

**Greater Harris County  
9-1-1 Emergency Network**

**Financial Statements and Auditor's Report  
December 31, 2013 and 2012**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Managers of the  
Greater Harris County 9-1-1 Emergency Network:

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Greater Harris County 9-1-1 Emergency Network ("GHC 9-1-1"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the GHC 9-1-1's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the GHC 9-1-1's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the GHC 9-1-1's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the GHC 9-1-1 as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, other postemployment benefits schedule of funding progress for Harris County, Texas, and the schedule of funding progress for the retirement plan, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

The financial statements of GHC 9-1-1 as of December 31, 2012, were audited by other auditors whose report dated April 19, 2013 expressed an unqualified opinion on those statements.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
March 18, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the Greater Harris County 9-1-1 Emergency Network's (GHC 9-1-1) financial activities for the year ended December 31, 2013. The discussion and analysis should be read along with GHC 9-1-1's financial statements and accompanying footnotes.

### Financial Highlights

- GHC 9-1-1's cash and investment balances increased by \$3.2 million to \$31.5 million, as funds were reserved for future capital outlay. The funds will be used to pay for ongoing capital replacement, operations staff, and upgrades to the 9-1-1 infrastructure over the next five years.
- The increase of \$1.3 million in inventoried assets is due to the normal capital replacement purchases.
- Total liabilities balance remains at a low \$3.6 million or 9.25% of current assets. The majority of the balance is due to monthly invoices for operating expenses pending payment.
- The 9-1-1 service fee revenue increased by \$364,955 or 1.0% due to an increase in wireline service fee revenue resulting from population growth and households migrating to wireless phones.
- Salaries and benefits increased by \$138,468 or 3.2% due to general employee merit increases. The total "Operating Expenses" increased by 4.4% (\$1.5 million) due to an increase of \$796,488 in "Fees and Services" expense and \$436,190 in Depreciation and Amortization expense. The increase in "Fees and Services" was mainly due to the cost for both the City of Houston and Harris County Sheriff answering points.

### Overview Of The Financial Statements

This annual report consists of two parts: Management's Discussion and Analysis and Financial Statements. The Financial Statements also include notes that explain, in more detail, some of the information included in the report.

### Financial Analysis Of GHC 9-1-1's Funds

With all the changes in the 9-1-1 industry, GHC 9-1-1's financial net position has increased as reflected in the net position presented in Table 1, below, which reflects an increase of 3.0% (\$59.6 million compared to \$57.9 million). The \$1.7 million increase in Net Position during 2013 is a result of GHC 9-1-1's efforts to establish a healthy reserve for capital outlay while pursuing and leveraging the best technology to reduce operating costs which will prepare GHC 9-1-1 to meet the growing demands on the 9-1-1 system.

**Table 1**  
**Net Position**  
(in Millions)

	2013	2012	2011
Current Assets	\$ 38.9	\$ 35.1	\$ 30.6
Capital and Other Assets	24.3	26.4	26.8
Total Assets	63.2	61.5	57.4
Current Liabilities	2.9	3.1	1.8
Noncurrent Liabilities	0.7	0.6	0.5
Total Liabilities	3.6	3.7	2.3
Net Position	\$ 59.6	\$ 57.9	\$ 55.1

Changes in GHC 9-1-1's net position are reflected in Table 2, below, which presents the condensed Statements of Revenues, Expenses and Changes in Net Position for the year.

**Table 2**  
**Change in Net Position**  
(in Millions)

	2013	2012	2011
<b>Revenues:</b>			
Net Operating Revenue	\$ 37.5	\$ 37.1	\$ 37.2
Interest and Other Income	0.2	0.1	0.2
<b>Total Revenues</b>	<b>37.7</b>	<b>37.2</b>	<b>37.4</b>
<b>Expenses:</b>			
Operating Expense	36.0	34.5	31.7
<b>Total Expenses</b>	<b>36.0</b>	<b>34.5</b>	<b>31.7</b>
<b>Change in Net Position--</b>			
Excess of Revenues Over Expenses	1.7	2.8	5.7
<b>Net Position - Beginning Of Year</b>	<b>57.9</b>	<b>55.1</b>	<b>49.4</b>
<b>Net Position - End Of Year</b>	<b>\$ 59.6</b>	<b>\$ 57.9</b>	<b>\$ 55.1</b>

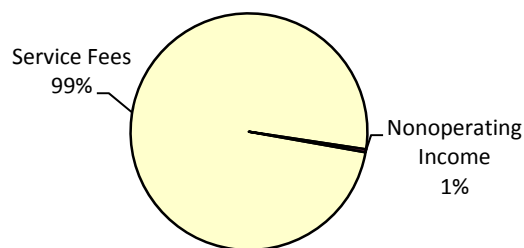
In Table 2, above, net operating revenues increased by 1.0% (\$400,000) due to an increase in wireline service fee revenue resulting from population growth and households migrating to wireless phones. The growth in 9-1-1 service fee revenue from prepaid wireless subscribers has offset the continued decreases in the legacy landline revenue. The growth in the regular wireless 9-1-1 service fee revenue has slowed due to market saturation.

Net operating expenses increased by 4.4% (\$1.5 million) due to an increase of \$796,488 in "Fees and Services" expense and \$436,190 in Depreciation and Amortization expense. The increase in "Fees and Services" was mainly due to the cost for both the City of Houston and Harris County Sheriff answering points.

