
**WASHINGTON STATE ASSOCIATION
OF COUNTY OFFICIALS**

Board Communication

For the Year Ended December 31, 2019



To the Board of Directors
Washington State Association of
County Officials
Olympia, WA

We have audited the financial statements of Washington State Association of County Officials for the year ended December 31, 2019, and have issued our report thereon dated June 15, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 19, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Washington State Association of County Officials are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the useful lives of property and equipment is based on past experience. We evaluated the key factors and assumptions used to develop the useful lives in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allocation of functional expenses is based on relative benefits provided to functional areas. We evaluated the key factors and assumptions used to develop the allocations in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the value of accounts receivable is based on past experience and composition of those receivables. We evaluated the key factors and assumption used to develop those values in determining they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 15, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

This information is intended solely for the use of the Board of Directors of Washington State Association of County Officials and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



June 15, 2020

**WASHINGTON STATE ASSOCIATION
OF COUNTY OFFICIALS**

Financial Statements

**For the Year Ended December 31, 2019
With Comparative Totals for 2018**

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To the Board of Directors
Washington State Association of
County Officials
Olympia, WA

We have audited the accompanying financial statements of Washington State Association of County Officials (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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. 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 entity'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 entity'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 Washington State Association of County Officials as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Washington State Association of County Officials 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 21, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Aiken & Sanders

Montesano, WA

June 15, 2020

WASHINGTON STATE ASSOCIATION OF COUNTY OFFICIALS

STATEMENT OF FINANCIAL POSITION

December 31, 2019 <i>(With Comparative Totals for 2018)</i>	2019	2018
ASSETS		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 743,555	\$ 722,615
Accounts Receivable	7,959	28,705
Reimbursement Receivables	-	661
Prepaid Expenses	7,495	10,107
	759,009	762,088
<u>Property & Equipment</u>		
Leasehold Improvements, Net	15,547	16,031
Furniture and Equipment, Net	3,846	3,410
	19,393	19,441
<u>Other Assets</u>		
Investments	176,467	177,576
Total Assets	\$ 954,869	\$ 959,105
LIABILITIES AND NET ASSETS		
<u>Current Liabilities</u>		
Accounts Payable	\$ 20,611	\$ 54,415
Accrued Vacation	26,074	35,099
	46,685	89,514
<u>Net Assets</u>		
Without Donor Restrictions	245,539	348,529
Without Donor Restrictions-Board Designated	653,258	500,000
Total Without Donor Restrictions	898,797	848,529
With Donor Restrictions	9,387	21,062
	908,184	869,591
Total Liabilities and Net Assets	\$ 954,869	\$ 959,105

The accompanying notes are an integral part of these financial statements.

WASHINGTON STATE ASSOCIATION OF COUNTY OFFICIALS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2019 (With Comparative Totals for 2018)			2019			2018
	Without Donor Restrictions	With Donor Restrictions	TOTAL		TOTAL	
<u>Support and Revenue</u>						
Membership Dues	\$ 929,602	\$ -	\$ 929,602	\$	929,595	
Contract Revenue	3,347	-	3,347		3,165	
Conference Income	74,710	-	74,710		100,806	
Rent Income	26,455	-	26,455		25,555	
Investment Income (Loss)	(11,583)	-	(11,583)		(10,742)	
Contributions	16,732	-	16,732		9,549	
Transfer of Scholarship Fund			-		29,853	
Interest Income	11,444	-	11,444		7,862	
Satisfaction of donor restriction	11,675	(11,675)	-		-	
Total Support and Revenue	1,062,382	(11,675)	1,050,707		1,095,643	
<u>Expenses</u>						
Program Services	803,602	-	803,602		878,214	
Management & General	208,512	-	208,512		216,355	
Total Expenses	1,012,114	-	1,012,114		1,094,569	
Change in Net Assets	50,268	(11,675)	38,593		1,074	
Net Assets at Beginning of Year	848,529	21,062	869,591		868,517	
Net Assets at End of Year	\$ 898,797	\$ 9,387	\$ 908,184	\$	869,591	

The accompanying notes are an integral part of these financial statements.

WASHINGTON STATE ASSOCIATION OF COUNTIES OFFICIALS

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019 (With Comparative Totals for 2018)	2019	2018		
	Program Services	Management & General	Total	Total
Salary & Wages	\$ 235,101	\$ 73,744	\$ 308,845	356,256
Payroll Taxes & Employee Benefits	74,961	24,661	99,622	122,009
Conferences	63,211	-	63,211	108,182
WAPA Pass-through Dues	225,428	-	225,428	225,427
Lease Expense	43,390	43,391	86,781	86,474
Printing & Office Supplies	4,834	3,955	8,789	6,172
Miscellaneous Expense	1,848	292	2,140	266
Postage	127	104	231	207
Travel	47,646	-	47,646	46,762
Depreciation	-	2,759	2,759	4,605
Telephone	1,076	880	1,956	3,102
Technology	-	8,761	8,761	11,782
Insurance	-	4,659	4,659	4,721
Dues and Subscriptions	3,321	3,321	6,642	6,671
Professional Services	86,034	41,985	128,019	96,578
Scholarships	16,625	-	16,625	15,000
Education	-	-	-	355
Total	\$ 803,602	\$ 208,512	\$ 1,012,114	\$ 1,094,569

The accompanying notes are an integral part of these financial statements.

