Greater Harris County
9-1-1 Emergency Network

Financial Statements and Auditors' Report
December 31, 2016 and 2015

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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 years ended December 31, 2016 and 2015, 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 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 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.

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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 GHC 9-1-1 as of December 31, 2016 and 2015, 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, schedule of proportionate share of net pension liability and related ratios, schedule of contributions, and schedule of funding progress, 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.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
May 16, 2017

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, 2016. 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 decreased by a total of $4.3 million during 2016 to a total balance of $27.6 million—the funds are reserved for specific future capital expenditures. 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.
    - ❖ GHC 9-1-1's goal is to continue to allocate funds for future capital outlay to avoid financing costs, while pursuing and leveraging the best technology to reduce operating costs will prepare GHC 9-1-1 to meet the growing demands on the 9-1-1 system.
- The increase of $1.2 million in net capital assets is due to normal capital purchases and capital replacement.
- Total liabilities balance remains at a low $4.2 million. 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 and net pension liability.
- The 9-1-1 service fee revenue of $38.6 million reflected, as projected, little to no change compared to the prior year.
- Salaries and benefits increased by $436,520 due to general employee salary increases and GASB 68 pension accruals.
- The total operating expenses increased by 19.8% ($6.9 million) due to an increase of $5.7 million in Fees and Services expense. The increase in Fees and Services was mainly due to increases in reimbursements for call taker staffing at the Houston Emergency Center and Harris County Sheriff's Office.

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 decreased as reflected in the net position presented in Table 1, which reflects a decrease of 4.1% ($63.5 million for 2016 compared to $66.2 million for 2015). The $2.7 million decrease in Net Position during 2016 is a result of GHC 9-1-1 expending funds for ongoing capital expenditures and for nonrecurring costs that reduce ongoing monthly costs for services, while at the same time preparing GHC 9-1-1 to meet the growing demands on the 9-1-1 system.

Table 1
Net Position
(in Millions)

	2016	2015
Current Assets	$ 35.5	$ 40.2
Capital and Other Assets	30.7	27.6
Total Assets	66.2	67.8
Deferred Outflows- Pension	1.6	0.6
Current Liabilities	2.1	1.2
Noncurrent Liabilities	2.1	1.0
Total Liabilities	4.2	2.2
Deferred Inflows- Pension	0.1	-
Net Position	$ 63.5	$ 66.2

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)

	2016	2015
Revenues:		
Operating Revenue	$ 38.6	$ 38.5
Interest and Other Income	0.3	0.2
Total Revenues	38.9	38.7
Expenses:		
Operating Expense	41.6	34.7
Total Expenses	41.6	34.7
Change in Net Position	(2.7)	4.0
Net Position - Beginning Of Year	66.2	62.2
Net Position - End Of Year	$ 63.5	$66.2

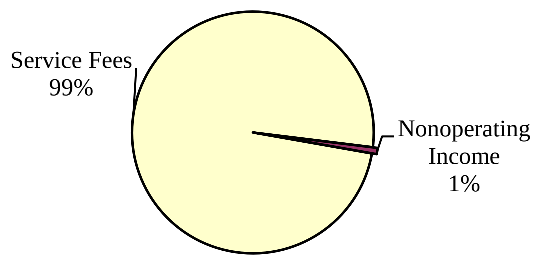
In Table 2 above, operating revenues increased slightly by 0.1% ($46,468) as projected. The growth in 9-1-1 service fee revenue from prepaid wireless subscribers has offset the continued decreases in the legacy landline revenue. The growth in the regular wireless 9-1-1 service fee revenue has slowed due to market saturation.

Operating expenses increased by 19.8% ($6.9 million) mainly due to an increase of $5.7 million in Fees and Services expense. The increase in Fees and Services was mainly due to increases for call taker expenses at the Houston Emergency Center and Harris County Sheriff call centers.

