RESOLUTION NO. 2016-05

A Resolution of the Washington Multi-City Business License and Tax Portal Agency Executive Board approving the 2015 Financial Reports for Submittal to Washington State Auditor.

Whereas, RCW 43.09.230 states the state auditor shall require every local government to submit financial reports covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the state auditor;

Whereas, the Agency Accounting firm has prepared the 2015 Financial statements in accordance with the forms and methods prescribed by the state auditor;

Now Therefore,

BE IT RESOLVED by the Executive Board of the Washington Multi-City Business License and Tax Portal Agency:

SECTION 1. The Executive Board hereby approves the submittal of the 2015 Financial reports to the Washington State Auditor as set forth in Exhibit A to this Resolution.

SECTION 2. The Executive Board directs the Portal Agency Program Manager to submit the 2015 Financial reports to the Washington State Auditor by May 30, 2016.

ADOPTED this _____ day of _____, 2016.

ATTEST:

Washington Multi-City Business License and Tax Portal Agency Executive Board
Seattle, Washington

Board Secretary

Board Chair

ATTEST:

Washington Multi-City Business License and Tax Portal Agency Executive Board
Seattle, Washington

Board Secretary

Board Chair

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) presents a narrative overview and analysis of the financial activities of the Washington Multi-City Business Licenses and Tax Portal Agency (FileLocal) for the fiscal year ended December 31, 2015. As this information is presented in summary form, it should be read in conjunction with the financial statements and footnotes as a whole.

FileLocal is a public agency formed as a nonprofit corporation on March 1, 2014 as authorized by the state Interlocal Cooperation Act (Ch. 39.34.RCW) and Chapter 24.06 RCW. FileLocal's primary purpose is to offer a web-based service that will make it easier for businesses to obtain business licenses and pay local Business & Occupation (B&O) taxes to its member cities. In 2014, the cities of Bellevue, Everett, Seattle and Tacoma came together to form FileLocal. The four founding cities are the "Principals" and have representation on the Executive Board which governs FileLocal. Additional Washington cities may apply to join FileLocal, either as a principal or as a subscriber. Principals have voting rights on the Executive Board; Subscribers have nonvoting representation on the Executive Board.

Financial Highlights

- In 2015, the founding four cities contributed a total of $534,548 to Filelocal.
- As of December 31, 2015, FileLocal reported a total net position of $465,898, all of which was unrestricted.

Overview of the Financial Statements

FileLocal is considered a stand-alone enterprise fund, and the financial statements are presented using the economic resource measurement focus and accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recognized in the period in which they are incurred.

The Statement of Net Position presents information about all of FileLocal's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as net position. When net position is compared for several years, increases and decreases may serve as a useful indicator of whether FileLocal's financial position is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Fund Net Position presents information on how FileLocal's net position changed during the year. All changes in net position are reported as soon as the event occurs, regardless of the timing of related cash flows.

The Statement of Cash Flows presents information on FileLocal's cash receipts, cash payments, and changes in cash during the year.

The basic financial statements can be found following this MD&A.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. Notes to the financial statements can be found following the basic financial statements.

Financial Analysis

Condensed Statement of Net Position	2015	2014
Current assets	$526,099	$314,219
Total assets	526,099	314,219
Deferred outflows of resources	-	-
Current liabilities	60,201	41,196
Total liabilities	60,201	41,196
Deferred inflows of resources	-	-
Unrestricted	465,898	273,023
Total net position	$465,898	$273,023

The Statement of Net Position represents assets, liabilities and net position. The current assets were $526,099 at December 31, 2015, including cash of $522,270, accounts receivable of $2,174 and prepaid of $1,655. The total liabilities of $60,201 were primarily payable to City of Seattle. The amount of net position is the total assets plus deferred outflows of resources minus liabilities plus deferred inflows of resources and over time may serve as a useful indicator of FileLocal's financial position. The total net position was $465,898. It had improved from previous year.

Condensed Statement of Revenues, Expenses and Changes in Fund Net Position	2015	2014
User fees	$180	-
Reimbursable costs	534,548	$355,733
Total revenue	534,728	355,733
Operating expenses		
Accounting fees	25,000	20,000
Agency technology costs	42,741	2,649
Bank fees	318	465
Conference costs	3,788	459
Insurance	5,000	4,384
Contract labor costs	239,197	40,567
Legal fees	22,671	11,356
License and membership fees	800	1,658
Office and operating supplies	2,339	1,172
Total expenses	341,854	82,710
Total change in net position	192,874	273,023
Net position, end of year	$465,898	$273,023

Filelocal launched in service in July 2015 and the user fee for 2015 was $180. In addition, Filelocal received $534,548 of cost reimbursement from the four founding cities in 2015 as more spending were anticipated. Total expenditures increased $259,144, primarily due to an increase in contract labor costs. As a result, Filelocal's total net position increased by $192,875 compared to 2014, Filelocal had an improved financial operation from 2014 to 2015.

Request for Information

This financial report is designed to provide a general overview of FileLocal's finances for all those with an interest in FileLocal's finances. Questions concerning any information provided in this report should be addressed to: FileLocal, 700 Fifth Avenue, Suite 4350 PO Box 94669, Seattle, Washington 98124-4669.

