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FileLocal

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# FILELOCAL FISCAL POLICIES AND PROCEDURES

# VERSION 3.0

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This document outlines the policies, procedures, and instructions concerning FileLocal's financial management. The policies and procedures in this document are designed to protect FileLocal's assets, ensure the maintenance of accurate records of FileLocal's financial activities, provide a framework for FileLocal's financial decision-making, and establish operating standards and behavioral expectations.

The overall financial management system of FileLocal includes **three** structural components: internal control procedures, an accounting system, and budgeting procedures. This document outlines policies and procedures for these components and the accounting system's traditional functional components.

This document focuses primarily on accounting operations, outlining specific policies and procedures relating to FileLocal's financial operations; it is not intended to be a complete listing of all financial management policies and procedures that could be relevant to FileLocal.

It is intended that these policies and procedures will be reviewed every three to five years and that improvements/changes will be made, when warranted, based on FileLocal's operational needs.

# 1. INTERNAL CONTROL

## 1.1 Purpose

To ensure that FileLocal's revenues, receipts, and fees are received when tendered, protected while in custody, and used only for intended purposes. To segregate duties and responsibilities so that one person does not handle all transaction phases. To establish policies and procedures to detect and minimize errors, omissions, and irregularities.

## 1.2 Policy

Policies and procedures established for the accounting functions shall be designed to achieve and preserve, to the maximum practical extent, internal controls to safeguard FileLocal's assets, minimize and detect errors and omissions, and maintain an audit trail for independent review of FileLocal's activities.

## 1.3 Procedures

1.3.1 Financial statements and related supporting work prepared by FileLocal's accounting firm for FileLocal shall be reviewed by senior-level staff within FileLocal's accounting firm.

1.3.2 Financial statements prepared by FileLocal's accounting firm shall be reviewed monthly by FileLocal's Portal Agency Manager.

1.3.3 In accordance with FileLocal's Bylaws and the Interlocal Agreement, the Portal Agency Manager and Executive Board review financial reports, budget variances, and large or unusual transactions.

1.3.4 FileLocal's financial records shall be safely and securely maintained in accordance with FileLocal's financial management policies and procedures.

1.3.5 Although not designed exclusively to catch fraud, if fraud is discovered, the FileLocal Treasurer, or other FileLocal official if appropriate, will notify the Portal Agency Manager, the Executive Board, and the State Auditor within five business days and as required by applicable law.

# 2. ACCOUNTING SYSTEMS

## 2.1 Purpose

To identify, document, and communicate the accounting system used for the financial management of FileLocal's business operations.

## 2.2 Policy

Electronic and manual accounting records shall be maintained and reconciled to provide a comprehensive and consistent accounting reporting system that meets applicable federal, state, and local requirements and generally accepted accounting principles.

## 2.3 Responsibility

The Portal Agency Manager shall provide oversight of FileLocal's accounting firm, consistent with the Bylaws and Interlocal Agreement. FileLocal's accounting firm shall establish and maintain a system that ensures that both electronic and manual accounting records are reconciled to FileLocal's general ledger and that proper internal controls exist to protect the integrity of the data, safeguard FileLocal's assets, and identify errors and irregularities in the ordinary course of financial operation.

## 2.4 Procedure

2.4.1 The automated accounting system needs to support three components that integrate to produce accurate financial reports and other pertinent information related to the accounting process:

2.4.1.1. General Ledger
2.4.1.2. Accounts Receivable
2.4.1.3. Accounts Payable

2.4.2 Prepaid expenses and long-term depreciable and amortizable assets and liabilities are maintained in Excel spreadsheets. These are designed for FileLocal to keep detailed information to meet its accounting needs. Manual records are reconciled to the automated accounting records monthly.

2.4.3 The automated accounting system is backed up periodically, at least once a year. FileLocal's accounting firm maintains all essential worksheets and files on its network server and backs them up daily. FileLocal's accounting firm retains all FileLocal accounting records in its control and possession for seven (7) years.

# 3. FUNDS RECEIVED AND BANK DEPOSITS

## 3.1 Purpose

To outline accounting policies and procedures for funds received.

## 3.2 Policy

All fees, receipts, and income collected are deposited into FileLocal's bank depository account.

## 3.3 Procedure

3.3.1 Funds received by mail at FileLocal's office shall be forwarded to FileLocal's accounting firm. Funds received by mail at FileLocal's accounting firm are deposited into FileLocal's bank account within three business days. Checks received must be safely kept in a secured drawer.

