



Watertown City Council  
Work Session

Mayor Michael Walters  
Kay Thul  
Adam Pawelk  
Fred McGuire  
Dan Schuette

4/11/2023 - Minutes

1. Call To Order And Roll Call

Mayor Walters called the Watertown City Council work session to order at 5:30 p.m. on April 11, 2023, in the council chambers of City Hall.

Council Members Present: Michael Walters, Adam Pawelk, Kay Thul and Fred McGuire.

Council Members Absent: Dan Schuette.

Staff Present: City Administrator Jake Foster, and Administrative Services Director Maggie Reisdorf.

Others Present: Brad Falteysek, Abdo (City Auditor).

2. New Business

2.1. Work Session Memo 4-11-23

Foster introduced the city auditor representative, Brad Falteysek, from Abdo.

Falteysek stated that he was going to be reviewing the findings from the 2022 financial audit. He informed that he was going to review the audit results, general fund information, other government fund information, enterprise funds and key performance indicators.

He explained that the auditor's opinion came back as an "unmodified opinion", which is what the city is looking for in a financial audit review.

Falteysek reviewed the Minnesota Legal Compliance requirement and stated that there was one noted instance of noncompliance. He also reviewed the single audit report requirements and informed that there was one instance of noncompliance with OMB Compliance Supplement requirements.

Falteysek explained the three audit findings. He stated that the first finding, the preparation of financial statements, is something that is on the audit every year and that about 85% of small cities have this

finding within their audit report. He said that the reason for the finding has to do with lack of internal controls due to limited staff in the office.

Falteysek reviewed the second finding as being a “no uniform guidance policy” for federal programs. He explained that since the city received federal funds for the Wastewater Treatment Facility project, a single audit requirement and guidance policy is required to be in place. He explained that during the audit review, the city did not have an adequate policy in place that covered the financial guidance process of receiving federal funds. He mentioned that in response to the audit finding, the city approved a policy in March 2023.

Falteysek stated that the third finding related to one of the city's banks not having enough required collateral coverage during one monthly period of the 2022 year. He said that the bank is required to have enough coverage to ensure that if something happened to the bank, that the city wouldn't lose any of its money. Reisdorf explained that with the city doing the wastewater treatment facility project, the bank receives high amounts of cash deposits and disbursements very suddenly. She informed that it is a learning moment, but that part of it was likely due to the quick “in and out” of these funds.

Falteysek reviewed the General Fund fund balances. He explained that the policy always requires at least an unassigned reserve of 50% within the fund balance. Falteysek stated that the policy also allows the city to transfer out funds into the capital funds if there is more than a 50% unassigned reserve amount in the fund.

Foster explained that the transfer discussion would be coming to a future City Council meeting for review.

Falteysek reviewed the general fund budget-to-actual information. He explained revenues were higher than expected mostly because of higher-than-expected building permits. He stated that expenditures were also higher than expected because of building permit processing fees.

Falteysek provided details on the city's general fund revenues and expenditures by type. He broke down the revenue by type between the categories of property/franchise taxes, charges for services, intergovernmental and other. He broke down expenditures by type between the categories of general government, public safety, public works and other.

Falteysek reviewed the city's major and nonmajor special revenue funds including the ARPA, fire operating and economic development funds. He then reviewed the city's major and nonmajor capital project funds including capital projects, utility projects, park projects, TIF, fire equipment and escrow funds.

Falteysek went into detail about the city's debt service funds. He explained how the funds work as it relates to paying for debt owed each year.

Falteysek reviewed the enterprise funds including the water, sewer, and stormwater funds. He reviewed that they look to make sure receipts cover the debt and operating costs within the accounts. He stated that these accounts are operating well.

Falteysek provided information on the city's cash and investments balances by fund type. He concluded by reviewing key performance indicators that provide comparisons to other similar sized cities in the State of Minnesota and Carver County.

Pawelk expressed appreciation for the auditor's hard work and staff's hard work. He stated that things seem to be in good order and that the city seems to be heading in the right direction. Walters agreed.

Walters thanked the staff and the Falteysek as well. He explained that the city has made a lot of progress over the years to get where it is today.

Falteysek provided a quick overview of the city's financial statement report.

3. Adjournment

The meeting was adjourned at 6:20 pm.

**309 Lewis Avenue South; P.O. Box 279, Watertown, MN 55388**

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Michael Walters, Mayor

ATTEST: \_\_\_\_\_

Margaret Reisdorf, Admin. Services Director