Greater Harris County
9-1-1 Emergency Network

Financial Statements and Auditors' Report
December 31, 2015 and 2014

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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, 2015. 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 remained about the same at $31.8 million, as funds were reserved for future capital outlay. The funds will be used to pay for ongoing capital replacement, upgrades to the 9-1-1 infrastructure, and specific capital projects over the next five years.
- The increase of $2.7 million in capital net assets is due to normal capital purchases and the completion of construction of a collocation data center facility. The data center will serve as a collocation data center about 80 miles away to duplicate and backup all critical 9-1-1 systems housed and maintained in Houston.
- Total liabilities balance remains at a low $2.2 million or 5.4% of current assets. About half of the balance is due to monthly invoices for operating expenses pending payment, while the other half is for long-term post employment benefits.
- The 9-1-1 service fee revenue of $38.5 million reflected little to no change compared to the prior year.
- Salaries and benefits increased by $167,311 due to general employee salary increases and fewer position vacancies, subsequently filled during 2015.
- The total operating expenses decreased by 4.6% ($1.7 million) due to a decrease of $1.0 million in Fees and Services expense. The decrease in Fees and Services was mainly due to some credits applied by the Harris County Sheriff answering point.

Overview Of The Financial Statements

This annual report consists of two parts: (1) Management's Discussion and Analysis and (2) 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

GHC 9-1-1's financial net position has increased as reflected in the net position presented in Table 1, which reflects an increase of 6.4% ($62.2 million compared to $66.2 million). The $4.0 million increase in Net Position during 2015 is a result of GHC 9-1-1's efforts to establish a healthy financial position to fund specific future capital projects, to avoid financing costs, 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)

	2015	2014
Current Assets	$ 40.2	$ 39.4
Capital and Other Assets	27.6	24.9
Total Assets	67.8	64.3
Deferred Pension Outflows	0.6	0.4
Current Liabilities	1.2	1.7
Noncurrent Liabilities	1.0	0.8
Total Liabilities	2.2	2.5
Net Position	$ 66.2	$ 62.2

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)

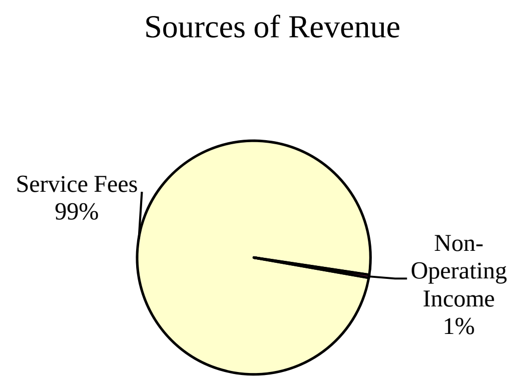
	2015	2014
Revenues:		
Net Operating Revenue	$ 38.5	$ 38.3
Interest and Other Income	0.2	0.2
Total Revenues	38.7	38.5
Expenses:		
Operating Expense	34.7	36.4
Total Expenses	34.7	36.4
Change in Net Position	4.0	2.1
Net Position - Beginning Of Year	62.2	60.1
Net Position - End Of Year	$66.2	$ 62.2

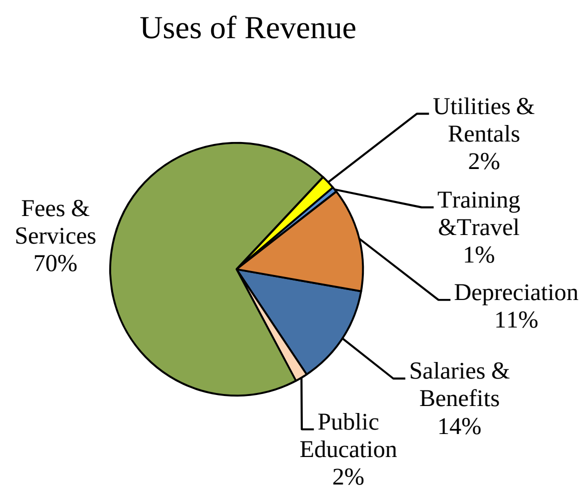
In Table 2 above, net operating revenues increased slightly by 0.4% ($166,627). The growth in 9-1-1 service fee revenue from prepaid wireless subscribers has offset the continued decreases in the legacy landline revenue. The growth in the regular wireless 9-1-1 service fee revenue has slowed due to market saturation.

