

Washington State Auditor's Office
Financial Statements and Federal Single Audit Report

**North East King County Regional Public
Safety Communication Agency
(NORCOM)**

Audit Period
November 1, 2007 through December 31, 2008

Report No. 1002204

Issue Date
September 28, 2009



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

September 28, 2009

Board of Directors
NORCOM
Bellevue, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the NORCOM's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the Agency's financial condition.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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King County
November 1, 2007 through December 31, 2008**

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Federal Summary

NORCOM
King County
November 1, 2007 through December 31, 2008

The results of our audit of the NORCOM are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unqualified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

- **Significant Deficiencies:** We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- **Material Weaknesses:** We identified no significant deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Agency.

FEDERAL AWARDS

Internal Control Over Major Programs:

- **Significant Deficiencies:** We identified deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- **Material Weaknesses:** We identified significant deficiencies that we consider to be material weaknesses.

We issued an unqualified opinion on the Agency's compliance with requirements applicable to its major federal program.

We reported a finding that is required to be disclosed under OMB Circular A-133.

Identification of Major Programs:

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
16.710	Public Safety Partnership and Community Policing Grants

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The Agency did not qualify as a low-risk auditee under OMB Circular A-133.

Schedule of Federal Audit Findings and Questioned Costs

**NORCOM
King County
November 1, 2007 through December 31, 2008**

- 1. North East King County Regional Public Safety Communication Agency's (NORCOM) internal controls are insufficient to ensure it complies with federal suspension and debarment requirements for its Public Safety Partnership and Community Policing Grant.**

CFDA Number and Title:	16.710 Public Safety Partnership and Community Policing Grant
Federal Grantor Name:	Department of Justice
Federal Award/Contract Number:	2008CKWX0253
Pass-through Entity Name:	City of Bellevue
Pass-through Award/Contract Number:	NA
Questioned Cost Amount:	\$0

Background

Recipients of federal grants are prohibited from contracting with or making sub-awards to parties that are suspended or debarred from doing business with the federal government. If a vendor certifies in writing that its organization has not been suspended or debarred, the grantee may rely on that certification. Alternatively, the grantee may check for suspended or debarred parties by reviewing the federal excluded parties list issued by the U.S. General Services Administration. This requirement should be met prior to the first payment to the vendor.

Description of Condition

NORCOM is the pass-through recipient of city of Bellevue for its Public Safety Partnership and Community Policing Grant. Federal guidelines require grant recipients ensure vendors are not suspended or debarred from participating in federal programs when contracts exceed \$25,000. For the year ended December 31, 2008, the Agency paid a vendor \$521,072 in federal funding for its new Computer-Aided Dispatch System and did not perform any procedures to ensure compliance with suspension and debarment requirements.

Cause of Condition

- The Agency did not fully understand the federal requirement for suspension and debarment certifications at the time the expenditures occurred.
- As the pass-through agency, the city of Bellevue did not notify NORCOM of the federal compliance requirements for suspension and debarment. Moreover, the

city did not perform monitoring procedures to ensure the suspension and debarment requirements were met.

Effect of Condition

Without adequate internal controls over suspension and debarment the Agency cannot ensure federal funds are paid to vendors that are eligible to participate in federal programs. Any payments made to an ineligible party are unallowable and would be subject to recovery by the funding agency. However, we were able to verify that the vendor was not suspended or debarred. Therefore, we are not questioning these costs.

Recommendation

We recommend the Agency establish and follow internal controls over suspension and debarment requirements to ensure vendors are eligible to participate in federal projects.

Agency's Response

While NORCOM concurs with the State Auditor's finding, we believe that the oversight was due to the unique factors in place during NORCOM's startup process and that adequate procedures are in place to prevent recurrence in the future. During the audit period, the agency was operating in startup/transition mode, which included hiring staff and developing policies and internal controls. In this early stage, much of the work was shared among several agencies, including the system procurement process. When that procurement process was initiated, there was no federal grant in place, so the suspension and debarment testing did not occur as part of that process. The grant was received well into the procurement process and was applied for and administered by different individuals than those overseeing the procurement process. As a result of the concurrent processes that were performed by multiple staff from a variety of agencies, the formal verification of suspension and debarment was not documented. NORCOM hired its Finance Manager in August 2008 and this position will serve as NORCOM's purchasing agent and the point of contact on grant administration. The Finance Manager will implement processes to ensure that suspension and debarment verification occurs in the future. This will include a check list that will detail NORCOM's process to ensure that compliance requirements of the grant have been covered.

Auditor's Remarks

We appreciate the Agency's commitment to resolve this finding and thank the Agency for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable laws and Regulations

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Section 300, states in part:

The auditee shall: . . .

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in

compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Title 2, Code of Federal Regulations, Section 180.300 - What must I do before I enter into a covered transaction with another person at the next lower tier?

