



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

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

For the period January 1, 2020 through December 31, 2020

Published March 10, 2022

Report No. 1030038



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**Office of the Washington State Auditor
Pat McCarthy**

March 10, 2022

Governing Board
NORCOM
Bellevue, Washington

Report on Financial Statements

Please find attached our report on NORCOM's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	4
Independent Auditor's Report on the Financial Statements	6
Financial Section.....	9
About the State Auditor's Office.....	36

INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

NORCOM

January 1, 2020 through December 31, 2020

Governing Board
NORCOM
Bellevue, Washington

We have audited, 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, the financial statements of NORCOM, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 2, 2022.

As discussed in Note 11 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Agency is unknown.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

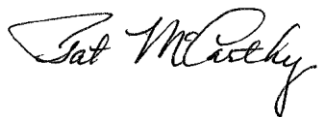
COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from 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*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. 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, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

March 2, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

NORCOM

January 1, 2020 through December 31, 2020

Governing Board
NORCOM
Bellevue, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of NORCOM, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed on page 9.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

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

policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NORCOM, as of December 31, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 11 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Agency is unknown. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2022 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

March 2, 2022

FINANCIAL SECTION

NORCOM

January 1, 2020 through December 31, 2020

REQUIRED SUPPLEMENTARY INFORMATION

Management Discussion and Analysis – 2020

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2020

Statement of Revenues, Expenses and Changes in Net Position – 2020

Statement of Cash Flows – 2020

Notes to Financial Statements – 2020

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3 – 2020

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2020

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

- NORCOM's financial position remains steady due to a refocus of fiscal accountability. In 2020, NORCOM Management performed a thorough assessment of operational spending resulting in a decrease in operating expenses of \$473,487.
- The assets of NORCOM exceed liabilities by \$1,720,780 at the close of 2020.
- NORCOM's Net Pension Liability is reported as \$2,637,275 and unrestricted net position is (\$614,780).
- NORCOM remains sensitive to the financial pressures of its Participants face. Unexpected fund balances are applied toward unanticipated expenses or placed in the Rate Stabilization Fund to be applied toward future years' budgets to help alleviate large increases.

Overview of Financial Statements

NORCOM's financial statements include a Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows; and Notes to the Financials Statements.

The Statement of Net Position 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 Position presents the results of the business activities for the 2020 fiscal year. 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 for the year. It presents information on where cash came from and its use.

The Notes to the Financial Statements provides 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 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 six funds which are consolidated for reporting purposes.

Financial Analysis

Statement of Net Position – The Statement of Net Position serves as a useful indicator of NORCOM's financial position. NORCOM's net position (assets in excess of liabilities) at December 31, 2020 totaled \$1,720,780. The following is a condensed version of the Statement of Net Position and compares NORCOM's net position for 2018, 2019, and 2020.

	2020	2019	2018
Current and other assets	\$6,664,326	\$5,059,356	\$6,534,741
Capital assets, net	2,335,561	2,675,362	3,260,115
Total Assets	8,999,886	7,734,718	9,794,856
Current liabilities	4,641,831	2,865,722	2,969,000
Net pension liability	2,637,275	2,490,668	3,337,568
Total Liabilities	7,279,106	5,356,390	6,306,568
Invested in capital assets	2,335,560	2,675,362	3,260,115
Unrestricted	(614,780)	(297,034)	228,172
Total Net Position	\$1,720,780	\$2,378,327	\$3,448,287

Total Assets

The largest component of NORCOM's assets remains capital assets, net of related debt and depreciation. Work-in-progress projects are capitalized like capital assets, but do not accumulate depreciation until the project is complete. NORCOM has one project yet to be completed in 2020 and reflects \$650,146 in work-in-progress.

Current assets, which consist of cash, receivables and prepaid expenses, as well as deferred outflows of resources increased 32%.

