

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

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

Audit Period
January 1, 2009 through December 31, 2009

Report No. 1004093

Issue Date
August 30, 2010



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

August 30, 2010

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
January 1, 2009 through December 31, 2009**

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Federal Summary

NORCOM King County January 1, 2009 through December 31, 2009

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 basic 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 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 reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- **Material Weaknesses:** We identified no 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 no findings that are 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 Prior Federal Audit Findings

**NORCOM
King County
January 1, 2009 through December 31, 2009**

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of the NORCOM. The State Auditor's Office has reviewed the status as presented by the Agency.

Audit Period: Fiscal Year 2008	Report Reference No: 1002204	Finding Reference No: 1	CFDA Number(s): 16.710
Federal Program Name and Granting Agency: Public Safety Partnership – Community Policing Grant		Pass-Through Agency Name: City of Bellevue	
Finding Caption: 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.			
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.			
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: 1) NORCOM Manager that initiates procurement process: <ul style="list-style-type: none"> a. Verifies prior to purchase commitment, eligibility on Excluded Parties List System (EPLS) web site https://www.epls.gov/epls/search.do?ssn=true and prints page for NORCOM files, or b. Requests vendor to complete Debarment, Suspension, Ineligibility or Voluntary Exclusion Certification form which is retained for NORCOM records. 2) EPLS web page verification or Debarment Certification forms are forwarded by NORCOM manager with approved invoice to Finance Department for payment. 3) Invoice and documentation are kept in NORCOM's finance department files.			

**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
January 1, 2009 through December 31, 2009

Board of Directors
NORCOM
Bellevue, Washington

We have audited the basic financial statements of the NORCOM, King County, Washington, as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated July 30, 2010.

We conducted our audits 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 audits, 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis.

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 deficiencies, 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 Board of Directors, 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

July 30, 2010

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
January 1, 2009 through December 31, 2009**

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, 2009. 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, 2009.

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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis

Our consideration of internal control over compliance 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, the Board of Directors, 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

July 30, 2010

Independent Auditor's Report on Financial Statements

NORCOM King County January 1, 2009 through December 31, 2009

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 years ended December 31, 2009 and 2008, as listed on page 10. 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 audits.

We conducted our audits 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 audits provide 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, 2009 and 2008, and the changes in financial position and cash flows thereof for the years 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 audits.

The management's discussion and analysis on pages 11 through 14 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 audits were performed for the purpose of forming an opinion 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

July 30, 2010

Financial Section

**NORCOM
King County
January 1, 2009 through December 31, 2009**

REQUIRED SUPPLEMENTAL INFORMATION

Management's Discussion and Analysis – 2009 and 2008

BASIC FINANCIAL STATEMENTS

Statement of Net Assets – 2009 and 2008
Statement of Revenues, Expenses and Changes in Net Assets – 2009 and 2008
Statement of Cash Flows-Proprietary Funds – 2009 and 2008
Notes to Financial Statements – 2009 and 2008

SUPPLEMENTAL INFORMATION

Schedule of Expenditures of Federal Awards and Notes – 2009

Management Discussion and Analysis

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

- Assist the reader in focusing on significant financial issues
- Provide an overview of NORCOM's financial activity
- Identify changes in NORCOM'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's financial statements.

Financial Highlights

- The assets of NORCOM exceeded its liabilities at the close of 2009 by \$4,617,388. Of this amount, \$1,022,935 is unrestricted and may be used to meet the organization's ongoing activities and obligations.
- Net assets increased \$2,759,833 from last year due to the purchase of capital assets and the ongoing CAD/RMS project.
- 49 telecommunicators were hired and began work when NORCOM became operational on July 1, 2009.

Overview of the Financial Statements - NORCOM'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 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 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 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'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 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 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 has five funds that are consolidated for reporting purposes.

Financial Analysis - The statement of net assets can serve as a useful indicator of NORCOM's financial position. NORCOM's net assets (assets in excess of liabilities) at December 31, 2009 totaled \$4,617,388. Following is a condensed version of the statement of net assets and compares NORCOM's net assets for 2008 and 2009.