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- a) Checking the EPLS; or
- b) Collecting a certification from that person if allowed by this rule; or
- c) Adding a clause or condition to the covered transaction with that person.

**Independent Auditor's Report on Internal
Control over Financial Reporting and on
Compliance and Other Matters in Accordance
with *Government Auditing Standards***

NORCOM
King County
November 1, 2007 through December 31, 2008

Board of Directors
NORCOM
Bellevue, Washington

We have audited the basic financial statements of the NORCOM, King County, Washington, as of and for the year ended December 31, 2008, and have issued our report thereon dated September 3, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not

identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, the Governing Board, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 3, 2009

Independent Auditor's Report on Compliance with Requirements Applicable to its Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

**NORCOM
King County
November 1, 2007 through December 31, 2008**

Board of Directors
NORCOM
Bellevue, Washington

COMPLIANCE

We have audited the compliance of the NORCOM, King County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2008. The Agency's major federal program is identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 1.

INTERNAL CONTROL OVER COMPLIANCE

The management of the Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Agency's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 1 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Federal Audit Findings and Questioned Costs, we consider Finding 1 to be a material weakness.

The Agency's response to the finding identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. We did not audit the Agency's response and, accordingly, we express no opinion on it.

This report is intended for the information of management, the Governing Board, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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BRIAN SONNTAG, CGFM
STATE AUDITOR

September 3, 2009

Independent Auditor's Report on Financial Statements

**NORCOM
King County
November 1, 2007 through December 31, 2008**

Board of Directors
NORCOM
Bellevue, Washington

We have audited the accompanying basic financial statements of the NORCOM, King County, Washington, as of and for the year ended December 31, 2008, as listed on page 13. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the NORCOM, as of December 31, 2008, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 14 through 18 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. This schedule is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 3, 2009

Financial Section

**NORCOM
King County
November 1, 2007 through December 31, 2008**

FINANCIAL STATEMENTS

Statement of Net Assets – 2008
Statement of Revenues, Expenses and Changes in Net Assets – 2008
Statement of Cash Flows – Proprietary Funds – 2008
Notes to Financial Statements – 2008

SUPPLEMENTAL INFORMATION

Schedule of Expenditures of Federal Awards and Notes – 2008

Management Discussion and Analysis

The North East King County Regional Public Safety Communications Agency's (NORCOM 911) Management Discussion and Analysis is designed to:

- Assist the reader in focusing on significant financial issues
- Provide an overview of NORCOM 911's financial activity
- Identify changes in NORCOM 911's financial position (ability to meet future year's challenges)

The Management Discussion and Analysis is designed to focus on the current year's activities, resulting changes and currently known facts. Therefore, it should be read in conjunction with NORCOM 911's financial statements. Please note that these financial statements are for the period from inception on November 1, 2007 through December 31, 2008. Since this is the first reporting period for the Organization, a comparison to the prior year is not possible. However, in future years, this section will explain the differences between the current- and prior-year assets, liabilities, and changes in net assets.

Financial Highlights

- The assets of NORCOM 911 exceeded its liabilities at the close of 2008 by \$1,857,555. Of this amount, \$1,336,483 is unrestricted and may be used to meet the organization's ongoing activities and obligations.
- Net assets increased \$1,857,555 since inception in November 2007 due to revenue collected from participating members outpacing the expenses incurred in the first 14 months.
- NORCOM is not yet operational and the financial statements reflect revenue and expenditures of the transition period.
- Seven executive staff members were hired and the implementation process for operations began.
- The Request for Proposal for an Integrated Public Safety System (CAD) was released, a vendor was selected, and the contract for services was signed.

Overview of the Financial Statements - NORCOM 911's financial statements include a Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets; Statement of Cash Flows; and Notes to the Financial Statements.

The Statement of Net Assets provides a record, or snapshot, of the assets and liabilities of NORCOM 911 at the close of the year. It provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It provides a basis for evaluating the capital structure of NORCOM 911 and for assessing its liquidity and financial flexibility.

The Statement of Revenues, Expenses and Changes in Net Assets presents the results of the business activities since inception. This information can be used to determine whether NORCOM 911 has successfully recovered all its costs through its user fees and other charges, and to evaluate its financial viability.

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operating, financing and investing activities since inception. It presents information on where cash came from and what it was used for.

The Notes to the Financial Statements provide useful information regarding NORCOM 911's significant account balances and activities, certain material risks, estimates, obligations, commitments, contingencies, and subsequent events, if any.

Other supplementary information in addition to the basic financial statements is also contained in this report. This section of the management discussion and analysis is intended to introduce and explain the basic financial statements.

Fund Financial Statements - The Fund Financial Statements are the traditional reporting format for governments. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. NORCOM 911 only has one fund type, proprietary funds.