WASHINGTON STATE ASSOCIATION OF COUNTY OFFICIALS

STATEMENT OF CASH FLOWS

Year Ended December 31, 2019 (With Comparative Totals for 2018)	2019	2018
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ 38,593	\$ 1,074
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	2,759	4,605
Investment Loss (Gain)	11,609	10,742
(Increase) Decrease in Accounts Receivable	20,746	(15,290)
(Increase) Decrease in Reimbursement Receivable	661	(661)
(Increase) Decrease in Prepaid Expenses	2,612	(548)
Increase (Decrease) in Accounts Payable	(33,804)	31,954
Increase (Decrease) in Accrued Vacation	(9,025)	(13,484)
	(4,442)	17,318
Total Adjustments		
	34,151	18,392
Net Cash Provided (Used) by Operating Activities		
<u>Cash Flows from Investing Activities</u>		
Cash Capital Contribution to Building Investment	(10,500)	(12,000)
Purchase of Fixed Assets	(2,711)	(1,069)
	(13,211)	(13,069)
Net Cash Provided (Used) by Investing Activities		
<u>Cash Flows from Financing Activities</u>		
	-	-
Net Increase (Decrease) in Cash & Cash Equivalents	20,940	5,323
Cash and Cash Equivalents at Beginning of Year	722,615	717,292
	743,555	722,615
Cash and Cash Equivalents at End of Year	\$ 743,555	\$ 722,615
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for Interest	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

WASHINGTON STATE ASSOCIATION OF COUNTY OFFICIALS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2019

NOTE 1 - ORGANIZATION AND PURPOSE

The Washington State Association of County Officials (the WACO) was incorporated in the State of Washington in 1960. The WACO has approximately 270 members. The membership of WACO includes elected county assessors, auditors, clerks, coroners and medical examiners, prosecuting attorneys, sheriffs, treasurers & comparable appointed officials in charter counties.

WACO provides its members legislative representation; education and training; informational publications; day-to-day assistance concerning a wide variety of issues of importance to counties; local, state, and federal agency liaison; an annual conference for training and to develop a legislative package; affiliate support; and other forums in which to develop ideas and build consensus.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

WACO maintains its financial records on the accrual basis of accounting. Therefore, revenue is recognized when it is earned and expenses are recognized when the obligations are incurred.

Presentation Method for Financial Statements

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the WACO and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions — Net assets that are not subject to donor-imposed stipulations. Includes public support and revenues which are not restricted by the donor and currently available for the support of WACO.

Net Assets With Donor Restrictions — Net assets subject to donor imposed restrictions that may or will be met whether by actions of the project and/or the passage of time. Generally, the donors of these assets permit the project to use all or part of the income or gains earned on related investments for general or specific purposes. Net assets are released from restrictions when the purpose or time restrictions have been satisfied. The following represent net assets with donor restrictions at December 31, 2019:

Program Restrictions:	
Scholarship Program	\$ <u>9,387</u>
	\$ <u><u>9,387</u></u>

Use of Estimates

Financial statement preparation requires estimates and assumptions concerning the value of assets, the amount of liabilities, including contingent liabilities and revenues and expenses. Actual results may differ from management's estimates or assumptions.

WASHINGTON STATE ASSOCIATION OF COUNTY OFFICIALS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Statement of Cash Flows

Cash and cash equivalents include cash on hand and cash on deposit in financial institutions with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Bad debts have been immaterial in the past, therefore, an allowance for doubtful accounts has not been established. Receivables are considered past due if not collected within 90 days. The WACO does not charge interest on past due receivables. As of December 31, 2019, management believes that all accounts receivable are collectible.

Property and equipment

Property and equipment are recorded at cost or, if acquired as a donation, at the estimated fair value at the date donated. Depreciation is computed utilizing the straight-line method and the following estimated useful lives:

Equipment and furnishings	3 - 7 years
Leasehold improvements	39 years

Maintenance and repairs are charged to expense as incurred; major renewals and improvements are capitalized. When items of equipment are sold or are otherwise disposed of, the appropriate cost and related accumulated depreciation amounts are removed from the accounts, and any gain or loss is included in income.

Advertising Costs

The costs of advertising are expensed as incurred.

Allocation of Indirect Costs

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of WACO. These expenses include facilities, printing and office supplies, postage, and dues and subscriptions and are allocated based a ratio determined by management to be appropriate. Payroll and related costs are allocated based on time spent on each function.