Net operating expenses decreased by 4.6% ($1.6 million) mainly due to a decrease of $1.0 million in Fees and Services expense. The decrease in Fees and Services was mainly due to a credit offsetting Harris County Sheriff answering point expenses.

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

Table 3





The Service Fees (99%) category is the main source of funding, while 70% 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 14% of the uses of revenue (see chart above). This category includes mainly operational staff and some administrative staff—the operational staff consists of technicians that provide technical support and maintenance for all 9-1-1 systems on a 24-hour, 365 days per year basis for an area spanning approximately 2,664 square miles with a population of approximately 5.3 million.

Capital Assets and Long-Term Debt

GHC 9-1-1's capital assets, net of accumulated depreciation, totaled $27.6 million as of December 31, 2015. The capital assets include hardware/software, call taker workstation equipment, backup power infrastructure, telecommunication equipment, technician vehicles, and the land and building for the headquarters location (also serving as a 9-1-1 call center backup location for contingencies).

GHC 9-1-1 has been able to purchase all capital assets without incurring debt and financing charges. Aside from the normal monthly outstanding accounts payable, and accrued salary and benefits payable totaling $226,553, the only other outstanding long-term debt consists of Other Post Employment Benefits (OPEB) totaling $982,079, which is an estimate of future health insurance costs for retired staff. In addition, a Net Pension Liability totaling $26,109 is also reported to reflect the amount of the actuarially estimated pension liability in excess of the fiduciary net position as of December 31, 2014.

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. 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 costs by consolidating systems and services while adding features.

The GHC 9-1-1 Board of Managers approved the 2016 operational budget totaling $40.8 million, which included an increase totaling $3.9 million compared to the prior year to accommodate the increase in costs for both the City of Houston and Harris County Sheriff. The 9-1-1 service fee rates remained unchanged and are listed in the first foot note 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, 2015 And 2014

	2015	2014
ASSETS		
Current Assets-Unrestricted:		
Cash & Cash Equivalents (Note 3)	$ 5,703,186	$ 9,458,489
Investments (Note 3)	26,138,461	22,063,276
Accounts Receivable (Note 2)	6,335,705	6,259,386
Accrued Interest Receivable	33,598	53,504
Prepaid Expenses	1,966,780	1,545,429
Total Current Assets	40,177,730	39,380,084
Capital Assets		
Inventoried Assets (Note 6)	64,944,870	55,090,233
Land	2,894,195	2,889,872
Work In Progress	648,800	3,844,228
Less: Accumulated Depreciation And Amortization	(40,883,695)	(36,922,553)
Total Capital Assets, Net	27,604,170	24,901,780
Prepaids, Net Of Current Portion	12,267	12,267
TOTAL ASSETS	67,794,167	64,294,131
DEFERRED OUTFLOWS-PENSION BENEFITS	612,169	403,216
LIABILITIES		
Current Liabilities:		
Accounts Payable	836,232	1,294,351
Salary And Accrued Benefits Payable	111,509	198,867
Compensated Absences Payable	203,666	206,015
Total Current Liabilities	1,151,407	1,699,233
Long Term Liabilities:		
Compensated Absences Payable	22,887	22,887
Other Post Employment Benefits (Note 5)	982,079	854,515
Net Pension Liability (Asset) (Note 4)	26,109	(106,705)
Total Long Term Liabilities	1,031,075	770,697
TOTAL LIABILITIES	2,182,482	2,469,930
NET POSITION		
Net Investment In Capital Assets	27,604,170	24,901,780
Unrestricted	38,619,684	37,325,637
TOTAL NET POSITION	$ 66,223,854	$ 62,227,417