Total Liabilities

The liability accounts are comprised of four items; accounts payable, accrued payroll, accrued tax liabilities incurred in the financial statement year, but not paid until after December 31st, and compensated absences. Current liabilities, net of deferred inflows of resources for pensions increased by 62% over 2019. Deferred Inflows of Resources for Pensions decreased \$702,736.

Net Pension Liability is the difference between the total pension liability (the present value of the projected benefit payments to employees based on their past service) and the assets set aside to pay current employees, retirees, and beneficiaries. NORCOM participates in the Public Employees Retirement System (PERS) run by the state. More information on PERS can be found in Note 8.

Reporting requirements that became effective in 2015 introduced Deferred Inflows of Resources for Pensions reported in a separate section, following liabilities on the statement. A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period. Rather than increasing net position, a deferred inflow offsets the asset and net position remains unchanged.

Total Net Position

Over time, increases or decreases in NORCOM's net position are an indicator of NORCOM's overall financial growth. Unrestricted net position includes fund balance available in the Equipment Replacement fund, Rate Stabilization fund and Operating Expenses Reserves fund. While these funds are not restricted, they are held for the use of replacing aging equipment, one-time expenses, or emergency situations. Equipment Replacement funds are set aside each year for the replacement of assets deemed critical to emergency responses. As these assets are due to be replaced, this money is available for the purchase of this mission-critical equipment.

The largest component of NORCOM's net position is the investment in capital assets. These capital assets, \$2,335,561 or 136% of net position, consist of communications software and equipment and are used to provide services to public safety agencies and citizens. These assets are critical to operation and as a result, are not for sale and therefore not available to fund current or future obligations.

Statement of Revenues, Expenditures, and Changes in Net Position

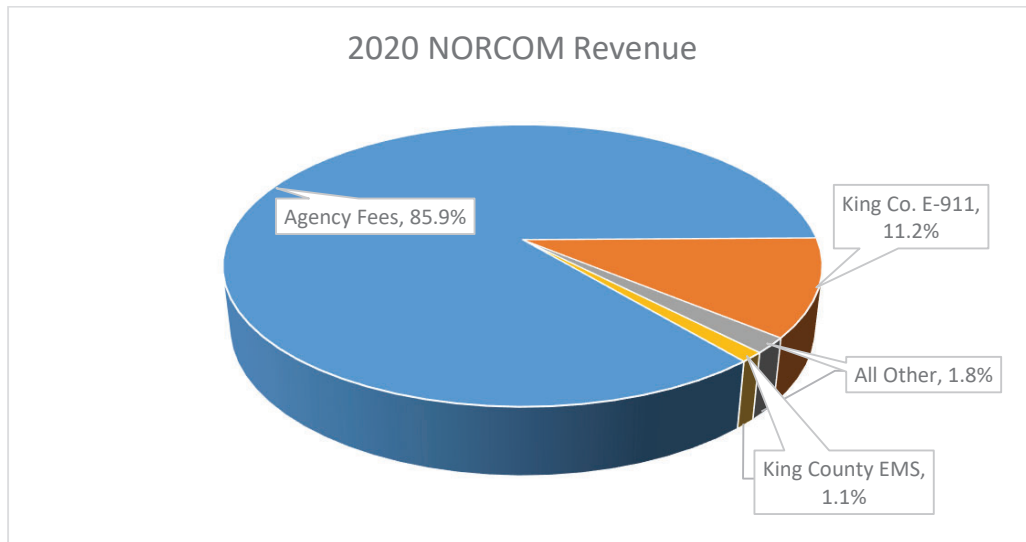
The condensed summary of activities reflects that net position decreased by \$657,547 during the year.

