$41,219
TARGA RESOURCES CORP	\$261,032	\$76,348
TD AMERITRADE HOLDING CORP	\$101,736	
TE CONNECTIVITY LTD	\$234,976	\$340,768
TEXAS INSTRUMENTS INC	\$346,642	\$397,039
THE WALT DISNEY CO.	\$393,638	\$358,653
THERMO FISHER SCIENTIFIC INC	\$415,317	\$360,619
TIME WARNER INC		\$265,792

**Texas Emergency Services Retirement System (326)**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2018 (With Comparative totals for August 31, 2017)**

	Market Value As of August 31, 2018	Market Value As of August 31, 2017
TJX COMPANIES INC		\$107,438
TRANSCANADA CORP		\$64,719
TWENTY-FIRST CENTURY FOX INC		\$438,046
UNITED CONTINENTAL HOLDINGS INC		\$70,387
UNITED PARCEL SERVICE-CL B	\$334,234	\$337,362
UNITED TECHNOLOGIES CORP	\$348,873	\$258,715
UNITEDHEALTH GROUP INC	\$717,325	\$702,316
USA COMPRESSION PARTNERS LP	\$19,807	\$15,101
VERIZON COMMUNICATIONS INC	\$409,515	
VISA INC-CLASS A SHARES	\$746,789	\$574,950
VMWARE INC- CL A	\$246,749	\$285,384
WELLS FARGO & COMPANY	\$613,806	\$414,484
WESTERN GAS PARTNERS LP		\$17,010
WESTERN REFINING LOGISTICS LP		\$52,442
WESTLAKE CHEMICAL PARTNERS LP	\$20,173	\$33,722
WESTROCK CO W/I	\$150,148	\$165,210
WILLIAMS COS INC	\$513,002	\$125,788
WILLIAMS PARTNERS LP		\$297,549
WW GRAINGER INC	\$453,210	\$222,721
WYNDHAM HOTELS & RESORTS INC	\$90,970	
WYNDHAM WORLDWIDE CORP	\$87,560	
XILINX INC		\$54,830
YUM CHINA HOLDINGS INC	\$337,290	\$300,560
ZOETIS INC	\$424,552	\$348,988
Total Equity Funds	<u>\$43,674,359</u>	<u>\$38,378,969</u>
TOTAL INVESTMENTS	\$113,111,059	\$102,958,555
Short Term Investments (Exhibit VI)	\$1,101,697	\$1,395,000
Investments (Exhibit VI)		
Equity	\$62,329,443	\$53,752,429
Bonds	\$24,896,305	\$24,138,787
Other Investments	\$24,783,614	\$23,672,339
Total	<u>\$113,111,059</u>	<u>\$102,958,555</u>

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**Texas Emergency Services Retirement System (326)**  
**Exhibit A-1 - Combining Balance Sheet - All General and Consolidated Funds**  
**August 31, 2018**

	<u>General</u> <u>Fund 1</u> <u>(0001)*</u> <u>U/F (0001)</u>	<u>Total</u> <u>(Ex 1)</u>
<b>ASSETS</b>		
Current Assets:		
Cash in State Treasury	\$0.00	\$0.00
Legislative Appropriations	83,857.42	83,857.42
Accounts Receivable		
Consumable Inventories	2,792.56	2,792.56
Other Current Assets		
Total Current Assets	<u>86,649.98</u>	<u>86,649.98</u>
Total Assets	<u>\$86,649.98</u>	<u>\$86,649.98</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities		
Current Liabilities:		
Payables from		
Accounts	\$23,428.80	\$23,428.80
Payroll	60,351.78	60,351.78
Due To Other Funds		
Due To Other Agencies		
Employees' Compensable Leave		
Total Current Liabilities	<u>83,780.58</u>	<u>83,780.58</u>
Non-Current Liabilities		
Employees' Compensable Leave		
Total Non-Current Liabilities	<u>0.00</u>	<u>0.00</u>
Total Liabilities	<u>83,780.58</u>	<u>83,780.58</u>
Fund Balances (Deficits):		
Nonspendable	2,792.56	2,792.56
Restricted		
Committed		
Assigned		
Unassigned	76.84	76.84
Total Fund Balances	<u>2,869.40</u>	<u>2,869.40</u>
Total Liabilities and Fund Balances	<u>\$86,649.98</u>	<u>\$86,649.98</u>