3.3.2 FileLocal's accounting firm Administrator opens, sorts, and prepares deposit slips for funds received. Deposit slips and copies of checks are given to an accountant at FileLocal's accounting firm to record cash receipts in FileLocal's accounting system.

3.3.3 Service fees collected or received by the third-party service company are electronically transferred to FileLocal's bank account. The third-party service company shall provide FileLocal's accounting firm with monthly data and documents on daily cash receipts.

3.3.4 Cash receipt data and documents submitted by the third-party service company are reconciled by FileLocal's accounting firm and entered into FileLocal's accounting system. If errors are encountered, FileLocal's accounting firm will notify the Portal Agency Manager and the third-party service company of any overage or shortage. FileLocal's accounting firm will contact the third-party service company to obtain the necessary information to correct the error. Once the receipt is corrected, FileLocal's accounting firm will update FileLocal's general ledger and communicate the corrected data to the Portal Agency Manager.

3.3.5 FileLocal's accounting firm reconciles funds received with bank statements monthly. The Portal Agency Manager shall review the monthly bank reconciliation.

# 4. PROCUREMENT AND PAYMENTS

## 4.1 Purpose

To outline required expenditure authorizations, payment, and procurement policies, and procedures to instill public confidence in the award of public contracts and the expenditure of public funds.

## 4.2 Policy

FileLocal adopts the following code of ethics to govern its procurement of services, materials, and equipment:

4.2.1 Public employment shall not be used for personal gain, and FileLocal employees shall not solicit, accept, or agree to accept any gratuity for themselves, their families, or others that would or could result in personal gain, except where allowed explicitly under Chapter 42.23 RCW, Code of Ethics for Municipal Officers – Contract Interests.

4.2.2 Procurement decisions shall be made impartially based on FileLocal's specifications for the contract, FileLocal's needs, and potential vendors' qualifications.

4.2.3 No employee, officer, or agent of FileLocal may participate in the selection, award, or administration of a contract with FileLocal if they have a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization that employs or is about to employ any of the parties indicated herein, has a financial or other interest in or stands to receive a tangible personal benefit from, a firm considered for a FileLocal contract for goods or services.

## 4.3 Procedure

4.3.1 Expenditure Authorizations

4.3.1.1 Purchasing goods or services and making disbursements requires prior approval from the Executive Board, Portal Agency Manager, or Treasurer in accordance with Section 4.3.1.

4.3.1.2 Purchases of goods, contracts for services, and all other expenditures must be authorized as follows:

4.3.1.2.1 All unbudgeted expenditures must be approved by Executive Board resolution.

4.3.1.2.2 Budgeted expenditures <$75,000 must be approved by the Portal Agency Manager.

4.3.1.2.3 Budgeted expenditures ≥$75,000 must be approved by the Executive Board Chair and Vice-Chair.

4.3.1.2.4 Before payment, the Treasurer and either the Executive Board Chair or Vice-Chair must approve the Portal Agency Manager's travel expenses over $5,000.

4.3.1.2.5 The Portal Agency Manager must report on and review all contracts of more than $5,000 with the Executive Board at the next quarterly business meeting following contract execution.

4.3.2 Payment Requests and Check Control

4.3.2.1 Expenditures may only be made for FileLocal purposes, and payment for goods and services must be requested in writing by submitting a payment request to FileLocal's accounting firm along with:

4.3.2.1.1 An executed contract and/or invoice, or

4.3.2.1.2 Receipts, if the payment request is for postage and shipping fees, professional membership dues, travel expenses, or other out-of-pocket costs.

4.3.2.2 All requests must be approved and signed by the appropriate expenditure authorizer in accordance with Section 4.3.1.

4.3.2.3 FileLocal's accounting firm prepares checks and maintains and initiates electronic payments. Before payment, FileLocal's accounting firm will verify the authorization of purchase, expenditure, or invoice. Payments will be made directly to the payee.

4.3.2.3.1 Signed checks payable to "bearer" or "cash" or with the payee line left blank are prohibited.

4.3.2.3.2 Checks or electronic payments that are returned or rejected must be investigated and resolved within two business days of receipt/notification.

4.3.2.3.3 FileLocal's accounting firm shall review and reconcile bank statements to the general ledger monthly. Copies of checks must be matched to the supporting documentation. Bank reconciliations and canceled checks will be available for review by the Portal Agency Manager.