NORCOM's Change in Net Position

	2020	2019	2018
Operating Revenues	\$13,021,433	\$13,048,066	\$12,694,916
Operating Expenses	\$13,705,999	14,179,486	12,203,354
Change from Operations	(684,655)	(1,131,480)	491,562
Non-operating activity	27,019	21,521	90,291
Capital Contributions	-	-	-
Change in Net Position	(657,547)	(1,109,960)	581,853
Beginning Net Position	2,378,327	3,488,287	2,906,434
Ending Net Position	\$1,720,780	\$2,378,327	\$3,488,287

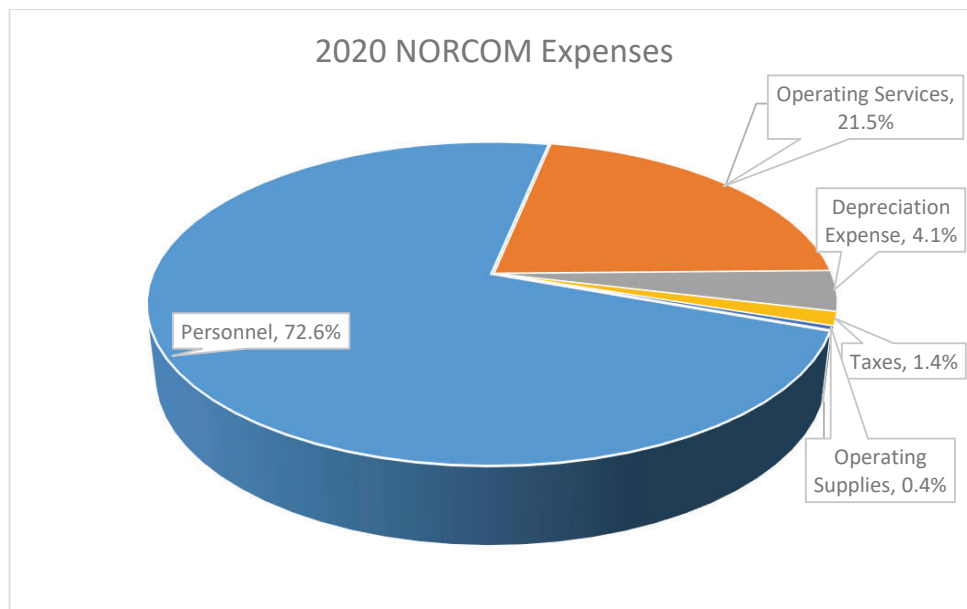
Revenue

The majority NORCOM's revenues are generated through charges for services. Principal fees increased in 2020 by 0.6%, while Other Intergovernmental Revenues provided by King County E-911, EMS and other governmental grants increased 0.7%. The chart below graphically depicts the organization's revenue sources.



Expenses

Operating expenses decreased 3.3% and is attributable to decreases made in purchased services and supplies over the prior year. Salaries and Benefits remains and will continue to be the majority of NORCOM's operating expense balance.



Capital Assets

At December 31, 2020, NORCOM had \$2,335,561 recorded in capital assets. Significant portions of NORCOM's capital assets include Data and Radio equipment, and intangible Computer Aided Dispatch (CAD) software.

Long-Term Debt

Section 13 of NORCOM's Interlocal agreement states that NORCOM does not have the authority to issue obligations or incur long-term debt.

Other Information

Public Employees Retirement System (PERS) rates increased from 12.86% to 12.97% in 2020.

A User Fee Policy Review and Analysis was completed in June 2014, which consisted of an overview of NORCOM's current User Fee Model, impacts to changing the current model, issues that will impact future funding formulas, and three different options for funding formulas. Note 1 – Revenue Rate Calculations provide more information on the results of the study for implementation of changes that began in 2017.

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 requests for additional information, may be addressed to the Finance Manager, NORCOM, P.O. Box 50911, Bellevue, Washington, 98015.