Proprietary funds are used by governments to account for their business-type activities and use the same basis of accounting utilized in private industry. Business-type activities provide specific goods or services to a group of customers that are paid for by fees charged to those customers. There is a direct relationship between the fees paid and the services rendered.

NORCOM 911 has one type of proprietary fund, Enterprise funds. Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services. NORCOM 911 has two funds formally established in the Interlocal Agreement that are consolidated for reporting purposes.

Financial Analysis - The statement of net assets can serve as a useful indicator of NORCOM 911's financial position. NORCOM 911's net assets (assets in excess of liabilities) at December 31, 2008 totaled \$1,857,555. Following is a condensed version of the statement of net assets.

NORCOM 911's NET ASSETS

	<i>2008</i>
Current and other assets	\$ 1,988,541
Work-in-progress	<u>521,072</u>
Total Assets	2,509,613
Current liabilities	<u>652,058</u>
Total Liabilities	652,058
Net Assets	
Invested in capital assets	521,072
Unrestricted	<u>1,336,483</u>
Total Net Assets	<u>\$ 1,857,555</u>

The largest component of NORCOM 911's net assets represents unrestricted assets. Of these funds, \$896,631 are earmarked for capital projects. Currently, NORCOM has an agreement with New World Systems for the purpose of providing an Integrated Public Safety System. This project is due to be completed in late 2010. The remaining unrestricted net assets of the Organization can only be used to finance the continuing implementation and operation of NORCOM 911. A large portion of the increase in unrestricted net assets is due to the Technology RFP contract negotiations falling behind schedule, Facility Improvements not being realized in 2008, and negotiations that did not start with NORCOM's Associated Guild until late 2008. Other savings were seen from salaries, accounting services and other various areas where the management team was able to cut costs.

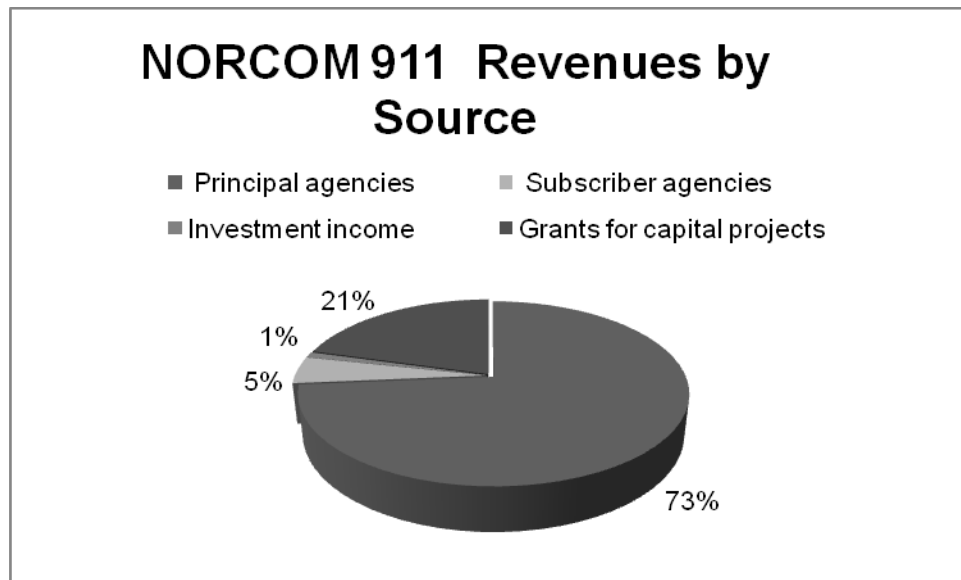
The other component of net assets, \$521,072, is the investment in capital assets. These capital assets are used to provide services to public safety agencies and citizens. These assets are critical to operations and as a result, are not for sale and therefore not available to fund current or future obligations.

Changes in Net Assets - The condensed summary of activities, which follows, shows that net assets increased by \$1,857,555 during the year. This increase is primarily from the revenue collected from participating members.