4.3.2.3.4 A list of vendor names and disbursements is prepared by FileLocal's accounting firm and sent to the Executive Board for review every quarter.

4.3.2.3.5 Recurring payments under approved contracts do not require a formal request for approval for each recurring payment, as these expenditures have been expressly or implicitly authorized in connection with the contract approval process.

4.3.2.3.6 All checks are to be accounted for by check number. FileLocal's accounting firm shall maintain internal controls governing the custody of check stock and the preparation, printing, signing, mailing, filing, and voiding of all checks.

4.3.2.3.7 Check stock will be secured in a locked cabinet at FileLocal's accounting firm.

4.3.2.3.8 All checks must be signed by an authorized signer (Portal Agency Manager, Executive Board Chair, Vice Chair, or Treasurer).

4.3.3 Travel Expenses

4.3.3.1 FileLocal will reimburse staff for reasonable and necessary expenses incurred in connection with approved travel. Staff should exercise care to incur the lowest reasonable travel expenses and avoid any appearance of impropriety with public funds. Reimbursement of travel expenses is based on pre-approval in accordance with Section 4.3.1 and documentation of reasonable and actual expenses supported by the original itemized receipts in accordance with the procedures below:

4.3.3.1.1 Travelers should verify that planned travel is eligible for reimbursement before making travel arrangements. Staff travel must be authorized before expenditures are incurred.

4.3.3.1.2 Conference registration fees may be pre-paid with FileLocal's credit card.

4.3.3.1.3 Within 14 days of trip completion, the traveler must submit a payment request and supporting documentation to obtain reimbursement of expenses.

4.3.3.1.4 Airfare: An original itemized airline receipt, an e-ticket receipt/statement, or an internet receipt/statement is required. The receipt must show the payment method and indicate that payment was made. Travelers are expected to obtain the lowest available airfare that reasonably meets business travel needs. Travelers are encouraged to book flights at least 20 days in advance to avoid premium pricing. Coach class or economy tickets must be purchased for domestic or international flights. A higher-priced coach ticket cannot be bought for a subsequent upgrade in seating. First-class tickets are not reimbursable.

4.3.3.1.5 Personal Vehicle: Reimbursement for using a personal automobile is based on the mileage rate issued by the Internal Revenue Service.

4.3.3.1.6 Rental Vehicle: Vehicle rentals in a destination city are reimbursable. Original receipts are required. When vehicle rentals are necessary, FileLocal encourages travelers to purchase collision damage waiver (CDW) and loss damage waiver (LDW) coverage. FileLocal will reimburse the cost of CDW and LDW coverage; all other insurance reimbursements will be denied. Travelers must fill the gas tank before returning the vehicle to the rental agency to avoid service fees and more expensive fuel rates.

4.3.3.1.7 Conference Registration Fees: If the conference fee was not prepaid, FileLocal will reimburse these fees, including business-related banquets or meals that are part of the conference registration. Original receipts to support the payment are required. If the conference does not provide a receipt, a canceled check, credit card slips/statement, or documentation that the amount was paid is required for reimbursement.

4.3.3.1.8 Lodging: The lodging rate must be pre-approved. The cost of overnight lodging will be reimbursed to the traveler if the authorized travel is 45 miles or more from the traveler's

home or primary worksite. The Runzheimer Cost Index will be used to determine the maximum allowable expense for all lodging at the travel destination, with the following exceptions:

4.3.3.1.8.1 When the hotel or motel is the conference or convention site, the conference rate is allowable.

4.3.3.1.8.2 When the event sponsor arranges the lodging for the event participant, the participant rate is allowable. If the hotel where the scheduled event is unavailable to the employee, lodging expenses at the rate charged at the nearest hotel of similar quality and value are authorized.

4.3.3.1.8.3 Allowable lodging expenses include the cost of lodging and any applicable sales and/or hotel/motel taxes. The original, detailed lodging receipt must be submitted with the expense claim.

4.3.3.1.8.4 If reserved rooms are not needed, the traveling employee must ensure the room is canceled.

4.3.3.1.9 Meals: FileLocal will pay a per diem amount based on the Runzheimer Cost Index for meals by location. These meal per diem amounts include tips.

4.3.3.1.9.1 The authorized meal allowance is determined on a per-meal basis, dependent upon the departure time from Seattle and the arrival time on return to Seattle. Snacks and/or meals served on the airlines will not reduce the meal allowance.