North East King County Regional Public Safety Communications Agency
Statement of Net Position
December 31, 2020

Assets	2020
Current Assets:	
Cash	2,495,562
Receivables, net	2,605,204
Due from Other Governments	101,971
Prepaid Expenses	585,374
Total Current Assets	5,788,111
Noncurrent Assets:	
Capital Assets	
Work in Progress	650,146
Other Improvements	72,172
Machinery and Equipment	3,548,956
Property, Plant & Equipment, at cost	4,271,274
Less: Accumulated Depreciation	(3,417,343)
Property, Plant & Equipment, net	853,931
Intangible Assets	4,170,969
Less: Accumulated Amortization	(2,689,339)
Intangible Assets, net	1,481,630
Total Capital Assets, net	2,335,561
Total Noncurrent Assets	2,335,561
Total Assets	8,123,672
Deferred Outflows of Resources	876,215
Total Assets and Deferred Outflows of Resources	8,999,886
Liabilities and Fund Equity	
Current Liabilities:	
Accounts Payable	160,699
Unearned Revenue	2,938,529
Accrued Payroll	240,735
Taxes Payable	21,585
Compensated Absences Payable	414,878
Total Current Liabilities	3,776,426
Net Pension Liability	2,637,275
Total Liabilities	6,413,701
Deferred Inflows of Resources	865,405
Total Liabilities and Inflows of Resources	7,279,106
Net Position:	
Net Investment in Capital Assets	2,335,560
Unrestricted	(614,780)
Total Net Position	1,720,780
Total Liabilities and Fund Equity	8,999,886

The notes to the financial statements are an integral part of this statement.

North East King County Regional Public Safety Communications Agency
Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2020

	<u>2020</u>
Operating Revenues	
Participating Agencies	11,203,938
Other Intergovernmental	1,782,085
Miscellaneous	35,410
Total Operating Revenues	<u>13,021,433</u>
Operating Expenses	
Personnel	9,955,448
Taxes	189,261
Operating Supplies	57,204
Operating Services	2,948,425
Depreciation Expense	555,661
Total Operating Expenses	<u>13,705,999</u>
Operating Income/(Loss)	(684,566)
Nonoperating Revenues/(Expenses)	
Interest and Investment Revenue	27,019
Gain/(Loss) on Disposals	-
Total Nonoperating Revenues/(Expenses)	<u>27,019</u>
Income Before Contributions	(657,547)
Capital Contributions	<u>-</u>
Change in Net Position	(657,547)
Net Position - Beginning	<u>2,378,327</u>
Net Position - Ending	1,720,780

The notes to the financial statements are an integral part of this statement.

North East King County Regional Public Safety Communications Agency
Statement of Cash Flows
For the Year Ended December 31, 2020

	<u>2020</u>
Cash Flows from Operating Activities:	
Cash received from customers and users	11,784,724
Cash paid to suppliers for goods and services	(3,141,976)
Cash paid to employees	(11,045,161)
Cash payments to taxes	(253,350)
Other receipts	1,817,495
Net Cash Provided (Used) by Operating Activities	<u>(838,268)</u>
Cash Flows from Capital and Related Financing Activities:	
Capital adjustments	-
Purchases of capital assets	(215,859)
Capital expenditures and deferred charges	-
Proceeds from sale of capital assets	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(215,859)</u>
Cash Flows from Investing Activities:	
Purchase of investments	-
Matured Investment	-
Cash Received from interest and dividends	27,019
Net Cash Provided (Used) by Investing Activities	<u>27,019</u>
Net Increase (Decrease) in Cash Balances	(1,027,109)
Cash Balance, Beginning of Year	<u>3,522,670</u>
Cash Balance, End of Year	<u><u>2,495,562</u></u>
Reconciliation of Operating Income to Net Cash Provided:	
Operating Income (Loss)	(684,566)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation Expense	555,661
Adjustments to Pension Expense	(716,551)
Changes in Assets and Liabilities:	
(Increase) decrease in due from receivables	(2,514,605)
(Increase) decrease in due from other governments	156,862
(Increase) decrease in prepaid expenses	(113,913)
Increase (decrease) in due to other governments	-
Increase (decrease) in accounts payable	(22,432)
Increase (decrease) in payroll payables	(316,458)
Increase (decrease) in compensated absences payable	(56,706)
Increase (decrease) in taxes payable	(64,089)
Increase (decrease) in unearned revenue	2,938,529
Total Adjustments	<u>(153,702)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(838,268)</u></u>

The notes to the financial statements are an integral part of this statement.