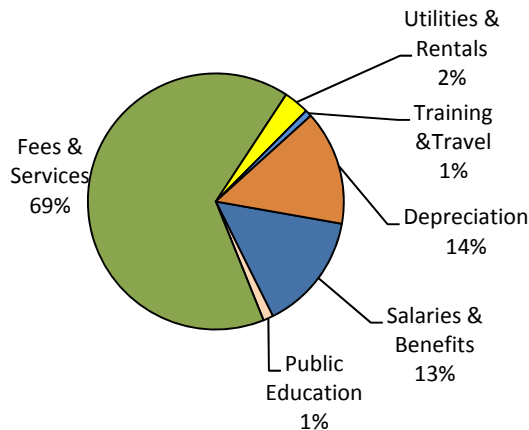
Table 3, below, presents the sources and uses of GHC 9-1-1's revenue.

**Table 3**

**Sources of Revenue**



## Uses of Revenue



The “Service Fees” (99%) category is the main source of funding, while 69% of the uses of funds are for “Fees & Services” which include networking and telephone charges for connectivity from the telephone companies’ central offices to the telephone company’s selective router to GHC 9-1-1’s 31 public safety answering points (PSAPs) and 10 secondary safety answering points (SSAPs), 9-1-1 database services, PSAP expenses for the City of Houston and Harris County, operation and maintenance expenses, and contract services. The “Salaries & Benefits” category is 13% of the uses of revenue (see chart above)—this category includes mainly operational staff and some administrative staff—the operational staff consist of technicians that provide technical support and maintenance for all 9-1-1 systems on a 24-hour, 365 days/year basis.

### Capital Assets and Long-Term Debt

GHC 9-1-1’s capital assets, net of accumulated depreciation, totaled \$24.3 million as of December 31, 2013. The capital assets include hardware/software, call taker workstation equipment, backup power infrastructure, telecommunication equipment, technician vehicles, land and building for headquarter location (also serving as a 9-1-1 call center backup location for contingencies).

GHC 9-1-1 has maintained a healthy cash reserve and has been able to purchase all capital assets without incurring debt. The outstanding long-term debt totaling \$899,104 is for “Other Post Employment Benefits” (OPEB) which is an estimate of future health insurance cost for retired staff and compensated absences.

### Economic Factors and Next Year’s Budget and 9-1-1 Fee Rates

GHC 9-1-1’s revenue is based on cellular and traditional landline phones, which has been generally immune to the economic downturn. However, the growth in cellular phones has leveled off due to market saturation—the slight growth in cellular phones is now barely offsetting the decrease in traditional landline phones resulting in homeowners relying solely on their cellular devices. The revenue trend has been anticipated and can be offset with GHC 9-1-1’s continued efforts to contain cost by consolidating systems and services while adding features.

The GHC 9-1-1 Board of Managers approved the 2014 operational budget totaling \$35.6 million which included a decrease totaling \$115,000 compared to the prior year, while maintaining the 9-1-1 service fee rates at the same level as the prior year. The rates are listed in the first footnote of the financial statements.

### Contacting GHC 9-1-1

This financial report is designed to provide a general overview of GHC 9-1-1’s finances. If you have questions, contact GHC 9-1-1 at 10220 Fairbanks N Houston Rd, Houston, Texas 77064.

Greater Harris County 9-1-1 Emergency Network

**STATEMENT OF NET POSITION**

As Of December 31, 2013 And 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Current Assets-Unrestricted:		
Cash & Cash Equivalents (Note 3)	\$ 12,034,547	\$ 5,533,867
Investments (Note 3)	19,491,767	22,826,823
Accounts Receivable (Note 2)	5,792,087	5,339,645
Accrued Interest Receivable	14,911	94,511
Prepaid Expenses	1,550,397	1,345,924
Total Current Assets	<u>38,883,709</u>	<u>35,140,770</u>
Capital Assets		
Inventoried Assets (Note 6)	53,516,400	52,246,655
Land	2,889,872	2,708,879
Less: Accumulated Depreciation And Amortization	(32,074,700)	(28,603,610)
Total Capital Assets, Net	<u>24,331,572</u>	<u>26,351,924</u>
Prepays, Net Of Current Portion	<u>15,193</u>	<u>31,680</u>
<b>TOTAL ASSETS</b>	<u>63,230,474</u>	<u>61,524,374</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	2,503,587	2,663,226
Salary And Accrued Benefits Payable	215,372	205,502
Compensated Absences Payable	164,728	170,114
Total Current Liabilities	<u>2,883,687</u>	<u>3,038,842</u>
Long Term Liabilities:		
Compensated Absences Payable	18,303	18,901
Other Post Employment Benefits (Note 5)	716,073	595,798
Total Long Term Liabilities	<u>734,376</u>	<u>614,699</u>
<b>TOTAL LIABILITIES</b>	<u>3,618,063</u>	<u>3,653,541</u>
<b>NET POSITION</b>		
Net Investment In Capital Assets	24,331,572	26,351,924
Unrestricted	35,280,839	31,518,909
<b>TOTAL NET POSITION</b>	<u>\$ 59,612,411</u>	<u>\$ 57,870,833</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements



Greater Harris County 9-1-1 Emergency Network

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

For the Years Ending December 31, 2013 and 2012

<b>Operating Revenues:</b>	<b>2013</b>	<b>2012</b>
9-1-1 Network Service Fees (Note 1)	\$ 37,506,123	\$ 37,141,168
 <b>Operating Expenses:</b>		
Salaries and Benefits (Note 10)	4,509,226	4,370,758
Office Supplies	39,332	35,645
Public Education Materials	142,041	111,144
Fees and Services (Note 11)	24,631,415	23,834,927
Advertising (Note 2)	336,134	260,599
Rentals	243,136	349,559
Utilities	511,050	471,040
Training and Travel	336,732	248,675
Subtotal	<u>30,749,066</u>	<u>29,682,347</u>
Depreciation and Amortization	5,207,437	4,771,247
Total Operating Expenses	<u>35,956,503</u>	<u>34,453,594</u>
Operating Income	<u>1,549,620</u>	<u>2,687,574</u>
 <b>Nonoperating Revenues (Expenses):</b>		
Interest Earnings	174,257	45,566
Miscellaneous Income	17,701	42,086
Total Nonoperating Revenues	<u>191,958</u>	<u>87,652</u>
Change in Net Position	1,741,578	2,775,226
<b>Net Position - Beginning Of Year</b>	<u>57,870,833</u>	<u>55,095,607</u>
<b>Net Position - End Of Year</b>	<u>\$ 59,612,411</u>	<u>\$ 57,870,833</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

**STATEMENTS OF CASH FLOW**

For the Years Ending December 31, 2013 and 2012

	2013	2012
<b>Cash Flows From Operating Activities:</b>		
Cash Received From Fees	\$ 36,889,959	\$ 37,242,323
Cash Payments For Goods And Services	(26,440,230)	(24,348,580)
Cash Payments To Employees For Services	(4,504,742)	(4,301,764)
Net Cash Provided By Operating Activities	<u>5,944,987</u>	<u>8,591,979</u>
<b>Cash Flows From Noncapital Financing Activities:</b>		
Other Post Employment Benefits	120,275	127,604
Compensated Absences Payable	(598)	-
Other Revenue	17,701	42,086
Net Cash Provided By Noncapital Financing Activities	<u>137,378</u>	<u>169,690</u>
<b>Cash Flows From Capital And Related Financing Activities:</b>		
Acquisition Of Capital Assets	(3,187,085)	(4,427,382)
Use of Deferred Charges	16,487	53,138
Net Cash Used By Capital And Related Financing Activities	<u>(3,170,598)</u>	<u>(4,374,244)</u>
<b>Cash Flows From Investing Activities:</b>		
Investment Purchase	(22,499,735)	(31,897,414)
Investment Maturity	25,834,791	28,538,289
Interest Received	253,857	(19,249)
Net Cash Flows Provided By (Used) By Investing Activities	<u>3,588,913</u>	<u>(3,378,374)</u>
Net Increase In Cash And Cash Equivalents	6,500,680	1,009,051
Cash And Cash Equivalents - Beginning of Year	5,533,867	4,524,816
Cash And Cash Equivalents - End of Year	<u>\$ 12,034,547</u>	<u>\$ 5,533,867</u>
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activity</b>		
Operating Income	<u>\$ 1,549,620</u>	<u>\$ 2,687,574</u>
<b>Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities:</b>		
Depreciation and Amortization	5,207,437	4,771,247
Change In Assets And Liabilities:		
Decrease (Increase) In Accounts Receivables	(452,442)	(18,543)
Decrease (Increase) In Prepaids	(204,473)	(109,746)
Increase (Decrease) In Accounts Payable	(159,639)	1,192,453
Increase (Decrease) In Salaries and Accrued Benefits Payable	9,870	68,994
Increase (Decrease) In Compensated Absences	(5,386)	-
Total Adjustments	<u>4,395,367</u>	<u>5,904,405</u>
<b>Net Cash Provided By Operating Activities</b>	<u>\$ 5,944,987</u>	<u>\$ 8,591,979</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

**NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY**

The Greater Harris County 9-1-1 Emergency Network (GHC 9-1-1) is a special purpose emergency communications district, authorized by the 9-1-1 Emergency Number Act of May 10, 1983 (Texas Revised Civil Statutes Annotated, Art. 1432c), and confirmed by the voters of Harris County on November 8, 1983 (legislation now codified as Chapter 772, Subchapter B, of the Texas Health and Safety Code).

GHC 9-1-1 was organized on April 1, 1984 with the appointment of an executive director by the Board of Managers. The purpose of GHC 9-1-1 is to establish and administer the primary emergency telephone service in the Harris County and Fort Bend County area. The 9-1-1 system service became operational in January 1986.

GHC 9-1-1 provides 9-1-1 equipment, a 24/7 Command Center, in-house maintenance and support of all 9-1-1 systems, database management services, and other GHC 9-1-1 equipment used by the 49 cities and two counties (Harris and Fort Bend Counties) served by GHC 9-1-1 to receive and process the initial 9-1-1 emergency call from their citizens.

GHC 9-1-1 levies service fees on users of telecommunications devices within the participating jurisdictions in GHC 9-1-1 territory. The wireline telephone companies and private switch providers serving GHC 9-1-1 territory collect the fees and transmit them to GHC 9-1-1, while the wireless service providers collect the fees and transmit them to the State Comptroller, which distributes the fees as described below.

The following fees were levied for 2013 and 2012:

Wireline:

Residential: a flat rate of \$.50 per line per month

Business: a flat rate of \$.80 per line and \$.87 per trunk per month, up to 100 lines per company location

Internet Protocol: a flat rate of \$.50 per subscriber, if the service cannot be classified in any other class of service

Wireless:

During the 75<sup>th</sup> State Legislative Session, the fee was set at a statewide flat rate of \$.50 per subscriber number per month effective September 1997. During the 81<sup>st</sup> State Legislative Session, as set forth in Texas Health & Safety Code Section 771.0712, a two percent (2%) prepaid wireless 9-1-1 emergency service fee became effective June 1, 2010. The fee is collected based on two percent (2%) of the purchase price of each prepaid wireless telecommunications service purchased by any method. Both fees are billed and collected by all wireless providers or retailers in Texas, transmitted to the State Comptroller, and distributed within 15 days of receipt to all 9-1-1 entities in the state. Distribution is determined by the population of citizens which are served by each 9-1-1 entity as a percentage of the total State population (population counts provided by Texas A&M University).