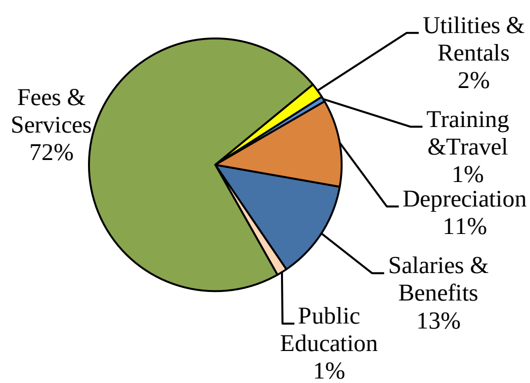
Table 3 below presents the sources and uses of GHC 9-1-1's revenue.

Table 3

Sources of Revenue



Uses of Revenue



The Service Fees (99%) category is the main source of funding, while 72% 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 eight 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 on previous page). 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 5.6 million.

Capital Assets and Long-Term Debt

GHC 9-1-1's capital assets, net of accumulated depreciation, totaled $28.8 million as of December 31, 2016. 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 $254,501, the only other outstanding long-term debt consists of Other Post Employment Benefits (OPEB) totaling $1,149,819, which is an estimate of future health insurance costs for retired staff. In addition, a Net Pension Liability totaling $991,408 is also reported to reflect the amount of the actuarially estimated pension liability in excess of the fiduciary net position as of December 31, 2015.

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 2017 operational budget totaling $46.6 million, which included an increase totaling $2.2 million compared to the prior year to accommodate the increase in costs for both the City of Houston and Harris County Sheriff. Another significant budget increase totaling $2.6 million was included in Network Services/Connectivity for the new Next Generation 9-1-1 call routing service necessary to replace the current legacy caller router during 2017. The majority of the increase represents a one-time charge for the deployment of the system.

The 9-1-1 service fee rates remained unchanged and 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 Road, Houston, Texas 77064.

Greater Harris County 9-1-1 Emergency Network

STATEMENT OF NET POSITION

As Of December 31, 2016 And 2015

	2016	2015
ASSETS		
Current Assets-Unrestricted:		
Cash and Cash Equivalents (Note 3)	$ 3,653,483	$ 5,703,186
Investments (Note 3)	23,917,327	26,138,461
Accounts Receivable (Note 2)	6,538,436	6,335,705
Accrued Interest Receivable	37,167	33,598
Prepaid Expenses	1,227,728	1,966,780
Total Current Assets	35,374,141	40,177,730
Capital Assets		
Inventoried Assets (Note 6)	70,505,523	64,944,870
Land	3,219,411	2,894,195
Work In Progress	617,928	648,800
Less: Accumulated Depreciation and Amortization	(45,520,865)	(40,883,695)
Total Capital Assets, Net	28,821,997	27,604,170
Prepaids, Net Of Current Portion	2,068,023	12,267
TOTAL ASSETS	66,264,161	67,794,167
DEFERRED OUTFLOWS-PENSION	1,595,534	612,169
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,656,353	836,232
Salary and Accrued Benefits Payable	154,818	111,509
Compensated Absences Payable	229,051	203,666
Total Current Liabilities	2,040,222	1,151,407
Long-Term Liabilities:		
Compensated Absences Payable	25,450	22,887
Other Post Employment Benefits (Note 5)	1,149,819	982,079
Net Pension Liability (Asset) (Note 4)	991,408	26,109
Total Long-Term Liabilities	2,166,677	1,031,075
TOTAL LIABILITIES	4,206,899	2,182,482
DEFERRED INFLOWS-PENSION	149,898	-
NET POSITION		
Net Investment in Capital Assets	28,821,997	27,604,170
Unrestricted	34,680,901	38,619,684
TOTAL NET POSITION	$ 63,502,898	$ 66,223,854

Greater Harris County 9-1-1 Emergency Network

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Years Ending December 31, 2016 and 2015