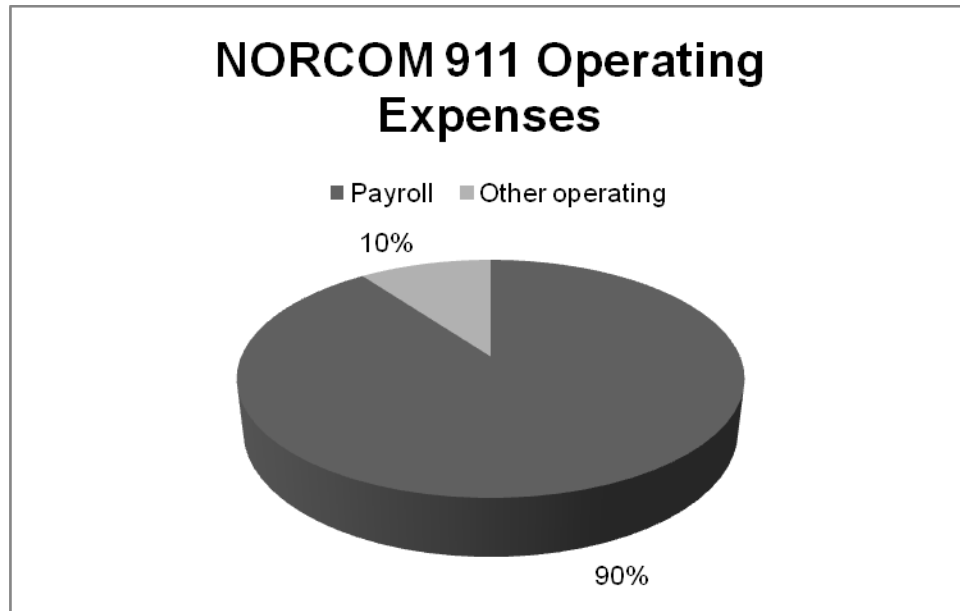
**NORCOM 911
CHANGE IN NET ASSETS**

	<i>2008</i>
Operating revenues	\$ 1,977,667
Operating expenses	<u>665,638</u>
Change in Net Assets from Operations	1,312,029
Non-operating activity	<u>545,526</u>
Increase in Net Assets	1,857,555
Beginning net assets	
Ending Net Assets	<u><u>\$ 1,857,555</u></u>

Most of NORCOM 911's revenues are generated through charges for services. The initial deposit of \$167,845 accounts for charges to potential members under a joint powers agreement before the formation of NORCOM. The following chart graphically depicts the Organization's revenue sources.



Operating revenues for NORCOM 911's activities totaled \$1.9 million for the year while operating expenses equaled \$665 thousand.



Capital Assets - At December 31, 2008, NORCOM 911 had \$521,072 recorded in capital assets, which was all in construction work-in-progress.

In 2008 the Board authorized the signing of a contract to purchase an Integrated Public Safety System. The goal of this project is to replace the existing CAD systems used by Eastside Dispatch and the City of Kirkland with a new system that meets current requirements and allows for future growth. This project is being funded by a technology assessment from Participating and Subscriber Agencies and grant awards. Actual expenditures for 2008 were \$524,081 including non-capitalized expenses.

More detailed information about NORCOM 911's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt - According to Section 13 of NORCOM's Interlocal agreement NORCOM 911 does not have the power to issue obligations or incur long-term debt.

Other Information - The Municipal Employees' Benefit Trust (MEBT) officially began in the City of Bellevue, WA, on October 1, 1972. The Trust was created to manage the assets of the employee retirement benefit Plans (the Plans) of certain cities in the State of Washington. Each of the Cities withdrew from or elected not to participate in coverage under the Social Security Administration. MEBT is governed by a five-member leadership body appointed by the Bellevue City Manager. MEBT investments total approximately \$343 million (a/o 12/31/08) for its 4,562 members in the Cities of Bellevue, Edmonds, Federal Way, Kirkland, Mill Creek, Redmond, and Woodinville. Although the investments are jointly managed by the MEBT Board, each City has its own individually designed Plan document, which governs its participation, contributions and disbursements.

In early 2008 the process of evaluating whether NORCOM could join the Municipal Employees Benefit Trust began. The MEBT Committee agreed to permit NORCOM to become a Participating Employer in MEBT by creating an exception to the current Trust rules that participating employers must be a city or town. The MEBT Committee agreed to interpret this requirement to include NORCOM because it is a governmental instrumentality that is made up of organizations that are cities or towns or similar governmental organizations, two of which are current MEBT Employers. The Joinder Agreement to allow NORCOM to participate in MEBT was signed in January of 2009.

In late 2008 contract negotiations began with the NORCOM Associated Guild (NAG). The Guild represents the 66 telecommunicators that will be employed by NORCOM. Negotiations are still in progress.

The CPI-W for June to June in the Seattle-Tacoma-Bremerton area rose 6.19% in 2008.

NORCOM 911s does not currently have any restrictions, commitments or other limitations that would significantly affect the availability of fund resources for future use.

Requests for Information - This financial report is designed to provide a general overview of NORCOM 911's finances for readers with an interest in NORCOM 911. Questions concerning this report, or request for additional information, may be addressed to the Finance Manager, NORCOM 911, 123 Fifth Avenue, Kirkland, Washington, 98033.