**Texas Emergency Services Retirement System (326)**  
**Exhibit A-2 - Combining Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**All General and Consolidated Funds**  
**For the Fiscal Year Ended August 31, 2018**

	General Fund 1 (0001)* U/F (0001)	Total (Ex II)
<b>REVENUES</b>		
Legislative Appropriations		
Original Appropriations (GR)	\$716,486.00	\$716,486.00
Additional Appropriations (GR)	153,562.65	153,562.65
Other (PR - Seminar Fees)		0.00
Other (GR)		0.00
<b>Total Revenues</b>	<u>870,048.65</u>	<u>870,048.65</u>
<b>EXPENDITURES</b>		
Salaries and Wages	527,495.52	527,495.52
Payroll Related Costs	169,465.01	169,465.01
Professional Fees and Services	101,701.26	101,701.26
Travel	18,922.27	18,922.27
Materials and Supplies	31,352.21	31,352.21
Communication and Utilities	9,077.95	9,077.95
Repairs and Maintenance	940.50	940.50
Rentals and Leases	5.67	5.67
Printing and Reproduction	3,132.99	3,132.99
Judgments and Settlements	0.00	0.00
Other Expenditures	8,410.03	8,410.03
Capital Outlay	0.00	0.00
<b>Total Expenditures</b>	<u>870,503.41</u>	<u>870,503.41</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-454.76</u>	<u>-454.76</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In		
<b>Total Other Financing Sources (Uses)</b>	<u>0.00</u>	<u>0.00</u>
<b>SPECIAL ITEMS</b>		
	<u>0.00</u>	<u>0.00</u>
<b>EXTRAORDINARY ITEMS</b>		
<b>Net Change in Fund Balances</b>	<u>-454.76</u>	<u>-454.76</u>
<b>Fund Financial Statement - Fund Balances</b>		
Fund Balances - Beginning	3,810.75	3,810.75
Restatements	0.00	0.00
Fund Balances - September 1, 2017, as Restated	<u>3,810.75</u>	<u>3,810.75</u>
Appropriations Lapsed	486.59	486.59
Fund Balances, August 31, 2018	<u>\$2,869.40</u>	<u>\$2,869.40</u>

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

UNAUDITED

**Texas Emergency Services Retirement System (326)**  
**Exhibit G-1 - Combining Statement of Fiduciary Net Position**  
**August 31, 2018**

	Pension Trust Fund 1 TESRS (976) U/F (0976)	Pension Trust Fund 2 (976) U/F (8976)	Pension Trust Fund 3 (976) U/F (9000)	Totals (Ex VI)
<b>ASSETS</b>				
Cash and Cash Equivalents				
Cash in State Treasury	\$264,088.67	-\$259.84		\$263,828.83
Short Term Investments				
Other Short Term Investments	1,101,696.75			1,101,696.75
Investments				
Corporate Equity	62,329,442.64			62,329,442.64
US Government Obligations	13,528,469.27			13,528,469.27
Corporate Obligations	11,367,835.41			11,367,835.41
Other Investments	24,783,613.62			24,783,613.62
Receivables from:				
Retirement System Contributions Receivable	2,473,517.06			2,473,517.06
Interest and Dividends	208,528.56			208,528.56
Sale of Investments	42,729.17			42,729.17
Other				0.00
Due From Other Funds				0.00
Properties, at Cost, net of Accumulated Depreciation	0.00			0.00
<b>Total Assets</b>	<b>\$116,099,921.15</b>	<b>-\$259.84</b>	<b>\$0.00</b>	<b>\$116,099,661.31</b>
<b>LIABILITIES</b>				
Payables from:				
Accounts Payable	123,437.67			123,437.67
Investment Payable	112,329.32			112,329.32
Unearned Revenue	0.00			0.00
Payroll				0.00
Retirement Benefits				0.00
Due To Other Funds				0.00
Deferred Revenues				
Claims and Judgments				
Employees' Compensable Leave				0.00
Capital Lease Obligations				
<b>Total Liabilities</b>	<b>235,766.99</b>	<b>0.00</b>	<b>0.00</b>	<b>235,766.99</b>
<b>NET Position</b>				
Held in Trust For:				
Pension and Other Employee Benefits	115,864,154.16	-259.84	0.00	115,863,894.32
<b>Total Net Position</b>	<b>\$115,864,154.16</b>	<b>-\$259.84</b>	<b>\$0.00</b>	<b>\$115,863,894.32</b>