The landline telephone companies and wireless carriers are permitted to retain one percent (1%) of the collected 9-1-1 fees as an administrative fee to cover their cost of collection. The fees collected by the telephone companies are due 30 days after the last day of the calendar month. AT&T adjusts its estimated uncollectible rate on a monthly basis for 9-1-1 fees not collected; other telephone companies adjust on an annual basis.

The Federal Communication Commission (FCC) on June 12, 1996 issued regulations pursuant to FCC Docket No. 94-102, which required the wireless industry to provide to the 9-1-1 entities a true call back number by 1998 (Phase I) and location identification no later than October 2002 (Phase II), depending on the technology adopted by the wireless carriers. All wireless carriers serving GHC 9-1-1's territory are Phase II compliant and will continue to modify the system on an ongoing basis to improve accuracy. It is the responsibility of the carriers to meet FCC requirements.

Greater Harris County 9-1-1 Emergency Network  
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Through an interlocal agreement, Harris County provides to GHC 9-1-1 payroll services provided by the Harris County Auditor, purchasing services by the Harris County Purchasing Agent, staffing of the Harris County Public Safety Answering Point (PSAP) by the Sheriff's Department, and legal services by the Harris County Attorney's Office.

GHC 9-1-1 also has an interlocal agreement with the City of Houston to fund staffing and other administrative expenses of the City of Houston PSAP, known as Houston Emergency Center, while the management responsibility remains with the City, as with Harris County.

<b>NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</b>
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(A) Financial Statements

The financial statements of GHC 9-1-1 have been prepared in conformity with generally accepted accounting principles (GAAP) as accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GHC 9-1-1's significant accounting and reporting policies are described in the following notes to the financial statements.

GHC 9-1-1 applies all applicable GASB pronouncements as well as Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

(B) Basis of Presentation and Accounting

GHC 9-1-1 represents its financials as an enterprise fund. Enterprise funds are proprietary funds used to account for operations in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned, and expenses are recognized and recorded when they are incurred. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of GHC 9-1-1's enterprise fund is charged to customers on their telecommunication services bills. Operating expenses for GHC 9-1-1 include the cost of network connectivity services, operation and maintenance services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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(C) Property and Equipment

Property and equipment are stated at historical cost. Depreciation is determined using the straight-line method at rates expected to amortize the cost of depreciable properties over estimated useful lives of seven years for furniture and fixtures, three to ten years for equipment. Property and equipment purchases and improvements with a cost greater than \$1,000 are capitalized.

(D) Compensated Absences

Accumulated compensated absences for the employees of GHC 9-1-1 are recorded as an expense and liability as the benefits accrue. The vacation policy allows employees to accrue vacation time every pay period, subject to maximum balance caps—the vacation time earned each pay period and maximum balance caps vary based on the years of service. The maximum balance caps range from 120 hours for new hires to 280 hours for employees with over 25 years of service. The liability for vacation time is based on estimated hours accrued for all employees as of the end of the year. The liability for compensated absences is defined as the total hours worked in excess of any employee's required time (40 hours per week), not to exceed a total accumulation of 240 hours.

(E) Prepaid Assets

Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) and are recognized as expenditures when utilized.

(F) Accounts Receivable

Accounts receivable and grants receivable are recorded net of allowance for uncollectibles. There were no allowances for uncollectibles for the year ending December 31, 2013 and 2012.

(G) Statement of Cash Flows

For purposes of the statement of cash flows, GHC 9-1-1 considers only money market funds as cash equivalents. All other short-term securities are classified as investments.

(H) Estimates

The preparation of financial statements in conformity with GAAP as accepted in the United States of America requires the use of management's estimates. Accordingly, actual results could differ from those estimates.

(I) Advertising Expense

Educational advertising campaign costs are expensed as incurred and are reflected in the statements of revenues, expenses, and changes in net position.

(J) Equity Classifications Equity is classified as net position and displayed in three components:

- Net Investment in Capital Assets—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted net position—Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position—All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

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- When an expense is incurred for purposes for which both restricted and unrestricted net position is available, GHC 9-1-1's policy is to apply restricted net position first.

(K) Budget

In accordance with GHC 9-1-1's enabling legislation, the Board of Managers adopts an annual budget for operating and capital expenditures. The budget is adopted on a cash basis and is submitted to the Harris County Commissioners' Court and the Houston City Council for approval.

**NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

(A) Cash and Cash Equivalents

State statutes authorize GHC 9-1-1 to invest in fully collateralized or insured time deposits, direct debt securities of the United States or its agencies, commercial paper, money market mutual funds and fully collateralized repurchase agreements. GHC 9-1-1's book value of cash and cash equivalents totaled \$12,034,547 and \$5,533,867 as of December 31, 2013 and 2012, respectively.

Custodial credit risk related to deposits is the risk that, in the event of a bank failure, GHC 9-1-1's deposits might not be recovered. It is the policy of GHC 9-1-1 that all deposited funds in each of GHC 9-1-1's accounts be insured by the Federal Depository Insurance Coverage (FDIC), or its successor, or secured by collateral pledged to the extent of the fair market value of the amount not insured in compliance with the Collateral Act of Chapter 2256 of the Texas Government Code. As of December 31, 2013, GHC 9-1-1 had a bank balance of \$14,677,869 in the checking and money market sweep accounts. The checking account bank balance totaled \$850,000 and \$13,827,869 was held in the money market sweep account. The money market sweep account is made up of investments of US treasury securities—the entire checking account balance was covered under FDIC and a collateral security agreement to cover deposits in excess of \$250,000.