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, 2015 and 2014

	2015	2014
Operating Revenues:		
9-1-1 Network Service Fees (Note 1)	$ 38,516,468	$ 38,349,841
Operating Expenses:		
Salaries and Benefits (Note 10)	4,855,999	4,688,688
Office Supplies	40,301	48,705
Public Education Materials	89,826	104,557
Fees and Services (Note 11)	24,355,098	25,394,654
Advertising (Note 2)	356,168	417,294
Rentals	212,118	213,199
Utilities	522,839	447,105
Training and Travel	322,846	241,392
Subtotal	30,755,195	31,555,594
Depreciation and Amortization	3,961,142	4,847,853
Total Operating Expenses	34,716,337	36,403,447
Operating Income	3,800,131	1,946,394
Nonoperating Revenues (Expenses):		
Interest Earnings	177,604	159,615
Miscellaneous Income (Expense)	18,702	(927)
Total Nonoperating Revenues (Expenses)	196,306	158,688
Change in Net Position	3,996,437	2,105,082
Net Position - Beginning Of Year	62,227,417	60,122,335
Net Position - End Of Year	$ 66,223,854	$ 62,227,417

The Accompanying Notes Are An Integral Part Of These Financial Statements

Greater Harris County 9-1-1 Emergency Network

STATEMENTS OF CASH FLOW

For the Years Ending December 31, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities:		
Cash Received From Fees	$ 38,421,036	$ 37,806,534
Cash Payments For Goods And Services	(26,759,553)	(27,995,166)
Cash Payments To Employees For Services	(4,894,281)	(4,520,880)
Net Cash Provided By Operating Activities	6,767,202	5,290,488
Cash Flows From Noncapital Financing Activities:		
Other Revenue (Expense)	18,702	(927)
Net Cash Provided (Used) By Noncapital Financing Activities	18,702	(927)
Cash Flows From Capital And Related Financing Activities:		
Acquisition Of Capital Assets	(6,663,532)	(5,418,061)
Use of Deferred Charges	-	2,926
Net Cash Used By Capital And Related Financing Activities	(6,663,532)	(5,415,135)
Cash Flows From Investing Activities:		
Investment Purchase	(33,134,468)	(21,988,158)
Investment Maturity	29,059,283	19,416,649
Interest Received	197,510	121,025
Net Cash Flows (Used) By Investing Activities	(3,877,675)	(2,450,484)
Net (Decrease) In Cash And Cash Equivalents	(3,755,303)	(2,576,058)
Cash And Cash Equivalents - Beginning of Year	9,458,489	12,034,547
Cash And Cash Equivalents - End of Year	$ 5,703,186	$ 9,458,489
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activity		
Operating Income	$ 3,800,131	$ 1,946,394
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities:		
Depreciation and Amortization	3,961,142	4,847,853
Change In Assets And Liabilities:		
Decrease (Increase) In Accounts Receivables	(76,319)	(467,299)
Decrease (Increase) In Prepaids	(421,351)	4,968
Decrease (Increase) In Pension Deferred Outflows	(208,953)	-
Increase (Decrease) In Accounts Payable	(458,119)	(1,209,236)
Increase (Decrease) In Salaries and Accrued Benefits Payable	(87,358)	(16,505)
Increase (Decrease) In Compensated Absences	(2,349)	45,871
Increase (Decrease) In Other Post Employment Benefits	127,564	138,442
Increase (Decrease) In Net Pension Liability	132,814	-
Total Adjustments	2,967,071	3,344,094
Net Cash Provided By Operating Activities	$ 6,767,202	$ 5,290,488

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, which covers approximately 2,664 square miles and has a population of approximately 5.3 million which is approximately 20% of Texas' total population.

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 calls.

GHC 9-1-1 levies service fees on users of telecommunications devices within the 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 2015 and 2014:

<u>Wireline:</u>

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

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

<u>Wireless:</u> During the 75th State Legislative Session, the fee was set at a statewide flat rate of $.50 per subscriber number per month effective September 1997. During the 81st State Legislative Session, as set forth in Texas Health and 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 State Data Center/Office of the State Demographer).