NORCOM 911

Statement of Net Assets
December 31, 2008

	<u>2008</u>
ASSETS	
Current Assets:	
Cash	\$ 569,885
Accounts receivable	521,207
Prepays	818
Restricted assets:	
Cash	<u>896,631</u>
Total Current Assets	1,988,541
Non-Current Assets:	
Work-in-progress	<u>521,072</u>
Total Non-Current Assets	521,072
Total Assets	<u>\$ 2,509,613</u>
LIABILITIES AND FUND EQUITY	
Current Liabilities:	
Accounts payable	\$ 565,783
Accrued payroll	31,919
Deferred revenue	43,257
Compensated absences payable	<u>11,099</u>
Total Current Liabilities	652,058
Total Liabilities	652,058
Net Assets:	
Invested in capital assets	521,072
Unrestricted	<u>1,336,483</u>
Total Net Assets	<u>\$ 1,857,555</u>

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

NORCOM 911

Statement of Revenues, Expenses and Changes in Net Assets
From Inception Through December 31, 2008

	<u>2008</u>
Operating Revenue:	
Principal agencies	\$ 1,857,809
Subscriber agencies	<u>119,858</u>
Total Operating Revenue	<u>1,977,667</u>
Operating Expenses:	
Salaries and benefits	318,362
Payroll taxes	5,472
Operating supplies	36,261
Operating services	<u>305,543</u>
Total Operating Expenses	<u>665,638</u>
Operating Income	1,312,029
Non-Operating Revenues (Expenses)	
Investment income	24,454
Grants for capital projects	<u>521,072</u>
Total Non-Operating Revenues (Expenses)	<u>545,526</u>
Change in net assets	1,857,555
Net assets - beginning of year	<u>0</u>
Net Assets - End of Year	<u><u>\$ 1,857,555</u></u>

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

NORCOM 911

Statement of Cash Flows
From Inception Through December 31, 2008

	<u>2008</u>
Cash Flows from Operating Activities:	
Cash received from customers and users	\$ 2,020,789
Cash paid to suppliers for goods and services	(297,911)
Cash paid to employees	(280,816)
	<hr/>
Net Cash Provided by (Used in) Operating Activities	1,442,062
Cash Flows from Investing Activities:	
Cash received for interest and dividends	24,454
	<hr/>
Net Cash Provided by (Used in) Investing Activities	24,454
Net Change in Cash	1,466,516
Cash balance at inception	<hr/> 0
Cash Balance, End of Year	<u><u>\$ 1,466,516</u></u>
Non-Cash Transactions	
Projects-in-progress in accounts payable at year-end	<u><u>\$ 521,207</u></u>
Reconciliation of Operating Income to Net Cash Provided	
Cash Flows from Operating Activities:	
Operating income	\$ 1,312,029
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Changes in assets and liabilities:	
Accounts receivable	(521,207)
Prepays	(818)
Accounts payable	565,783
Accrued payroll	31,919
Deferred revenue	43,257
Compensated absences payable	11,099
	<hr/>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 1,442,062</u></u>

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

Note 1 - Summary of Significant Accounting Policies

Organization - In the interest of enhanced efficiencies and improved service levels that could be realized with a regional partnership approach to dispatch, in 2004 the members of the NORCOM Steering Committee entered into a Joint Powers Agreement to complete a Business and Services Plan for a joint operation of a public safety communication center. Since that time, the Steering Committee worked cooperatively in the interest of the continuation of high quality public safety communications services in the region. The North East King County Regional Public Safety Communications Agency (NORCOM 911), was formed as a Washington not-for-profit corporation created by an interlocal agreement between the City of Bellevue, City of Bothell, City of Clyde Hill, City of Kirkland, City of Medina, City of Mercer Island, City of Snoqualmie, Eastside Fire and Rescue, King County Fire Protection District 27, King County Fire Protection District 45, King and Kittitas County Fire Protection District 51, Northshore Fire Department, Shoreline Fire Department, and Woodinville Fire and Life Safety District as authorized by the Interlocal Cooperation Act under Chapters 39.34 and 24.06 of the Revised Code of Washington. In 2008, the City of Redmond entered into a contract with NORCOM to become a subscriber to NORCOM's emergency fire and medical unit dispatch services as provided for in the Interlocal agreement.

NORCOM 911 was formed to provide emergency service communications and all related incidental functions for communicating and dispatching services between the public and participating agencies' directly served public safety departments in the furtherance of improved public safety and emergency response, including but not limited to:

- Receiving 911 calls and routine calls for police, fire and medical services;
- Directing a response to said calls by either dispatching the appropriate emergency police, fire or medical unit or forwarding the call to the appropriate agency for response;
- Providing on-going communication support to personnel in the field;
- Updating, maintaining and managing the radio communications systems (excluding, unless specifically approved by the Governing Board, the 800 MHz system), computer systems, support files and resource materials necessary to accomplish the above;
- Initiating public safety records for all dispatched calls and providing such records services, including the updating, maintaining and managing of records systems as may be determined by the Governing Board; and
- Establishing and updating from time to time standard protocols for communications to and from personnel in the field.

The financial statements reflect revenues and expenditures of the transition period and are related to the activities of the executive management team as NORCOM 911 moves from a conceptual stage to a fully functioning agency. NORCOM 911 will be fully operational on July 1, 2009. In the transition period Emergency 911 services are still being provided by Eastside Dispatch and the City of Kirkland.