North East King County Regional Public Safety Communications Agency

Notes to Financial Statements January 1, 2020 through December 31, 2020

Note 1 – Summary of Significant Accounting Principles

The financial statements of NORCOM have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounts 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.

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 communications center. The North East King County Regional Public Safety Communications Agency (NORCOM) was formed in 2007 as a Washington not-for-profit corporation created by an Interlocal agreement between the founding agencies as authorized by the Interlocal Cooperation Act under Chapter 39.34 and 24.06 of the Revised Code of Washington.

Current principal agencies of NORCOM include City of Bellevue, City of Bothell, City of Clyde Hill, City of Kirkland, City of Medina, City of Mercer Island, City of Snoqualmie, City of Redmond, City of Normandy Park, 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. NORCOM was formed to provide emergency service communications and all related incidental functions for communicating and dispatching services between the public and participating agencies' direct service 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 an 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.

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 full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

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 participants for services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NORCOM has six funds: Operations, Capital Projects, Equipment Replacement, Operating Expense Reserve, King County E-911 Escrow Account, and the Rate Stabilization Reserve. All funds are combined and reported as one for financial statement purposes.

Revenue Rate Calculations – The participating agencies provide the majority of operating revenue to NORCOM. The method of allocating these revenue sources are defined in the Interlocal Agreement, Appendix A.

NORCOM's current formula is defined in the Interlocal Agreement, however it can be changed as part of the budget process. Changing the formula will have impacts to Participants, both positive and negative, depending on when the change is made, the implementation process and the size of the agency. Issues that may impact future funding models are related to using two CAD systems and the impacts to staff, and the technology service level agreements that are being developed.

The User Fee Policy Review and analysis presented three approaches to user fees; the Calls for Service Distribution model, where fees are based solely on the number of calls an agency generate, the Functional Distribution model, which takes into consideration Calls for Service and staff distribution for functions performed (call-taking, police dispatch, fire dispatch and police data), and the Service Metric Distribution model, which uses both Calls for Service and staff distribution, but also includes agency population and commissioned officer as a metric.

After analyzing each option for sustainability, predictability, understandability, equity, and administrative ease, the Functional Distribution model was determined to be the best option based on the criteria. A comparative analysis was provided to the Governing Board and the Board voted unanimously to adopt the Functional Distribution Model with implementation that began January 1, 2017.

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.

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 seven calendar quarters preceding that. The amount of financial participation allocated to the participating and subscribing agencies is the percentage of dispatched calls attributed to each jurisdiction average over two year compared to the total two-year average of actual dispatched calls of 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..

The cost distribution for the participating and subscribing agencies for 2020 was as follows:

Agency	2020 Allocation
Police	
Bellevue Police	\$3,524,226
Clyde Hill Police	84,103
Kirkland Police	2,164,598
Medina Police	66,960
Mercer Island Police	569,569
Normandy Park Police	113,167
Total Police	\$6,522,622
Fire and EMS	
Bellevue Fire	\$1,205,255
Bothell Fire	380,163
Duvall Fire	56,969
Eastside Fire & Rescue	644,718
Fall City Fire	33,654
Kirkland Fire	498,630
Mercer Island Fire	165,022
Northshore Fire	190,843
Redmond Fire	608,020
Shoreline Fire	619,120
Skykomish Fire	16,855
Snoqualmie Pass Fire	28,401
Snoqualmie Fire	49,451
Woodinville Fire and Life	184,216
Total Fire and EMS	\$4,681,316
Total	\$11,203,938

Cash – It is the policy of NORCOM to invest all temporary cash surpluses. As of December 31, 2020, all cash surpluses were held in insured bank accounts, the Local Government Investment Pool (LGIP) and the King County Residual Investment Pool.

Cash includes all monies in checking and savings accounts, petty cash funds, the Local Government Investment Pool and the King County Residual 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.

Investments – Cash in excess of anticipated needs for operations and equipment replacement is invested and the proceeds are returned to the investing source. Investments are held only in qualified institutions and reported at fair value. See Note 6 – Deposits and Investments.