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, while prepaid wireless sellers can retain two percent (2%). 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.

On June 12, 1996, the Federal Communication Commission (FCC) 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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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 position (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 charges 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.

(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, and 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 years ending December 31, 2015 and 2014.

(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 does not meet the definition of “restricted” or “net investment in capital assets.”

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) Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas County District Retirement System (TCDRS) and additions to/deductions from TCDRS’s fiduciary net position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(L) Deferred Outflows/Inflows Of Resources

Deferred outflows/Inflows of resources are deferred and amortized over the average of the expected service lives of pension plan members. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. GHC 9-1-1 has three items that qualify for reporting in this category on the Statement of Net Position. A deferred charge has been recognized as a result of differences between the actuarial expectations and the actual economic experience related to the GHC 9-1-1's defined benefit pension plan. This amount is deferred and amortized over the average of the expected service lives of the pension plan members. A deferred charge has been recognized for employer pension plan contributions that were made subsequent to the measurement date through the end of the fiscal year. This amount is deferred and recognized as a reduction to the net pension liability during the measurement period in which the contributions were made. Another deferred charge has been recognized for the difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. GHC 9-1-1 has no items that qualifies for reporting in this category in the Statement of Net Position.

(M) 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 $5,703,186 and $9,458,489 as of December 31, 2015 and 2014, 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, 2015, GHC 9-1-1 had a bank balance of $11,160,025 in the checking and money market sweep accounts. The checking account bank balance totaled $850,000 and $10,310,025 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.

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, 2015 was greater than total fair market value by $15,923 on the investments with maturity dates of three months to less than one year for commercial paper and less than 23 months for four bond investments. 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, 2015, summarized by security type.

	Security	Credit Rating (S&P/Moody's)	Amortized/Fair Market Value *	% of Portfolio
Commercial Paper	Toyota Motor Credit	A-1+, P-1	$ 2,970,010	10%
Bond	Frisco Texas ISD	AAA, Aaa	1,259,987	16%
Bond	Federal Home Loan Note	AA+, Aaa	3,000,000	9%
Bond	Federal Farm Credit Bank	AA+, Aaa	4,994,700	4%
Bond	Treasury Note	Aaa, AAA, AA+	1,983,764	6%
Bond	Federal Home Loan Note	AA+, Aaa	5,000,000	3%
Bond	Texas Taxable Refund Public	AAA, Aaa	2,000,000	6%
Bond	NY ST Urban Development	AAA, AA	4,930,000	16%
Money Market Sweep Accounts	US Treasury Securities	AAAm/Aaa	4,852,886	27%
Cash in Bank			850,000	3%
Petty Cash			300	0%
		$ -	$ 31,841,647	100%

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

Total investment book value as of December 31, 2014 was greater than total fair market value by $40,490 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 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, 2014, summarized by security type.

	Security	Credit Rating (S&P/Moody's)	Amortized/Fair Market Value *	% of Portfolio
Commercial Paper	General Electric Capital Corp.	A-1+, P-1	$ 3,014,640	10%
Bond	FHLMC Note	AA+, Aaa	5,004,005	16%
Bond	Dallas County TX LTD	Aaa, AAA	2,915,784	9%
Bond	Texas ST A&M University	AA+, Aaa, AA+	1,260,982	4%
Bond	Treasury Note	Aaa, AAA, AA+	1,982,111	6%
Bond	Alamo TX Comnty College	Aa2	1,002,071	3%
Bond	Texas Taxable Refund Public	AAA, Aaa	2,006,210	6%
Bond	NY ST Urban Development	AAA, AA	4,930,978	16%
Money Market Sweep Accounts	US Treasury Securities	AAAm/Aaa	8,554,684	27%
Cash in Bank			850,000	3%
Petty Cash			300	0%
			$ 31,521,765	100%

* 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, 2015, 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. 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. 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.