NORCOM'S NET ASSETS

	2009	2008
Current and other assets	\$ 1,848,024	\$ 1,988,541
Capital assets, net	3,594,453	521,072
Total assets	5,442,477	2,509,613
Current liabilities	825,087	652,058
Total liabilities	825,087	652,058
Net assets		
Invested in capital assets	3,594,453	521,072
Unrestricted	1,022,935	1,336,483
Total net assets	\$ 4,617,388	\$ 1,857,555

The largest component of NORCOM's net assets is the investment in capital assets, less debt related to the acquisition or construction of those assets. These capital assets, \$3,594,453 or 76% of net assets, consist of communications equipment and 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.

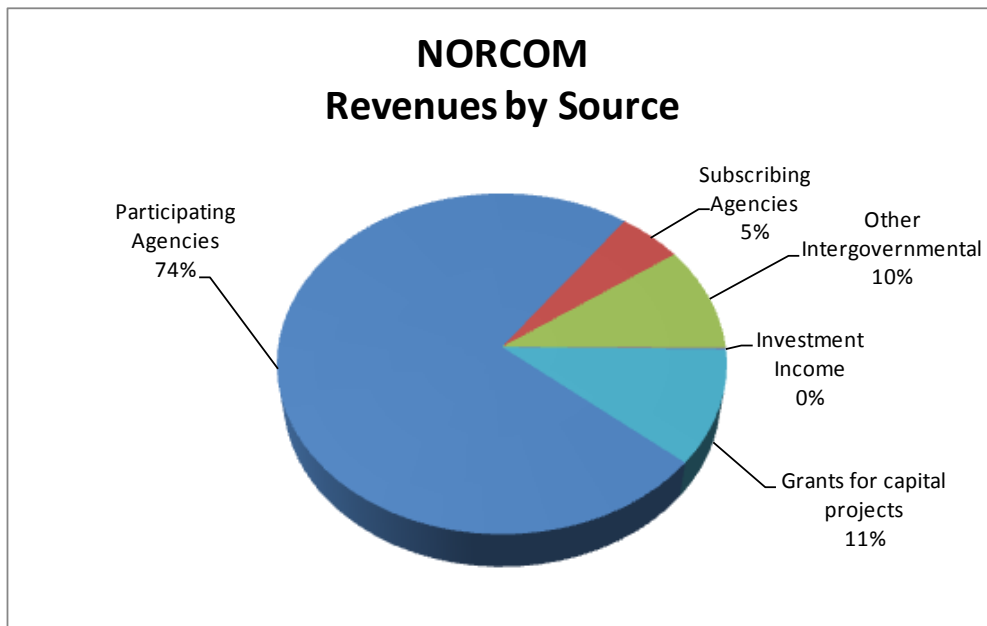
The remaining net assets of the Organization can only be used to finance the continuing operation of NORCOM. The decrease in unrestricted net assets is due to CAD/RMS Technology project commitments, and anticipated revenues budgeted from King County E-911 not being realized.

Changes in Net Assets - The condensed summary of activities, which follows, shows that net assets increased by \$2,759,833 during the year. This increase is primarily from the purchase of capital assets and the CAD/RMS technology project.