4.3.3.1.9.2 If meals are included in a lodging, conference, or training registration fee, the employee’s daily per diem will be adjusted accordingly. A “continental” breakfast at a meeting, conference, or training session will not reduce the employee’s meal allowance.

4.3.3.1.9.3 Reimbursement of meal expenses will be based on actual expenditures per meal, limited to the allowable maximum established by the Runzheimer Cost Index. Employees must collect original meal receipts for all permissible expenses incurred and submit those receipts with their reimbursement request.

4.3.3.1.10 Parking: Original receipts are required for parking fees, including airport parking. The lodging bill can be used as a receipt when charges are included in the overnight stay.

4.3.3.1.11 Other: Other travel expenses, including faxes, photocopies, internet charges, data ports, and business telephone calls incurred while traveling, are reimbursable expenses and may be approved by the Portal Agency Manager. Original itemized receipts are required. Where the hotel bills internet access charges, the hotel lodging invoice may be used as a receipt.

4.3.4 Procurement of Goods and Personal Services

4.3.4.1 Purchase of materials, equipment, and supplies: Expenditures for materials, equipment, and supplies require authorization pursuant to Section 4.3.1. The following process for purchasing materials, equipment, and supplies shall be followed:

4.3.4.1.1 Purchases ≤ $7,500: No state-law required procurement process. FileLocal personnel are encouraged to compare prices from at least three vendors when reasonably practical to do so.

4.3.4.1.2 Purchases > $7,500 and ≤ $15,000: Must obtain at least three verbal or written bids for the desired materials, equipment, and/or supplies. Alternatively, FileLocal may piggyback on a competitively bid purchase contract with another government agency in accordance with state law.

4.3.4.1.3 Purchases > $15,000: Must solicit competitive bids by advertising a request for proposal. Notice of the request for proposals must be posted on FileLocal's website and advertised once in a newspaper of general circulation at least ten (10) days before the deadline for submitting proposals. Alternatively, FileLocal may piggyback on a competitively bid purchase contract with another government agency in accordance with state law.

4.3.4.1.4 Competitive bidding requirements may be waived by resolution of the Executive Board for purchases of materials, equipment, and supplies in accordance with RCW 39.04.280(1)(a) through (d). Competitive bidding may also be waived in an emergency in accordance with RCW 30.04.280(2)(b).

4.3.4.2 Purchase of Personal Services: Procurement of personal services (such as accounting, cyber security, IT support, legal, staffing, and management consulting services) shall be by contract, with the expenditure authorized in accordance with Section 4.3.1 and the contractor selected in accordance with this subsection. FileLocal's attorney shall approve as to form all FileLocal contracts. Per requirement of FileLocal's governing Interlocal Agreement, all contracts for legal, accounting, and auditor services must be approved by the Executive Board, regardless of contract value.

4.3.4.2.1 Contracts for personal services with an anticipated value of less than $75,000 over the contract term and which are covered by an approved FileLocal budget are not subject to the formal competitive selection process and may be approved by the Portal Agency Manager. The Portal Agency Manager (or, in appropriate circumstances, an evaluation team chosen by the Portal Agency Manager) shall select the contractor he or she believes will provide the best combination of expertise, value, experience, and service considering FileLocal's needs.

4.3.4.2.1.1 For contracts with an anticipated value greater than $25,000 but less than $75,000 and covered by an approved FileLocal budget, the Portal Agency Manager is encouraged to solicit proposals from three or more contractors who are believed to possess the necessary qualifications to meet FileLocal's service requirements.

4.3.4.2.2 Contracts for personal services with an anticipated value of $75,000 or more over the term of the contract and which are covered by an approved FileLocal budget shall be advertised by posting a notice in a publicly available publication or website, which may include FileLocal's website, and by distributing a request for proposals to at least three qualified contractors. This notice shall be posted and distributed ten (10) days before the deadline for submitting proposals. The Portal Agency Manager (or, in appropriate circumstances, an evaluation team chosen by the Portal Agency Manager) shall make a recommendation for approval to the Chair and Vice Chair based on an assessment of which contractor will provide the best combination of

expertise, value, experience, and service considering FileLocal's needs.

4.3.4.2.2.1 Unavailability of three or more qualified vendors, contractors, or proposers.

4.3.4.2.2.1.1 The Executive Board may waive the requirement under this policy to solicit proposals from three or more qualified vendors, contractors, or proposers when the Executive Board determines by resolution there are likely fewer than three qualified vendors, contractors or proposers available to solicit proposals from, or in any other circumstances involving a special situation or market condition, such as a patented technology only available through a sole vendor.