NOTE 4 – EMPLOYEE PENSION PLAN

(A) Plan Description

The Texas County and District Retirement System (TCDRS) is a statewide, agent multiple-employer, public-employee retirement system. The system serves 677 actively participating counties and districts throughout Texas. Each employer maintains its own customized plan of benefits. Plan provisions are adopted by the governing bodies of each employer, within the options available in the TCDRS Act. As a result, GHC 9-1-1 has the flexibility and local control to select benefits and pay for those benefits based on its needs and budgets.

Each employer has a defined benefit plan that functions similarly to a cash balance plan. The assets of the plans are pooled for investment purposes, but each employer's plan assets may be used only for the payment of benefits to the members of that employer's plan. In accordance with Texas law, it is intended that the pension plan be construed and administered in a manner that the retirement system will be considered a tax qualified plan under Section 401(a) of the Internal Revenue Code. TCDRS issues a publicly available comprehensive annual financial report that can be obtained at www.tcdrs.org.

All eligible employees (except temporary staff) of GHC 9-1-1 must be enrolled in the plan.

(B) Benefits Provided

TCDRS provides retirement, disability, and death benefits. The benefits provisions are adopted by GHC 9-1-1's Board of Managers within the options available in Texas state statutes governing TCDRS. Members can retire at age 60 and above with eight 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 eight years of service, but must leave their accumulated contributions in the plan to receive any GHC 9-1-1-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by GHC 9-1-1.

Benefit amounts are determined by the sum of the employee's contribution to the plan, with interest, and GHC 9-1-1-financed monetary credits. The level of these monetary credits are adopted by the Board of Managers within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by GHC 9-1-1's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the GHC 9-1-1-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

(C) Employees Covered by Benefit Terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	12
Active employees	43
Total	64

(D) Contributions

A combination of three elements fund each employer's plan: employee deposits, employer contributions, and investment income.

- The deposit rate for employees is 7% of compensation, as adopted by the employer's governing body.
- Participating employers are required, by law, to contribute at actuarially determined rates, which are determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method.
- Investment income funds a large part of the benefits employees earn.

Employers have the option of paying more than the required contribution rate each year. Extra contributions can help employers "prefund" benefit increases, such as a cost-of-living adjustment to retirees, and they can be used to help offset or mitigate future increases in the required rate due to negative plan experience. There are two approaches for making extra contributions:

- paying an elected contribution rate higher than the required rate and
- making an extra lump-sum contribution to the employer account

Employees for GHC 9-1-1 were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for GHC 9-1-1 were 11.55% and 11.34% in calendar years 2014 and 2015, respectively. GHC 9-1-1's contributions to TCDRS for the fiscal year ended December 31, 2015 were $436,085 and were equal to the required contributions.

(E) Net Pension Liability

GHC 9-1-1's Net Pension Liability (NPL) was measured as of December 31, 2014 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

(F) Actuarial Assumptions

The actuarial assumptions that determined the TPL as of December 31, 2014 were based on the results of an actuarial experience study for the period January 1, 2009 through October 31, 2012, except where required to be different by GASB 68.

See the information below (Actuarial Methods and Assumptions Used for GASB Calculations) for a listing of key assumptions used in the calculation of the TPL and other GASB 68 metrics.

Following are the key assumptions and methods used in the December 31, 2014 actuarial valuation:

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in the which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method:	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	3.0%
Salary Increases	8.10%
Investment Rate of Return	3.5%
Cost of Living Adjustments	Cost-of-living adjustments for GHC 9-1-1 are not considered to be substantively automatic under GASB 68. Therefore, an assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.