(B) Investments

Chapter 2256 of the Texas Government Code is known as the Public Funds Investment Act. This act authorizes GHC 9-1-1 to invest its funds pursuant to a written investment policy which primarily emphasizes the safety of principal and liquidity, and addresses investment diversification, yield, and maturity.

GHC 9-1-1 investments are managed by the Harris County Office of Financial Services, as authorized by an interlocal agreement. GHC 9-1-1's Investment Policy is reviewed and approved annually by the GHC 9-1-1's Board of Managers. The Investment Policy includes a list of authorized investment instruments, a maximum allowable stated maturity by fund type, and the maximum weighted average maturity of the overall portfolio. Guidelines for diversification and risk tolerance are also detailed within the policy. Additionally, the policy includes specific investment strategies that address investment options and describes the priorities for suitable investments.

(B) Investments (continued)

Authorized Investments

GHC 9-1-1 funds may be invested in the following investment instruments provided that such instruments meet the guidelines of the investment policy:

1. Obligations of the U.S. or its agencies and instrumentalities.
2. Direct obligations of the State of Texas or its agencies and instrumentalities.
3. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, with a stated final maturity of 10 years or less.
4. Other obligations the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of this state or the U.S.
5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent.
6. Certificates of deposit issued by a state or national bank domiciled in this state or a savings and loan association domiciled in this state that are guaranteed or insured by the FDIC or secured by authorized investments that have a market value of not less than the principal amount of the certificates.
7. Fully collateralized repurchase agreements as authorized by the Public Funds Investment Act.
8. Commercial paper with a stated maturity of 270 days or fewer from the date of issuance as authorized by the Public Funds Investment Act.
9. No-load money market mutual funds regulated by the Securities and Exchange Commission (SEC), with a dollar-weighted average stated maturity of 90 days or fewer and which include in their investment objectives the maintenance of a stable net asset value of \$1 per share as authorized by the Public Funds Investment Act.
10. Guaranteed Investment Contracts as authorized by the Public Funds Investment Act.
11. Public Funds Investment Pools as authorized by the Public Funds Investment Act.

Summary of Cash and Investments

GHC 9-1-1's cash is recorded at fair value and investments are recorded at amortized cost. Total investment book value as of December 31, 2013 was greater than total fair market value by \$5,458 on the investments with maturity dates of three months to less than one year for commercial paper and less than 28 months for bonds. The information in the following table indicates the fair market value, percentage of portfolio, maturity value, and credit rating of GHC 9-1-1's investments as of December 31, 2013, summarized by security type.

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	Security	Credit Rating (S&P/Moody's)	Amortized/Fair Market Value *	% of Portfolio
Commercial Paper	TMCC	A-1+, P-1	\$ 4,996,604	16%
Commercial Paper	TMCC	A-1+, P-1	2,362,317	8%
Bond	Dallas County TX LTD	Aaa, AAA	2,951,845	9%
Bond	Texas ST A&M University	AA+, Aaa, AA+	1,260,982	4%
Bond	Massachusetts St HSG Fin Agy	AA-, Aa3, AA-	1,000,429	3%
Bond	Alamo TX Comnty College Dist	Aa2	1,001,471	3%
Bond	Alamo TX Comnty College Dist	Aa2	1,002,071	3%
Bond	NY ST Urban Development	AAA, AA	4,930,940	16%
Money Market				
Sweep Accounts	US Treasury Securities	AAAm/Aaa	11,169,355	35%
Cash in Bank			850,000	3%
Petty Cash			300	0%
			<u>\$ 31,526,314</u>	<u>100%</u>

\* Cash is recorded at fair value and investments are recorded at amortized cost.

Total investment book value as of December 31, 2012 was greater than total fair market value by \$62,227 on the investments with maturity dates of one month to less than seven months for commercial paper and less than two years for bonds. The following information presents the fair market value, percentage of portfolio, maturity value, and credit rating of GHC 9-1-1's investments as of December 31, 2012, summarized by security type.

	Security	Credit Rating (S&P/Moody's)	Amortized/Fair Market Value *	% of Portfolio
Commercial Paper	TMCC	A-1+/P-1	\$ 5,996,073	21%
Commercial Paper	TMCC	A-1+/P-1	3,993,473	14%
Bond	San Antonio	AA	1,000,000	4%
Bond	SC Public Svc Auth	Aa3, AA-, AA-	3,870,660	13%
Bond	Massachusetts St HSG Fin Agy	AA-, Aa3, AA-	1,000,000	4%
Bond	Alamo TX Comnty College Dist	Aa2	1,000,000	4%
Bond	Alamo TX Comnty College Dist	Aa2	1,000,000	4%
Bond	Louisville & Jefferson Cnty Ky	MIG1, SP-1+	4,993,433	17%
Money Market Sweep				
Accounts	US Treasury Securities	AAAm/Aaa	4,656,737	16%
Cash in Bank			850,014	3%
Petty Cash			300	0%
			<u>\$ 28,360,690</u>	<u>100%</u>

\* Cash is recorded at fair value and investments are recorded at amortized cost.



Risk Disclosures

**Interest Rate Risk:** All investments carry the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that GHC 9-1-1 manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by matching cash flows from maturities so that a portion of the portfolio is maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations. As of December 31, 2013, GHC 9-1-1 was in compliance with these guidelines to manage interest rate risk.