4.3.4.2.3 Contracts for personal services not covered by an approved FileLocal budget shall be awarded by the Executive Board following a recommendation by the Portal Agency Manager. The Portal Agency Manager (or, in appropriate circumstances, an evaluation team chosen by the Portal Agency Manager) shall make a recommendation to the Executive Board based on an assessment of which contractor will provide the best combination of expertise, value, experience, and service considering FileLocal's needs.

4.3.4.2.3.1 If the contract is expected to have a value of $25,000 or less over the term of the contract, no competitive selection process is required.

4.3.4.2.3.2 For contracts with a value greater than $25,000 but less than $75,000, three or more contractors believed to possess the necessary qualifications shall be invited to submit proposals.

4.3.4.2.3.3 For contracts with an expected value of $75,000 or more over the term of the contract, FileLocal shall advertise by posting a notice in a publicly available publication or website, which may include FileLocal's website, and by distributing a request for proposals to at least three qualified contractors.

4.3.4.2.4 Contracts for personal services shall have a maximum term of five (5) years and shall not be renewed or extended beyond five (5) years without Executive Board approval, provided that

the initial and renewal term of a contract for FileLocal's online business license and tax payment platform may exceed five (5) years when required by the vendor. Contracts with an initial term of less than five years may be renewed at the discretion of the Portal Agency Manager up to a total of five (5) years, after which any extension or renewal shall require Board approval.

4.3.4.3 Procurement of Public Works and Professional Services

4.3.4.3.1 FileLocal is expected to rarely, if ever, need to contract for public works or professional services (defined by RCW as architectural, engineering, surveying, and landscape architecture services). All public works (as defined by RCW 39.04.010) and professional services (as defined by RCW 39.80.020) shall be procured in accordance with the requirements of state law.

4.3.5 Credit Cards

4.3.5.1 FileLocal credit cards shall only be used for FileLocal business purposes, and credit card purchases shall only be made for authorized budget expenditures pursuant to Section 4.3.1. FileLocal credit cards should be kept in a secure location and shall be used only by the cardholder and not lent to another person. Each cardholder shall sign a cardholder agreement before using a FileLocal credit card.

4.3.5.2 Credit card receipts and/or other detailed documentation identifying each credit card purchase must be retained. Each cardholder shall review account statements promptly for purchases made using their card and reconcile the charges. Any unauthorized charges against a FileLocal credit card shall be repaid by the FileLocal employee who incurred such charges. If any disallowed charges are not repaid before the charge card billing is due and payable, FileLocal shall have a prior lien against and a right to withhold any and all funds payable to or to become payable to the employee up to the amount of the disallowed charges and interest at the same rate charged by the company that issued the credit card.

4.3.5.3 FileLocal's accounting firm shall pay credit card bills monthly, and FileLocal will not pay interest and/or penalties on any credit card.

4.3.5.4 FileLocal credit cards may not be used for non-reimbursable travel or other unauthorized expenses, even if an employee intends to reimburse FileLocal.

4.3.5.5 Credit limits are established to meet FileLocal's needs and are set at $10,000 per month for each employee. FileLocal's accounting firm must approve any requested increase in a credit card limit.

4.3.5.6 A cardholder is responsible for immediately reporting a lost or stolen FileLocal credit card. The cardholder must report the card to the issuing credit card company and FileLocal's accounting firm.

4.3.5.7 FileLocal's accounting firm will conduct an annual physical card inventory to verify all FileLocal credit cards are accounted for.

4.3.5.8 FileLocal credit cards must be returned to FileLocal's accounting firm upon termination or separation of employment with FileLocal.

4.3.5.9 Credit cards may not be used for any of the following:

4.3.5.9.1 Cash advances

4.3.5.9.2 Items or services for personal use

4.3.5.9.3 Expenses incurred by an employee's spouse, family member, or other person not authorized by FileLocal policy

4.3.5.9.4 Alcoholic beverages

4.3.5.9.5 Celebrations, meals, refreshments, or employee events when not consistent with FileLocal policy

4.3.5.9.6 Gifts

4.3.5.9.7 Fuel for privately owned vehicles

4.3.5.9.8 Charges made outside an employee's approval authority

4.3.5.9.9 Purchases restricted or prohibited by any other law, policy, or guideline

# 5. REVENUE AND RECEIVABLES

## 5.1 Revenue Recognition

### 5.1.1 Purpose

To establish revenue recognition policy and procedures.