The long-term expected rate of return of TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The target allocation and best estimate of geometric real rate of return for each major asset class are summarized in the following table:

Asset Class	Benchmark	Target Allocation	Rate of Return (Expected minus Inflation)
US Equities	Dow Jones U.S. Total Stock Market Index	16.50%	5.35%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	12.00%	8.35%
Global Equities	MSCI World (net) Index	1.50%	5.65%
International Equities - Developed	50% MSCI World Ex USA (net) + 50% MSCI World Ex USA 100% Hedged to USD (net) Index	11.00%	5.35%
International Equities - Emerging	50% MSCI EM Standard (net) Index + 50% MSCI EM 100% Hedged to USD (net) Index	9.00%	6.35%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	0.55%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.75%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	5.00%	5.54%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.80%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	6.75%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.00%
Commodities	Bloomberg Commodities Index	2.00%	-0.20%
Master Limited Partnerships (MLP)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	3.00%	7.20%
Hedge Funds	Hedge Fund Research. Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.15%

(G) <u>Discount Rate</u>

The discount rate used to measure the TPL was 8.10%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

(H) Changes in the NPL

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Changes for the year:			
Service cost	$ 590,676	$ -	$ 590,676
Interest	838,452	-	838,452
Change of benefit terms	-	-	-
Difference between expected and actual experience	43,974	-	43,974
Changes of assumptions	-	-	-
Contributions - employer	-	403,216	(403,216)
Contributions - employee	-	244,373	(244,373)
Net investment income	-	685,974	(685,974)
Benefit payments, including refunds of employee contributions	(270,951)	(270,951)	-
Administrative expense	-	(8,361)	8,361
Other changes	-	15,086	(15,086)
Net changes	1,202,151	1,069,337	132,814
Balance at 12/31/2013	10,194,515	10,301,220	(106,705)
Balance at 12/31/2014	$ 11,396,666	$ 11,370,557	$ 26,109

(I) Sensitivity of the NPL to Changes in the Discount Rate

The following presents the NPL of GHC 9-1-1, calculated using the discount rate of 8.10%, as well as what GHC 9-1-1's NPL would be if it were calculated using a discount rate that is one percentage point lower (7.10%) or one percentage point higher (9.10%) than the current rate:

	1% Decrease in Discount Rate (7.10%)	Discount Rate (8.10%)	1% Increase in Discount Rate (9.10%)
Net Pension Liability	$ 1,688,009	$ 26,109	$ (1,340,485)

(J) Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TCDRS financial report. That report may be obtained on the Internet at www.tcdrs.org.

(K) Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions

For the fiscal year ended December 31, 2015, GHC 9-1-1 recognized pension expense of $359,945. At December 31, 2015, GHC 9-1-1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 38,477	$ -
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	137,607	-
Contributions subsequent to the measurement date	436,085	-
Total	$ 612,169	$ -

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date totaling $436,085 will be recognized as a reduction of the net pension liability for the fiscal year ending December 31, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	$ 39,899
2017	39,899
2018	39,899
2019	39,899
2020	5,497
Thereafter	10,991
Total	$ 176,084

NOTE 5 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

(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, 2013, the date of the latest actuarial valuation, consists of the following:

Retirees and beneficiaries receiving benefits	4,253
Active plan members	13,422
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, 2015, plan members or beneficiaries receiving benefits contributed $9.75 million, or approximately 19.8% of total benefits paid during the year. Participating employers contributed $39.54 million. The total contributions for the year ended February 28, 2015 were $49.29 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, 2015:

Annual required contribution (ARC)	$ 109,456,719
Interest on net OPEB obligation	17,229,877
Adjustment to ARC	(24,910,137)
Annual OPEB cost (expense)	101,776,459
Contributions made	(39,543,124)
Increase in net OPEB obligation	62,233,335
Net OPEB obligation - beginning of the year	430,746,908
Net OPEB obligation - end of the year	$ 492,980,243

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, 2015 and the three preceding years were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net Ending OPEB Obligation
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
2/28/2014	$ 103,016,414	$ 33,473,572	32%	$ 430,746,908
2/28/2015	$ 101,776,459	$ 39,543,124	39%	$ 492,980,243

The previous tables include information for the five 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 $854,515 and $982,079 for the years ending February 28, 2014 and February 28, 2015, respectively.