	2016	2015
Operating Revenues:		
9-1-1 Network Service Fees (Note 1)	$ 38,562,936	$ 38,516,468
Operating Expenses:		
Salaries and Benefits (Note 10)	5,292,519	4,855,999
Office Supplies	38,118	40,301
Public Education Materials	117,652	89,826
Fees and Services (Note 11)	30,054,574	24,355,098
Advertising (Note 2)	393,011	356,168
Rentals	239,494	212,118
Utilities	552,935	522,839
Training and Travel	281,221	322,846
Subtotal	36,969,524	30,755,195
Depreciation and Amortization	4,637,169	3,961,142
Total Operating Expenses	41,606,693	34,716,337
Operating Income (Loss)	(3,043,757)	3,800,131
Nonoperating Revenues (Expenses):		
Interest Earnings	235,558	177,604
Miscellaneous Income (Expense)	87,243	18,702
Total Nonoperating Revenues (Expenses)	322,801	196,306
Change in Net Position	(2,720,956)	3,996,437
Net Position - Beginning Of Year	66,223,854	62,227,417
Net Position - End Of Year	$ 63,502,898	$ 66,223,854

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, 2016 and 2015

	2016	2015
Cash Flows From Operating Activities:		
Cash Received From Fees	$ 38,360,205	$ 38,421,036
Cash Payments For Goods and Services	(32,173,588)	(26,759,553)
Cash Payments To Employees For Services	(4,921,690)	(4,894,281)
Net Cash Provided By Operating Activities	1,264,927	6,767,202
Cash Flows From Noncapital Financing Activities:		
Other Revenue	87,243	18,702
Net Cash Provided By Noncapital Financing Activities	87,243	18,702
Cash Flows From Capital And Related Financing Activities:		
Acquisition Of Capital Assets	(5,854,997)	(6,663,532)
Net Cash (Used) By Capital And Related Financing Activities	(5,854,997)	(6,663,532)
Cash Flows From Investing Activities:		
Investment Purchase	(23,130,311)	(33,134,468)
Investment Maturity	25,351,446	29,059,283
Interest Received	231,989	197,510
Net Cash Flows Provided (Used) By Investing Activities	2,453,124	(3,877,675)
Net (Decrease) In Cash And Cash Equivalents	(2,049,703)	(3,755,303)
Cash And Cash Equivalents - Beginning of Year	5,703,186	9,458,489
Cash And Cash Equivalents - End of Year	$ 3,653,483	$ 5,703,186
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activity		
Operating Income (Loss)	$ (3,043,757)	$ 3,800,131
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities:		
Depreciation and Amortization	4,637,169	3,961,142
Change In Assets And Liabilities:		
Decrease (Increase) In Accounts Receivables	(202,731)	(76,319)
Decrease (Increase) In Prepaids	(1,316,704)	(421,351)
Decrease (Increase) In Deferred Outflows-Pension	(983,365)	(208,953)
Increase (Decrease) In Accounts Payable	820,121	(458,119)
Increase (Decrease) In Salaries and Accrued Benefits Payable	43,309	(87,358)
Increase (Decrease) In Compensated Absences	27,948	(2,349)
Increase (Decrease) In Other Post Employment Benefits	167,740	127,564
Increase (Decrease) In Net Pension Liability	965,299	132,814
Increase (Decrease) In Deferred Inflows-Pension	149,898	-
Total Adjustments	4,308,684	2,967,071
Net Cash Provided By Operating Activities	$ 1,264,927	$ 6,767,202

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 5.5 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 2016 and 2015:

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 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 that 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 are 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, 2016 and 2015.

(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 four 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. A deferred charge has been recognized for the changes in actuarial assumptions. The amount is deferred and amortized over the average of the expected service lives of the pension plan members.

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 one item that qualifies for reporting in this category in the Statement of Net Position. Deferred inflows of resources have 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 pension plan members.

(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 $3,653,483 and $5,703,186 as of December 31, 2016 and 2015, 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, 2016, GHC 9-1-1 had a bank balance of $8,018,289 in the checking and money market sweep accounts. The checking account bank balance totaled $850,000 and $7,168,289 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 and investments are recorded at fair value. Total investment book value as of December 31, 2016 was greater than total fair market value by $33,177 on the investments with maturity dates of less than one year for two commercial paper investments and for four note investments with maturity dates ranging from 15 months to less than 37 months. 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, 2016, summarized by security type.