The financial statements of NORCOM 911 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles of NORCOM 911 are described below.

Note 1 - Continued

Fund Accounting - The accounts of NORCOM 911 are organized on the fund basis, with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenses. NORCOM 911's resources are allocated to and accounted for in funds as summarized in the financial statements. Following is a description of the proprietary fund type used by NORCOM 911.

Proprietary Fund Types - Proprietary funds are reported using the economic resources measurement focus and accrual basis of accounting. This means that all assets and all liabilities (whether current or non-current) associated with the activity are included on balance sheets. Their reported net assets are segregated into capital assets, net of related debt, restricted and unrestricted components. Proprietary fund operating statements present increases (revenues and gains) and decreases (expenses and losses) in net total fund equities. The proprietary fund measurement focus is upon the determination of financial position, net income, and cash flow.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of NORCOM 911 is charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, taxes and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NORCOM 911 has two Enterprise Funds; Operations and Capital Projects. All funds are combined and reported as one for financial statement purposes.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. NORCOM 911 has elected not to follow subsequent private-sector guidance.

Accrual Basis of Accounting - The accrual basis of accounting is followed in Proprietary Funds. Revenues are recognized when earned and expenses are recognized when incurred.

Revenue Rate Calculations - The participating cities provide the majority of operating revenue to NORCOM 911. The method of allocating this revenue source is defined in the Interlocal Agreement, Appendix A. NORCOM's budget is allocated into two separate cost pools – 50% of the operation budget is allocated to police and 50% of the operating budget is allocated to fire. The 50/50 split was determined by an average of two factors – the staffing allocated to each Charged Operation (Police or Fire) and the volume of calls attributed to each Charged Operation.

The annual average Calls for Service are determined based on the number of Calls for Service for the Charged Operation over the two-year historical Call Calculation Period. The Call Calculation period is defined at the first calendar quarter of the preceding budget year, and the 7 calendar quarters preceding that. The allocation of financial participation among the participating and subscribing agencies is the percentage of dispatched calls attributed to each jurisdiction averaged over two years compared to the total two year average of actual dispatched calls, for the two year period of April 1 through March 31. The percentages are applied to the current approved budget, less revenue from all other sources.

Note 1 - Continued

During the transition period the user fees are charged on the same basis, however, after NORCOM becomes fully operational Subscriber User Fees will be calculated at 106% of the User Fee that an agency would pay if it were a Principal.

The cost distribution for the participating and subscribing agencies for 2008 was as follows:

Jurisdiction	Average Call Volume from April 01, 2006 to March 31, 2008	Percent of Total	2008 Operating Transition Assessment	2008 Technology Assessment	Total 2008 Assessment
Participating Fire Agencies					
Bellevue Fire	16,238	24.5%	\$100,987.15	\$100,426.52	\$201,413.68
Bothell	4,278	6.4%	\$26,605.68	\$26,457.98	\$53,063.66
Duvall Fire	1,000	1.5%	\$6,219.19	\$6,184.66	\$12,403.85
Eastside Fire and Rescue	8,620	13.0%	\$53,609.39	\$53,311.78	\$106,921.17
Fall City Fire	689	1.0%	\$4,285.02	\$4,261.23	\$8,546.25
Kirkland Fire	6,834	10.3%	\$42,501.92	\$42,265.97	\$84,767.89
Mercer Island Fire	2,187	3.3%	\$13,601.36	\$13,525.85	\$27,127.21
Northshore Fire	3,313	5.0%	\$20,604.17	\$20,489.78	\$41,093.95
Shoreline Fire	8,565	12.9%	\$53,267.33	\$52,971.62	\$106,238.95
Snoqualmie	702	1.1%	\$4,365.87	\$4,341.63	\$8,707.50
Snoqualmie Pass Fire	239	0.4%	\$1,486.39	\$1,478.13	\$2,964.52
Woodinville Fire & Safety	3,999	6.0%	\$24,870.53	\$24,732.46	\$49,602.99
Subscribing Fire Agencies					
Redmond Fire (inc. FD 34)	9,663	14.6%	\$60,096.00	\$59,762.38	\$119,858.38
TOTAL FIRE AGENCIES	66,327	100.0%	\$412,500.00	\$410,210.00	\$822,710.00
Participating Police Agencies					
Bellevue Police	61,607	48.8%	\$201,397.08	\$200,279.02	\$401,676.10
Clyde Hill	2,293	1.8%	\$7,495.96	\$7,454.34	\$14,950.30
Kirkland Police	42,703	33.8%	\$139,598.74	\$138,823.75	\$278,422.49
Medina	2,580	2.0%	\$8,434.18	\$8,387.36	\$16,821.54
Mercer Island Police	17,000	13.5%	\$55,574.05	\$55,265.53	\$110,839.57
TOTAL POLICE AGENCIES	126,183	100.0%	\$412,500.00	\$410,210.00	\$822,710.00

Earned but unbilled revenues at year-end are accrued and reported in the financial statements. Fixed asset purchases are capitalized, and long term liabilities are accounted for in the fund. NORCOM 911 maintains one checking account and payments are made by check, electronic fund transfers and wires.