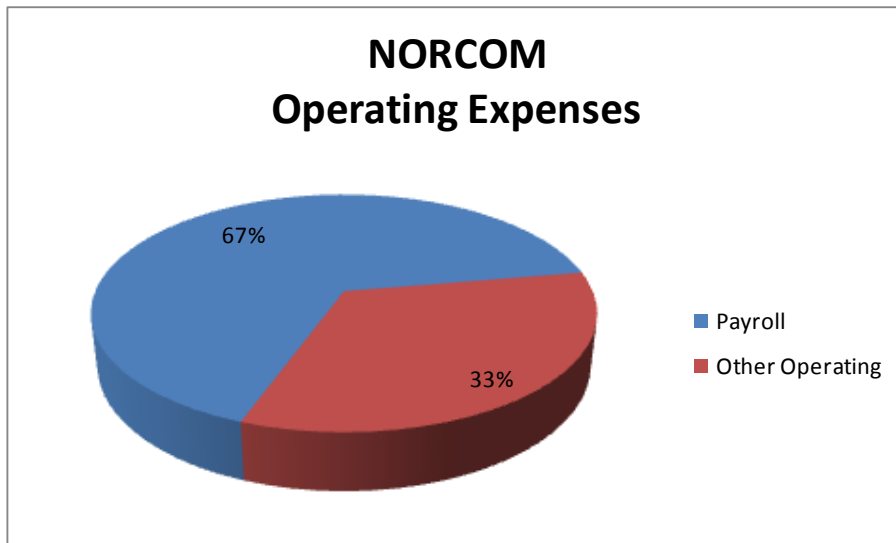
**NORCOM
CHANGE IN NET ASSETS**

	2009	2008
Operating revenues	\$ 7,786,998	\$ 1,977,667
Operating expenses	6,095,975	665,638
Change in net assets from operations	1,691,023	1,312,029
Non-operating activity	965,080	545,526
Capital Contributions	103,730	-
Increase in net assets	2,759,833	1,857,555
Beginning net assets	1,857,555	-
Ending net assets	\$4,617,388	\$ 1,857,555

Most of NORCOM's revenues are generated through charges for services. The following chart graphically depicts the Organization's revenue sources.



Operating revenues for NORCOM's activities totaled \$7.8 million for the year while operating expenses equaled \$6.0 million.



Capital Assets - At December 31, 2009, NORCOM had \$3,594,453 recorded in capital assets, of which \$1,493,881 was 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 2009 were \$1,158,234 including non-capitalized expenses.

More detailed information about NORCOM'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 does not have the power to issue obligations or incur long-term debt.

Other Information - In late 2008 contract negotiations began with the NORCOM Associated Guild (NAG). The Guild represents the 69 telecommunicators that are employed by NORCOM. Negotiations are still in progress.

The CPI-W for June to June in the Seattle-Tacoma-Bremerton area fell 0.7% in 2009.

In June of 2009 NORCOM executed a 7 year lease with the City of Bellevue for NORCOM's operation at Bellevue City Hall.

NORCOM 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's finances for readers with an interest in NORCOM. Questions concerning this report, or request for additional information, may be addressed to the Finance Manager, NORCOM, 123 Fifth Avenue, Kirkland, Washington, 98033.

North East King County Regional Public Safety Communications Agency
Statement of Net Assets
December 31, 2009

ASSETS	<i>2009</i>	<i>2008</i>
Current Assets:		
Cash	\$ 1,310,913	\$ 569,885
Receivables, Net	228,278	521,207
Due from Other Government	205,767	-
Prepaid Expenses	103,066	818
Restricted assets:		
Cash	-	896,631
Total Current Assets	1,848,024	1,988,541
Non-Current Assets:		
Capital Assets		
Building	-	-
Machinery and Equipment	2,328,509	-
Other Improvements	-	-
Work in Progress	1,493,881	521,072
Property, plant, and equipment, at cost	3,822,390	521,072
Less: accumulated depreciation	(227,937)	-
Depreciable capital assets, net	3,594,453	521,072
Total Non-Current Assets	3,594,453	521,072
TOTAL ASSETS	\$ 5,442,477	2,509,613
LIABILITIES AND FUND EQUITY		
Current Liabilities:		
Accounts payable	\$ 99,639	\$ 565,783
Accrued payroll	133,681	31,919
Use tax payable	13,597	-
Due to other governments	129,553	-
Deferred revenue	124,532	43,257
Compensated Absences Payable	324,085	11,099
Total Current Liabilities	825,087	652,058
TOTAL LIABILITIES	\$ 825,087	\$ 652,058
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	\$ 3,594,453	\$ 521,072
Unrestricted	1,022,935	1,336,483
TOTAL NET ASSETS	4,617,388	1,857,555

North East King County Regional Public Safety Communications Agency
Statement of Revenues, Expenses and Changes in Net Assets
December 31, 2009