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

Capital Assets and Depreciation – Capital assets, which include other improvement, machinery & equipment, intangible assets (software), 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 estimate fair-market value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

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 operation using the straight-line method based on the estimated useful life of an asset. The estimated useful lives of depreciable assets are as follows:

Other improvements	3-15 years
Machinery & Equipment	3-20 years
Intangible Assets	10 years

Unearned Revenues- NORCOM's services are billed quarterly, with the Governing Board approving the next year's fees during the Governing Board meeting held in December. To follow the payment deadline schedule established in the creating Interlocal Agreement, NORCOM issued the first quarter's billing for the next year in December 2020. The balance is reported as unearned revenue, as it is not recognizable revenue for 2020.

Compensated Absences – Compensated absences are absences for which employees will be paid, such as vacation and paid time off. Accumulated amounts of vacation leave and paid time off (PTO) are accrued as expenses when incurred in proprietary funds and included in liabilities under Compensated Absences Payable as applicable.

The NORCOM Associated Guild contract states the maximum accrued vacation and holiday leave carryover from one year to another is 600 hours. PTO accumulated in excess of the maximum limit shall be cashed out on the last paycheck issued in the year. A portion of the PTO accrued is designated as sick leave, and accumulates at the rate of 0.025 PTO hours for every hour worked. At the end of each calendar year, up to 40 hours of unused designated sick leave PTO will be rolled in to the following calendar year. The contract with NORCOM's Associated Guild was ratified in 2019 and runs from January 1, 2019 through December 31, 2021.

Non-represented employees are covered under an administrative policy that states maximum accrued PTO carryover from one year to another is 480 hours and accrued holiday carryover is 16 hours. Upon termination, non-represented employees will be compensated for up to 160 of accrued PTO and all accrued holiday hours.

Pensions – For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position – Net position for equipment is reserved for future use as reflected in the financial statements as follows:

NET POSITION:	2020
Invested in Capital Assets	\$2,335,560
Unrestricted	(614,780)
TOTAL NET POSITION	\$1,720,780

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

Stabilization Agreements – During the 2012 budget process, the Governing Board approved Resolution 43, creating a Rate Stabilization fund that was financed with \$800,000 of 2012 ending fund balance. Future funding options include one-time revenues, new agency assessments and fees, ending fund balance, or other sources deemed appropriate by the Governing Board.

Funds shall accumulate from year to year until a super majority vote of the Governing Board appropriates all or part of the available funds. Once the funds have been appropriated, they will be applied to the overall budget to offset transition to higher rates. These funds may also be used to offset one-time expenditures or other exigent circumstances.

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 GAAP in the United States, 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 – Accounting and Reporting Changes

Not Applicable

Note 3 – Capital Assets

Capital Assets of proprietary funds are capitalized in the Statement of Net Position. 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 to allocate the cost of fixed assets over their estimated useful lives using the straight-line method with useful lives of 3 to 20 years.

A summary of NORCOM's property, plant and equipment at December 31, 2020 is shown below:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not being Depreciated				
Work in Progress	\$ 450,505	\$ 199,641	\$ -	\$ 650,146
Capital Assets, depreciated				
Machinery & Equipment	4,103,240	16,218	(498,330)	3,621,128
Intangible Assets	4,216,045	-	(45,076)	4,170,969
Less Accumulated Depreciation for:				
Machinery & Equipment	(3,796,717)	(118,956)	498,330	(3,417,343)
Intangible Assets	(2,297,710)	(436,705)	45,076	(2,689,339)
Capital Assets, net of depreciation	2,224,858	(539,443)	-	1,685,415
Total Capital Assets, Net	\$ 2,675,363			\$ 2,335,561

Note 4 – Construction and Other Significant Commitments

NORCOM has one active information technology project as of December 31, 2020. The project is directly related to “Disaster Recovery” and work in progress is \$650,146.