Cash - It is NORCOM 911's policy to invest temporary cash surpluses. As of December 31, 2008, all cash surpluses were held in insured bank accounts and the Local Government Investment Pool (LGIP).

Cash includes all monies in checking and savings accounts, petty cash funds, and the Local Government Investment Pool. For purposes of the Statement of Cash Flows, NORCOM 911 considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Receivables - Customer accounts receivable consist of amounts owed from organizations for services received including amounts owed for which billings have not been prepared.

Note 1 - Continued

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Capital Assets and Depreciation - Capital assets, which consist of construction work-in-progress, are defined by NORCOM 911 as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are reported at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Work-in-progress costs are transferred to their respective capital asset category upon completion.

Depreciation is charged to operations using the straight-line method based on the estimated useful life of an asset.

Compensated Absences - At termination of employment, employees may receive cash payments for accumulated vacation and personal holiday leave, based on current wages at termination.

Accumulated amounts of vacation and personal holiday are accrued as expenses when incurred in Proprietary Funds, and included in liabilities under Compensated Absences Payable as applicable.

Personnel Benefit Contributions - NORCOM 911 contributes to personnel benefit plans. The plans include group medical, dental, retirement, industrial insurance, unemployment compensation, life insurance, Social Security (Medicare portion only), and disability for management-level employees. In November 2007, NORCOM 911 elected not to participate in the Federal Social Security System. Retirement, industrial insurance, unemployment compensation, and social security are established by federal/state regulations.

Deferred Revenue - Fees for services received in advance is deferred and recognized over the periods to which the fees relate.

Net Assets - Net assets for equipment are reserved for future use, as reflected in the financial statements as follows:

	<u>2008</u>
Invested in capital assets, net of related debt	\$ 521,072
Unrestricted	1,336,483

When both restricted and unrestricted resources are available for use, it is NORCOM 911's policy to use restricted resources first, then unrestricted resources as they are needed.

Federal Income Tax - NORCOM 911 is exempt from federal income tax under Internal Revenue Code Section 501(c)(3); accordingly, no provision has been made for federal income tax in the accompanying financial statements.

Note 1 - Continued

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These affect the reported amounts of assets, liabilities, revenues, and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Note 2 - Stewardship, Compliance and Accountability

There have been no material violations of finance-related legal or contractual provisions, and there have been no expenditures exceeding legal appropriations.

Note 3 - Deposits and Investments

Investment of funds can be in the form of federal government securities, repurchase agreements, bankers acceptances, certificates of deposit, Local Government Investment Pool (LGIP), and savings accounts. Investments are stated at fair value as of the year-end. The fair value adjustment is recorded in an account labeled "Adjustment for Fair Value". Available cash is deposited into savings accounts and/or other types of investments, as cash flow allows. Interest earned is credited to the appropriate investing source. The book value of deposits does not differ materially from the bank balance of deposits.

Bank deposits are insured up to \$250,000 by the Federal Depository Insurance Corporation; and by the State Public Depository Protection Commission for amounts over \$250,000. The deposits are not subject to additional legal or contractual provisions. The NORCOM 911 deposits are categorized by GASB standards as Category I, the highest safety category, which are insured, registered, or held by the Agency or its agent in the Agency's name. NORCOM 911's deposits and investment position at fair value for the period from inception through December 31, 2008 are:

Checking	\$ 132,101
Local government investment pool	<u>1,334,415</u>
Total	<u>\$ 1,466,516</u>

Custodial credit risk is the risk that in event of a failure of the counterparty to an investment transaction the authority would not be able to recover the value of the investment or collateral securities. While NORCOM 911 has investments that are exposed to custodial credit risk, the exposure is minimal and all investments are guaranteed by the US government.

Note 4 - Capital Assets

Capital Assets - Capital assets of proprietary funds are capitalized in the balance sheets. These assets are stated at cost or estimated cost when original cost is not available, or appraised value at the time received as in the case of donations. Depreciation expense is charged to operations of proprietary funds to allocate the cost of fixed assets over their estimated useful lives, using the straight-line method with useful lives of 3 to 60 years.