**Credit Risk and Concentration of Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The GHC 9-1-1 mitigates these risks by emphasizing the importance of a diversified portfolio. All funds must be sufficiently diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. In particular, no more than 50% of the overall portfolio may be invested in time deposits, including certificates of deposit, of a single issuer. Concentration by issuer for other investment instruments is not specifically addressed in the investment policy. However, the policy does specify that acceptable investment instruments must have high quality credit ratings and, consequently, risk is minimal. The GHC 9-1-1's investment policy establishes minimum acceptable credit ratings for certain investment instruments. Securities of states, agencies, counties, cities and other political subdivisions must be rated as to investment quality by a nationally recognized investment rating firm as "A" or its equivalent. Money market mutual funds and public funds investment pools must be rated "Aaa" by Moody's Investor Rating Service.

**Custodial Credit Risk:** Custodial credit risk related to investments is the risk that GHC 9-1-1 will not be able to recover the value of investments or collateral securities that are in possession of an outside party if the counterparty to the transaction fails. Portfolio diversification is employed as an investment policy to control this risk.

**Foreign Currency Risk:** Foreign currency risk is the risk that fluctuations in the exchange rate will adversely affect the value of investments denominated in a currency other than the US dollar. GHC 9-1-1's Investment Policy does not list securities denominated in a foreign currency among the authorized investment instruments. Consequently, GHC 9-1-1 is not exposed to foreign currency risk.

<b>NOTE 4 - EMPLOYEE PENSION PLAN</b>
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(A) Plan Description

GHC 9-1-1 provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide multiple-employer public employee retirement system consisting of 602 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the

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employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

GHC 9-1-1 also participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by TCDRS. The plan is referred to as the Supplemental Death Benefit Fund (SDBF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. The coverage provided to retired employees is a post employment benefit other than pension benefit. Retired employees are insured for \$5,000.

(B) Funding Policy

GHC 9-1-1 has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually, which was 11.40% for calendar year 2013. The deposit rate payable by the employee members is the rate of 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

An annual actuarial valuation is also performed for the SDBF to determine the contractual rate by using the unit credit method for providing one-year term life insurance. GHC 9-1-1 contributions to the SDBF for the years ended December 31, 2013 and 2012, were \$5,714 and \$6,017, respectively, which equaled the contractually required contributions each year.

(C) Annual Pension Cost

For the employer's accounting years ending December 31, 2013 and 2012, the annual pension cost for the TCDRS plan for its employees and the actual contributions totaled \$383,108 and \$402,921, respectively. A one-time \$400,000 payment was made to TCDRS during December 2011 to increase the TCDRS plan asset balance for GHC 9-1-1 employees.

The required contribution was determined as part of the December 31, 2013 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2013 included (a) 8.0% investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4%. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2012 was 20 years.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuation as of December 31, 2012, the basis for determining the contribution rate for calendar year 2013. The December 31, 2012 actuarial valuation is the most recent valuation.

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Actuarial Valuation Information

Actuarial valuation date	12/31/10	12/31/11	12/31/12
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period	20	20	20
Asset valuation method	SAF:10-yr smoothed value, ESF: Fund value	SAF:10-yr smoothed value, ESF: Fund value	SAF:10-yr smoothed value, ESF: Fund value
Actuarial Assumptions:			
Investment return <sup>1</sup>	8.0%	8.0%	8.0%
Projected salary increases <sup>1</sup>	5.4%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	-	-	-

<sup>1</sup>Includes inflation at the stated rate

Trend Information

for the Retirement Plan for the Employees of Greater Harris County 9-1-1 Emergency Network

Accounting Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/11	\$771,177	100%	\$ -
12/31/12	402,921	100%	\$ -
12/31/13	383,108	100%	\$ -

Schedule of Funding Progress for the Retirement Plan

for the Employees of Greater Harris County 9-1-1 Emergency Network

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Annual Covered Payroll <sup>1</sup> (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/10	\$5,380,348	\$6,376,132	\$995,784	84.38%	\$2,988,263	33.32%
12/31/11	6,127,761	6,681,564	553,803	91.71%	2,915,461	19.00%
12/31/12	6,981,234	7,590,984	609,750	91.97%	3,182,213	19.16%

<sup>1</sup>The annual covered payroll is based on the employee deposits received by TCDRS for the year ending with the valuation date.

(D) Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was 91.97% funded. The actuarial accrued liability for benefits was \$7,590,984, and the actuarial value of assets was \$6,981,234, resulting in an unfunded (or overfunded) actuarial accrued liability (UAAL) (or OAAL) of \$609,750. The covered payroll (annual payroll of active employees covered by the plan) was \$3,182,213, and the ratio of the UAAL (or OAAL) to the covered payroll was 19.16%.

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

<b>NOTE 5 - OTHER POST EMPLOYMENT BENEFITS (OPEB)</b>
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(A) Plan Description

GHC 9-1-1 voluntarily participates in the Harris County, Texas health insurance plan for the benefit of GHC 9-1-1's employees and retirees. Harris County administers an agent multiple-employer defined benefit post employment healthcare plan that covers retired employees of participating governmental entities which includes GHC 9-1-1. The plan provides medical, dental, vision, and basic life insurance benefits to plan members. Local Government Code Section 157.101 assigns the authority to establish and amend benefit provisions to Harris County Commissioners' Court. Membership in the Plan at March 1, 2011, the date of the latest actuarial valuation, consists of the following:

Retirees and beneficiaries receiving benefits	3,852
Active plan members	14,250
Number of participating employers	5

(B) Funding Policy

Local Government Code Section 157.102 assigns to Harris County Commissioners' Court the authority to establish and amend contribution requirements of the plan members and the participating employers. The plan rates charged to retirees are set annually by Harris County Commissioners' Court based on the combination of premiums and prior year costs of the self-funded portion of the plan. The plan is funded on a pay-as-you-go basis. For the year ended February 28, 2013, plan members or beneficiaries receiving benefits contributed \$9.19 million, or approximately 19.4% of total benefits paid during the year. Participating employers contributed \$38.17 million. The total contributions for the year ended February 28, 2013 were \$47.36 million. Total contributions included actual medical claims paid, premiums for other insurance and administrative costs calculated through an annual rate calculation.