	Security	Credit Rating (S&P/Moody's)	Fair Market Value	% of Portfolio
Commercial Paper	Toyota Motor Credit	A-1+, P-1	$ 4,956,288	18%
Commercial Paper	Toyota Motor Credit	A-1+, P-1	2,972,307	11%
Bond	Federal Home Loan Note	AA+, Aaa	3,000,000	11%
Bond	Federal Farm Credit Bank	AA+, Aaa	4,994,700	18%
Bond	Treasury Note	Aaa, AAA, AA+	1,994,032	7%
Bond	Federal Home Loan Note	AAA, Aaa	6,000,000	22%
Money Market Sweep Accounts	US Treasury Securities	AAAm/Aaa	2,803,183	10%
Cash in Bank			850,000	3%
Petty Cash			300	0%
			$ 27,570,810	100%

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 bond investments. 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, 2015, summarized by security type.

	Security	Credit Rating (S&P/Moody's)	Fair Market Value	% of Portfolio
Commercial Paper	Toyota Motor Credit	A-1+, P-1	$ 2,970,010	9%
Bond	Frisco Texas ISD	AAA, Aaa	1,259,987	4%
Bond	Federal Home Loan Note	AA+, Aaa	3,000,000	9%
Bond	Federal Farm Credit Bank	AA+, Aaa	4,994,700	16%
Bond	Treasury Note	Aaa, AAA, AA+	1,983,764	6%
Bond	Federal Home Loan Note	AA+, Aaa	5,000,000	16%
Bond	Texas Taxable Refund Public	AAA, Aaa	2,000,000	6%
Bond	NY ST Urban Development	AAA, AA	4,930,000	15%
Money Market Sweep Accounts	US Treasury Securities	AAAm/Aaa	4,852,886	15%
Cash in Bank			850,000	3%
Petty Cash			300	0%
			$ 31,841,647	100%

Fair Value Measurements
GASB Statement No. 72, Fair Value Measurement and Application, establishes an authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. GHC 9-1-1 categorizes the fair value measurements of its investments based on the

hierarchy established by GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset is not observable, GHC 9-1-1 will measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

As of December 31, 2016, GHC 9-1-1 held the following at fair value measurements:

	Fair Value Measurements	
Investments by Fair Value Level:	Level 1	Level 2
Money Market Mutual Fund	$ 2,803,183	$ -
Commercial Paper	-	7,928,595
U.S. Government Agency Bonds		
Federal Home Loan Mortgage Corporation	-	9,000,000
Federal Farm Credit Bank	-	4,994,700
U.S. Treasury Note	-	1,994,032
Total	$ 2,803,183	$ 23,917,327

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, 2016, 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 700 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, 2015 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	11
Active employees	43
Total	63

(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 11.34% and 11.10% in calendar years 2015 and 2016, respectively. GHC 9-1-1's contributions to TCDRS for the fiscal year ended December 31, 2015 and 2016 were $436,085 and $418,084, which were equal to the required contributions for each year.

(E) Net Pension Liability

GHC 9-1-1's Net Pension Liability (NPL) was measured as of December 31, 2015 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, 2015 were based on the results of an actuarial experience study for the period January 1, 2009 through December 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, 2015 actuarial valuation:

Valuation Date	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.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	14.6 years
Asset Valuation Method	5-year smoothed market
Inflation	3.0%
Salary Increases	4.9%, average over career, including inflation
Investment Rate of Return	8.00%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously, Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
Changes in Plan Provisions Reflected in the Schedule*	No changes in plan provisions are reflected in the Schedule of Employer Contributions.

*Only changes effective 2015 and later are shown in the Notes to Schedule.