(D) Funded Status and Funding Progress

As of March 1, 2013, the most recent actuarial valuation date, the plan was 0% funded. The unfunded actuarial accrued liability (UAAL) was $1.2 billion and covered payroll (annual payroll of active employees covered by the plan) was $901.0 million, resulting in a ratio of the UAAL to covered payroll of 132%. The UAAL of $1.2 billion includes $1.6 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 ARC 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, 2013, actuarial valuation, a 4% discount rate was used. The medical trend rates of 7% for 2013 and 2014 graded down to an ultimate rate of 5% by 2017 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.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	Balance at 1/1/2015	Additions	Retirements	Balance at 12/31/2015
Equipment	$ 34,968,044	$ 4,853,317	$ -	$ 39,821,361
Furniture & Fixtures	2,009,459	31,660	-	2,041,119
Land (Non-depreciable)	2,889,872	4,323	-	2,894,195
Work-In-Progress	3,844,228	3,572,553	(6,767,981)	648,800
Building	17,810,410	4,774,830	-	22,585,240
Building/Property Improvements	302,320	194,830	-	497,150
Total Fixed Assets	61,824,333	13,431,513	(6,767,981)	68,487,865
Less: Equipment Accumulated Depreciation	(30,948,726)	(3,066,863)	-	(34,015,589)
Less: Furniture & Fixture Accumulated Depreciation	(1,987,116)	(12,569)	-	(1,999,685)
Less: Building Accumulated Depreciation	(3,986,711)	(881,710)	-	(4,868,421)
Total Accumulated Depreciation/Amortization	(36,922,553)	(3,961,142)	-	(40,883,695)
Net Capital Assets	$ 24,901,780	$ 9,470,371	$ (6,767,981)	$ 27,604,170

Capital asset activity for the year ended December 31, 2014 was as follows:

	Balance at 1/1/2014	Additions	Retirements	Balance at 12/31/2014
Equipment	$ 33,276,692	$ 1,691,352	$ -	$ 34,968,044
Furniture & Fixtures	1,979,668	29,791	-	2,009,459
Land (Non-depreciable)	2,889,872	-	-	2,889,872
Work-In-Progress	147,310	4,052,802	(355,884)	3,844,228
Building	17,810,410	-	-	17,810,410
Building/Property Improvements	302,320	-	-	302,320
Total Fixed Assets	56,406,272	5,773,945	(355,884)	61,824,333
Less: Equipment Accumulated Depreciation	(26,973,502)	(3,975,224)	-	(30,948,726)
Less: Furniture & Fixture Accumulated Depreciation	(1,879,608)	(107,508)	-	(1,987,116)
Less: Building Accumulated Depreciation	(3,221,590)	(765,121)	-	(3,986,711)
Total Accumulated Depreciation/Amortization	(32,074,700)	(4,847,853)	-	(36,922,553)
Net Capital Assets	$ 24,331,572	$ 926,092	$ (355,884)	$ 24,901,780

NOTE 7 – LONG-TERM DEBT

During the year ended December 31, 2015, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Compensated Absences	$ 228,902	$ 271,001	$ 273,350	$ 226,553	$ 203,666
Other Post Employment Benefits (OPEB)	854,515	127,564	-	982,079	
Net Pension Liability (Asset)	(106,705)	132,814	-	26,109	-
Totals	$ 976,712	$ 531,379	$ 273,350	$ 1,234,741	$ 203,666
Long-term debt due in more than one year				$ 1,031,075	

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, 2015 is presented as follows:

Year	Lease Amounts
2016	$2,001,660
2017	1,900,160
2018	1,743,660
2019	1,575,660
2020	665,660
Total future lease payments	$7,886,800

Rental expenses for operating leases for 2015 and 2014 were $212,118 and $213,199, respectively.

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 2015 or 2014.

NOTE 10 – SALARIES AND BENEFITS

Salary and benefit costs totaling $4,855,999 and $4,688,688 for the years 2015 and 2014, 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 transitioned from 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, 2015 and 2014. This note is provided as supplemental information to outline those general components included in the amounts reported as Fees and Services.