Note 5 – Contingencies and Litigation

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

Note 6 – Deposit and Investments

Deposits – NORCOM’s deposits are covered by federal deposit insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The deposits are not subject to additional legal or contractual provisions. The book value of deposits does not differ materially from the bank balance of deposits.

NORCOM’s deposits and investment position at fair value at the end of the fiscal year 2020 (excluding petty cash) is:

	December 31, 2020
Checking	\$130,433
Savings	539,847
E-911 Escrow	744,210
LGIP	1,080,872
Total	\$2,495,362

Investments in King County Investment Pool

Cash held in the King County E-911 Escrow account is managed by the King County Investment Pool. The pool is not registered with the SEC as an investment company and oversight is provided by the King County

Executive Finance Committee (EFC) pursuant to RCW 36.48.070. The EFC, which reviews pool performance monthly, consists of the Chair of the County Council, the County Executive, the Director of the Office of Performance, Strategy and Budget, and the Director of the Finance and Business Operations Division, or their designees. All investments are subject to written policies adopted by the EFC.

The KCIP measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an asset or liability.

KCIP investment policy, reports, and disclosures are available at www.kingcounty.gov/depts/finance-business-operations/treasury/investment-pool.

At December 31, 2020 NORCOM had \$744,210, measured at fair value in level 2 of the valuation input hierarchy. The KCIP had a weighted average maturity of 1.20 years as of December 31, 2020.

Investments in Local Government Investment Pool

NORCOM is a voluntary participant in the Local Government Investment Pool (LGIP), authorized by Chapter 294, Laws of 1986, and managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts its rules. The State Treasurer is responsible for establishing the investment policy for the pool, reviews policy annually, and resulting proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximated fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASB Statement 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

As of December 31, 2020, NORCOM cash and cash equivalent balances invested in LGIP was \$1,080,872. The LGIP transacts with participants at a stable net asset value per share of \$1.

Note 7 – Operating Leases

NORCOM leases office space, radio sites, and other equipment under non-cancelable operating leases. Total cost for such leases was \$694,198 for the year ended December 31, 2020. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2020	694,198
2021	711,575
2022	726,900

Note 8 – Pension Plans

The following table represents the aggregate pension amounts for all plans for the year 2020:

Aggregate Pension Amounts – All Plans	
Pension Liabilities	\$ 2,637,275
Pension Assets	-
Deferred Outflows of Resources	\$ 876,215
Deferred Inflows of Resources	\$ 865,405
Pension Expense	\$ 246,810

State Sponsored 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 state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov. **Public Employee's**

Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense

component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January – August 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	6.00%
September – December 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	6.00%

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. 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 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include

a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – August 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.86%	7.90%
September – December 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.97%	7.90%

NORCOM's actual PERS plan contribution were \$363,403 to PERS Plan 1 and \$599,957 to PERS Plan 2/3 for the year ended December 31, 2020.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions since the last valuation.

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at leg.wa.gov/osa.

- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents NORCOM's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the (city/county/district's) proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 1,776,418	\$ 1,794,362	\$ 1,812,306
PERS 2/3	\$ 834,484	\$ 842,913	\$ 851,342

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities/(Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2020, NORCOM reported a total pension liability of \$2,637,275 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 1,794,362
PERS 2/3	\$ 842,913

At December 31, 2020, NORCOM's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 12/31/19	Proportionate Share 12/31/20	Change in Proportion
PERS 1	0.048835%	0.050824%	0.001989%
PERS 2/3	0.063087%	0.065907%	0.002820%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the Schedules of Employer and Nonemployer Allocations for all plans.