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	14.50%	5.45%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	14.00%	8.45%
Global Equities	MSCI World (net) Index	1.50%	5.75%
International Equities - Developed	MSCI World Ex USA (net)	10.00%	5.45%
International Equities - Emerging	MSCI World Ex USA (net)	8.00%	6.45%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	1.00%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	5.10%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.09%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	5.00%	6.40%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	8.10%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	3.00%	4.00%
Master Limited Partnerships (MLP)	Alerian MLP Index	3.00%	6.80%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	5.00%	6.90%
Hedge Funds	Hedge Fund Research. Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.25%

(G) Discount Rate

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	$ 625,982	$ -	$ 625,982
Interest	934,687	-	934,687
Change of benefit terms	(144,032)	-	(144,032)
Difference between expected and actual experience	(171,312)	-	(171,312)
Changes of assumptions	98,498	-	98,498
Refund of contributions	(34,358)	(34,358)	-
Benefit payments	(255,065)	(255,065)	-
Administrative expense	-	(8,231)	8,231
Contributions - employee	-	269,188	(269,188)
Net investment income	-	(250,227)	250,227
Contributions - employer	-	436,085	(436,085)
Other changes	-	(68,291)	68,291
Net changes	1,054,400	89,101	965,299
Balance at 12/31/2014	11,396,666	11,370,557	26,109
Balance at 12/31/2015	$ 12,451,066	$ 11,459,658	$ 991,408

(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	$ 2,858,019	$ 991,408	$ (551,561)

(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, 2016, GHC 9-1-1 recognized pension expense of $550,636. At December 31, 2016, 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	$ 32,980	$ 149,898
Changes in actuarial assumptions	86,186	-
Difference between projected and actual investment earnings	1,057,564	-
Contributions subsequent to the measurement date	418,804	-
Total	$ 1,595,534	$ 149,898

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date totaling $418,804 will be recognized as a reduction of the net pension liability for the fiscal year ending December 31, 2017. 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
2017	$ 269,386
2018	269,386
2019	269,386
2020	234,985
2021	(3,605)
Thereafter	(12,706)
Total	$ 1,026,832

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 that 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, 2015, the date of the latest actuarial valuation, consists of the following:

Retirees and beneficiaries receiving benefits	4,594
Active plan members	14,599
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 29, 2016, plan members or beneficiaries receiving benefits contributed $10.19 million, or approximately 20.7% of total benefits paid during the year. Participating employers contributed $39.01 million. The total contributions for the year ended February 29, 2016 were $49.19 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 costs each year and amortize any unfunded actuarial liability (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 29, 2016:

Annual required contribution (ARC)	$ 118,146,628
Interest on net OPEB obligation	18,486,759
Adjustment to ARC	(27,650,090)
Annual OPEB cost (expense)	108,983,297
Contributions made	(39,006,959)
Increase in net OPEB obligation	69,976,338
Net OPEB obligation - beginning of the year	492,980,243
Net OPEB obligation - end of the year	$ 562,956,581

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 29, 2016 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
2/28/2013	$ 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
2/29/2016	$ 108,983,297	$ 39,006,959	36%	$ 562,956,581

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 $982,079 and $1,149,819 for the years ending February 28, 2015 and February 29, 2016, respectively.

(D) Funded Status and Funding Progress

As of March 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The unfunded actuarial accrued liability (UAAL) was $1.3 billion and covered payroll (annual payroll of active employees covered by the plan) was $961.9 million, resulting in a ratio of the UAAL to covered payroll of 136%. The UAAL of $1.3 billion includes $1.8 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, 2015 actuarial valuation, a 3.75% discount rate was used. The medical trend rates of 6% for 2015 graded down to an ultimate rate of 5% by 2020 were used per the actuary's best estimate of expected long-term plan experience. The economic assumptions used in the valuation included a general inflation level of 2.5%. 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, 2016 was as follows:

	Balance at 1/1/2016	Additions	Retirements	Balance at 12/31/2016
Equipment	$ 39,821,361	$ 5,450,530	$ -	$ 45,271,891
Furniture & Fixtures	2,041,119	24,099	-	2,065,218
Land (Non-depreciable)	2,894,195	325,216	-	3,219,411
Work-In-Progress	648,800	1,060,126	(1,090,998)	617,928
Building	22,585,240	-	-	22,585,240
Building/Property Improvements	497,150	86,024	-	583,174
Total Fixed Assets	68,487,865	6,945,995	(1,090,998)	74,342,862
Less: Equipment Accumulated Depreciation	(34,015,589)	(3,647,392)	-	(37,662,981)
Less: Furniture & Fixture Accumulated Depreciation	(1,999,685)	(24,295)	-	(2,023,980)
Less: Building Accumulated Depreciation	(4,868,421)	(965,483)	-	(5,833,904)
Total Accumulated Depreciation/Amortization	(40,883,695)	(4,637,170)	-	(45,520,865)
Net Capital Assets	$ 27,604,170	$ 2,308,825	$ (1,090,998)	$ 28,821,997