Expense	2015	2014
Network/Connectivity Services	$ 4,307,192	$ 3,741,211
PSAP Operations	14,848,114	16,985,845
IT Operations and Repairs	411,975	293,573
Maintenance, Legal, and Other Services	4,124,297	3,627,408
Insurance	266,655	322,255
Other General	396,865	424,362
Total	$24,355,098	$25,394,654

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, 2015, insurance coverage levels were not reduced from coverage levels in place as of December 31, 2014. No claims were made during 2015 or 2014.

NOTE 13 – ECONOMIC DEPENDENCE

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

NOTE 14 – RESTATEMENT OF NET POSITION

GHC 9-1-1 implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. As a result, GHC 9-1-1 has restated beginning net position to account for a net pension liability as of the measurement date, December 31, 2013. In addition, GHC 9-1-1 has restated beginning net position to record a deferred outflow for contributions made to the pension plan between the initial measurement date and the end of the prior fiscal year, December 31, 2014. The beginning net position was restated as follows:

	Business-Type Activities
Beginning net position - as reported	$ 61,717,496
Restatement - net pension asset	106,705
Restatement - deferred outflows	403,216
Beginning net position - restated	$ 62,227,417

Required Supplementary Information

(Unaudited)

Greater Harris County 9-1-1 Emergency Network
Schedule of Net Pension Liability and Related Ratios
Texas County and District Retirement System
For the Year Ended December 31, 2015

	Measurement Year 2014 *
Total Pension Liability	
Service cost	$ 590,676
Interest (on the Total Pension Liability)	838,452
Changes of benefit terms	-
Difference between expected and actual experience	43,974
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(270,951)
Net Change in Total Penison Liability	1,202,151
Beginning total pension liability	10,194,515
Ending Total Pension Liability	$ 11,396,666
Plan Fiduciary Net Position	
Contributions - employer	$ 403,216
Contributions - employee	244,373
Net investment income	685,974
Benefit payments, including refunds of employee contributions	(270,951)
Administrative expense	(8,361)
Other	15,086
Net Change in Plan Fiduciary Net Position	1,069,337
Beginning plan fiduciary net position	10,301,220
Ending Plan Fiduciary Net Position	$ 11,370,557
Net Pension Liability	$ 26,109
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	99.77%
Covered Employee Payroll	$ 3,491,047
Net Pension Liability as a Percentage of Covered Employee Payroll	0.75%

** Only one year of information is currently available. GHC9-1-1 will build this schedule over the next nine-year period.*

Greater Harris County 9-1-1 Emergency Network

Schedule Of Contributions

Texas County and District Retirement System

For the Year Ended December 31, 2015

Fiscal Year	Actuarially Determined Contribution	Contributions In Relation To The Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions As A Percentage of Covered Employee Payroll
2006	$ 223,278	$ 223,278	$ -	$ 2,009,703	11.11%
2007	$ 272,111	$ 272,111	$ -	$ 2,306,024	11.80%
2008	$ 284,865	$ 284,865	$ -	$ 2,462,100	11.57%
2009	$ 325,049	$ 325,049	$ -	$ 2,799,730	11.61%
2010	$ 372,935	$ 372,935	$ -	$ 2,988,263	12.48%
2011	$ 372,013	$ 772,424	$ (400,411)	$ 2,915,461	26.49%
2012	$ 404,778	$ 404,778	$ -	$ 3,182,213	12.72%
2013	$ 381,323	$ 381,323	$ -	$ 3,345,149	11.40%
2014	$ 403,216	$ 403,216	$ -	$ 3,491,047	11.55%
2015	$ 436,085	$ 436,085	$ -	$ 3,845,544	11.34%

Note: There were no benefit changes during the year.

Greater Harris County 9-1-1 Emergency Network

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[1] (c)	UAAL as a % of Covered Payroll ((b - a)/c)
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%
2014	3/1/2013	$ -	$1,189,670,446	$1,189,670,446	0%	$776,162,676	153.3%
2015	3/1/2013	$ -	$1,189,670,446	$1,189,670,446	0%	$900,961,148	132.0%

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 $1,586,416 and $13,136,729 respectively.