	2009	2008
OPERATING REVENUES:		
Participating Agencies	\$ 6,474,713	\$ 1,857,809
Subscribing Agencies	442,937	119,858
Other Intergovernmental	869,348	
TOTAL OPERATING REVENUES	7,786,998	1,977,667
 OPERATING EXPENSES:		
Salaries and benefits	3,835,311	318,362
Payroll taxes	82,817	5,472
Operating supplies	95,652	36,261
Operating services	1,854,258	305,543
 Depreciation	227,937	-
TOTAL OPERATING EXPENSES	6,095,975	665,638
 OPERATING INCOME (LOSS)	 1,691,023	 1,312,029
 NONOPERATING REVENUES (EXPENSES):		
Interest income	9,512	24,454
Grants for capital projects	955,568	521,072
Total Non-Operating Revenues (Expenses)	965,080	545,526
 Income (Loss) before Contributions	 2,656,103	 1,857,555
 CAPITAL CONTRIBUTIONS	 103,730	 -
 Change in Net Assets	 2,759,833	 1,857,555
 Net Assets - beginning of year	 1,857,555	 -
Net Assets - end of year	\$ 4,617,388	\$ 1,857,555

See notes to financial statements

North East King County Regional Public Safety Communications Agency
Statement of Cash Flows
December 31, 2009

	2009	2008
Cash Flows from Operating Activities:		
Cash received from customers and users	\$ 7,086,198	\$ 2,020,789
Cash paid to suppliers for goods and services	(2,388,748)	(297,911)
Cash paid to employees	(3,420,562)	(280,816)
Cash payments to taxes	(69,220)	-
Other receipts	869,348	-
Net Cash Provided (Used) by Operating Activities	2,077,016	1,442,062
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	103,730	-
Purchases of capital assets	(3,301,317)	-
Proceeds from capital grant	955,568	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,242,019)	-
Cash Flows from Investing Activities:		
Cash Received from interest and dividends	9,401	24,454
Net Cash Provided (Used) by Investing Activities	9,401	24,454
Net Increase (Decrease) in Cash Balances	(155,603)	1,466,516
Cash Balance, Beginning of Year	1,466,516	-
Cash Balance, End of Year	\$ 1,310,913	1,466,516
Non- Cash Transactions		
Projects-in progress in accounts payable at year-end	\$ -	\$ 521,207
Reconciliation of Operating Income to Net Cash Provided:		
Operating Income (Loss)	\$ 1,691,023	\$ 1,312,029
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	227,937	-
Changes in Assets and Liabilities:		
(Increase) decrease in due from receivables	293,039	(521,207)
(Increase) decrease in due from other governments	(205,767)	-
(Increase) decrease in prepaid expenses	(102,248)	(818)
Increase (decrease) in due to other governments	129,553	-
Increase (decrease) in accounts payable	(466,144)	565,783
Increase (decrease) in payroll payable	101,763	31,919
Increase (decrease) in compensated absences payable	312,986	11,099
Increase (decrease) in taxes payable	13,597	-
Increase (decrease) in deposits payable	81,276	43,257
Total Adjustments	385,992	130,033
Net Cash Provided (Used) by Operating Activities	\$ 2,077,016	\$ 1,442,062

See notes to financial statements

North East King County Regional Public Safety Communications Agency
Notes to Financial Statements
January 1, 2009 through December 31, 2009

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), 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. In June of 2009 the Governing Board of NORCOM voted to approve King County Fire District #50 as a principal member according to the terms of the Principal Agreement and NORCOM Interlocal agreement.

NORCOM 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 of NORCOM 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 are described below.

Fund Accounting - The accounts of NORCOM are organized on the fund basis, with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenses.

NORCOM'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.

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 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 has five Enterprise Funds; Operations, Capital Projects, Equipment Replacement, Contingency, and the King County E-911 Escrow Account. 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 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. 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.

Subscriber User Fees are 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 2009 was as follows:

Jurisdiction	Average Call Volume from April 01, 2006 to March 31, 2008	Percent of Total	2009 Operating Assessment	2009 Technology Assessment	Total 2009 Assessment
Participating Fire Agencies					
Bellevue Fire	17,170	24.3%	\$1,230,744	\$8,907	\$1,239,651
Bothell	4,684	6.6%	\$189,476	\$2,401	\$191,877
Duvall Fire	988	1.4%	\$39,794	\$501	\$40,295
Eastside Fire and Rescue	8,979	12.7%	\$365,354	\$4,668	\$370,022
Fall City Fire	748	1.1%	\$30,768	\$399	\$31,167
KCFD #50	338	0.5%	\$14,634	\$177	\$14,811
Kirkland Fire	7,293	10.3%	\$295,076	\$3,740	\$298,816
Mercer Island Fire	2,283	3.2%	\$92,954	\$1,189	\$94,143
Northshore Fire	3,324	4.7%	\$138,492	\$1,828	\$140,320
Shoreline Fire	9,158	13.0%	\$378,992	\$4,957	\$383,949
Snoqualmie	829	1.2%	\$34,176	\$445	\$34,621
Snoqualmie Pass Fire	320	0.5%	\$13,078	\$168	\$13,246
Woodinville Fire & Safety	4,201	5.9%	\$170,843	\$2,181	\$173,024
Subscribing Fire Agencies					
Redmond Fire (inc. FD 34)	10,298	14.6%	\$437,609	\$5,328	\$442,937
TOTAL FIRE AGENCIES	70,613	100.0%	\$3,431,990	\$36,889	\$3,468,879
Participating Police Agencies					
Bellevue Police	58,921	43.8%	\$1,652,708	\$15,831	\$1,668,539
Clyde Hill	3,641	2.7%	\$84,800	\$1,029	\$85,829
Kirkland Police	51,187	38.0%	\$1,179,915	\$14,087	\$1,194,002
Medina	4,814	3.6%	\$112,642	\$1,376	\$114,018
Mercer Island Police	15,969	11.9%	\$367,875	\$4,388	\$372,263
TOTAL POLICE AGENCIES	134,532	100.0%	\$3,397,940	\$36,711	\$3,434,651

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 maintains one checking account and payments are made by check, electronic fund transfers and wires.

Cash - It is NORCOM's policy to invest temporary cash surpluses. As of December 31, 2009, 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 considers 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.

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

Capital Assets and Depreciation - Capital assets, which consist of machinery & equipment and construction work-in-progress, are defined by NORCOM 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. Projects-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 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 employees. In November 2007, NORCOM 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:

	2009	2008
Invested in Capital Assets, Net of Related Debt	\$ 3,594,453	\$ 521,072
Unrestricted	1,022,935	1,336,483

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

Federal Income Tax - NORCOM 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.

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, banker’s 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 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’s deposits and investment position at fair value at the end of fiscal year 2009 and 2008 are:

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Checking	\$ 261,171	\$ 132,101
E-911 Escrow Account	105,927	-
LGIP Operation	766,900	1,334,415
LGIP Equipment Replacement	125,000	-
LGIP Contingency	51,915	-
Total	<u>\$ 1,310,913</u>	<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 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’s property, plant and equipment at December 31, 2009 and 2008 is shown below:

	Beginning Balance as of <u>1/1/2009</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance as of <u>12/31/2009</u>
Capital Assets, not being depreciated:				
Projects-in-progress	\$ 521,072	\$ 972,809	\$ -	\$ 1,493,881
Capital assets, being depreciated:				
Machinery and Equipment	-	2,328,509	-	2,328,509
Less: Accumulated Depreciation	-	(227,937)	-	(227,937)
Capital Assets, being depreciated net	\$ -	\$ 2,100,572	\$ -	\$ 2,100,572
Total Capital Assets, net	<u>\$ 521,072</u>	<u>\$ 3,073,381</u>	<u>\$ -</u>	<u>\$ 3,594,453</u>

	Beginning Balance as of <u>11/1/2007</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance as of <u>12/31/2008</u>
Capital Assets, not being depreciated:				
Projects-in-progress	\$ -	\$ 521,072	-	\$ 521,072
Capital assets, being depreciated:				
Machinery and Equipment	-	-	-	-
Less: Accumulated Depreciation	-	-	-	-
Capital Assets, being depreciated net	\$ -	\$ -	\$ -	\$ -
Total Capital Assets, net	<u>\$ -</u>	<u>\$ 521,072</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 2009 and 2008 were \$1,158,234 and \$524,081, respectively, which includes expenses not capitalized.

Construction Commitments - NORCOM has one active construction project as of December 31, 2009.

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

Project	Spent to Date	Commitment
New World CAD/RMS System	\$ 1,493,881	\$ 2,041,218
Total	\$ 1,493,881	\$ 2,041,218

Note 5 – Pension Plans

Substantially all NORCOM'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

Note 5 – Continued

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.

PERS Plan 1 and Plan 2 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.