(C) Annual OPEB Cost and Net OPEB Obligation

Harris County's OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of Harris County's OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation for the year ended February 28, 2013:

Annual required contribution (ARC)	\$96,605,903
Interest on net OPEB obligation	14,611,143
Adjustment to ARC	(19,443,417)
Annual OPEB cost (expense)	<u>91,773,629</u>
Contributions made	<u>(38,172,557)</u>
Increase in net OPEB obligation	53,601,072
Net OPEB obligation - beginning of the year	307,602,994
Net OPEB obligation - end of the year	<u><u>\$361,204,066</u></u>

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Harris County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended February 28, 2013 and the two preceding years were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net Ending OPEB Obligation
2/28/2011	\$88,451,513	\$33,588,280	38%	\$253,796,224
2/29/2012	92,618,903	38,812,133	42%	307,602,994
2/28/2013	91,773,629	38,172,557	42%	361,204,066

The above tables include information for the 5 participating employers to the agent multiple-employer defined benefit post employment healthcare plan that Harris County administers. Two of the employers, GHC 9-1-1 and Community Supervision, are not considered departments or component units of Harris County. The annual net OPEB obligation for GHC 9-1-1 is \$716,073 and \$595,798, for the years ending February 29, 2012 and February 28, 2013, respectively.

(D) Funded Status and Funding Progress

As of March 1, 2011, the most recent actuarial valuation date, the plan was 0% funded. The unfunded actuarial accrued liability (UAAL) was \$976.6 million and covered payroll (annual payroll of active employees covered by the plan) was \$727.0 million, resulting in a ratio of the UAAL to covered payroll of 134%. The UAAL of \$976.6 million includes \$1.4 million for GHC 9-1-1.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(E) Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the March 1, 2011, actuarial valuation, a 4.75% discount rate was used. The medical trend rates of 7% for 2012 and 6% for 2013 graded down to an ultimate rate of 5% by 2014 were used per the actuary's best estimate of expected long-term plan experience. The UAAL amortization period and method utilized was 30 year level dollar open period.

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**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance at 1/1/13	Additions	Retirements	Balance at 12/31/13
Equipment	\$31,696,980	\$2,917,293	(\$1,337,581)	\$33,276,692
Furniture & Fixtures	1,979,668	-	-	1,979,668
Land (Non-depreciable)	2,708,879	180,993	-	2,889,872
Work-In-Progress	218,226	600,244	(671,160)	147,310
Building	17,810,410	-	-	17,810,410
Building/Property Improvements	142,602	159,718	-	302,320
Leasehold Improvements	398,768	-	(398,768)	-
Total Fixed Assets	<u>54,955,533</u>	<u>3,858,248</u>	<u>(2,407,509)</u>	<u>56,406,272</u>
Less: Equipment Accumulated Depreciation	(24,100,117)	(4,210,933)	1,337,548	(26,973,502)
Less: Furniture & Fixture Accumulated Depreciation	(1,662,464)	(217,144)	-	(1,879,608)
Less: Building Accumulated Depreciation	(2,442,230)	(779,360)	-	(3,221,590)
Less: Leasehold Improvement Accumulated Amortization	(398,798)	-	398,798	-
Total Accumulated Depreciation/Amortization	<u>(28,603,609)</u>	<u>(5,207,437)</u>	<u>1,736,346</u>	<u>(32,074,700)</u>
Net Capital Assets	<u>\$ 26,351,924</u>	<u>(\$1,349,189)</u>	<u>(\$671,163)</u>	<u>\$ 24,331,572</u>

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Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance at 1/1/12	Additions	Retirements	Balance at 12/31/12
Equipment	\$28,860,120	\$4,209,156	(\$1,372,296)	\$31,696,980
Furniture & Fixtures	1,979,668	-	-	1,979,668
Land (Non-depreciable)	2,708,879	-	-	2,708,879
Work-In-Progress	-	218,226	-	218,226
Building	17,810,410	-	-	17,810,410
Building/Property Improvements	142,602	-	-	142,602
Leasehold Improvements	398,768	-	-	398,768
<b>Total Fixed Assets</b>	<b>51,900,447</b>	<b>4,427,382</b>	<b>(1,372,296)</b>	<b>54,955,533</b>
Less: Equipment Accumulated Depreciation	(21,635,657)	(3,836,756)	1,372,296	(24,100,117)
Less: Furniture & Fixture Accumulated Depreciation	(1,442,772)	(219,692)	-	(1,662,464)
Less: Building Accumulated Depreciation	(1,727,431)	(714,799)	-	(2,442,230)
Less: Leasehold Improvement Accumulated Amortization	(398,798)	-	-	(398,798)
<b>Total Accumulated Depreciation/Amortization</b>	<b>(25,204,658)</b>	<b>(4,771,247)</b>	<b>1,372,296</b>	<b>(28,603,609)</b>
<b>Net Capital Assets</b>	<b>\$ 26,695,789</b>	<b>(\$343,865)</b>	<b>\$ -</b>	<b>\$ 26,351,924</b>