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

**Texas Emergency Services Retirement System (326)**  
**Exhibit G-2 - Combining Statement of Changes in Fiduciary Net Position**  
**For the Fiscal Year Ended August 31, 2018**

	Pension Trust Fund 1 TESRS (0976) U/F (0976)	Pension Trust Fund 2 TESRS (0976) U/F (8976)	Pension Trust Fund 3 TESRS (0976) U/F (9000)	Totals (Ex VII)
<b>Additions</b>				
Contributions:				
Original Appropriations (GR)	\$1,329,224.00			\$1,329,224.00
Dues	3,876,449.50	0.00	0.00	3,876,449.50
Default--Voided warrant				0.00
Prior Service	222,385.00			222,385.00
Total Contributions	<u>5,428,058.50</u>	<u>0.00</u>	<u>0.00</u>	<u>5,428,058.50</u>
Investment Income				
From Investing Activities:				
Net Appreciation (Depreciation) in Fair Value of Investments	10,102,829.41			10,102,829.41
Treasury Interest	23,280.97			23,280.97
Interest and Investment Income	1,725,620.00			1,725,620.00
Total Investing Income (Loss)	11,851,730.38	0.00	0.00	11,851,730.38
Less Investing Activities Expense	541,738.60			541,738.60
Net Income from Investing Activities	<u>11,309,991.78</u>	<u>0.00</u>	<u>0.00</u>	<u>11,309,991.78</u>
Total Net Investment Income (Loss)	<u>11,309,991.78</u>	<u>0.00</u>	<u>0.00</u>	<u>11,309,991.78</u>
Other Additions				
Voided warrants	3,817.92			3,817.92
Total Other Additions	<u>3,817.92</u>	<u>0.00</u>		<u>3,817.92</u>
Total Additions	<u>16,741,868.20</u>	<u>0.00</u>	<u>0.00</u>	<u>16,741,868.20</u>
<b>Deductions</b>				
Retirement System Benefits Paid:				
Death Benefits	266,033.81			266,033.81
Retirement Benefits	5,019,686.19			5,019,686.19
Disability Benefits	35,450.00			35,450.00
Survivor's Benefits	518,450.34			518,450.34
Salaries and Wages				0.00
Payroll Related Costs				0.00
Professional Fees and Services	137,477.29			137,477.29
Travel	15,741.44			15,741.44
Materials & Supplies	485.72			485.72
Communications & Utilities	-35.00			-35.00
Repairs & Maintenance	400.00			400.00
Rentals & Leases	2,596.60			2,596.60
Printing and Reproduction	0.00			0.00
Depreciation Expense	0.00			0.00
Interest Expense	5.17			5.17
Other Expense	1,470.00			1,470.00
Transfer Out				0.00
Total Deductions	<u>5,997,761.56</u>	<u>0.00</u>	<u>0.00</u>	<u>5,997,761.56</u>
Net Increase (Decrease)	<u>10,744,106.64</u>	<u>0.00</u>	<u>0.00</u>	<u>10,744,106.64</u>
Net Position - Beginning	105,120,047.52	-259.84	0.00	105,119,787.68
Restatements				0.00
Net Position, September 1, 2017, as Restated	<u>105,120,047.52</u>	<u>-259.84</u>	<u>0.00</u>	<u>105,119,787.68</u>
Net Position, August 31, 2018	<u>\$115,864,154.16</u>	<u>-\$259.84</u>	<u>\$0.00</u>	<u>\$115,863,894.32</u>

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

# Texas Emergency Services Retirement System

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