### 5.1.2 Policy

All revenue is recognized in accordance with generally accepted accounting principles.

### 5.1.3 Procedure

5.1.3.1 Current revenue consists of service fees collected from customers for each transaction on the FileLocal Portal, reimbursable costs (e.g., costs that are passed through to the participating cities for platform changes they request), and shared cost reimbursement from participating cities (the portion of FileLocal's revenue that is subsidized by the participating cities) of FileLocal.

5.1.3.2 Service fees are recognized when a customer completes his or her tax payment and/or licensing application. A cash basis might be used for monthly financial reporting; however, service fees would be accrued under GAAP (generally accepted accounting principles) on the annual financial statements.

5.1.3.3 For a given fiscal year, which is referred to in this subsection as the "current year," shared cost reimbursement from participating cities is estimated at the beginning of the current year as part of the annual budgeting process for the next year according to the Interlocal Agreement and subscriber agreement, including any amendments. The budget for the next year will be approved by the Board before the end of the current year (typically in December). Shared cost reimbursement from participating cities for the next year is billed by the end of January of the next year and recognized as revenue in that year. At the beginning of the next year, after the current year has closed, any surplus/deficit budget resulting from FileLocal operations in the current year is calculated. The surplus/deficit will be applied to the future budget; however, it will skip a year before it is applied. For example, the 2024 surplus/deficit will be applied to the 2026 budget. The reason for skipping a year is that the budget for the next year will have been approved by the Board (typically in December) before the surplus/deficit amount is known. Skipping a year avoids having the Board re-approve the next year's budget.

5.1.3.4 Any other contributions and donations are recognized as revenue when cash is received.

## 5.2 Billings and Accounts Receivable

### 5.2.1 Purpose

To ensure billings are made for services provided and based on the Interlocal Agreement, subscriber agreement, or budget.

### 5.2.2 Policy

FileLocal shall follow prudent and efficient business practices to obtain payment of its receivables.

### 5.2.3 Procedure

5.2.3.1 Service fees are paid by customers when they submit their tax payment and/or licensing applications. Automatic billing and payment processing are done daily by the third-party service company. FileLocal's accounting firm performs a monthly reconciliation of service fees and cash receipts. The monthly reconciliation is forwarded to the Portal Agency Manager for review.

5.2.3.2 FileLocal's accounting firm prepares invoices for shared cost reimbursement from participating cities based on the approved final budget for the year and/or the prorate share of new cities.

5.2.3.3 FileLocal's accounting firm reconciles accounts receivable monthly. For any delinquent balance, the firm emails the contact person of the participating city requesting payment and makes a reasonable effort to contact and collect outstanding balances via other means. A monthly accounts receivable aging report is included in the monthly financial statement packet for the Portal Agency Manager and the Executive Board's review.

5.2.3.4 Any adjustments or write-offs of accounts receivable (excluding purely accounting adjustments/corrections) are subject to approval by the Portal Agency Manager. Any write-off over $2,000 is also subject to approval by the Executive Board.

5.2.3.5 All payments received by FileLocal's accounting firm are reconciled to accounts receivable, the general ledger, and the bank deposits (part of monthly bank reconciliation).

## 6. CAPITAL ASSET MANAGEMENT

FileLocal does not own any capital assets or intend to acquire any capital assets in the foreseeable future. All capital assets used by FileLocal, such as telephones, computers, computer systems, and office equipment, are provided by and owned by the City of Seattle in accordance with the terms of agreements between FileLocal and the City of Seattle. Thus, FileLocal has not adopted any policies related to capital asset management, inventory, or disposition. Should FileLocal

desire to acquire capital assets, it will adopt appropriate policies before acquiring any capital assets.

## 7. JOURNAL ENTRIES

### 7.1 Purpose

To outline the types of journal entries and internal controls over journal entries.

### 7.2 Policy

All journal entries must be self-balancing and include an account type (asset, liability, revenue, expense, net assets) for each journal entry line. Journal entries are subject to review and approval based on the policies and procedures herein.

### 7.3 Procedure

7.3.1 Journal entries are used to:

7.3.1.1 Correct errors: To correct misclassified amounts, or to record transactions that were previously unrecorded. The journal entry must include debit and credit entries to produce the required accounting effects correctly. No review or approval is required for this type of journal entry before or after posting the journal entries.