Employee Benefits

WACO provides its employees with paid annual and sick leave in accordance with its current policies. Sick leave benefits are cumulative only to the extent of use for illness. Accrued and unused annual leave is payable to the employee in cash upon termination. Unused balances as of December 31, 2019 and 2018 totaled \$26,074 and \$35,099, respectively

WASHINGTON STATE ASSOCIATION OF COUNTY OFFICIALS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2019

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

WACO, although it expects to receive current support to fund operations for 2020 and later years, has \$741,740 and \$730,258 of financial assets available within one year of the statement of financial position dates on December 31, 2019 and 2018, respectively, to meet cash needs for general operating expenditures of WACO. Financial assets available within one year consists of the following:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 743,555	\$ 722,615
Accounts Receivable	7,572	28,705
Donor Restriction Imposed	<u>(9,387)</u>	<u>(21,062)</u>
Financial Assets Available to Meet Cash Needs Within One Year	\$ <u>741,740</u>	\$ <u>730,258</u>

NOTE 4 – BOARD DESIGNATED NET ASSETS

WACO has a board designated reserve that can be used for maintenance or improvements to the Partnership (see note 6), anticipated expenses for annual events, and unforeseen expenditures. As of December 31, 2019 and 2018, the board designated reserve was \$634,258 and \$500,000, respectively

	<u>2019</u>	<u>2018</u>
Board Reserve For:		
Operations	\$ 554,958	\$ 500,000
Capital Expenditures	55,000	-
Conference	15,000	-
Audit Reserve	9,000	-
Earmarked for Unemployment Claim	19,000	-
Other	<u>300</u>	<u>-</u>
Total Board Restricted Net Assets	\$ <u>653,258</u>	\$ <u>500,000</u>

NOTE 5 – CREDIT RISK CONCENTRATION

The WACO places its cash assets in federally insured institutions and limits the amount of credit risk by employing different institutions. At December 31, 2019, the WACO had no cash deposits, at one institution, exceeding the \$250,000 insurance limit provided by the Federal Deposit Insurance Corporation.

WASHINGTON STATE ASSOCIATION OF COUNTY OFFICIALS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2019

NOTE 6 – INVESTMENTS & FAIR VALUE MEASUREMENTS

The WACO is the general partner of Washington Counties Building (Partnership). WACO is a 50% participant in the income/loss of the Partnership. The WACO's invested capital in the Partnership at December 31, 2019 and 2018 was \$176,467 and \$177,567, respectively.

Investment (loss) on the statement of activities for the year ended December 31, 2019 was \$(11,609).

Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the WACO has the ability to access.

Level 2: Inputs to valuation methodology include:

- A. Quoted prices for similar assets or liabilities in active markets.
- B. Quoted prices for identical or similar assets or liabilities in inactive markets.
- C. Inputs other than quoted prices that are observable for the asset or liability.
- D. Inputs that are principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019.

Washington Counties Building: The equity method of accounting.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the WACO believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

WASHINGTON STATE ASSOCIATION OF COUNTY OFFICIALS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2019

NOTE 6 – INVESTMENTS & FAIR VALUE MEASUREMENTS (CONT.)

The following table sets forth by level, within the fair value hierarchy, the WACO assets at fair value as of December 31, 2019 with comparable totals for 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2019 Total</u>	<u>2018 Total</u>
Washington Counties					
Building	\$ -	\$ -	\$ 176,467	\$ 176,467	\$ 177,576
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176,467</u>	<u>\$ 176,467</u>	<u>\$ 177,576</u>

<u>Level 3 Investments</u>	
Balance January 1, 2019	\$ 177,576
Capital Contributions	10,500
Realized Loss	<u>(11,609)</u>
 Balance December 31, 2019	 <u>\$ 176,467</u>

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2019:

	<u>Beginning Balance 12/31/2018</u>	<u>Additions</u>	<u>Ending Balance 12/31/2019</u>
Furniture and Equipment	\$ 35,130	\$ 2,711	\$ 37,841
Less Accumulated Deprecation	<u>(31,720)</u>	<u>(2,275)</u>	<u>(33,995)</u>
Net Furniture and Equipment	<u>\$ 3,410</u>	<u>\$ 436</u>	<u>\$ 3,846</u>
Leasehold Improvements	\$ 18,886	\$ -	\$ 18,886
Less Accumulated Deprecation	<u>(2,855)</u>	<u>(484)</u>	<u>(3,339)</u>
Net Leasehold Improvements	<u>\$ 16,031</u>	<u>\$ (484)</u>	<u>\$ 15,547</u>

WASHINGTON STATE ASSOCIATION OF COUNTY OFFICIALS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2019

NOTE 8 - SUBSEQUENT EVENTS

No events have occurred through June 15, 2020, which is the date the financial statements were available to be issued based on client facts and circumstances, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2019.

NOTE 9 - UNCERTAIN TAX POSITIONS

The WACO is a non-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation.

The WACO files income tax returns in the U.S. federal jurisdiction. The WACO is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2016. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

As of December 31, 2019, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

NOTE 10 – LEASES

The WACO leases office space that is classified as an operating lease. The lease is year to year. Lease expense for the years ended December 31, 2019 and 2018, was \$81,000 and \$79,200 respectively.

The WACO also leases a copier that is classified as an operating lease. Lease expense for the years ended December 31, 2019 and 2018, was \$5,781 and 7,274, respectively. Future obligations under the currently executed non-cancelable lease are as follows:

2020	\$	<u>1,455</u>
	\$	<u><u>1,455</u></u>