**NOTE 7 - LONG-TERM DEBT**

During the year ended December 31, 2013, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Salary And Accrued Benefits Payable	\$ 189,015	\$ 226,247	\$ 232,231	\$ 183,031	\$ -
Other post employment benefits (OPEB)	595,798	120,275	-	716,073	164,728
<b>Totals</b>	<b>\$ 784,813</b>	<b>\$ 346,522</b>	<b>\$ 232,231</b>	<b>\$ 899,104</b>	<b>\$ 164,728</b>
Long-term debt due in more than one year				<b>\$ 734,376</b>	

**NOTE 8 - OPERATING LEASES**

GHC 9-1-1 has an offsite collocation site lease to house critical redundant systems, and a service agreement for a Multiprotocol Label Switching (MPLS) Network for voice and data traffic. A schedule of future operating lease payments as of December 31, 2013, is presented as follows:

<u>Year</u>	<u>Lease Amounts</u>
2014	\$1,841,660
2015	1,024,993
2016	441,660
2017	340,160
2018	<u>183,660</u>
Total future lease payments	<u>\$3,832,133</u>

Rental expenses for operating leases for 2013 and 2012 were \$243,136 and \$349,559, respectively. Sublease rental income received during 2013 totaled \$-0- and \$255,988 during 2012—the income was used to offset a portion of the operating lease expenses.

**NOTE 9 - COMMITMENTS**

GHC 9-1-1's bank depository pledge contract includes a line of credit with a maximum of \$1,000,000, for payment of current year budgeted expenses. Any loan made under the line of credit is to be repaid in the calendar year made. The line of credit was not used during 2013 or 2012.

**NOTE 10 – Salaries and Benefits**

Salary and benefit costs totaling \$4,509,226 and \$4,370,758 for the years 2013 and 2012, respectively, consist mainly of operational staff costs. In general, other 9-1-1 entities contract for first tier 9-1-1 call-taker support and database management services; most 9-1-1 entities don't reflect those costs in their salary expenses. During the year 2001, GHC 9-1-1 terminated the maintenance contract for turn-key services to install/maintain the 9-1-1 systems and hired technical staff to perform those tasks in-house (technicians install GHC 9-1-1's call taker workstations/backup power systems, maintain an in-house 24x7x365 helpdesk service and are dispatched onsite for repairs when necessary). Again, during the year 2008, GHC 9-1-1 terminated another contract for database management services and hired database analyst staff to perform the same task in-house.

Bringing the operational tasks (i.e., equipment installation/support, helpdesk, and database management) in-house, GHC 9-1-1 has improved service levels for its critical core systems while leveraging staff resources to perform other numerous functions that would otherwise require external expertise.

**NOTE 11 – SERVICE FEES**

In the accompanying "Statements Of Revenue, Expenses And Changes In Net Position," the amounts reported as Fees and Services include major expense components outlined below for the years ending December 31, 2013 and 2012. This note is provided as supplemental information to outline those general components included in the amounts reported as Fees and Services.



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Expense	2013	2012
Network/Connectivity Services	\$ 3,918,159	\$ 4,602,744
PSAP Operations	15,871,006	14,371,290
IT Operations and repairs	597,297	425,876
Maintenance, Legal, and Other Services	3,535,641	3,855,776
Insurance and Vehicle	576,377	466,688
Miscellaneous Other	132,935	112,553
Total	<u>\$ 24,631,415</u>	<u>\$ 23,834,927</u>

**NOTE 12 – RISK MANAGEMENT**

GHC 9-1-1 is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disaster for which commercial insurance is purchased; and minimally for tort claims since GHC 9-1-1 is covered by Texas Tort Claims Act.

During the year ended December 31, 2013, insurance coverage levels were not reduced from coverage levels in place as of December 31, 2012. No claims were made during 2013 and 2012.

**NOTE 13 - ECONOMIC DEPENDENCE**

A majority of GHC 9-1-1's service fee revenue is generated through its primary service supplier.

**Required Supplemental Information**  
**(Unaudited)**

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 Required Supplementary Information  
 Other Post-Employment Benefits  
Schedule of Funding Progress for Harris County, Texas

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) * (b-a)	Funded Ratio (a/b)	Annual Covered Payroll <sup>1</sup> (c)	UAAL as a % of Covered Payroll ((b - a)/c)
2011	3/1/2009	\$ -	859,681,747	859,681,747	0%	722,468,180	119.0%
2012	3/1/2011	-	976,631,331	976,631,331	0%	751,741,400	129.9%
2013	3/1/2011	-	976,631,331	976,631,331	0%	727,014,798	134.3%

The above table includes information for the 5 participating employers to the agent multiple-employer defined benefit post employment healthcare plan that the County administers. Two of the employers, GHC 9-1-1 and Community Supervision are not considered departments or component units of the County; the UAAL for these entities are \$1,355,567 and \$14,780,305 respectively.

Schedule of Funding Progress for the Retirement Plan  
for the Employees of Greater Harris County 9-1-1 Emergency Network

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll <sup>1</sup>	UAAL as a % of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b - a)/c)
12/31/2009	\$ 4,541,900	\$ 5,438,189	\$ 896,289	83.52%	\$ 2,799,730	32.01%
12/31/2010	5,380,348	6,376,132	995,784	84.38%	2,988,263	33.32%
12/31/2011	6,127,761	6,681,564	553,803	91.71%	2,915,461	19.00%
12/31/2012	6,981,234	7,590,984	609,750	91.97%	3,182,213	19.16%

<sup>1</sup>The annual covered payroll is based on the employee deposits received by TCDRS for the year ending with the valuation date.