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

NOTE 7 – LONG-TERM DEBT

During the year ended December 31, 2016, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Compensated Absences	$ 226,553	$ 292,379	$ 264,431	$ 254,501	$ 25,450
Other Post Employment Benefits (OPEB)	982,079	167,740	-	1,149,819	-
Net Pension Liability (Asset)	26,109	1,054,400	89,101	991,408	-
Totals	$ 1,234,741	$ 1,514,519	$ 353,532	$ 2,395,728	$ 25,450
Long-term debt due in more than one year				$ 2,370,278	

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, 2016 is presented as follows:

Year	Lease Amounts
2017	$1,600,160
2018	1,443,660
2019	1,275,660
2020	1,275,660
2021	625,660
Total future lease payments	$6,220,800

Rental expenses for operating leases for 2016 and 2015 were $239,494 and $212,118, 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 2016 or 2015.

NOTE 10 – SALARIES AND BENEFITS

Salary and benefit costs totaling $5,292,519 and $4,855,999 for the years 2016 and 2015, 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, 2016 and 2015. This note is provided as supplemental information to outline those general components included in the amounts reported as Fees and Services.

Expense	2016	2015
Network/Connectivity Services	$ 4,622,262	$ 4,307,192
PSAP Operations	19,622,869	14,848,114
IT Operations and Repairs	475,225	411,975
Maintenance, Legal, and Other Services	4,725,962	4,103,821
Insurance	207,627	287,131
Other General	400,629	396,865
Total	$30,054,574	$24,355,098

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, 2016, insurance coverage levels were not reduced from coverage levels in place as of December 31, 2015. No claims were made during 2016 or 2015.

NOTE 13 – ECONOMIC DEPENDENCE

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

Required Supplementary Information

Schedule of Net Pension Liability and Related Ratios
Texas County and District Retirement System
For the Year Ended December 31, 2016

	Measurement Year 2014*	Measurement Year 2015*
Total Pension Liability		
Service cost	$ 590,676	$ 625,982
Interest on the Total Pension Liability	838,452	934,687
Effect of plan changes	-	(144,032)
Effect of economic/demographic gains or losses	43,974	(171,312)
Effect of assumption changes or inputs	-	98,498
Refund of contributions	-	(34,358)
Benefit payments	(270,951)	(255,065)
Net Change in Total Pension Liability	1,202,151	1,054,400
Beginning total pension liability	10,194,515	11,396,666
Ending Total Pension Liability	$ 11,396,666	$ 12,451,066
Plan Fiduciary Net Position		
Contributions - employer	$ 403,216	$ 436,085
Contributions - employee	244,373	269,188
Net investment income	685,974	(250,227)
Benefit payments, including refunds of employee contributions	(270,951)	(255,065)
Refund of contributions	-	(34,358)
Administrative expense	(8,361)	(8,231)
Other	15,086	(68,291)
Net Change in Plan Fiduciary Net Position	1,069,337	89,101
Beginning plan fiduciary net position	10,301,220	11,370,557
Ending Plan Fiduciary Net Position	$ 11,370,557	$ 11,459,658
Net Pension Liability	$ 26,109	$ 991,408
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	99.77%	92.04%
Covered Employee Payroll	$ 3,491,047	$ 3,845,544
Net Pension Liability as a Percentage of Covered Employee Payroll	0.75%	25.78%

** Only two years of information is currently available. GHC9-1-1 will build this schedule over the next eight-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, 2016

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
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%
2016	$ 418,804	$ 418,804	$ -	$ 3,773,009	11.10%

Note: There were no benefit changes during the year.

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%
2016	3/1/2015	$ -	$1,311,021,556	$1,311,021,556	0%	$961,963,878	136.3%

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 $1,819,165 and $10,973,012 respectively.