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2020, NORCOM recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 170,636
PERS 2/3	76,174
TOTAL	\$ 246,810

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, NORCOM reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	-
Net Difference between projected and actual investment earnings on pension plan investments	-	(\$ 9,990)
Changes of Assumptions	-	-
Changes in proportion and differences between contribution and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	\$ 188,309	-
TOTAL	\$ 188,309	(\$ 9,990)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 301,751	(\$ 105,637)
Net Difference between projected and actual investment earnings on pension plan investments	-	(\$ 42,808)
Changes of Assumptions	\$ 12,005	(\$ 575,782)
Changes in proportion and differences between contribution and proportionate share of contributions	\$ 65,527	(\$ 131,191)
Contributions subsequent to the measurement date	\$ 308,624	-
TOTAL	\$ 687,907	(\$ 855,418)

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 301,751	(\$ 105,637)
Net Difference between projected and actual investment earnings on pension plan investments	-	(\$ 52,798)
Changes of Assumptions	\$ 12,005	(\$ 575,782)
Changes in proportion and differences between contribution and proportionate share of contributions	\$65,527	(\$ 131,191)
Contributions subsequent to the measurement date	\$ 496,933	-
TOTAL	\$876,216	(\$ 865,408)

Deferred outflows of resources related to pensions resulting from NORCOM's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2021	(\$ 45,336)
2022	(\$ 1,426)
2023	\$ 13,833
2024	\$ 22,938
2025	-
Thereafter	-

Year ended December 31:	PERS 2/3
2021	(\$ 369,784)
2022	(\$ 103,630)
2023	(\$ 5,044)
2024	\$ 57,336
2025	(\$ 29,441)
Thereafter	(\$ 25,572)

Year ended December 31:	TOTAL All Plans
2021	(\$ 415,121)
2022	(\$ 105,056)
2023	\$ 8,789
2024	\$ 80,275
2025	(\$ 29,441)
Thereafter	(\$ 25,572)

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 current year. Employee contributions are pre-tax and the tax rates for the Plan correspond to the FICA rate. In January of 2011, the first amendment to NORCOM's Plan was approved. This amendment determined the employee and employer contributions required or permitted under Article 4, the OASDI rates as they existed as of January 1, 2010, shall be used. NORCOM's contribution for the fiscal year 2020 was \$511,198 which represents its full liability. NORCOM's MEBT covered payroll for the year ending December 31, 2020 was \$7,914,987.

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 9 –Health & Welfare

NORCOM is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2020, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an individual stop loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date.

When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates

review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

Note 10 - 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 11 – Subsequent Events

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

NORCOM continues to operate, as 911 is an essential service to the public. Most administrative service functions are performed remotely during the State's stay at home order.

The length of time these measures will be in place, and the full extent of the financial impact to NORCOM is unknown at this time.

NORCOM						
Schedule of Proportionate Share of the Net Pension Liability						
PERS 1						
As of June 30, 2020						
Last 6 Fiscal Years						
	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.050824%	0.048835%	0.050217%	0.053063%	0.053620%	0.050637%
Employer's proportionate share of the net pension liability	\$1,794,362	\$1,877,879	\$2,242,708	\$2,517,881	\$2,879,647	\$2,648,786
Covered payroll	\$7,053,497	\$6,893,230	\$6,654,687	\$6,737,348	\$6,482,263	\$5,798,681
Employer's proportionate share of the net pension liability as a percentage of covered payroll	25.44%	27.24%	33.70%	37.37%	44.42%	45.68%
Plan fiduciary net position as a percentage of the total pension liability	68.64%	61.12%	63.22%	61.24%	57.03%	59.10%

NORCOM						
Schedule of Proportionate Share of the Net Pension Liability						
PERS 2/3						
As of June 30, 2020						
Last 6 Fiscal Years						
	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.065907%	0.063087%	0.064124%	0.068254%	0.068625%	0.065408%
Employer's proportionate share of the net pension liability	\$ 842,913	\$ 612,789	\$1,094,860	\$2,371,500	3,455,215	\$2,337,065
Covered payroll	\$7,053,497	\$6,893,230	\$6,654,687	\$6,737,348	\$6,482,263	\$5,798,681
Employer's proportionate share of the net pension liability as a percentage of covered payroll	11.95%	8.89%	16.45%	35.20%	53.30%	40.30%
Plan fiduciary net position as a percentage of the total pension liability	97.22%	97.99%	95.77%	90.97%	85.82%	89.20%

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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