A summary of NORCOM 911's capital assets at November 1, 2007 and December 31, 2008 is shown below:

	<i>Balance</i> <u>11/1/2007</u>	<i>Additions</i>	<i>Transfers</i>	<i>Deletions</i>	<i>Balance</i> <u>12/31/2008</u>
<u>Capital assets not being depreciated:</u>					
Work-in-progress	\$ _____ -	\$ 521,072	\$ _____ -	\$ _____ -	\$ 521,072
Total Capital Assets not being Depreciated	<u>_____ -</u>	<u>521,072</u>	<u>_____ -</u>	<u>_____ -</u>	<u>521,072</u>
Net Capital Assets	<u>\$ _____ -</u>	<u>\$ 521,072</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ 521,072</u>

In 2007 the Board authorized the start of the Technology project with the release of the technology RFP on November 5, 2007. The goal of this project is to replace the existing CAD systems used by Eastside Dispatch and the City of Kirkland with a new system that meets current requirements and allows for future growth. This project is being funded with a technology assessment to Participating and Subscriber agencies and grant awards.

In July 2008 the NORCOM Governing Board reviewed and unanimously agreed to accept the recommendation of the Joint Operations Board and directed staff to initiate negotiations with preliminary preferred vendor New World Systems and in December 2008 the Governing Board authorized the signing of a contract with New World Systems for an Integrated Public Safety System.

The Project has three phases:

- Phase 0 - Add Bellevue and Clyde Hill police to Kirkland's servers, work stations etc.
- Phase 1 - Implement New World's technology for all police agencies on NORCOM's servers work stations, etc.
- Phase 2 - Implement New World's technology for all fire and EMS agencies on NORCOM's servers work stations, etc.

Actual expenditures for 2008 were \$524,081 which includes expenses not capitalized.

Note 4 - Continued

Construction Commitments - NORCOM 911 has one active construction project as of December 31, 2008.

At year-end NORCOM 911's commitments with contractors are as follows:

<u>PROJECT</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Technology project	\$521,072	\$2,927,902
Total	\$521,072	\$2,927,902

Note 5 - Retirement System

Substantially all NORCOM 911's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, and P.O. Box 48380, Olympia, WA 98504-8380. The following disclosures are made pursuant to GASB Statement 27, *Accounting for Pensions by State and Local Government Employers*.

Public Employees' Retirement System (PERS) Plans 1, 2 and 3

Plan Description - PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

Note 5 - Continued

PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual benefit is two percent of the average final compensation (AFC) per year of service, capped at 60 percent. (The AFC is based on the greatest compensation during any 24 eligible consecutive compensation months.) Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. The benefit is actuarially reduced to reflect the choice of a survivor option. A cost-of living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, increased by three percent annually. Plan 1 members may also elect to receive an optional COLA amount that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service with an allowance of two percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Effective June 7, 2006, Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or they may retire at age 55 with 10 years of service. Plan 3 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

Note 5 - Continued

There are 1,190 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2007:

Retirees and beneficiaries receiving benefits	71,244
Terminated plan members entitled to but not yet receiving benefits	26,583
Active plan members vested	105,447
Active plan members non-vested	52,575
Total	255,849

Funding Policy - Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2008, were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer *	8.31%	8.31%	8.31%**
Employee	6.00%	5.45%	***

* The employer rates include the employer administrative expense fee currently set at 0.16%.

** The employer rate for state elected officials is 12.39% for Plan 1 and 8.31% for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.50% for Plan 1 and 5.45% for Plan 2.

***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both NORCOM 911 and the employees made the required contributions. NORCOM 911's required contributions for the period from August 2008 (effective date of plan) through December 31, 2008 were:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2008		\$19,925	

Note 6 - Risk Management

NORCOM 911 purchases commercial insurance policies to cover property, liability, crime, business auto, and umbrella. Deductibles vary by type of coverage and range from zero to \$1,000. The umbrella limits are \$6 million for general aggregate limit, \$6 million for products completed operations aggregate limit, \$3 million each occurrence limit and \$1 million personal and advertising limit. There have been no settlements that have exceeded the agency's insurance coverage.

Note 7 - Receivables

Receivables at December 31, 2008 were as follows:

<i>Agency</i>	<u><i>2008</i></u>
City of Bellevue	\$ 521,072
City of Bothell	<u>135</u>
Total 2008	<u>\$ 521,207</u>

Note 8 - Contingencies and Litigation

NORCOM 911 has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the organization will have to make payment. In the opinion of management, NORCOM 911 insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims.

NORCOM 911 participates in some federal- and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures as allowed under the terms of the grants. NORCOM 911 management believes that such disallowances, if any, will be immaterial.

NORCOM 911

*Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008*

<u>Federal Grantor/Pass-through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Number</u>	<u>Fiscal Year Expenditures</u>
Department of Justice			
Pass-through from:			
City of Bellevue, Police Department			
Public Safety Partnership-Community Policing Grants	16.710	N/A	<u>\$ 521,072</u>
Total Federal Awards			<u><u>\$ 521,072</u></u>

Note 1 - Basis of Presentation

This schedule includes the federal grant activity of NORCOM 911 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver our services effectively and efficiently.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

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