

DATE SUBMITTED 10/28/2022
 SUBMITTED BY ACM
 DATE ACTION REQUIRED 11/02/2022

COUNCIL ACTION (X)
 PUBLIC HEARING REQUIRED ()
 RESOLUTION (X)
 ORDINANCE 1ST READING ()
 ORDINANCE 2ND READING ()
 CITY CLERK'S INITIALS AB

**IMPERIAL CITY COUNCIL
 AGENDA ITEM**

SUBJECT: DISCUSSION/ACTION: A RESOLUTION OF THE CITY COUNCIL REGARDING UNALLOCATED FUNDS ACCOUNT	
1. Approval of Resolution 2022-70 Regarding Treatment of an Unallocated Fund Account in the City of Imperial General Fund for Purposes of Reconciliation of the FY 19/20 Single Audit and Completion of FY 20-21 and FY 21-22 Municipal Audit.	
DEPARTMENT INVOLVED: <u>City Manager's Office & City Attorney</u>	
BACKGROUND/SUMMARY: On August 31, 2022, it was brought to the City Manager's attention that the City had just over \$300,000 dollars in outstanding unreconciled funds. It was confirmed by our auditors, that this had been a growing state of affairs over the last two fiscal years. In an effort to maintain city operations and meet state and federal reporting deadlines, our Auditors are requesting the Council's consideration in adopting Resolution 2022-70.	
FISCAL IMPACT: To Be Determined <i>\$326,000.00 Unallocated/Unreconciled Fund</i>	ADMIN SERV INITIALS _____
STAFF RECOMMENDATION: It is staff's recommendation to approve the resolution, contingent on conducting a forensic review of the general fund and reconciling to account through a third party.	DEPT. INITIALS <u>AB</u>
MANAGER'S RECOMMENDATION: <i>Approve</i>	CITY MANAGER'S INITIALS <u>DJM</u>
MOTION:	
SECONDED: AYES: NAYES: ABSENT:	APPROVED () REJECTED () DISAPPROVED () DEFERRED () REFERRED TO:

RESOLUTION NO. 2022-70

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IMPERIAL REGARDING
TREATMENT OF AN UNALLOCATED FUND ACCOUNT IN THE CITY OF
IMPERIAL GENERAL FUND FOR PURPOSES OF RECONCILIATION OF FISCAL
YEAR 2019-2020 AUDIT AND COMPLETION OF AUDIT FOR FISCAL YEAR(S) 2020-
2021 AND 2021-2022**

WHEREAS, the City is required to conduct an independent audit of its financial activities on an annual basis; and

WHEREAS, the City has engaged Moss, Levy & Hartzheim, Certified Public Accountants for the purpose of performing an audit of the City's governmental activities, business-type activities, each major fund and the aggregate remaining fund information for the City; and

WHEREAS, amongst the funds maintained by the City is a fund referred to as the General Fund ("GF"); and

WHEREAS, the GF is the primary operating fund of the City and is supported by a variety of revenue sources including taxes, license fees, permit fees, charges for services, fines, forfeitures, investment earnings, rental income and other sources; and

WHEREAS, by virtue of the above referenced sources of revenue, the City, through its GF, supports public safety (police and fire), Public Services, Community Services (library, housing, human services and recreation), Community Development (planning and community development, streets), Parks, Information Technology, Administration (city manager's office, city attorney, human resources, city clerk, finance and human resources) and a variety of other services.

WHEREAS, on an annual basis, the City adopts a budget; and

WHEREAS, the budget is a significant policy document which describes how the City intends to finance its services and infrastructure. The budget reflects the policies, goals and priorities as determined by the Council; and

WHEREAS, The City budget currently contains an account referred to as "unallocated funds" ("UF"); and

WHEREAS, the UF contains entries which reflects funds that appear in accounting records, but do not have a corresponding entry in the City's bank statements; and

WHEREAS, the current amount contained in the UF currently stands at a sum in excess of \$326,000.00; and

WHEREAS, among other things, the City's auditors have advised that the amounts set forth in the UF account must be described in a fashion to allow for reconciliation to the bank statement and, in its current condition, precludes completion of the financial audits; and

WHEREAS, the City Council wishes to take such steps as may be necessary in order to facilitate reconciliation of the Single Audit for fiscal year 2019-2020, and the completion of the Single Audit(s) for fiscal year 2020-2021 and fiscal year 2021-2022 and further to take such steps as may be necessary such that future audits shall not be unduly impeded. In so doing, the City Council recognizes that audit reports will include a disclaimer associated with the UF.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED AS FOLLOWS:

1. The above-referenced recitals are true and correct and are incorporated herein.
2. The City Council orders the UF shall be zeroed out and such fund by this or any name shall not be used in the future for the purposes described herein except as may be specifically authorized by the City Manager, in writing.
1. The City Council further orders a complete forensic review of the UF and reconciliation of the account with a report back to Council identifying the contents of said fund and further addressing such other matters as may be determined by city staff.
3. The City Council further orders all aspects of the City's financial practices to be conducted in accordance with generally accepted accounting principles; including, but not limited to, regular reconciliation of its bank accounts.

APPROVED, PASSED AND ADOPTED, at a regular meeting of the City Council this 2nd day of November, 2022.

Geoff Dale, Mayor

ATTEST:

City Clerk