WASHINGTON MULTI-CITY BUSINESS LICENSES AND TAX PORTAL AGENCY
STATEMENT OF NET POSITION
DECEMBER 31, 2015

ASSETS		
CURRENT ASSETS		
Cash	$	522,270
Accounts receivable		2,174
Prepaid		1,655
Total current assets		526,099
TOTAL ASSETS	**$**	**526,099**
DEFERRED OUTFLOWS OF RESOURCES		**-**
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$	60,201
Total current liabilities		60,201
TOTAL LIABILITIES		**60,201**
DEFERRED INFLOWS OF RESOURCES		**-**
NET POSITION		
Unrestricted		465,898
TOTAL NET POSITION	**$**	**465,898**

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

WASHINGTON MULTI-CITY BUSINESS LICENSES AND TAX PORTAL AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

OPERATING REVENUES		
User fees	$	180
Total operating revenues		180
OPERATING EXPENSES		
Accounting fees		25,000
Agency technology costs		42,741
Bank fees		318
Conference costs		3,788
Insurance		5,000
Contract labor costs		239,197
Legal fees		22,671
License and membership fees		800
Office and operating supplies		2,339
Total operating expenses		341,854
Operating (loss)		(341,674)
NON - OPERATING REVENUES (EXPENSES)		
Reimbursable costs		534,548
Total non-operating revenues (expenses)		534,548
INCREASE IN NET POSITION		192,874
NET POSITION - BEGINNING		273,024
NET POSITION - ENDING	$	465,898

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

WASHINGTON MULTI-CITY BUSINESS LICENSES AND TAX PORTAL AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and for claims	$	(326,541)
User fees		160
Refundable receipts		44
Net cash (used) by operating activities		(326,337)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITES		
Reimbursable costs		534,548
Net cash provided by non-capital financing activities		534,548
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Net cash provided by capital and related financing activities		-
CASH FLOWS FROM INVESTING ACTITIVITES		
Net cash provided by investing activities		-
NET INCREASE IN CASH		208,211
CASH, BEGINNING OF THE YEAR		314,059
CASH, END OF THE YEAR	$	522,270
Reconciliation of Operating Loss to Net Cash Flows Provided (Used) By Operating Activities		
Operating loss	$	(341,674)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:		
Changes in assets and liabilities		
(Increase) in receivable		(2,174)
(Increase) in prepaid		(1,495)
Increase in accounts payable		19,006
Net cash (used) by operating activities	$	(326,337)

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

As authorized under the state InterLocal Cooperation Act (Ch.39.34.RCW) and Chapter 24.06 RCW, the Washington Multi-City Business and Tax Portal Agency (FileLocal) was established on March 1, 2014 and began offering its services to businesses in July 2015. FileLocal is an instrumentality of its member cities, formed to carry out exclusively governmental activities to offer a web-based service that will make it easier for businesses to obtain business licenses and pay local Business & Occupation (B&O) taxes to its member cities. There are currently four founding cities: Bellevue, Everett, Seattle and Tacoma. FileLocal is a special purpose government agency which offers a web-based service that will make it easier for businesses to obtain business licenses and pay Local Business & Occupation (B&O) taxes to its member cities. During 2015, the Executive Board was the primary governing body of FileLocal. It was comprised of members from all four founding cities. FileLocal did not have any component units as of December 31, 2015.

Basis of Accounting and Reporting

FileLocal is considered a single enterprise fund which is accounted for on an economic resources measurement focus. This means that all assets, deferred outflows of resources, liabilities (whether current or noncurrent) and deferred inflows of resources associated with its activities are included on the statement of net position. Net position is reported in three components: 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net position. FileLocal discloses changes in cash flows by a separate statement that presents its operating, noncapital financing, capital and related financing, and investing activities.

FileLocal uses the full accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred.

FileLocal distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses result from providing services in connection with the FileLocal's principal ongoing operations. The operating expenses include contract labor cost, professional fees, office supplies and other operating expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES ((CONTINUED)

Cash and Cash Equivalent

For cash flow purposes, highly liquid investments with an original maturity of less than three months are considered cash equivalents

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2 - CASH

FileLocal has a deposit account at Wells Fargo, which is covered by Federal Deposit Insurance (FDIC). Over time, the deposit amount may exceed the deposit insurance limit. FileLocal has not experienced any losses.

NOTE 3- RISK MANAGEMENT

FileLocal is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, natural disasters, etc.

Filelocal is a member of the Washington Cities Insurance Authority (WCIA) and manages the risks through its participation in a risk pool provided by WCIA.

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 179 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are $4 million per occurrence self-insured layer, and $16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are $20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

NOTE 3- RISK MANAGEMENT (CONTINUED)

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to $750,000, for all perils

other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts

for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

NOTE 5 - RELATED PARTY

FileLocal was established by four founding cities, and each city was required to reimburse operating costs in excess of user fees received, based on the methodologies defined in the Inter-local Government Agreement. During 2015, a total contribution of $534,548 was made by the four founding cities.

City of Seattle provided labor and technology services to Filelocal and these costs were billed to FileLocal for reimbursement. During 2015, City of Seattle charged total contract labor cost of $239,197 and technology cost of $42,741 to FileLocal. $58,455 was outstanding payable to City of Seattle as of December 31, 2015.