7.3.1.2 Record cost allocation: FileLocal’s accounting firm processes cost allocation based on the approved cost-sharing, per the Interlocal Agreement, relating to the City of Seattle's initial costs for the initial setup of Filelocal.

7.3.1.3 Record recurring balance sheet transactions: recurring journal entries include monthly depreciation, amortization, receivable, and accrued liabilities. They are not required for review or approval.

7.3.1.4 Journal entries for month-end and year-end closing, such as accruals, are subject to internal controls within FileLocal’s accounting firm following GAAP.

7.3.1.5 Implement accounting policies and guidance: FileLocal’s accounting firm prepares a memo for the Portal Agency Manager to review and approve regarding implementing a new accounting standard. The memo will reference the new accounting standard, its accounting effects, and a proposed journal entry.

# 8. FINANCIAL REPORTING

## 8.1 Purpose

To establish and catalog the reporting requirements for accounting.

## 8.2 Policy

Financial statements and supporting reports shall be prepared monthly and annually to provide the Portal Agency Manager, Executive Board, and external auditors with sufficient financial information to communicate the results of operations and against the budget accurately and consistently.

## 8.3 Procedure

8.3.1 On an annual basis, FileLocal's accounting firm prepares and presents:

8.3.1.1 Annual financial statements with proper footnote disclosures,

8.3.1.2 Other required supplemental schedules and information.

The annual financial statements are prepared in accordance with generally accepted accounting principles. The annual financial statements and required supplemental information are subject to review by the Portal Agency Manager and the Executive Board.

8.3.2 The list of payments made, including payees, check numbers, and amounts paid, is submitted to the Executive Board quarterly as part of FileLocal's financial operating data presented to the governing body.

8.3.3 Every month, FileLocal's accounting firm prepares and presents:

8.3.3.1 Internal financial statements

8.3.3.2 Schedule of actual and budget comparison and

8.3.3.3 Variance analysis, as needed, will be prepared with monthly financial statements.

# 9. BUDGET

## 9.1 Purpose

The annual budget and related processes provide a tool for guiding and assessing FileLocal's financial operation and economic well-being. In addition, the budget enables the Portal Agency Manager and Executive Board to focus on anticipated revenue, estimated expenditures, capital asset acquisition, long-term financial health, and continuity of services.

## 9.2 Policy

FileLocal will develop and propose an annual budget for revenue and expenditures for the overall program and administration in accordance with Section 13 of the Interlocal Agreement.

## 9.3 Procedure

The budget is monitored through a monthly schedule of actual and budget comparisons submitted by FileLocal's accounting firm. This schedule shows the variances between actual year-to-date revenue and expenditures and budgeted amounts.

# 10. RESERVE FUNDS

## 10.1 Purpose

Consistent with Sections 13 m. and 13 n. of the Interlocal Agreement, FileLocal has established and maintains a reserve fund for the purpose of supporting its operations.

## 10.2 Policy

FileLocal's goal is to maintain a reserve fund equal to 25% of the annual FileLocal budget.

## 10.3 Procedure

10.3.1 Excess cash, as defined in this policy, shall be invested in the Local Government Investment Pool (LGIP) to keep bank funds within the federally insured limits.

10.3.2 For this policy, "excess cash" means any amount exceeding $250,000 at the end of the month.

10.3.3 FileLocal's accounting firm calculates the excess cash monthly for the LGIP investment. The Portal Agency Manager reviews the calculation.

10.3.4 After the Portal Agency Manager reviews and approves any LGIP contributions or withdrawals, FileLocal's accounting firm processes the transaction according to the LGIP Operation Manual. The LGIP requires a minimum contribution or withdrawal of $5,000 in accordance with WAC 210-01-060.

10.3.5 LGIP administrative requirements, such as the Local Government Investment Pool Authorization Form and Online Web Access, shall be completed by the Portal Agency Manager or Treasurer (CEO of FileLocal's accounting firm). Per Resolution No. FL2020-02, the Portal Agency Manager and Treasurer are the only individuals approved to authorize all amendments, changes, or alterations to LGIP documents.

10.3.6 FileLocal's accounting firm receives monthly LGIP statements and reconciles them monthly. The Portal Agency Manager reviews the monthly reconciliation.

10.3.7 The Portal Agency Manager will present FileLocal's LGIP statements to the Executive Board for the Board's review quarterly.