There are 1,192 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2008:

Retirees and beneficiaries receiving benefits	73,122
Terminated plan members entitled to but not yet receiving benefits	27,267
Active plan members vested	105,212
Active plan members non-vested	56,456
Total	262,057

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, 2009, were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer *	5.31%**	5.31%**	5.31%***
Employee	6.00%****	3.90%****	*****

*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 and the employees made the required contributions. NORCOM's required contributions for the years ended December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2008	\$0	\$19,925	\$0
2009	\$0	\$148,875	\$12,817

Municipal Employees Benefit Trust

The Municipal Employees' Benefit Trust (MEBT) is a multiple-employer defined-contribution pension plan which was established as an alternative to the federal Social Security System. All regular full time and qualifying part time employees are required to participate in the defined contribution plan. By resolution, the Governing Board established the NORCOM Employees Benefit Plan in lieu of Social Security as authorized by the Federal Social Security Act (Subchapter II, 42 USCA Section 401, et. seq) and other applicable federal and state laws (RCW 41.48.050) to be effective July 1, 2009.

Employees who customarily work 1,000 or more hours per year and who otherwise would be eligible for Social Security coverage and benefits are required to participate. Both NORCOM and participants are required to contribute an amount equal to the current Federal Insurance Contributions Act (FICA) tax rate.

NORCOM contributions shall be reduced by the amount of insurance premiums necessary to fund the Employer's survivor and disability insurance programs for the then currently year. Employee contributions are pre-tax and the tax rates for the Plan correspond to the FICA rate. NORCOM's

contribution for the fiscal year 2009 was \$147,968 which represents its full liability. NORCOM's MEBT covered payroll for the year ending December 31, 2009, was \$2,282,002.

Assets of the Plan are not the property of NORCOM, but are maintained in Trust at Wilmington Trust; therefore, the assets are not included in the accompanying financial statements.

Actuarial determinations are not required because each participant shall, at his/her normal retirement, instruct the Trustee to (a) acquire a non-forfeitable, non-transferable annuity contract, (b) pay his/her retirement benefit from his/her account (no contributions by NORCOM or the Participant shall be added to his/her account after retirement), (c) pay a single sum in cash. In the event a participant terminates, the Trustee shall be instructed to pay the full amount of the participant's contributions plus the vested portion credited to his/her account.

Note 6 - Risk Management

NORCOM 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 – Operating Leases

NORCOM leases office space and other equipment under non-cancelable operating leases. Total cost for such leases was \$212,212 for the year ended December 31, 2009. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2009	212,212
2010	428,390
2011	434,944
2012	446,745
2013	459,958
2014	470,940
2015	481,278
2016	244,195
Total	\$ 3,178,662

Note 8 - Contingencies and Litigation

NORCOM's financial statements include all material liabilities. There are no material contingent liabilities to record.

NORCOM 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 management believes that such disallowances, if any, will be immaterial.

Note 9 - Receivables

Receivables at December 31, 2009 were as follows:

Agency	2009	2008
King County E-911 Program Office	\$ 153,131	\$ -
King County Public Health	32,085	-
City of Bellevue	43,062	521,072
City of Bothell	-	134
Total 2008 Receivables	\$ 228,278	\$ 521,206

**North East King County Regional Public Safety Communications Agency
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended December 31, 2009

Federal Agency Name / Pass Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures			Foot-note Ref.
				From Pass-Through Awards	From Direct Awards	Total	
Department of Justice/Pass Through from City of Bellevue Police Department	Public Safety Partnership-Community Policing Grants	16.710	2008CKWX0253	881,877.68		\$ 881,877.68	1
Justice/Pass Through from City of Bellevue Police	Partnership-Community Policing Grants	16.710	2008CKWX0259	73,689.96		\$ 73,689.96	1
Total Federal Awards Expended						<u>\$ 955,567.64</u>	

The Accompanying Notes To The Schedule Of Expenditures of Federal Awards Are An Integral Part Of This Schedule.

Note 1 - Basis of Presentation

This schedule includes the federal grant activity of NORCOM 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 amount 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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Deputy Chief of Staff
Chief Policy Advisor
Director of Audit
Director of Special Investigations
Director for Legal Affairs
Director of Quality Assurance
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